

## Summary of Financial Statements for the Third Quarter of Fiscal Year Ending April 2021 [Japan GAAP] (Consolidated)

March 2, 2021

Name of listed company: **AIN HOLDINGS INC.**  
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange  
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Date of filing quarterly securities report: March 17, 2021  
Start of dividend payment: -  
Supplementary documents for quarterly results: Yes (Supplementary materials for the quarterly results are disclosed on the Company's website appropriately as the financial statements.)  
Quarterly results briefing: No

(Amounts are rounded down to the nearest million yen.)

### 1. Consolidated results for the third quarter of fiscal year ending April 30, 2021 (May 1, 2020 to January 31, 2021)

#### (1) Consolidated operating results

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended January 31, 2021	220,135	0.0	6,813	(45.3)	7,845	(39.7)	4,575	(35.7)
Nine months ended January 31, 2020	220,085	8.7	12,447	4.5	13,008	4.7	7,110	4.9

(Note) Comprehensive income: Nine months ended January 31, 2021: ¥4,603 million (-35.2%)  
Nine months ended January 31, 2020: ¥7,100 million (+5.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended January 31, 2021	129.16	-
Nine months ended January 31, 2020	200.71	-

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of January 31, 2021	198,772	113,657	57.2
As of April 30, 2020	193,451	111,003	57.3

(Reference) Shareholders' equity: As of January 31, 2021: ¥113,607 million As of April 30, 2020: ¥110,915 million

### 2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2020	-	0.00	-	55.00	55.00
Year ending April 30, 2021	-	0.00	-		
Year ending April 30, 2021 (forecast)				55.00	55.00

(Note) Revision to the most recently announced dividend forecasts: No

3. Consolidated financial forecasts for the fiscal year ending April 30, 2021 (May 1, 2020 to April 30, 2021)

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	300,000	2.5	9,200	(42.7)	10,000	(40.6)	5,000	(45.5)	141.13

(Note) Revision to the most recently announced consolidated financial forecasts: No

\*Notes

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No

Newly consolidated: – Excluded: –

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For detail, please refer to "2. Quarterly consolidated financial statements and major notes (3) Notes on quarterly consolidated financial statements" on pages 8-9 of the Attachment.

(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions

1) Changes in accounting principles as a result of revisions to accounting standards, etc.: No

2) Changes in accounting principles other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of January 31, 2021	35,428,212 shares	As of April 30, 2020	35,428,212 shares
2) Number of shares held in treasury:	As of January 31, 2021	816 shares	As of April 30, 2020	728 shares
3) Average number of shares outstanding:	Nine months ended January 31, 2021	35,427,426 shares	Nine months ended January 31, 2020	35,427,484 shares

\*This Summary of Financial Statements is outside the scope of quarterly review procedures.

\*Statement regarding the proper use of financial forecasts and other special remarks

(Caution concerning forward-looking statements)

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

Contents of the Attachment

1. Qualitative information on consolidated results for the period under review.....	2
(1) Consolidated operating results .....	2
(2) Consolidated financial position .....	3
(3) Forecast of consolidated financial results and other forward-looking information.....	3
2. Quarterly consolidated financial statements and major notes .....	4
(1) Quarterly consolidated balance sheet .....	4
(2) Quarterly consolidated statements of income and comprehensive income .....	6
Quarterly consolidated statements of income.....	6
Quarterly consolidated statements of comprehensive income .....	7
(3) Notes on quarterly consolidated financial statements .....	8
(Notes on the premise of a going concern) .....	8
(Notes on significant changes in the amount of shareholders' equity).....	8
(Application of specified accounting methods for the preparation of quarterly consolidated financial statements).....	8
(Segment information, etc.).....	8

## 1. Qualitative information on consolidated results for the period under review

### (1) Consolidated operating results

During the first nine months of the current fiscal year (May 1, 2020 to January 31, 2021), the Japanese economy continued to face challenging conditions due to the impact of the COVID-19 pandemic. However, amid signs of a pickup in consumer spending and other areas, policy effects and other factors are expected to help sustain a continued upturn in the economy.

In this economic environment, the AIN HOLDINGS Group (the Group) worked to expand its business and increase earnings by opening new dispensing pharmacies and cosmetic and drug stores and by reviewing its cost structure.

In pharmacy and store operations, the Group rigorously enforced measures to prevent infection to reassure patients and customers, and worked to ensure the continued provision of healthcare and retail services by implementing strict measures to protect employees from infection.

In addition, in December 2020, we identified key sustainability issues that the Group needs to address (materiality) in order to achieve the sustainable development goals (SDGs). Through businesses that support human health and beauty, the Group will work to achieve sustainability management with the aim of generating sustainable growth and creating social, environmental and economic value.

In the first nine months of the fiscal year, net sales was ¥220,135 million, nearly the same level as the period of the previous year, operating income decreased 45.3% to ¥6,813 million, ordinary income decreased 39.7% to ¥7,845 million, and profit attributable to owners of parent decreased 35.7% to ¥4,575 million.

Financial results by business segment are as follows.

#### (Dispensing pharmacy business)

Since September 2020, under partial revisions to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Revised Pharmaceuticals and Medical Devices Act), which are being implemented incrementally, dispensing pharmacies have been allowed to provide online drug treatment guidance nationwide in accordance with certain rules. To ensure our pharmacists and dispensing pharmacies fulfill their primary care role, the Group continues to implement pharmaceutical management based on the integrated and continuous management of drug-related information through cooperation with local medical service providers, the use of patient medication notebooks and other means. The Group also enhanced drug treatment guidance and created a system that enables all dispensing pharmacies to provide online drug guidance so that every patient can easily access medical services in their local community.

In November 2020, we conducted a number of trials with the goal of building a next-generation healthcare service model that covers online drug treatment guidance through to the delivery of medicines to patients. Specifically, we implemented a trial using drones to deliver prescription medicines to patients on the island of Nokonoshima, Fukuoka City, and conducted online drug treatment guidance for patients in Ina City, Nagano Prefecture using a video conferencing system and healthcare mobility vehicles fitted with medical equipment.

In business development, the Group is pushing ahead with further business expansion and measures to improve the efficiency of pharmacy operations, including actively opening large pharmacies and tightening the criteria for M&A deals, as well as using its pharmacy opening strategy to withdraw from small-scale locations.

Sales and profits declined year on year, reflecting an increase in the duration of prescriptions during the COVID-19 pandemic, which led to a rise in the average unit price per prescription but a decline in the number of prescriptions. The closure and business transfer of 64 pharmacies in the previous fiscal year to improve the efficiency of pharmacy operations also had an impact. However, the number of prescriptions is now recovering at a moderate pace.

As a result, for the first nine months of the fiscal year, the dispensing pharmacy business reported sales of ¥194,284 million, down 1.3% year on year, and segment income of ¥13,769 million, down 11.6%.

During the same period, the Group opened a total of 15 dispensing pharmacies, including those acquired through M&A deals, and closed 12 dispensing pharmacies and transferred 34, resulting in a total of 1,057.

#### (Cosmetic and drug store business)

The cosmetic and drug store business continued to face a challenging market environment due to factors such as the impact of the COVID-19 outbreak. Against that backdrop, the Group continued to open *ainz & tulpe* cosmetic and drug stores in major metropolitan areas, while also shifting its focus in store opening strategy to areas around terminus stations in commuter towns, where demand is strong. The Group also strategically developed retail displays tailored to the characteristics of each store. In addition, the Group is using the official AINZ & TULPE WEBSTORE to improve convenience and service levels for customers.

As a result, for the first nine months of the fiscal year, the cosmetic and drug store business reported a decrease in sales of 28.3% year on year to ¥14,386 million, and segment loss was ¥1,507 million compared with the income of ¥575 million a year earlier.

During the same period, the Group opened seven *ainz & tulpe* cosmetic and drug stores and closed five stores, resulting in a total of 65 cosmetic and drug stores at the end of the third quarter.

(Other businesses)

Net sales from other businesses increased 244.9% year on year to ¥11,542 million, mainly reflecting the acquisition of retail shop business in March 2020, and segment loss was ¥479 million compared with the loss of ¥170 million a year earlier.

## **(2) Consolidated financial position**

The balance of total assets at the end of the third quarter inclined by ¥5,321 million from the end of the previous fiscal year to ¥198,772 million. That mainly reflected declines for goodwill and for other accounts receivable, partially offset by increases for cash on hand and in banks and for other investments and other assets.

The balance of liabilities increased ¥2,667 million to ¥85,114 million.

The balance of short- term and long-term debts increased by ¥6,467 million to ¥12,542 million.

Total net assets increased by ¥2,654 million to ¥113,657 million and the shareholders' equity ratio decreased 0.1 percentage points to 57.2%.

## **(3) Forecast of consolidated financial results and other forward-looking information**

The Group has not revised its earnings forecasts for the full fiscal year, announced on December 3, 2020.

**2. Quarterly consolidated financial statements and major notes****(1) Quarterly consolidated balance sheet**

(Million yen)

	Fiscal year ended April 30, 2020 (As of April 30, 2020)	Nine months ended January 31, 2021 (As of January 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	46,321	54,756
Notes and accounts receivable	13,653	11,866
Merchandise	15,035	15,320
Supplies	286	277
Short-term loans	208	135
Other accounts receivable	8,997	6,724
Other current assets	3,299	3,165
Allowance for doubtful accounts	(1)	-
Total current assets	87,802	92,246
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	16,609	16,333
Land	10,960	10,401
Other property, plant and equipment, net	3,304	3,757
Total property, plant and equipment	30,874	30,492
<b>Intangible fixed assets</b>		
Goodwill	42,123	39,570
Other intangible fixed assets	2,792	3,348
Total intangible fixed assets	44,916	42,919
<b>Investments and other assets</b>		
Investments in securities	2,295	2,389
Deferred tax assets	4,211	4,250
Deposits and guarantees	19,144	19,390
Other investments and other assets	5,834	8,611
Allowance for doubtful accounts	(1,644)	(1,528)
Total investments and other assets	29,841	33,113
Total fixed assets	105,632	106,526
Deferred assets	15	-
Total assets	193,451	198,772

(Million yen)

	Fiscal year ended April 30, 2020 (As of April 30, 2020)	Nine months ended January 31, 2021 (As of January 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	47,187	46,700
Short-term debt	3,642	3,975
Accrued income taxes	3,356	375
Deposits received	13,094	14,240
Allowance for bonuses to employees	2,338	1,082
Allowance for bonuses to directors	16	7
Reserve for reward obligations	463	496
Other current liabilities	4,600	4,318
Total current liabilities	74,700	71,197
Long-term liabilities		
Long-term debt	2,432	8,567
Net defined benefit liability	3,124	3,278
Other long-term liabilities	2,189	2,071
Total long-term liabilities	7,747	13,917
Total liabilities	82,447	85,114
<b>Net assets</b>		
Shareholders' equity		
Common stock	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	68,758	71,385
Treasury stock	(2)	(2)
Total shareholders' equity	111,151	113,778
Accumulated other comprehensive loss		
Unrealized holding losses on securities	(77)	(49)
Remeasurements of defined benefit plans	(159)	(121)
Total accumulated other comprehensive loss	(236)	(170)
Non-controlling interests	88	50
Total net assets	111,003	113,657
Total liabilities and net assets	193,451	198,772

**(2) Quarterly consolidated statements of income and comprehensive income**  
**Quarterly consolidated statements of income**

(Million yen)

	Nine months ended January 31, 2020 (May 1, 2019 to January 31, 2020)	Nine months ended January 31, 2021 (May 1, 2020 to January 31, 2021)
Net sales	220,085	220,135
Cost of sales	184,284	186,976
Gross profit	35,801	33,159
Selling, general and administrative expenses	23,353	26,346
Operating income	12,447	6,813
Non-operating income		
Interest income	46	33
Dividend income	36	43
Commissions received	12	15
Real estate rental revenue	304	134
Consignment income	134	141
Subsidy income	-	466
Other non-operating income	301	454
Total non-operating income	835	1,288
Non-operating expenses		
Interest expenses	53	37
Losses on sales of accounts receivables	49	58
Real estate rental expenses	101	113
Other non-operating expenses	70	47
Total non-operating expenses	274	256
Ordinary income	13,008	7,845
Extraordinary income		
Gains on sales of fixed assets	34	18
Gains on transfer of business	313	383
Gains on sales of shares of subsidiaries and affiliates	-	111
Surrender value of insurance	0	11
Other extraordinary income	1	30
Total extraordinary income	349	555
Extraordinary losses		
Losses on disposal and sales of fixed assets	415	216
Impairment losses on fixed assets	84	64
Loss on temporary store closures	-	52
Other extraordinary losses	193	163
Total extraordinary losses	693	497
Profit before income taxes	12,664	7,903
Income taxes	5,554	3,366
Profit	7,109	4,537
Loss attributable to non-controlling interests	(0)	(38)
Profit attributable to owners of parent	7,110	4,575

**Quarterly consolidated statements of comprehensive income**

(Million yen)

	Nine months ended January 31, 2020 (May 1, 2019 to January 31, 2020)	Nine months ended January 31, 2021 (May 1, 2020 to January 31, 2021)
Profit	7,109	4,537
Other comprehensive income		
Unrealized holding gains (losses) on securities	(23)	27
Remeasurements of defined benefit plans, net of tax	14	38
Total other comprehensive income	(8)	65
Comprehensive income	7,100	4,603
Comprehensive income attributable to owners of parent	7,101	4,641
Comprehensive loss attributable to non-controlling interests	(0)	(38)

**(3) Notes on quarterly consolidated financial statements**

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

(Notes on significant changes in the amount of shareholders' equity)

There are no applicable matters to be reported.

(Application of specified accounting methods for the preparation of quarterly consolidated financial statements)

To calculate tax expenses, the effective tax rate on income before income taxes for the consolidated fiscal year after the application of tax effect accounting is reasonably estimated and the estimated rate is applied to income before income taxes for the quarterly period.

(Segment information, etc.)

I Nine months ended January 31, 2020 (May 1, 2019 to January 31, 2020)

1. Net sales and income (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
(1) Sales to third parties	196,753	20,071	3,260	220,085	-	220,085
(2) Intersegment sales	-	-	85	85	(85)	-
Total sales	196,753	20,071	3,346	220,171	(85)	220,085
Segment income (loss)	15,569	575	(170)	15,974	(2,966)	13,008

Notes: 1. The adjustment of ¥(2,966) million to segment income (loss) includes ¥4,405 million in corporate expenses, ¥(1,514) million in (income) losses that are not allocated to reportable segments, and ¥75 million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division of the parent company.

2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.

II Nine months ended January 31, 2021 (May 1, 2020 to January 31, 2021)

1. Net sales and income (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
(1) Sales to third parties	194,284	14,386	11,464	220,135	-	220,135
(2) Intersegment sales	-	-	78	78	(78)	-
Total sales	194,284	14,386	11,542	220,213	(78)	220,135
Segment income (loss)	13,769	(1,507)	(479)	11,782	(3,936)	7,845

Notes: 1. The adjustment of ¥(3,936) million to segment income (loss) includes ¥4,764 million in corporate expenses, ¥(947) million in (income) losses that are not allocated to reportable segments, and ¥120 million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division of the parent company.

2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.