



Accelerating Momentum

Integrated Report 2022

2021.5 ~ 2022.4



Our Vision

Aiming to be a company that people welcome to their communities

Value Creation Story

AIN Group operates a dispensing pharmacy business which is the leader in the Japanese market by sales, and a cosmetic and drug store business focused on AINZ & TULPE store, a unique retail format mainly selling cosmetics. The AIN Group is also working to help create a sustainable society by tackling and solving social issues through its business activities and realizing our vision.

Group Statement

We are committed to ensuring our employees are happy and motivated. We want the AIN Group to be a workplace where employees seek out new challenges to grow and develop, dedicating themselves to improving the health and happiness of customers. Our goal is to be a leading corporate group that constantly embraces change.

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Forward-looking Statements

This integrated report contains forecasts and projections concerning the plans, strategies and performance of the AIN Group. These forecasts and projections constitute forward-looking statements that are not historical facts, but are based on assumptions and beliefs in accordance with information currently available to management.

These forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, intense competition in the healthcare industry, etc., demand, tax systems, and laws and regulations. As such, the Group wishes to caution readers that actual results may differ materially from those projected.

Aiming to be a company that people welcome to their communities by working with them to tackle social issues



President and Representative Director
Kiichi Ohtani

Thank you for your continued support of the AIN Group.

The prolonged COVID-19 pandemic has had a major impact on the Group's operating environment. In our core dispensing pharmacy business, digitization is gaining momentum, while our cosmetic and drug store business is seeing changes in consumer behavior. Against this backdrop, we launched the official AIN Pharmacy app, Anytime AIN Pharmacy, in February 2022, allowing patients to receive online pharmaceutical guidance from any dispensing pharmacy in our nationwide chain. The cosmetic and drug store business remained solid, backed by its merchandising strategy and better brand visibility through store openings aimed at building a dominant market presence. This included the March 2022 opening of the AINZ & TULPE FUKUOKA TENJIN-NISHI DORI, which is our flagship store in the Fukuoka-Hakata area, and the opening of our fourth store in the same area, AINZ & TULPE LaLaport FUKUOKA, the following month.

While the pandemic has impacted our business, the last few years have given us a good opportunity to review earning structures and organizations in each business and reassess measures to accelerate growth. These preparations are now starting to bear fruit. While the outlook is increasingly uncertain due to economic and social disruption and major developments worldwide, the AIN Group will draw on its combined strengths to step up growth.

Fiscal 2022 in review

Responding to the pandemic and laying the foundations for growth

For fiscal 2022, ended April 30, 2022, the AIN Group reported net sales of ¥316,247 million, up 6.4% year on year, operating profit of ¥15,139 million, up 38.5%, and profit attributable to owners of parent of ¥7,092 million, up 5.9%.

The dispensing pharmacy business saw a lingering impact from the pandemic, but prescription volume is steadily returning to pre-pandemic levels. Pharmacies that were opened in the previous fiscal year also performed well.

In the cosmetic and drug store business, earnings of stores in urban markets were affected by a drop-off in inbound demand and a decline in mobility due to the COVID-19 pandemic, but stores in semi-urban markets registered strong sales. Responding to changes in consumer behavior, we adjusted criteria for opening new AINZ & TULPE stores and optimized costs, aiming to improve profitability in the business by fiscal 2023.

Dispensing pharmacy business

Promoting DX and introducing a FM system

The operating environment in the dispensing pharmacy business is changing rapidly. In April 2022, requirements for online pharmaceutical guidance were eased and repeat prescriptions started. Digital prescriptions are expected to be implemented in January 2023.

In 2018, the Group established the IT Management Division (currently the Digital Promotion Division), which has led digital transformation (DX) efforts across our business, such as building internal IT systems and responding to advances in technology. In February 2022 we released a new dispensing pharmacy app, Anytime AIN Pharmacy, which allows users to receive advice from primary care pharmacists and access online pharmaceutical guidance services, offering patients the kind of added-value only the AIN Group can provide.

In pharmacy operations, we introduced a new field manager (FM) system in November 2021. Previously, management staff responsible for each area also worked as dispensing pharmacy leaders. However, thanks to recent steady progress in pharmacist recruitment, we have built up a deeper talent pool, allowing us to create the FM system staffed by specialist managers. FMs work closely with each dispensing pharmacy leader to help them address any issues and maximize value delivery, while also carefully monitoring compliance to mitigate business risks.

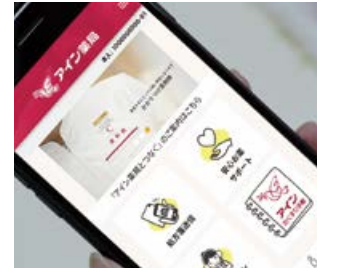
Progress with DX has created an environment that allows immediate access to various types of business data. FMs use this data to rapidly visualize conditions and issues for each dispensing pharmacy. This also offers potential synergies with human resources and DX strategies. FMs already assess and use a wide range of data to develop budgets and annual sales and profit targets with dispensing pharmacy leaders. I believe these skills and tools will translate into a dominant advantage for the AIN Group in pharmacy operations as well.

In this way, DX and the new FM system are enhancing dispensing pharmacy management, which will help accelerate the Group's growth and allow us to provide unique added-value to patients. By offering services that meet the diverse needs of patients in all aspects of their lives, we aim to create an environment that supports even greater peace of mind for patients receiving prescription medication.

Cosmetic and drug store business

Preparing for post-pandemic opportunities and opening overseas stores

AINZ & TULPE's merchandise lineup is focused on domestic and international cosmetic brands, which are displayed and sold in highly innovative retail layout. The cosmetic and drug store business was hit hard by the COVID-19 pandemic, but we are updating our retail strategy whenever necessary in response to changes in consumption patterns. Going forward, we will continue to fine-tune our merchandising strategy and retail layout to strengthen the AINZ & TULPE brand, aiming to make the cosmetic and drug store business a second key source of earnings after the dispensing pharmacy business.



Official AIN Pharmacy app,
Anytime AIN Pharmacy



Online pharmaceutical
guidance services



AINZ & TULPE at BUKIT JALIL TSUTAYA
BOOKS, Pavilion Bukit Jalil (Malaysia)

Meanwhile, through a joint venture established in March 2022 with Marubeni Corporation, we began the rollout of the AINZ & TULPE chain overseas with the opening of our first overseas store in Kuala Lumpur, Malaysia in May. More stores are planned for Kuala Lumpur in 2022, marking a key milestone in the brand's overseas development.



Pharmacist training



Basic etiquette

Human resources strategy Continuing to improve recruitment and training

The dispensing pharmacy business is opening large pharmacies close to major hospitals and key regional hospitals that require large numbers of pharmacists. In April 2022 we welcomed a record 660 new pharmacists to the AIN Group. Pharmacists are required advanced pharmaceutical expertise and strong communication skills, so we have an internal training course with over 50 modules. Highly motivated human resources who want to work in specialist settings, where pharmacists will handle advanced prescriptions and pharmaceutical management, are choosing to join the AIN Group, where they undergo internal education and training, creating a positive cycle of recruitment.

In DX, personnel, product development and other areas, we are also actively recruiting mid-career professionals who can support our growth strategy by bringing a different perspective. As part of these efforts, we are building a new personnel evaluation and employee grade system to be rolled out from fiscal 2023.

Continuing to meet stakeholder expectations

In May 2021, we defined six areas of materiality for the Group and set targets to be achieved by fiscal 2026. We are now implementing concrete measures to reach those targets. Our goal is to be a company that people welcome to their communities. Specifically, we aim to “contribute to local healthcare” and “provide beauty and happiness” through our business, while also actively addressing environmental issues through decarbonization, promoting diversity and inclusion such as the empowerment of women in the workplace, and implementing health and productivity management.

In addition, we need to strengthen the Group's earnings capabilities to ensure we continue to meet the expectations of investors and other stakeholders. We want to create conditions that encourage investors to hold AIN HOLDINGS shares for the long term. This will mean constantly thinking about how to transform our earnings structure, as well as delivering on our stated performance goals – an operating margin of more than 8%, ROA of 4.5% and ROE of 15%.

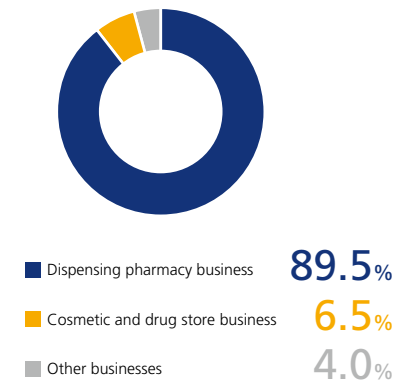
I also want to establish a positive cycle for our business by building a strong reputation in CSR and ESG, which will give our employees added pride and confidence and strengthen our brand. We will continue to push ourselves in all these areas to demonstrate the AIN Group's dominant role in the sector. I hope we can count on your continued support as we work to make this vision a reality.

AIN Group in Numbers

(Fiscal 2022 / As of April 30, 2022)

Net sales

¥316.2 billion
(up 6.4% YoY)



Dispensing pharmacy business

■ Net sales
¥283.1 billion

■ Number of pharmacists
5,768

■ Dispensing pharmacy market share
No.1

■ Prescription volume
22,077 thousand

Cosmetic and drug store business

■ Net sales
¥20.5 billion

■ Ratio of beauty products
87.4%

Management efficiency

■ ROA
3.4%

■ ROE
6.0%

Financial base

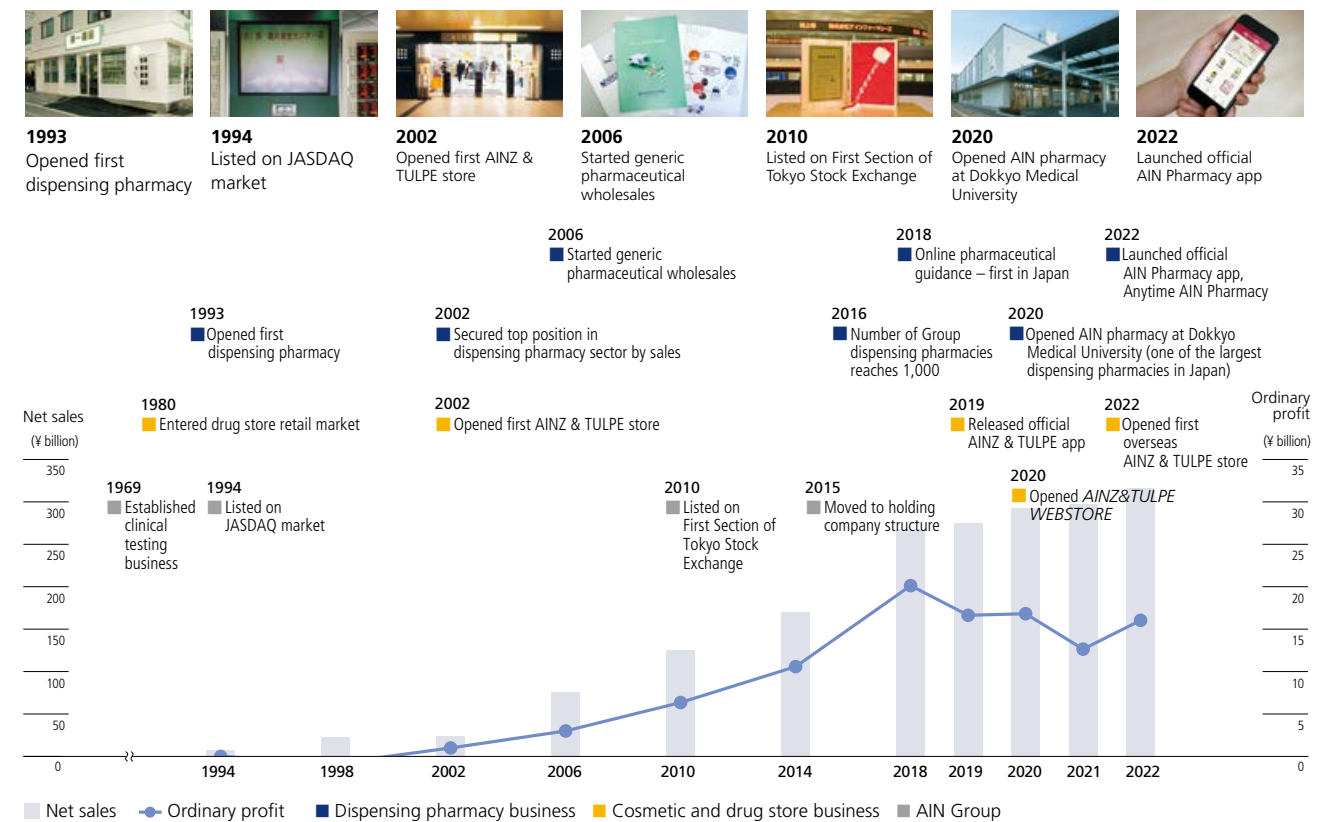
■ Shareholders' equity ratio
56.0%

Diversity

■ Ratio of female directors
25.0%

■ Ratio of female managers
34.0%

AIN Group Corporate History

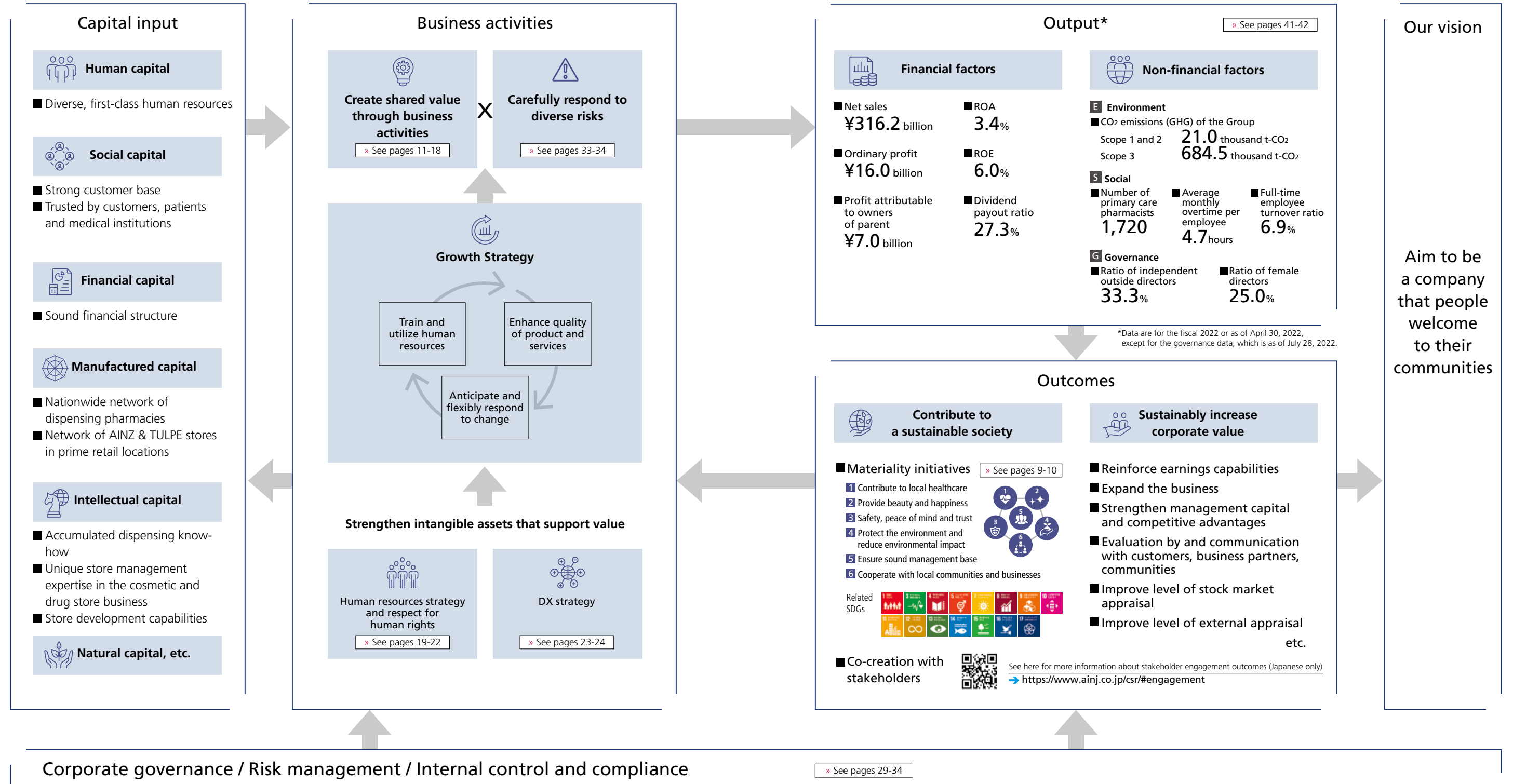


Value creation story

Dedicated to improving the health and happiness of our customers

The AIN Group is dedicated to improving the health and happiness of our customers by supporting their health and beauty through its business activities. The Group has consistently strived to attain this goal, which is enshrined in the Group Statement, by taking a sound and ethical approach in all its corporate activities. Going forward, we will seek to grow in a sustainable way by adjusting and responding to the needs of our customers and all our other stakeholders, while also practicing sustainability management* that creates social, environmental and economic value.

*A management approach based on the idea that contributing to the sustainable development of society also supports the sustainable development of the company

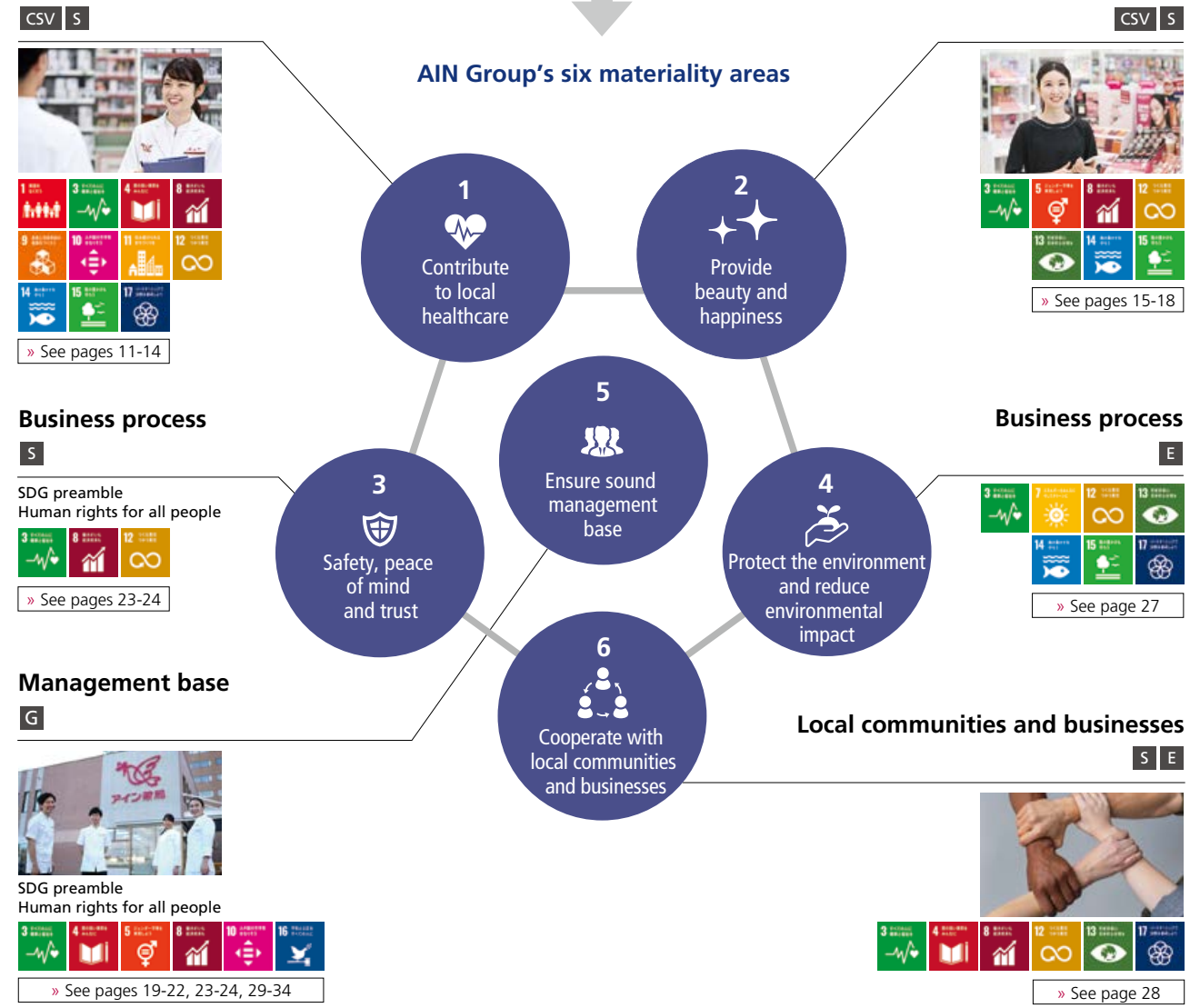


Our stakeholders and materiality

The AIN Group is committed to achieving sustainable development with society in order to meet the expectations and demands of customers and all its other diverse stakeholders. We have therefore identified and categorized a wide range of CSR, ESG and sustainability issues and assessed them from two perspectives – degree of importance to the AIN Group and degree of impact on stakeholders – to define the Group's materiality.



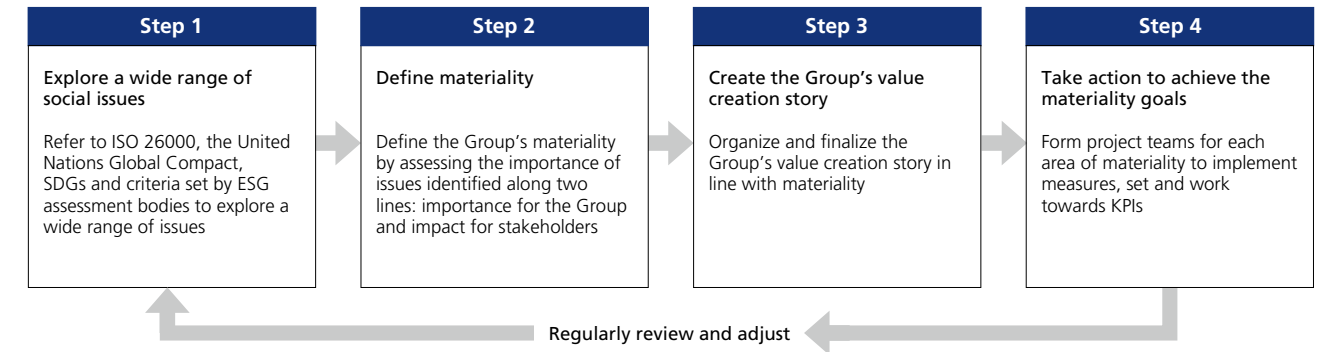
Dispensing pharmacy business Cosmetic and drug store business



Process for defining materiality and formulating action plans

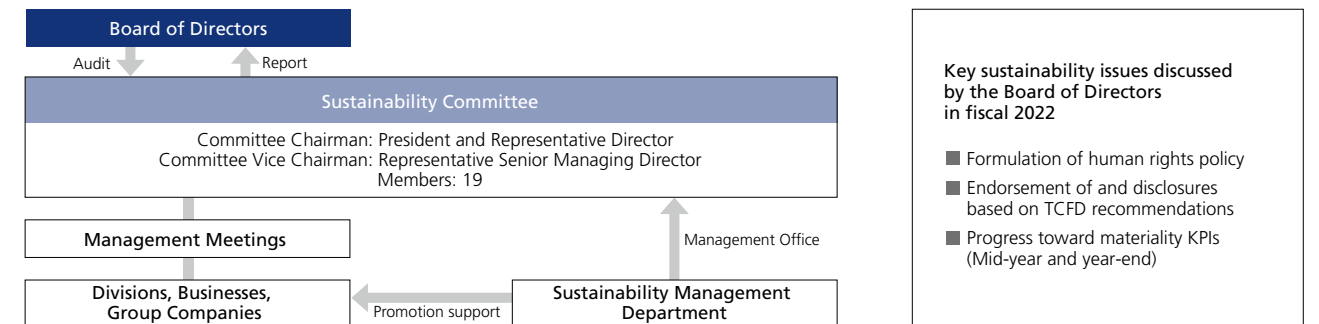
In December 2020, we used the following process to define and disclose the Group's materiality and the supporting value creation story.

We also established project teams for each area of materiality. The teams devised initiatives and set KPIs, which were disclosed in May 2021. We are currently implementing the initiatives to achieve our targets. » See pages 25-26 for the progress report



Sustainability governance

We have formed a Sustainability Committee to establish, promote and embed a sustainability management system across the Group. The committee discusses and determines policies and measures related to the AIN Group's sustainability activities and regularly reports and puts forward proposals on key matters to the Board of Directors. The committee also utilizes Management Meetings to promote sustainability throughout the Group.



Expert seminar

2nd Sustainability Management Study Seminar

In April 2022 we invited outside expert Toshihiko Goto to speak at our Sustainability Management Study Seminar. Mr. Goto has extensive experience in formulating and promoting international standards on sustainability and has worked to encourage adoption of the United Nations Global Compact in Japan. Members of the Sustainability Committee and personnel responsible for promoting sustainability in the AIN Group also attended the seminar, which was titled "The Why, What and How of Sustainability Management and Expectations on the AIN Group."

Drawing on different perspectives, Mr. Goto talked about various sustainability issues and evaluated the AIN Group's sustainability measures, including areas for improvement.

Toshihiko Goto
Chief Executive of Sustainability Forum Japan,
President of UN Global Compact Network Japan



AIN Pharmacy at Tokyo University Hospital



AIN Pharmacy at Nasu Red Cross Hospital



AIN Pharmacy at Nippon Medical School Musashikosugi Hospital



AIN Pharmacy at Abashiri-Kosei General Hospital



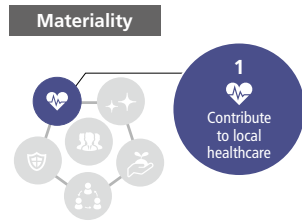
AIN Pharmacy at KKR Sapporo Medical Center



AIN Pharmacy at Japan Health Care University



AIN Pharmacy at JAPANESE RED CROSS HADANO Hospital



Dispensing pharmacy business

We aim to be the leading player in the sector by raising the quality of the Group's dispensing pharmacies and improving the specialist skills of our pharmacists to support local healthcare provision.

- Market environment**
- Changing market structure
 - Stronger policies to control social security costs
 - Regular revisions to drug prices and dispensing fees
 - Advances in medical treatment / Deregulation

- Key strategies**
- Top-line growth
 - Raising quality of dispensing pharmacies and improving specialist skills of pharmacists
 - Strengthening human resources and operational capabilities
 - Addressing advances in healthcare and technological innovation



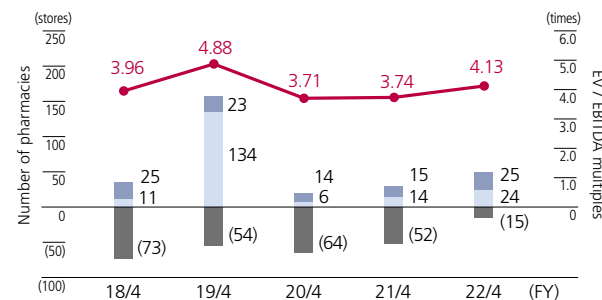
Top-line growth

Pharmacy openings focused on investment efficiency

Since opening its first location in 1993, Daiichi Dispensing Pharmacy (now called AIN Pharmacy Toyooka), the AIN Group has steadily built a nationwide network of 1,099 dispensing pharmacies (at the end of fiscal 2022).

We have expanded the business through organic pharmacy openings and through active use of M&A. Investment efficiency is a key consideration with both approaches. We target investment efficiency using clear criteria for opening new locations and our extensive track record in pharmacy openings, while also reliably responding to changes in the operating environment such as revisions to dispensing fees.

Number of pharmacies and EV / EBITDA multiples



■ Number of pharmacies opened (organic growth) ■ Number of pharmacies acquired through M&A ■ Number of pharmacies closed and sold ● EV / EBITDA multiples

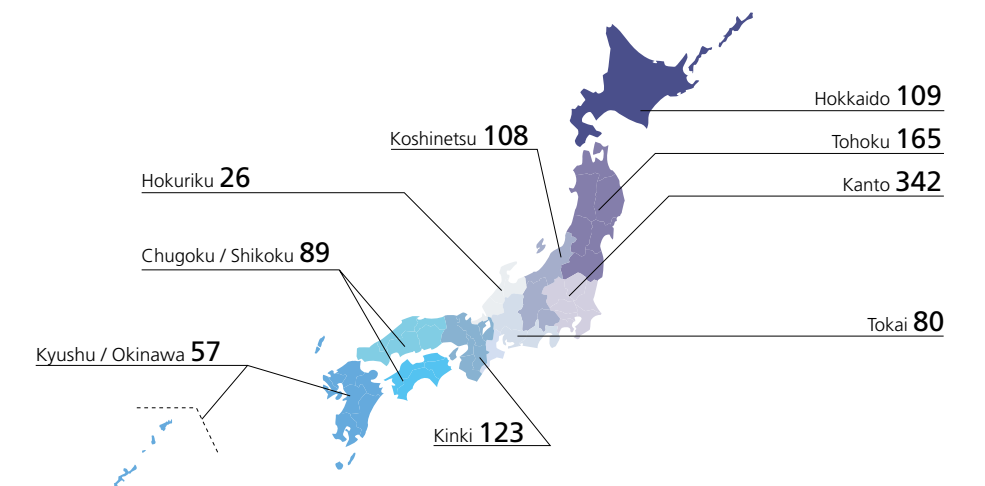
Dispensing pharmacy network (at the end of fiscal 2022)

Number of openings in fiscal 2022 (including M&A)

49

Total number of pharmacies

1,099



In fiscal 2022, we opened large dispensing pharmacies adjacent to medical institutions and village-type pharmacies serving multiple medical institutions in the same area. For pharmacies located close to advanced treatment hospitals or major regional hospitals, our goal is to provide more than just convenient access – we coordinate closely with the local hospitals, train and assign highly skilled pharmacists and work to improve the quality of our pharmacies, aiming to make them a key part of prescription drug treatment for patients.

Raising quality of dispensing pharmacies and improving specialist skills of pharmacists

Responding to new demands on pharmacies and pharmacists

We train pharmacists using a system with more than 50 different modules that can be tailored to the career stage of each employee. Backed by this training, our pharmacists strive to contribute to local healthcare based on close cooperation with medical institutions.

In August 2021 the government launched a new system that certifies dispensing pharmacies as community coordination pharmacies or specialized medical institution coordination pharmacies (See page 13). The certification system gives patients a clearer way of understanding the functions of pharmacies, allowing them to select the best pharmacy for their needs. The AIN Group has been working to improve the specialist skills of its pharmacists, while also responding to demands on pharmacies to play a greater role in local healthcare provision, such as home-based healthcare and greater coordination with medical institutions. We are now actively seeking certification for our pharmacies to formalize these efforts. One of the AIN Group's areas of materiality is "Contribute to local healthcare." As a KPI for this issue, we aim to secure either one of these two types

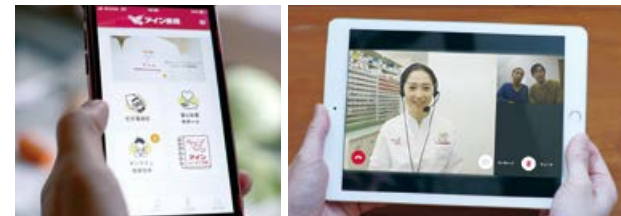
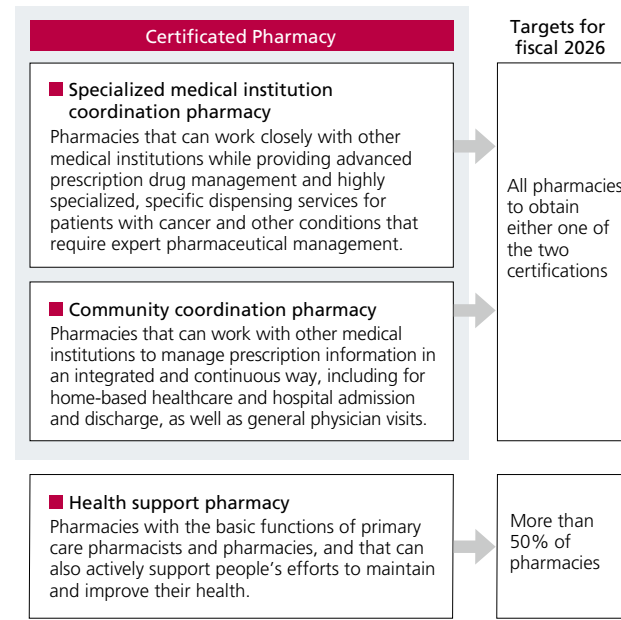


of certification for all of our dispensing pharmacies by fiscal 2026, ending April 30, 2026. As of April 30, 2022, 178 of the Group's dispensing pharmacies were certified as community coordination pharmacies and 18 were certified as specialized medical institution coordination pharmacies.

As the leading company in the sector, we will continue to enhance the quality of the Group's pharmacies and pharmacists and deliver services that encourage patients to choose our dispensing pharmacies for their healthcare needs.

Improving communication with patients

In February 2022, we launched the official AIN Pharmacy app, Anytime AIN Pharmacy. With the app, users can easily message or video call primary care pharmacists for advice with the Prescription Medication Support function or the Online Pharmaceutical Guidance function (bookings, video calls, pharmaceutical deliveries, and credit card payments). By offering services that meet the increasingly diverse needs of patients and by helping patients to connect to primary care pharmacists from their own homes, we aim to create an environment that supports even greater peace of mind for patients receiving prescription medication, increasing the Group's added value.



Official AIN Pharmacy app, Anytime AIN Pharmacy



Strengthening human resources and operational capabilities

We introduced a new field manager (FM) system in November 2021. Previously, sales areas were divided into blocks and management staff in charge of each block were responsible for overseeing multiple dispensing pharmacies while also working as dispensing pharmacy leaders themselves. With the FM system, we selected 100 new FMs from our workforce to become dedicated management personnel, each responsible for roughly 10 dispensing pharmacies. Using this system, we plan to reinforce pharmacy management to maximize value delivery and mitigate business risk. Over the years, we have consistently recruited and trained talented people, giving us a strong base of personnel with excellent management and communication skills who can fill the FM role.

Backed by our DX strategy [See pages 23-24](#), FMs will be able to visualize dispensing pharmacy data, allowing them to drive improvements at each location by providing full support for pharmacy operations and personnel, leading to higher-quality dispensing pharmacy services.

Key roles of field managers

Maximize value delivery	<ul style="list-style-type: none"> • Improve pharmacy environments to increase patient satisfaction • Strengthen primary care and specialist functions • Deploying staff to optimal locations • Handle home-based dispensing • Manage budgets and performance
Mitigate business risks	<ul style="list-style-type: none"> • Improve patient services • Ensure rigorous legal compliance • Analyze, direct and improve safety management • Improve efficiency / Ensure compliance with operational manuals • Train and develop pharmacy leaders and staff



Addressing advances in healthcare and technological innovation

The AIN Group is implementing measures that support government efforts to create advanced healthcare services, such as online pharmaceutical guidance. We are also actively participating in joint research with partners in the academic sector. For example, AIN Pharmacy at Asahikawa Medical University teamed up with the university and Asahikawa City to trial prescription drug deliveries using drones, integrated with online medical examination and pharmaceutical guidance services. AIN Group pharmacists were also part of a project by the University of Tokyo to develop a prescription question database. Leveraging this experience, we are joining innovative initiatives to further improve healthcare service provision and support the broader development of the dispensing pharmacy sector.

We aim to fulfill our responsibility as the leading company in the sector while also steadily improving patient services and strengthening the Group's competitiveness, ensuring we are well-placed to respond rapidly and appropriately to the expected wide-ranging deregulation.



Trial prescription drug deliveries using drones

A Message from the Managing Director

Aiming to foster skills in pharmacists to meet diversifying needs

Miya Oishi

Managing Director,
Division Manager of Dispensing
Pharmacy Operating Management



The role of dispensing pharmacists is changing dramatically. In October 2015, the government set out its vision for patient-focused dispensing pharmacies. Revisions to dispensing fees in April 2022 are designed to realize this vision by promoting local healthcare provision including home-based healthcare; encouraging pharmacists to use their initiative and specialist skills in collaboration with various medical professionals; and rewarding dispensing

pharmacies that adapted to the new realities of the COVID-19 pandemic. The AIN Group is actively working to address home-based healthcare needs, coordinating with various medical professionals and upgrading its specialist skills so that dispensing pharmacies and pharmacists can fulfill the roles envisaged by the government.

Amid increasingly diverse patient needs and advances in healthcare, pharmacists will need to be more closely involved in patient treatments than ever before. In response, we are leveraging the Group's primary care pharmacy and pharmacist capabilities and stepping up training to help our pharmacists increase their specialist knowledge.

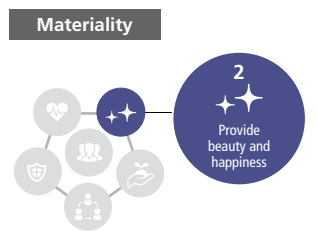
In April 2022, 660 newly graduated pharmacists joined the Group, a new record. Going forward, we will continue to train our pharmacists to become highly skilled professionals to support the provision of services to patients nationwide as a key part of Japan's healthcare infrastructure.



AINZ & TULPE KAMEIDO CLOCK



Lineup of original brands



Cosmetic and drug store business

AINZ & TULPE stores are comprehensive beauty outlets with store operations based on a completely different retail concept to other formats. We aim to grow the business into a second key source of earnings after the dispensing pharmacy business by continuing to improve merchandise and customer service to strengthen brand power and earnings.

- Market environment**
- Narrowing quality gap in the retail sector, including drug stores
 - Diversifying values and lifestyles
 - Faster spread of information via social media, etc.
 - Increase in store closures / exits in other sectors amid the pandemic
 - Expanding market in Asia

- Key strategies**
- Reinforcing differentiation strategy
 - Unique merchandise lineup
 - Store operations
 - Stepping up store openings in semi-urban markets
 - Moving into the Asia market



Reinforcing differentiation strategy

We opened the first AINZ & TULPE store, AINZ & TULPE Chikagai (Sapporo), in 2002. As the brand developed, we opened AINZ & TULPE SHINJUKU HIGASHIGUCHI as our flagship store in the Tokyo area in July 2015. We are now developing AINZ & TULPE stores into comprehensive beauty outlets where shoppers with an interest in beauty can drop by and browse freely. Focusing on the latest trends, AINZ & TULPE stores stock a wide range of items in the health and beauty categories – from cosmetics centered on skincare and make-up products to healthcare products such as over-the-counter drugs, and fashionable accessories.

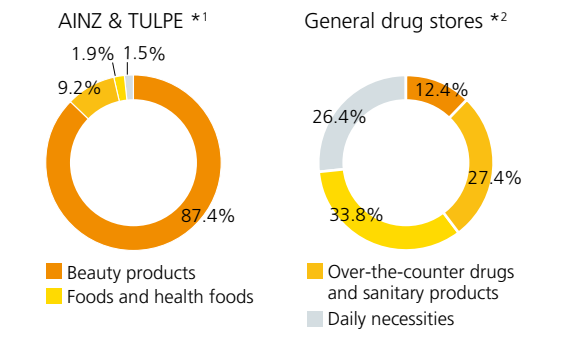
We have steadily built up our experience in store operations based on strong merchandise lineups and unique retail layout designed by staff at each store. This differentiation strategy is helping to reinforce the AINZ & TULPE brand.

Unique merchandise lineup

The beauty category, which is focused on cosmetics centered on skincare and make-up products, accounts for approximately 90% of the merchandise lineup at AINZ & TULPE stores, setting them apart from typical drug stores. The cosmetics lineup is extensive, ranging from reasonably priced cosmetics to premium cosmetics such as consultation-based and therapeutic products. The lineup also includes a wide choice of original brands such as AYURA and LIPS and HIPS.

M&A deals are another approach we are using to make our merchandise lineup stand out in the market. We acquired the AYURA cosmetics brand, which offers original products based on oriental aesthetics, from Shiseido Co., Ltd. in 2015

Comparison of AINZ & TULPE and general drug stores: product mix



*1 Data is for the fiscal year ended April 2022
*2 Source: Monthly Report on the Current Survey of Commerce (fiscal 2022), Ministry of Economy, Trade and Industry

Differences between AINZ & TULPE and other retail formats

	AINZ & TULPE	Drug stores	Department stores
Customer base	People who seek "inner and outer beauty" and "healthy beauty"	Families, overseas visitors	High-income earners, including overseas visitors
Merchandise	Beauty products account for approximately 90% of lineup	Daily necessities and food account for more than 50% of lineup	Brand products only
Pricing	Normal	Discount	Premium
Sales areas	Customers can personally try various beauty products in store	Displays various products	Brands sold through own boutique stores

and the makeup and cosmetics brand DAZZSHOP in 2019. DAZZSHOP sells eye makeup products and colored contact lenses that are popular with younger consumers. Going forward, we will strengthen AYURA and other original brands to improve merchandising capabilities.

Recognizing the strong appeal of the AIN Group brand, cosmetics makers are increasingly supplying versions of national brand products that are exclusive to AINZ & TULPE stores. As part of our differentiation strategy, we plan to step up development of original brand products and these tie-in products to reinforce our brand.

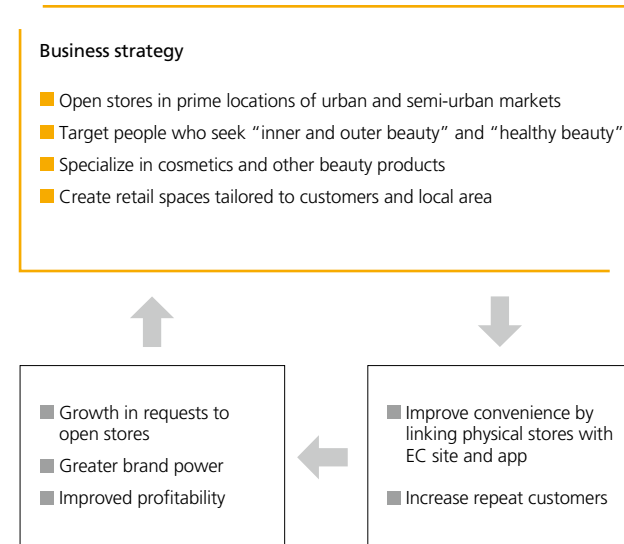
Store operations

Another key part of our differentiation strategy is store operations. One of the features of our cosmetic and drug store business is its ability to rapidly procure and sell new products that are in tune with the latest trends, thanks to the considerable operational independence given to each store. Stores are also allowed to update merchandise lineups and retail areas on a daily basis to create stimulating retail spaces that make the hours fly by. Merchandise trends and other information are quickly rolled out to other stores in the AINZ & TULPE chain, with priority given to strong-selling items to drive growth in sales volumes, which also helps to lift profit margins.

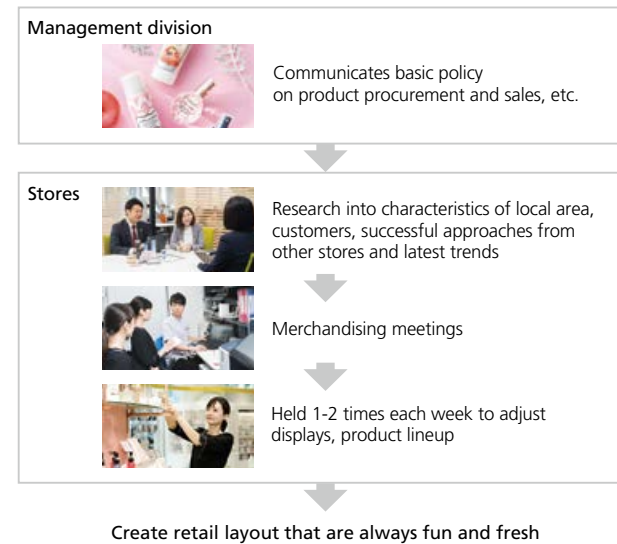
Even during the pandemic, stores have operated on the principle of being as welcoming as possible to customers, aiming to offer an enjoyable but uncrowded, non-contact shopping experience.

We are also harnessing digital transformation (DX) to steadily improve service levels. In October 2019 we launched an official app with point card function, followed by the AINZ & TULPE WEBSTORE in May 2020. Twitter, Instagram and other social media are being used to step up product marketing, and we intend to use the app as an information platform that provides one-stop information on loyalty points and stores. Furthermore, we want to give more people the opportunity to enjoy the same unique AINZ & TULPE shopping experience online as they do in store, and we plan to link the app and EC site with physical stores to develop the AINZ & TULPE fan base and attract new customers.

Business strategies and positive growth cycle



Unique store operations



AINZ & TULPE AMU PLAZA KAGOSHIMA



AINZ & TULPE eikoare Nishijin Chuo



AINZ & TULPE CenTerrace TENMONKAN



AINZ & TULPE LaLaPort FUKUOKA



AINZ & TULPE FUKUOKA TENJIN NISIDORI

Cosmetic and drug store network (at the end of fiscal 2022)

Number of openings in fiscal 2022

12

Total number of cosmetic and drug stores

78

Store opening strategy

Stepping up store openings in semi-urban markets

Since 2015 the AIN Group has opened a string of large AINZ & TULPE stores in highly convenient locations in the Tokyo metropolitan area and other urban markets. In fiscal 2022 we opened 12 new stores, taking the total number of stores to 78.

Earnings in the cosmetic and drug store business deteriorated sharply in fiscal 2022 due to a temporary but large impact from the COVID-19 pandemic at stores leased in department stores and station buildings in major metropolitan areas. However, we have set up a project team to implement structural reforms with the goal of returning the business to profitability in fiscal 2023.

No two AINZ & TULPE stores are the same, thanks to flexible store designs tailored to each location. This store development approach, which can be easily adapted to different locations, customer segments and floor areas, as well as the brand's ability to bring in shoppers, is attracting attention from property developers and other parties, leading to more offers to open AINZ & TULPE stores in prime locations with favorable leasing terms. The Group has put in place the necessary funds and people to take advantage of these opportunities. Specifically, we are opening more stores in semi-urban markets, where demand remains strong relative to other parts of large metropolitan areas, and we are developing stores that offer good prospects for stable earnings in the post-pandemic world. Backed by this area strategy, we plan to steadily open unique, appealing stores that strengthen and increase the visibility of the AINZ & TULPE brand.

Moving into the Asia market

We have started expanding overseas to support medium and long term growth in the cosmetic and drug store business. In March 2022 we established a joint venture with Marubeni Corporation to lead the international development of the AINZ & TULPE chain in Asia. In May, the joint venture opened its first overseas store, AINZ & TULPE at BUKIT JALIL TSUTAYA BOOKS, Pavilion Bukit Jalil shopping complex in Kuala Lumpur, Malaysia. We plan to open more stores in Kuala Lumpur during 2022.

Using the Group's expertise gained from operating stores with a wide range of specialist beauty and healthcare merchandise, and the Marubeni Group's experience in overseas joint ventures and knowledge of next-generation business development, we will reach out to gen-Y and gen-Z consumers in physical and online channels to offer products that match their needs. We plan to use Malaysia as a foothold to support the development of the AINZ & TULPE brand across Asia.



AINZ & TULPE at BUKIT JALIL TSUTAYA BOOKS, Pavilion Bukit Jalil (Malaysia)

A Message from the Executive Officer

Increasing brand power and visibility

Kaori Ishikawa
Executive Officer, Division Manager of Cosmetic and Drug Store Operating Management



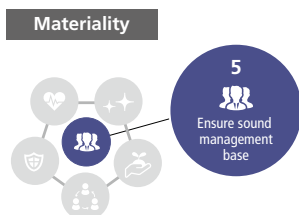
Customer traffic recovered from the previous fiscal year, but the cosmetic and drug store business continued to see an impact from the COVID-19 pandemic in fiscal 2022, particularly in urban markets.

Based on careful analysis of changing consumer activity

patterns caused by the prolonged impact of the pandemic, we actively opened new stores around terminus stations near residential areas in semi-urban areas.

In response to the pandemic, we adjusted criteria for opening new stores and optimized costs, aiming to return the business to profit in fiscal 2023.

We plan to make further improvements to localized store designs and merchandise lineups – one of the strengths of the AINZ & TULPE format – and expand our range of exclusive original brands to boost brand power and visibility. We will continue to use Twitter, Instagram and other social media to market our products, which will raise awareness of the AINZ & TULPE store's unique features. We will also keep up our efforts focusing on store development to encourage even more consumers to visit AINZ & TULPE.



Basis for the AIN Group's sustainable value creation
Human resources strategy and respect for human rights

The AIN Group is reinforcing its human resources strategy as a key element supporting the Group's business base. We are building a human resources system that respects diversity and helps every employee maximize their full potential. We are also upgrading personnel evaluation systems to support diverse career development. By supporting the development of our people into highly skilled human resources who can deliver reliable services to customers, we aim to provide opportunities to grow and develop, improve the health and happiness of customers, and drive innovation across the Group.

Medium-term actions

- Pass on a corporate culture of sincerity and fairness and strengthen solidarity by sharing value
- Create workplace environments that enable each employee to maximize their full potential
- Increase productivity by harnessing the capabilities of each employee

Concrete measures

- Change workplace culture by embedding the Group Statement
- Promote diversity and inclusion by hiring diverse personnel and effectively deploying human resources
- Train highly skilled personnel and create highly productive workplaces
- Step up efforts to improve employee health
- Implement measures to support human rights

Related SDGs



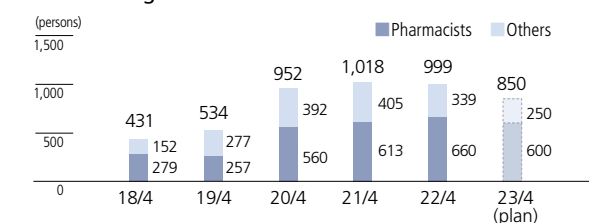
Strengthening human resources

We are using recruitment activities and building training systems to cultivate talent in personnel who can deliver reliable services to customers and patients. Our approach is to train our employee to always be connect closely with the patients, customers and other stakeholders. We believe this will give them the motivation to take on challenges that help to solve issues faced by society.

Recruitment track record

The AIN Group needs to recruit talented people to support its aggressive dispensing pharmacy and store opening programs. In April 2022, the dispensing pharmacy business hired 660 newly graduated pharmacists, a new record for the Group and an increase from 613 in 2021. Going forward, we will continue to recruit high-quality human resources and improve the specialist skills of our pharmacists to support the Group's provision of services to patients nationwide as a key part of Japan's healthcare infrastructure.

Number of graduates hired



Human resources training program

As a company committed to the happiness of customers and patients, the aim of our training program is to encourage employees to cultivate both the skills and the empathy to sincerely address user needs. Our program enables employees to steadily acquire a broad skillset, from basic competencies as a member of society through to specialized skills required for each role in our organization. We provide them with training to become self-sufficient so that they can identify and resolve issues themselves, leading to improvements in individual skills that also lift the capabilities of the whole Group.

Groupwide training and grade-based training

- All employees (including officers)
 - Sustainability training
 - Fiscal 2022 themes: Corporate philosophy, compliance, human rights, information security, health and productivity management, the environment, etc.
- Managers
 - Women's career training / Harassment training
- Senior managers
 - Senior management study seminars
 - Harassment training
 - Sustainability management study seminar

Pharmacists

- Basic training
 - New entrant training
 - Follow-up training
- Specialist training
 - Advanced pharmaceutical management
 - Academic meetings, thesis publication
 - Support for acquiring external qualifications
- Leadership training
 - Trainer development training
 - National employee training
 - Supervising pharmacist training
 - Leadership and followership training

Medical support staff

- New entrant training
- Follow-up training

Retail staff

- New entrant training
- Follow-up training
- Registered salesperson training
- Product study seminars, Product Department merchandising meetings

Creating welcoming workplaces

We are creating welcoming workplaces through introducing performance evaluation frameworks, systems to support the development of diverse career paths and other measures. We are also implementing a range of measures to promote diversity and inclusion and health and productivity management, which the Group has identified as areas of materiality in sustainability management. Going forward, we will continue to build a system to support opportunities for people of all backgrounds, including addressing human rights issues and risks, supporting work-life balance, providing childcare and nursing care schemes, and addressing the needs of LGBT employees.

Empowering each employee

Employees in the AIN Group have the option to work from home, choose their working hours and request assignments in specific regions. In 2021 we also partially revised internal rules and regulations to allow secondary jobs or concurrent work arrangements, creating a system that enables employees to tailor work styles to their specific situation.

In addition, each year we present the AIN's Power Award to employees who put our philosophy of thinking and acting independently into practice. The award, which receives a large number of nominations each year, helps to motivate our personnel. Meanwhile, an increasing number of employees are aiming to advance their careers by applying for new positions through internal appointments, seeking transfers to different types of roles, or by studying to acquire specialist qualifications.

Staff turnover rate*1	6.9%
Overtime*2	4.7 hours
Internal awards*3	14
Internal appointments	77

*1. Turnover rate for full-time employees
 *2. Average non-statutory working hours (monthly, per person)
 *3. 24 nominations

A Message from the Director

Creating welcoming workplaces for everyone

Rieko Kimei
 Director,
 Division Manager of Personnel



To sustain our growth as a company, we have to attract and retain talented people and provide working environments where all employees can continue to grow and develop. To achieve these objectives, the AIN Group is taking the following steps:

1. Providing more opportunities for women (diversity and inclusion)

As a company with a large number of female employees, providing more opportunities for women in the workplace will significantly contribute to the AIN Group's growth. We are working to transform employee mindsets and provide more support for work-life balance in various ways, such as holding career training for female employees and managers, offering flexible working hours, and

encouraging more male employees to use childcare leave.

2. Promoting health and productivity management

In 2021, we expanded employee eligibility for stress testing and reinforced follow-up services provided by occupational health professionals and nutritionists. We believe that creating healthy and supportive workplaces for all employees will energize our whole organization and allow us to focus our energies on customers and patients.

3. Implementing work style reforms

To help employees develop their careers throughout their working lives, we revised internal rules and regulations in 2021 to allow them to have secondary jobs or concurrent work arrangements. By creating workplaces with flexible work styles, we want to foster diverse values in our workforce while also addressing growing needs for different career development pathways.

Led by our new Personnel Division, established in May 2022, we are stepping up efforts to maximize the Group's human capital. The Group's operating environment and the values of its customers are becoming increasingly diverse. Seeing these developments as opportunities, we will respond flexibly to change while also taking on new challenges to ensure patients and customers continue to choose the AIN Group.

Promoting diversity and inclusion

Aiming to drive innovation by supporting diverse work styles and career development paths, the AIN Group is actively promoting diversity by creating working environments and organizations that are welcoming and motivating for all employees, regardless of gender, age, nationality, religion, background, physical ability or sexual orientation. We have set up a diversity and inclusion team as part of the Sustainability Committee to implement concrete measures and to step up support. This includes designing promotion plans for female employees, supporting work-life balance, and addressing the needs of LGBT employees.

Empowering female employees

The AIN Group has a large number of female employees, accounting for roughly 80% of the total workforce (as of April 30, 2022). We have put in place systems to help female employees continue their careers with the AIN Group during changes in their lives, such as marriage and childbirth. We are also empowering women through training courses designed to support advancement with the aim of increasing the ratio of female managers.

Kurumin and Eruboshi certification



Support for childcare and nursing care

	As of April 30, 2022	
Childcare leave	657	
Reduced working hours for childcare	1,008	
Nursing care leave	4	
Flexible working hours	474	
Ratio of female directors / managers		
	As of April 30, 2022 (actual)	As of April 30, 2026 (plan)
Ratio of female directors*1	25.0%	More than one third
Ratio of female managers*2	34.0%	40.0%

*1 AIN HOLDINGS INC.
*2 Subsection chiefs, pharmacy managers, store managers and higher management grades in the AIN Group

Employing people with disabilities

Employees with disabilities play an active role in various departments. As of April 30, 2022, the ratio of AIN HOLDINGS employees with a disability was 2.6%. We plan to work with Group companies to expand the available roles and opportunities for people with disabilities, while also making improvements to the working environment, such as designing barrier-free offices and taking into account their needs.

Post-retirement rehiring scheme

We have set up a rehiring scheme for employees who have reached the mandatory retirement age. The aim is to create an environment where older employees can continue to use their many years of experience and hard-earned skills, while also passing on their expertise to younger generations. As of April 30, 2022, 183 employees were aged 65 or over.

Recruiting mid-career personnel

We are working to recruit mid-career human resources with high-level skills and experience who can immediately make a contribution to the AIN Group. In response to developments in the operating environment, we are seeking to reinforce the Digital Promotion Division, the Personnel Division and other management departments, and hire experienced people for each business. In fiscal 2022, 134 mid-career personnel joined the AIN Group.

Promoting health and productivity management

Chaired by the President of AIN HOLDINGS, the Health and Productivity Promotion Committee is leading the implementation of measures that resolve health and productivity issues in the AIN Group.

In March 2022, the Group received certification as an Outstanding Health and Productivity Management Organization for 2022, which recognizes leading companies in health and productivity management.



Health and Productivity Management Declaration

Corporate Philosophy (Group Statement)

We are committed to ensuring our employees are happy and motivated. We want the AIN Group to be a workplace where employees seek out new challenges to grow and develop, dedicating themselves to improving the health and happiness of customers. Our goal is to be a leading corporate group that constantly embraces change.

To realize this Group Statement, it is vital that we prioritize the health of every employee and create stimulating environments with opportunities for all.

Focusing first on employee health and workplace environments will lead to a corporate culture that motivates and encourages employees to always aim higher, creating an organization that is fully committed to serving customers.

With these goals in mind, the AIN Group pledges to step up efforts to promote health and productivity management and to work across its entire organization to maintain and improve the health of employees.

Kiichi Ohtani, President and Representative Director

Respect for human rights

Basic stance

The AIN Group is dedicated to improving the health and happiness of its customers by supporting their health and beauty through its business activities. The Group consistently strives to attain this goal by taking a sound and ethical approach in all its corporate activities. In support of this, we recognize clearly that respecting the rights of all people affected by our business activities is an integral part of the Group's corporate activities.

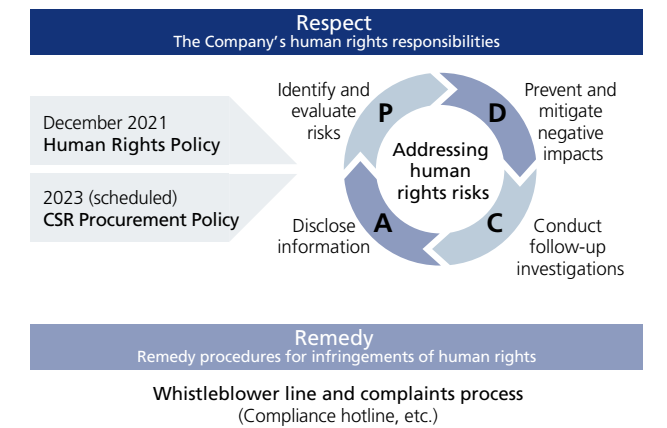
As a minimum standard, the AIN Group recognizes and respects the fundamental human rights stipulated in the International Bill of Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The Group also supports and implements measures in accordance with other international standards on human rights, such as the United Nation's Guiding Principles on Business and Human Rights, the Ten Principles of the United Nation Global Compact, and ISO 26000.

Human rights due diligence

The AIN Group began conducting human rights due diligence from June 2021. In accordance with the Respect and Remedy principles of the United Nation's Guiding Principles on Business and Human Rights, our due diligence measures focus on "addressing human rights risks among employees," "human rights risks in the supply chain," and "creating access to remedies."



Overview of human rights due diligence



Overview of the AIN Group Human Rights Policy

(Formulated December 1, 2021)

The AIN Group Human Rights Policy sets out our clear stance on respecting human rights across the Group's entire value chain.

All officers and employees in the Group are subject to this policy. Every individual is covered by the policy's respect for human rights, and is also responsible for leading its implementation in practice.

In addition, the AIN Group expects all business partners to support and put into practice the principles stated in the policy as part of a joint effort to advance respect for human rights.

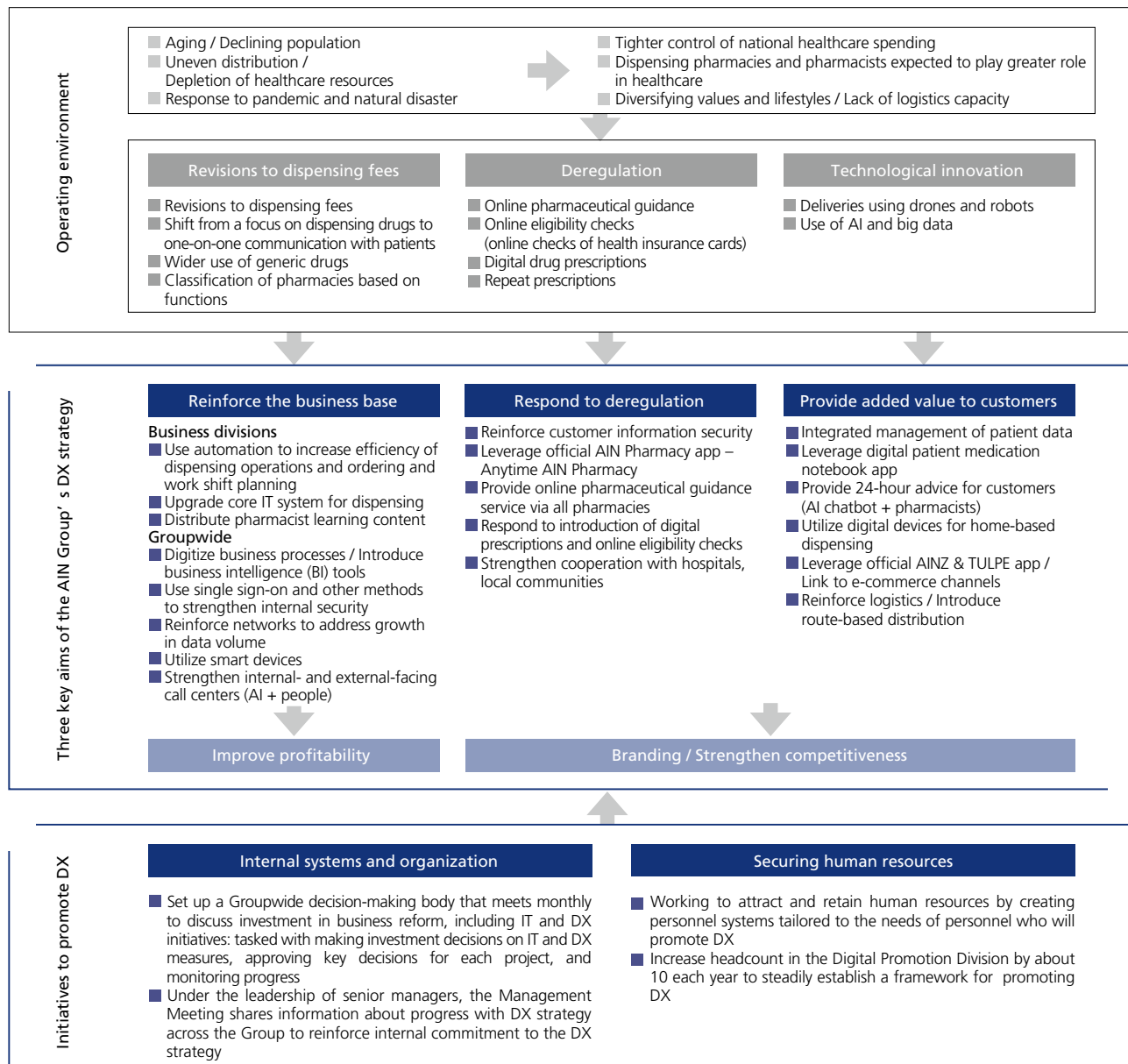
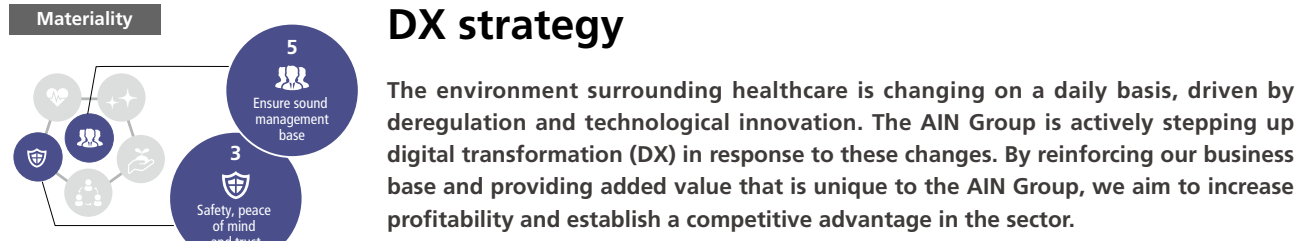
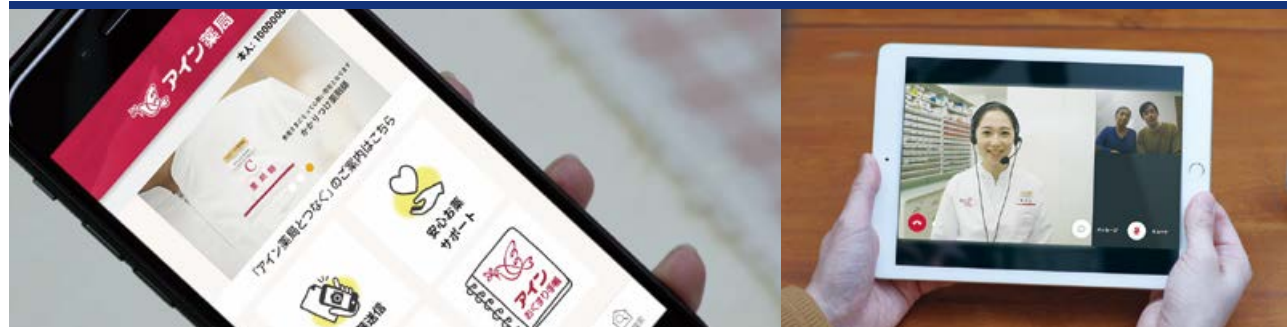


Please see here for more details about the AIN Group Human Rights Policy.
→ https://www.ainj.co.jp/Portals/0/images/csr/sustainability/humanrights_english_20211201.pdf

The AIN Group Human Rights Policy



1. Respect for international standards related to human rights
2. Governance and promotion framework
3. Human rights due diligence
4. Stakeholder engagement
5. Whistleblower line and complaints process
6. Education and awareness
7. Reporting and information disclosure
8. Commitment to addressing human rights issues



Official AIN Pharmacy app – Anytime AIN Pharmacy

The April 2022 dispensing fee revisions relaxed rules governing online pharmaceutical guidance. The Group developed and launched a new proprietary app in February 2022 that allows patients to access pharmaceutical guidance online as well as at our dispensing pharmacies physical locations. In addition to online pharmaceutical guidance and the ability to message or video call pharmacists for advice, the app allows patients send prescriptions directly to pharmacies, reducing wait times. The app also helps improve patient medication compliance through synchronization with the functions of the existing patient medication notebook app, such as automatic record-keeping of medications received. We plan to further upgrade functionality to make the app an everyday tool for patients in both face-to-face and online interactions with our dispensing pharmacies.



Building a stronger base for store operations

■ Upgrading the business base

We have deployed BI tools in the form of digital dashboards for senior managers and field managers (FM). The dashboard for FMs allows them to see and understand operating data for individual pharmacies, even when they are away from the office or on the move. These dashboards, along with the introduction of strategic accounting at head office divisions, enable faster, more accurate management decisions.



■ Using DX to improve operational efficiency

■ Dispensing pharmacy business

In the past, preparing work shifts for dispensing pharmacy employees was a complex process, reflecting the irregular nature of working hours due to coordination with local hospitals and difficulties assigning staff for all the various jobs within each pharmacy. However, the introduction of automated shift calculation and staffing management systems has reduced the need for complicated shift adjustments and helped to optimize the deployment of personnel.

■ Cosmetic and drug store business

The introduction of cloud-based services linking the head office of cosmetic and drug store business and each retail store has made communication smoother and spurred information sharing among stores. The system also enables stores to confirm instructions from head office divisions more rapidly, giving store staff more time to focus on improving store operations and serving customers.

Message from the Executive Officer

Creating added value only the AIN Group can provide

Toshiya Wada
Executive Officer,
Division Manager of Digital Promotion

our FM system in the FY 2022, we will spur greater sharing of successful approaches between dispensing pharmacies to raise the quality of pharmacy operations.

We have also introduced system tools and RPA at head office divisions, allowing them to redirect time and resources away from data document preparation to core tasks. By upgrading groupware, installing new accounting systems and taking other steps, we aim to build a robust framework to support store operations.

DX is also a vital part of our response to far-reaching change in our operating environment, including deregulation, by making the AIN Group's services more convenient and reliable. Through far-sighted investment in DX, we aim to create added value that only the AIN Group can provide.

DX allows us to design systems that provide only the necessary information at the optimal time. This will improve communication between head office and the Group's stores and dispensing pharmacies, resulting in a platform that ensures instructions are implemented. Through DX-led improvements in operational efficiency and the launch of

REINFORCING THE MANAGEMENT BASE

Materiality Initiatives (Progress vs. KPIs)

In May 2021, to promote sustainability management, the AIN Group disclosed key initiatives, KPIs and fiscal 2026 targets (year ending April 30, 2026) in each area of materiality. Officers were also assigned to each project to lead the roll out of measures to achieve the targets. In this section, we provide an update of progress with these materiality initiatives.

Materiality	Key measures	KPI Targets for fiscal 2026	KPI Outcomes in fiscal 2022	Related SDGs
1. Contribute to local healthcare CSV issue S <Project leader> Miya Oishi Managing Director, Division Manager of Dispensing Pharmacy Operating Management	We will fulfill the roles requested and expected of pharmacies to realize the proper use of medicines, and take the initiative in creating new mechanisms required by society. Contribute to the sustainability of the social security system by controlling medical costs through efficient pharmaceutical usage and healthcare provision. Protect the lives and health of employees and ensure the continued provision of pharmaceuticals and healthcare services, even during natural disasters, pandemics and other major events.	Number of certified pharmacies*1 All pharmacies have obtained one of the following certifications <ul style="list-style-type: none"> Specialized medical institution coordination pharmacy Community coordination pharmacy Number of health support pharmacies*2 Secure certification for more than 50% of pharmacies Number of home-based services All pharmacies to conduct at least 24 cases per year Number of primary care pharmacists Deploy primary care pharmacists to all pharmacies Generic drug usage rate Maintain usage rate at 85% or higher at all pharmacies Continually improve BCP and strengthen execution capabilities Achieve 100% response rate for safety verification drills*3 Ratio of disaster base hospital pharmacies with emergency stockpiles Ensure all pharmacies supporting disaster base hospitals have stockpiles	Specialized medical institution coordination pharmacies: 18 Community coordination pharmacies: 178 Health support pharmacies: 126 Conducted at 67.9% of pharmacies Deployed primary care pharmacists to 85.4% of pharmacies Maintained usage rate at 57.9% of pharmacies Achieved 96.0% response rate Completed registration of company vehicles exempt from traffic rules in event of emergency	
2. Provide beauty and happiness CSV issue S <Project leader> Kaori Ishikawa Executive Officer, Division Manager of Cosmetic and Drug Store Operating Management	Open stores with product ranges aligned with retail trends, consumer needs and local areas to empower people through beauty. Develop innovative and original products that help customers create their own unique lifestyles.	Use app to connect with users and offer more buying opportunities Official app <ul style="list-style-type: none"> Number of active users 1 million / month Number of page views 1.5 million / month Number of manufactured clean beauty** private brand products 50% of manufactured products	Number of active users 330 thousand / month Number of page views 560 thousand / month 5.4% of manufactured products	
3. Safety, peace of mind and trust Business process issue S <Project leader> Miya Oishi Managing Director, Division Manager of Dispensing Pharmacy Operating Management	Continually improve quality assurance and safety management systems to reinforce product quality and safety.	Internal audit performance Number of issues raised in pharmacy chain: 0 All cosmetic & drug stores with outstanding ratings*5	Issues raised at 57.0% of pharmacies 64.0% of cosmetic & drug stores with outstanding ratings*5	SDG preamble Human rights for all people
4. Protect the environment and reduce environmental impact Business process issue E <Project leader> Hideki Fujiwara Senior Executive Officer, Division Manager of Operational Support	Identify and reduce greenhouse gas emissions. Protect the environment by reducing industrial waste.	Build processes to ascertain the Group's greenhouse gas emissions Reduce Scope 1 and 2 CO ₂ (GHG) emissions by 30%*6 *Set as vision for fiscal 2031 Pharmaceutical disposal rate Disposal rate of less than 0.02%	CO ₂ (GHG) emissions Scope 1 and 2 21,000 t-CO ₂ Scope 3 684,500 t-CO ₂ Disposal rate of 0.05%	

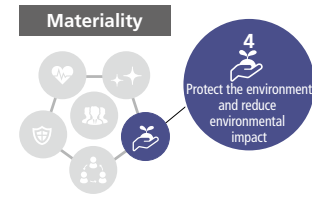
Materiality	Key measures	KPI Targets for fiscal 2026	KPI Outcomes in fiscal 2022	Related SDGs
5. Ensure sound management base Management structure issue G <Project leaders>*10 Toshihide Mizushima Representative Senior Managing Director, in charge of Operating Management, Operational Support and Digital Promotion Miya Oishi Managing Director, Division Manager of Dispensing Pharmacy Operating Management Rieko Kimei Director, Division Manager of Personnel Hideki Fujiwara Senior Executive Officer, Division Manager of Operational Support Toshiya Wada Executive Officer, Division Manager of Digital Promotion Koji Nozawa Executive Officer, Division Manager of Corporate Planning	Implement human rights initiatives. Promote diversity and inclusion by hiring diverse personnel and efficiently deploying human resources. Step up efforts to improve employee health. Reinforce systems to protect corporate information assets and increase system security; also establish regulations and standards and overhaul the management framework to ensure secure system operation. Deepen engagement with various stakeholders and continually reinforce board oversight functions.	Formulate human rights declaration Disclose human rights declaration Develop awareness checklist and set benchmarks for test rate and correct answer rate Test rate: 100%, correct answer rate: 100% Kurumin / Platinum Kurumin certification*7 and Eruboshi / Platinum Eruboshi certification*8 Maintain Platinum Kurumin, Platinum Eruboshi certification, etc. Female manager ratio Female manager ratio: 40% Disclose LGBT declaration Address all items needed to receive outstanding health and productivity management organization certification*9 Secure certification (White 500) Number of security incidents Major security incidents: 0 Board of Directors evaluation points At least 4 or 5 points for all categories Ratio of outside directors At least two-fifths of board Ratio of female directors At least one-third of board	Formulated and disclosed the AIN Group Human Rights Policy in December 2021 Test rate: 98.0%, correct answer rate: 91.8% On track to receive Platinum Kurumin certification in fiscal 2024 Female manager ratio: 34% Rules on personal appearance unified for men and women Awarded certification as an Outstanding Health and Productivity Management Organization (large enterprise category) in March 2022 Major security incidents: 0 4 or 5 points for all categories Ratio of outside directors one third of board (4 out of 12 members) Ratio of female directors one quarter of board (3 out of 12 members)	SDG preamble Human rights for all people
6. Cooperate with local communities and businesses Local community / partner cooperation issue S E <Project leaders>*10 Toshihide Mizushima Representative Senior Managing Director, in charge of Operating Management, Operational Support and Digital Promotion Miya Oishi Managing Director, Division Manager of Dispensing Pharmacy Operating Management	Contribute to society through wellness activities and other initiatives to build mutually beneficial partnerships with local communities. Promote sustainability across the entire supply chain by implementing CSR procurement. Work with pharmaceutical wholesalers to build systems that reduce environmental impact.	Number of community events held At least four each year at all pharmacies Develop CSR procurement guidelines, raise awareness and implement Disclose CSR procurement guidelines Hold briefings for companies in supply chain and monitor implementation Number of pharmaceutical deliveries at participating pharmacies Implement at 500 pharmacies Reduce CO ₂ emissions from deliveries by 75% by cutting number of deliveries Reduce delivery inspection time by 75% by cutting number of deliveries	Held 278 events nationwide Formulated draft CSR procurement policy and guidelines Implemented at 49 pharmacies Reduce CO ₂ emissions from deliveries by 75% by cutting number of deliveries Reduce delivery inspection time by 75% by cutting number of deliveries	

*1. Certified pharmacies (specialized medical institution coordination pharmacy / community coordination pharmacy): A new function-based pharmacy certification system started in August 2021 as part of revisions to the Pharmaceuticals and Medical Devices Act.
 *2. Health support pharmacies: Pharmacies that meet certain standards set out by the Minister of Health, Labour and Welfare; pharmacies with basic primary care pharmacists and functions that also actively help people in the local community to independently maintain and improve their health.
 *3. Safety verification drills: Training to confirm the safety of employees and their families and safe conditions at pharmacies/stores as a matter of priority and to assess support systems to ensure the continued viability of medical service provision.
 *4. Clean beauty: Beauty items that contain (i) ingredients that are kind on the body and skin (mild formulas), and (ii) natural or naturally derived ingredients (organic) and environmental ingredients (eco-friendly, cruelty-free).
 *5. Outstanding stores: Stores with three or fewer categories flagged in internal audits.
 *6. The rate of reduction is based on emissions in fiscal 2022.
 *7. Kurumin / Platinum Kurumin certification: A certification system developed by the

Ministry of Health, Labour and Welfare based on the Act for Measures to Support the Development of the Next Generation; companies with general employer action plans that meet certain standards with respect to progress versus targets are certified as Parenting Support Companies. Kurumin-certified companies that implement more far-reaching initiatives receive special Platinum status from the Minister of Health, Labour and Welfare.
 *8. Eruboshi / Platinum Eruboshi certification: A certification system developed by the Ministry of Health, Labour and Welfare based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace; companies that meet certain standards with respect to supporting women's participation and career advancement in the workplace receive Eruboshi certification as outstanding companies. Eruboshi-certified companies that implement more far-reaching initiatives receive special Platinum status.
 *9. Outstanding health and productivity management organization: A program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi recognizing outstanding companies in health and productivity management. The top 500 large enterprises for health and productivity management are included in the White 500.
 *10. Project leader assigned to each initiative.

REINFORCING THE MANAGEMENT BASE

Initiatives to Tackle Environmental Issues



Protecting the environment and reducing environmental impact is one of the AIN Group's areas of materiality. To help realize a sustainable society, the Group is actively implementing various initiatives with stakeholders.

Responding to climate change

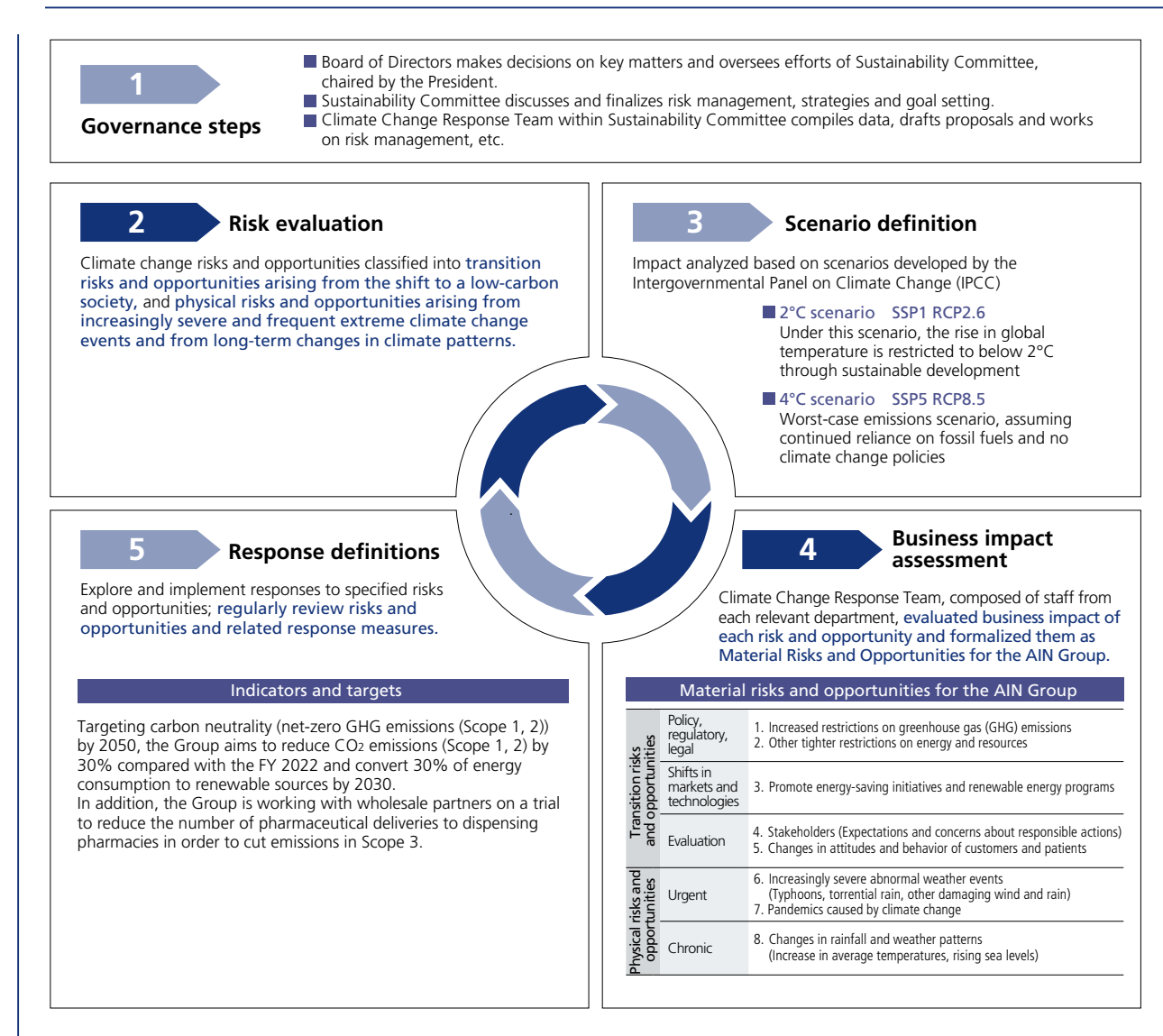
Climate change is becoming more serious each year. As a key part of its efforts to create a sustainable society, the Group endorsed the recommendations of the TCFD* in April 2022. The Group also joined the TCFD Consortium, a group of domestic companies, financial institutions and other bodies that have also endorsed and are working to implement the TCFD recommendations.



*Task Force on Climate-Related Financial Disclosures, established by the Financial Stability Board (FSB) at the request of the G20 finance ministers and central bank governors; the task force published its recommendations in its final report in June 2017.



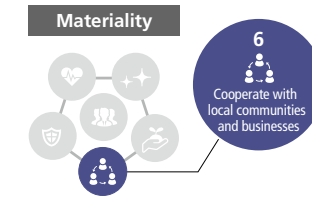
Process of scenario analysis based on TCFD recommendations, implemented from June 2021



Please see here for more details about disclosures based on the TCFD recommendations. (Japanese only)
<https://www.ainj.co.jp/csr/protection2.html>

REINFORCING THE MANAGEMENT BASE

Initiatives to Tackle Social Issues



The AIN Group are creating social value through our business activities and tackles social issues through a wide range of initiatives. In addition to responding to the COVID-19 pandemic, we are supporting communities in the event of natural disasters and co-working with local governments and other partners.

Our response to the COVID-19 pandemic



Backed by thorough measures to prevent the spread of infection, our dispensing pharmacies have continued to provide prescription medicines and healthcare services during the pandemic, while also supporting the rollout of the government's vaccination program at vaccination centers nationwide. In addition, we have helped to maintain health in local communities by supporting vaccinations for AIN Group employees, their families and the employees of business partners at their workplaces, and we have dispatched a total of 1,500 pharmacists to help set up and staff COVID-19 testing centers for the public.



Disaster training at all dispensing pharmacies



Reinforcing the Group's business continuity plan (BCP) is one of our materiality initiatives. As part of this, we ran a first-response training drill at all Group pharmacies in October 2021, based on the scenario of a major earthquake occurring during dispensing pharmacy operating hours. We are also strengthening the Group's resilience in preparation for a natural disaster, such as deploying electric and hybrid vehicles and generators to pharmacies to ensure access to power supplies, and registering company vehicles for exemptions from traffic regulations to ensure emergency deliveries of prescription medicine.



Partnership agreement with Inabe City



In March 2022, we signed a partnership agreement with Inabe City in Mie Prefecture to drive the development of comprehensive local care systems and cohesive local communities. By bringing together people and resources from different generations and fields, the aim is to build cohesive local communities for lifestyles, livability and the wider area, with the AIN Group playing its part in those communities. The end-goal is to create communities that support healthy and active lifestyles for the elderly, provide comprehensive support for the elderly, and are safe and comfortable for the elderly.



The AIN Group assumes responsibility for people's health and the well-being of the wider community through its business activities. The Group promotes a highly efficient and transparent management system and implement ongoing initiatives toward enhancement of corporate governance.

Compliance with the Corporate Governance Code

AIN HOLDINGS has implemented all of the principles in Japan's Corporate Governance Code, which was revised in June 2021.



Please see here for more details about our Corporate Governance Report.
https://www.ainj.co.jp/Portals/0/images/csr/governance/20220729corporategovernance_english_2.pdf

Basic policy on corporate governance

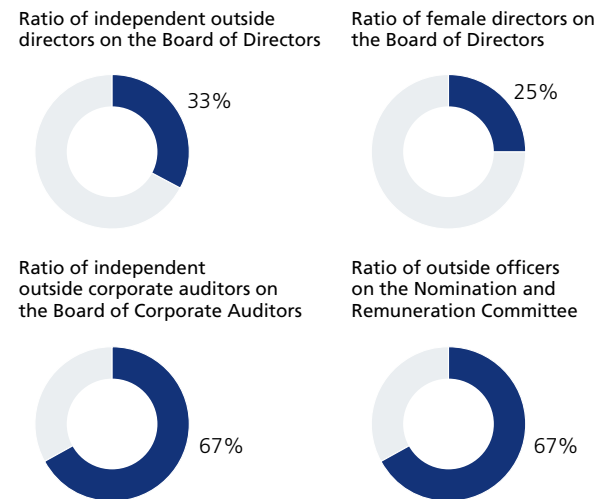
As a Group that operates a dispensing pharmacy business and a chain of cosmetic & drug stores, which are both responsible for people's health, the Group recognizes that it is essential to ensure robust and transparent business activities that put the highest priority on compliance.

To achieve that, the Group adopted the corporate auditor system to oversee major business decisions and business execution, as well as all other areas of corporate management.

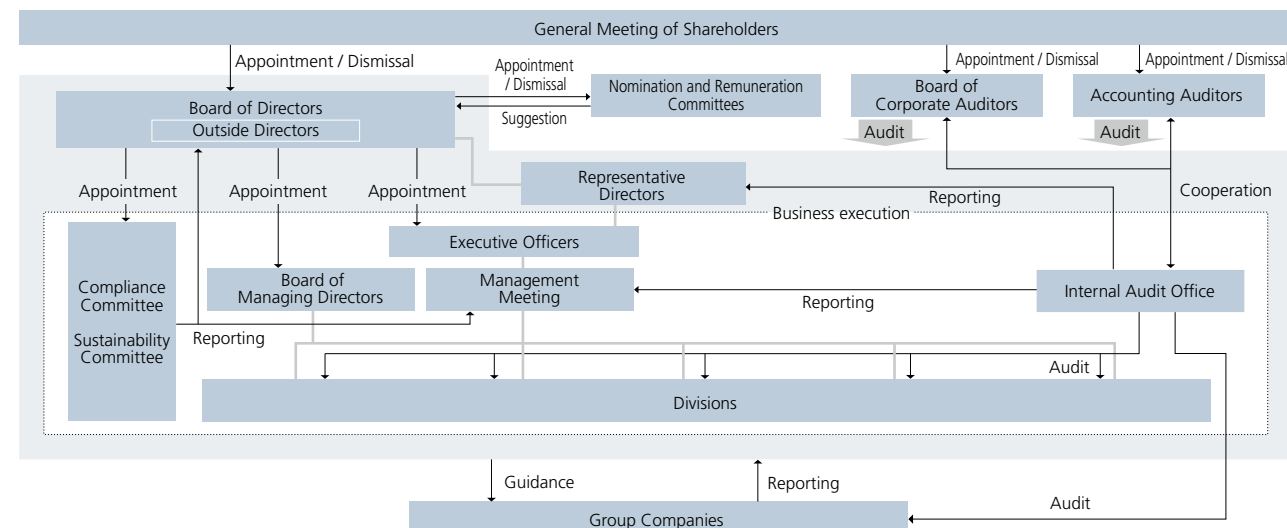
Outline of corporate governance

Corporate governance structure	Corporate Auditor System
Chairman of the Board	Kiichi Ohtani (President and Representative Director)
Number of directors	12 (including 4 outside directors)*
Chairman of the Board of Corporate Auditors	Full-time corporate auditor Koichi Kawamura
Number of corporate auditors	3 (including 2 outside corporate auditors)*
Board of Directors meetings (Attendance of outside directors)	Number of meetings: 11 (97.7 %)*
Board of Corporate Auditor meetings (Attendance of outside corporate auditors)	Number of meetings: 13 (100%)*
Voluntary advisory committee of the Board of Directors	Nomination and Remuneration Committee
Executive officer system	Yes

*Fiscal year ended April 2022



Corporate governance structure



Outside directors and outside corporate auditors

The Board of Directors is comprised of twelve members, including four outside directors. Two of the Company's three corporate auditors are outside corporate auditors. There are no conflicts of interest between the Company and its outside directors and outside corporate auditors.

The outside directors and outside corporate auditors have a number of functions and roles in the Group's corporate governance. Drawing on their specialist knowledge and experience, they contribute to the Group's business strategy, discussions on board resolutions, and internal control, mainly by monitoring business execution and providing input at meetings of the Board of Directors from a neutral, independent and objective standpoint.

The Company currently has no specific standards in place, but the basic policy for recruiting outside directors and outside corporate auditors is to ensure they can fulfill the above roles effectively.

Outside director activities* and reason for the appointment [Attendance at the Board of Directors meetings]

Name	Activities / Reason for the appointment
Noriko Endo [Outside Independent] [100% (11/11)]	Drawing on her extensive knowledge and experience from positions in the editing department of an economics magazine and in a public policy research, as well as her broad knowledge of corporate management in telecommunications, railroad, department store and other businesses, Ms. Endo proficiently fulfills her role in the effective supervision of the Group's business by providing advice from different perspectives in discussions about business strategy, board resolutions and other topics.
Junro Ito [Outside Independent] [91% (10/11)]	Drawing on his extensive knowledge of environmental, social and corporate governance (ESG) issues and his experience leading group companies as a director of a major global retailer, Mr. Ito proficiently fulfills his role in the effective supervision of the Group's business by actively providing opinions and recommendations from a professional perspective regarding business strategy, risk management, sustainability management and important matters in the cosmetic and drug store business.
Shigeru Yamazoe [Newly appointed Outside Independent] [—]	Mr. Yamazoe has extensive knowledge and experience from his previous role as a representative director of a general trading company. Mr. Yamazoe has been appointed as a new outside director, as the Company believes he can draw on this knowledge and experience to further improve the Group's business strategy, financial affairs and cosmetic and drug store business, as well as provide oversight of management policy and corporate strategy decisions and business execution.
Hideki Kuriyama [Newly appointed Outside Independent] [—]	Mr. Kuriyama has extensive knowledge and experience in organizational governance and human resources development, having served as the manager of a professional baseball team and as a professor at a university. Mr. Kuriyama has been appointed as a new outside director, as the Company believes he can draw on this knowledge and experience to further improve the Group's legal affairs, risk management, and sustainability management, as well as provide independent and objective oversight of management policy and corporate strategy decisions and business execution.

Outside corporate auditor activities*

Name	Activities
Akira Ibayashi [Outside Independent]	Provides necessary input based on his specialist knowledge and experience from working at financial institutions.
Osamu Muramatsu [Outside Independent]	Provides necessary input based on his specialist knowledge and experience from working at a major securities firm.

*Fiscal year ended April 2022

Message from newly appointed outside directors



Shigeru Yamazoe
Outside director



Hideki Kuriyama
Outside director

My name is Shigeru Yamazoe, newly appointed outside director. For more than 40 years I have worked in the global electric power and machinery operations of a general trading company, as well as in management positions at various operating companies. In my role on the Board, I would particularly like to contribute to improving the AIN Group's management strategy, financial operations, and cosmetic and drug store business, drawing on my knowledge and experience in global business management at the general trading company and several years as a director and in corporate management.

My name is Hideki Kuriyama, newly appointed outside director. I have coached professional baseball teams and served as a professor at universities. I secured some major wins as a baseball manager, but more importantly, over the last 10 years, I have seen how challenging it is to develop players. I want to effectively use what I learned from that trial and error process. I have also lectured at universities, mainly in business faculties, about how industry can benefit from sport. As a member of the Board, I would like to use my knowledge and experience in human resources development to help improve the AIN Group's legal affairs, risk management and sustainability management.

Skill matrix

Gender	Name	Position / Responsibilities	Outside / Independent / Newly appointed	Main skills					
				Management experience	Finance	Legal affair and risk management	Sustainable management	Dispensing pharmacy business	Cosmetic and drug store business
Male	Kiichi Ohtani	President and Representative Director / Chairman of the Board of Directors / Chairman of the Nomination and Remuneration Committee		●	●		●	●	●
Male	Masahito Sakurai	Representative Senior Managing Director			●	●		●	
Male	Shoichi Shudo	Representative Senior Managing Director		●				●	
Male	Toshihide Mizushima	Representative Senior Managing Director		●	●		●	●	●
Female	Miya Oishi	Managing Director		●			●	●	●
Female	Rieko Kimei	Director		●			●		●
Male	Hidehiro Awaji	Director						●	●
Male	Masato Sakai	Director		●	●			●	
Female	Noriko Endo	Director	Outside / Independent		●	●	●		
Male	Junro Ito	Director	Outside / Independent	●		●	●		●
Male	Shigeru Yamazoe	Director	Outside / Independent / Newly appointed	●	●				●
Male	Hideki Kuriyama	Director	Outside / Independent / Newly appointed			●	●		
Male	Koichi Kawamura	Corporate Auditor (full-time) / Chairman of the Board of Corporate Auditors			●	●			
Male	Akira Ibayashi	Corporate Auditor	Outside / Independent	●	●	●			
Male	Osamu Muramatsu	Corporate Auditor	Outside / Independent	●	●				●

■ Selection and dismissal of directors, nomination of corporate auditors

When appointing directors, the Board of Directors endeavors to give due consideration to diversity by taking into account a broad range of factors, such as the individual's balance of capabilities covering each function and business of the Group, and the need to have the right person in the right position to ensure accurate and rapid decision-making.

In addition, to enhance fairness, transparency and objectivity in procedures for appointing and dismissing directors, the Company has established the Nomination and Remuneration Committee, of which more than half the members are independent outside officers. As an advisory body, the committee discusses and makes recommendations about the appointment and dismissal of directors.

Corporate auditor candidates are nominated based on a comprehensive set of criteria from the perspective of recruiting the most qualified person for the right position, while also ensuring a balance of various perspectives related to expertise in finance and accounting, knowledge about the Company's businesses, and corporate management. Based on the above policies, the Board of Directors makes decisions on candidates put forward by the President.

Evaluating the effectiveness of the Board of Directors

To improve the effectiveness of the Board of the Directors, the board asks directors and corporate auditors to participate in an annual self-appraisal survey that assesses board performance in 17 categories on a scale of one to five. In the fiscal 2022 survey, inside directors, outside directors and corporate auditors gave the board above-average marks in all categories. The results show that the Company's Board of Directors is generally fulfilling its duties in an effective manner. However, the survey identified the need for further improvement in some areas, such as more detailed explanations about medium- to long-term strategies and compliance issues, as well as supplementary information about the industry operating environment and other topics.

Remuneration for directors and corporate auditors

At a meeting on June 29, 2022, the Board of Directors resolved to change the policy for determining individual director compensation, including revisions to the amount of compensation for directors and the granting of restricted stock as compensation to directors (excluding outside directors). Details are provided below.

Key changes effective from the fiscal year ending April 30, 2023:	
■	Introduction of non-monetary compensation (restricted stock compensation) (Ratio of basic monthly remuneration, bonuses and non-monetary compensation = approximately 70:20:10)
■	Bonuses determined based on business performance as well as contributions to tackling environmental and social issues in each fiscal year
■	Revision to amount of director remuneration (maximum annual amount changed from ¥300 million to ¥500 million)

■ Basic policy

To ensure the Group fulfills its social role and responsibilities by contributing to local communities and by providing beauty and happiness, the Company expects directors to improve the Group's business performance and support sustainable growth while also sharing the same values as stakeholders. The remuneration system for directors consists of a fixed monthly remuneration component in accordance with each role and its responsibilities, a bonus linked to earnings performance, and a non-monetary compensation component to foster greater awareness of sustainable growth from the perspective of shareholders. However, the remuneration system for outside directors is set up to reflect their role and responsibilities in overseeing the Company's management from an independent and objective standpoint.

■ Policy for determining monthly remuneration

Basic monthly remuneration is determined based on a number of criteria, including the position, responsibilities and tenure of the individual, as well as the balance of compensation relative to employee remuneration, trends at other companies in the industry and past remuneration.

■ Policy for determining bonuses

Bonuses are determined based on a range of factors, including consolidated operating income and ROE for each fiscal year, the individual's contribution to tackling environmental and social issues for each fiscal year and other value that does not directly appear in financial metrics, as well as dividends, the balance of bonuses relative to those paid to employees, trends at other companies in the industry and previous bonus payments.

■ Policy for determining non-monetary compensation

Non-monetary compensation for directors is restricted stock. Each year up to a total of ¥50 million in monetary compensation claims may be granted to directors in accordance with standard amounts determined by their position and level of responsibility. Common stock is allocated to the claims as contributions in kind. The number of shares of common stock to be allocated as restricted stock compensation shall not exceed 50,000 each year.

■ Breakdown of compensation

The ratio of remuneration for directors (excluding outside directors) is generally 70:20:10 for monthly remuneration, bonuses, and non-monetary compensation, taking into account the characteristics of the Group's business, the operating environment, and trends at other companies. Outside directors receive only basic monthly remuneration.

■ Policy for determining details of individual compensation

The Nomination and Remuneration Committee prepares proposals on the amount of compensation for each individual, including the range of monthly compensation for each position, details of earnings performance and other evaluation metrics for bonuses, and the amount of non-monetary compensation for each position. After approval by the Board of Directors, the President is responsible for making final decisions on compensation within the scope of the details approved by the Board. To enhance fairness, transparency and objectivity in processes for determining remuneration for directors, a majority of Nomination and Remuneration Committee members are independent outside officers and the committee adheres to the above policies governing remuneration for directors and other personnel.

■ Resolutions related to remuneration at the General Meeting of Shareholders

The maximum amount of remuneration for directors is limited to ¥500 million per year (including ¥50 million per

Remuneration by category of director and corporate auditor in fiscal 2022

Category	Total remuneration (¥ million)	Remuneration by type (¥ million)			Number of eligible individuals
		Basic remuneration	Bonus	Non-monetary remuneration	
Directors (excluding outside directors)	179	148	31	–	6
Corporate auditors (excluding outside corporate auditors)	7	7	0	–	1
Outside directors	18	18	–	–	3
Outside corporate auditors	12	12	–	–	2

year for outside directors, but excluding employee salaries for directors who also serve as employees), as approved at the 53rd General Meeting of Shareholders on July 28, 2022. As of the close of the meeting, the Company had 12 directors.

The maximum amount of restricted stock that may be granted as compensation to directors (excluding outside directors, hereinafter referred to as “eligible directors”) is limited to ¥50 million per year, as approved at the 53rd General Meeting of Shareholders on July 28, 2022. As of the close of the meeting, the Company had eight eligible directors.

The maximum amount of remuneration for corporate auditors is limited to ¥30 million per year, as approved at the 22nd General Meeting of Shareholders on July 30, 1991. As of the close of the meeting, the Company had two corporate auditors.

Cross-shareholdings, etc.

The Company holds shares for reasons other than pure investment purposes (cross-shareholdings). Cross-shareholdings include the stocks of companies that offer potential mutual benefits, such as business alliances related to the Company’s operations or business relationships that need to be maintained and reinforced, and the stocks of companies that the Company requires to maintain links with local communities. In principle, the Company seeks to keep the value of cross-shareholdings at less than 5% of total assets on the consolidated balance sheet. If the value of cross-shareholdings exceeds that level, the Company’s basic policy is to consider steps such as rapidly selling the shares. In addition, the Board of Directors considers whether the rationale for holding the shares is appropriate, whether benefits and risks are commensurate with the cost of capital, and if there are more effective uses of funds, which informs decisions on whether to continue holding the shares or reduce holdings through share disposals or other means.

With respect to the exercise of voting rights for cross-shareholdings, the Company emphasizes dialogue with investees and makes decisions on a case-by-case basis from the standpoint of prospects for increased corporate value and shareholder returns, rather than taking a uniform approach to all voting decisions.

Number of company stocks held and balance sheet value (As of April 30, 2022)

Category	Number of companies	Total value on balance sheet (¥ million)
Unlisted	16	1,244
Other than unlisted	8	461

Risk Management

The AIN Group has formulated Risk Management Regulations and Risk Management Guidelines that establish the risk management framework for the whole Group. Departments are assigned to manage each category of risk, ensuring a comprehensive and exhaustive approach to risk management.

The Risk Management Office is in charge of risk matters and is responsible for issues and measures related to the implementation of risk management across the Group.

The Internal Audit Office conducts field audits to check whether risk management rules are being strictly observed and to assess the effectiveness of risk management systems.

In addition, to ensure the AIN Group continues to operate during times of crisis, we have formulated a Group business continuity plan (BCP), which is actively disseminated to all officers and employees.

Business and other risks

Management has identified the following key risks that could have a material impact on the financial position, operating results and cash flows of the Group’s consolidated companies.

Forward-looking statements are based on judgments made by the Group as of April 30, 2022.

Business and other risks	Risks that may affect operating results and undermine public trust in the Group
1. Laws and regulations a. Regulations under the Law for Ensuring the Quality, Efficacy, and Safety of Pharmaceuticals and Medical Devices, etc. b. Easing of drug sales regulations	• Orders from supervisory authorities to halt business activities or revoke operating licenses, etc. • Deregulation of pharmaceutical sales, leading to market entrants from other sectors, etc.
2. Dispensing pharmacy openings and demand trends	• Success or failure of the dispensing pharmacy opening strategy including M&A, and trends in dispensing pharmacy openings at competitors • Trends in non-hospital prescriptions from medical institutions, which are hard to forecast and are the main source of demand, and the temporary closure or exit of medical institutions from the market
3. Industry trends	• Changes in earnings structure due to revisions to the medical treatment fee system, etc.
4. Securing qualified staff	• Difficulties recruiting pharmacists

Business and other risks	Risks that may affect operating results and undermine public trust in the Group
5. Risks of loss of trust in the Company a. Dispensing operation b. Protection of personal data	• Medical accidents due to dispensing errors • Leaks of personal information due to accidents or criminal behavior
6. Risk in business strategy	• Risks related to M&A activity, including poor progress with post-merger integration, loss on valuation of shares of subsidiaries, impairment losses on goodwill and other losses
7. Interest rate risks	• Difficulties securing returns on investments from M&A deals • Fluctuations in interest rates and other trends in financial markets
8. Impact of consumption tax	• Revisions to the rate of consumption tax that are not reflected in drug prices
9. Risk information related to the COVID-19 outbreak	• Dispensing pharmacy business: Decrease in number of prescriptions • Cosmetic and drug store business: Decrease in customer traffic
10. Natural disasters	• Natural disasters such as extensive damage from high winds, typhoons, heavy rain, etc., caused by climate change



Please see here for more details of “Business and Other Risks” in the Company’s Annual Securities Report (Japanese only).
→ https://ssl4.eir-parts.net/doc/9627/yuho_pdf/5100M2R1/00.pdf

Internal Control and Compliance

In accordance with the AIN Group’s Code of Conduct, officers and employees comply with all laws, regulations and the Articles of Incorporation, and also strive to follow a sound and ethical approach in all corporate activities, recognizing that they are engaged in a business that involves people’s health.

The Group has established a Compliance Committee to manage all aspects of compliance at Group companies. The committee is tasked with improving compliance by ensuring the Group’s operations comply with laws and regulations, the Articles of Incorporation, and internal rules.

In addition, in order to rapidly identify and remedy legal violations and other compliance-related issues, we have established a Compliance Hotline that allows issues to be reported directly to an external party.

In accordance with Insider Trading Prevention Regulations, the Group has established a system to prevent insider trading by strictly managing undisclosed material facts and by working to ensure timely disclosure of appropriate information.

As an independent body, the Company’s Board of Corporate Auditors is responsible for establishing and operating the internal control system as part of its role of auditing the execution of duties by directors.

From a standpoint independent of the business execution organization, the Internal Audit Office audits compliance with laws, regulations, and the Articles of Incorporation by the Group’s officers and employees.

A Message from the Representative Senior Managing Director

Building a system that can adapt to changes in the operating environment

Toshihide Mizushima

Representative Senior Managing Director
in charge of Operating Management,
Operational Support
and Digital Promotion



As a corporate group involved in the provision of health services, compliance is vital to ensuring the AIN Group continues to conduct business activities in a sound and transparent manner. In particular, the dispensing pharmacy business is continually exposed to the risk of dispensing errors, and measures to avoid this risk are our top priority. We also recognize that the dispensing sector, and the healthcare industry as a whole, may face evolving risks due to changes in government systems and policies.

In addition, we need to build a system to ensure continuity of healthcare service provision even during

a disaster, which is contingent on first confirming the safety of our employees. The transformation of the global environment caused by climate change means these risks could increase. To reinforce our ability to respond to these risks, we formed the Compliance Committee and in May 2022, established the Risk Management Office, which was merged with the Risk Management Section in the Administrative Department. The Risk Management Office works closely with the Store Operations and Training Department, which is responsible for store operations, creating a unified risk management framework covering dispensing pharmacies, retail stores, head office and officers.

We also conduct compliance training at all levels of the Group to foster risk management awareness among individual employees and to increase awareness throughout the Group.

Going forward, we will continue to upgrade our risk management system so that it is responsive to changes in the operating environment, while also ensuring the implementation of internal controls.

*Figures in brackets show the number of AIN HOLDINGS shares held as of April 30, 2022.

Board of Directors



Kiichi Ohtani

President and Representative Director
(3,238 thousand shares)

- July 1980 President and Representative Director of Ohtani Corporation (now AIN HOLDINGS INC.)
- November 1981 Founder and Director of Daiichi Medical Testing Laboratories Co., Ltd., Asahikawa (now AIN HOLDINGS INC.)
- July 1983 President and Representative Director
- May 1985 Managing Director of the Company
- May 1988 President and Representative Director (current post)



Miya Oishi

Managing Director,
Division Manager of Dispensing Pharmacy Operating Management
(5 thousand shares)

- September 1990 Joined KYOEIDO Co., Ltd.
- July 1993 Director of DAICHIKU Co., Ltd. (current post)
- May 2007 Managing Director
- July 2008 President and Representative Director
- April 2011 Vice President and Representative Director of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)
- February 2012 President and Representative Director
- July 2012 Director and Deputy Department Manager of Dispensing Pharmacy Business of the Company
- July 2014 Managing Director (current post)
- November 2015 Division Manager of Operating Management President and Representative Director of AIN PHARMACIEZ INC. (current post)
- May 2019 In charge of Dispensing Pharmacy Operating Management of the Company
- July 2021 Division Manager of Dispensing Pharmacy Operating Management (current post)



Noriko Endo

Director **Outside** **Independent**
(200 shares)

- June 1994 Joined DIAMOND, Inc.
- April 2004 Head and Director of Tokyo Office, Kyushu University
- March 2006 Deputy Editor of Diamond Weekly, DIAMOND, Inc.
- September 2013 Visiting Researcher at Policy Alternatives Research Institute, University of Tokyo
- April 2015 Project Professor, Graduate School of Media and Governance, Keio University
- June 2016 Outside Director of NTT DOCOMO, INC.
- July 2018 Outside Director of the Company (current post)
- June 2019 Outside Director of Hankyu Hanshin Holdings, Inc. (current post)
- April 2020 Outside Director of VLC HOLDINGS CO., LTD.
- April 2020 Specially Appointed Professor of Keio University Global Research Institute (current post)
- March 2021 Outside Director of Techpoint, Inc. (current post)
- June 2021 Outside Director of Japan Elevator Service Holdings Co., Ltd. (current post)
- June 2022 Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current post)

Corporate Auditors



Koichi Kawamura

Corporate Auditor
(5 thousand shares)

- October 1985 Joined Daiichi Medical Testing Laboratories Co., Ltd., Sapporo (now AIN HOLDINGS INC.)
- May 1995 Deputy Department Manager of Accounting of the Company
- July 1997 Corporate Auditor
- April 2000 Managing Director and Department Manager of Accounting of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)
- May 2003 Department Manager of Administrative of the Company
- April 2005 Corporate Auditor of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)
- July 2012 Corporate Auditor of the Company (current post)



Masahito Sakurai

Representative Senior Managing Director
(1 thousand shares)

- April 1972 Joined Ministry of Health and Welfare (now Ministry of Health, Labour and Welfare)
- April 1987 Director of Administration Division, Fund for Drug ADR Relief
- July 1996 Director of Planning Division, Air Protection Bureau, Environment Agency (now Ministry of the Environment)
- July 1998 General Director of Regional Medical Affairs Office for Tokai-Hokuriku
- January 2001 Retired from Ministry of Health and Welfare
- February 2001 Commissioner of All-Japan Federation of National Health Insurance Organizations
- October 2008 Advisor of the Company
- July 2009 Senior Managing Director
- November 2015 Representative Senior Managing Director (current post)



Rieko Kimei

Director, Division Manager of Personnel
(6 thousand shares)

- April 1986 Joined The Daiei, Inc.
- December 1995 Joined Daiichi Medical Testing Laboratories Co., Ltd., Sapporo (now AIN HOLDINGS INC.)
- May 2003 Department Manager of Merchandise, Cosmetic and Drug Store Business of the Company
- May 2004 Department Manager of Personnel, Administration Division
- May 2009 Division Manager of Cosmetic and Drug Store Business and Department Manager of Merchandise
- August 2009 Executive Officer
- May 2013 Executive Officer, responsible for Personnel
- July 2014 Director (current post), responsible for Personnel
- September 2015 Vice President and Representative Director of AYURA LABORATORIES INC.
- July 2016 President and Representative Director
- February 2018 Director of AIN PHARMACIEZ INC. (current post)
- July 2018 In charge of Personnel of the Company
- May 2022 Division Manager of Personnel (current post)



Junro Ito

Director **Outside** **Independent**
(- shares)

- August 1990 Joined Seven-Eleven Japan Co., Ltd.
- May 2009 Director of Seven and i Holdings Co., Ltd. (current post), Executive Officer and Senior Officer of the Corporate Development Department
- April 2011 Senior Officer of the CSR Management Department
- May 2016 In charge of the Group Corporate Support
- July 2016 Senior Officer of the Corporate Support Department
- December 2016 Managing Executive Officer (current post), and Head of the Corporate Development Office
- March 2017 Director of Ito-Yokado Co., Ltd.
- March 2018 General Manager of the Corporate Development Division of Seven & i Holdings Co., Ltd. (current post)
- July 2019 Outside Director of the Company (current post)



Akira Ibayashi

Corporate Auditor **Outside** **Independent**
(- shares)

- April 1968 Joined The Hokkaido Bank, Ltd.
- June 1992 General Manager of Human Resources Division
- April 1995 Branch Manager of Kushiro
- June 1995 Director in charge of Regional Sales and Branch Manager of Kushiro
- June 1999 Executive Officer
- June 2000 Managing Executive Officer in charge of Regional Sales and Branch Manager of Asahikawa
- June 2001 Director, Executive Officer and Deputy President
- June 2003 Retired from The Hokkaido Bank, Ltd.
- June 2003 President and Director of Hokkaido Tatemono Co., Ltd.
- June 2005 Corporate Auditor, The Hokkaido Bank, Ltd.
- June 2009 Retired as Corporate Auditor
- June 2011 Corporate Auditor, Asbic Co., Ltd.
- July 2012 Outside Corporate Auditor of the Company (current post)



Shoichi Shudo

Representative Senior Managing Director
in charge of Store Development
(9 thousand shares)

- March 1982 Joined Daiichi Medical Testing Laboratories Co., Ltd., Asahikawa (now AIN HOLDINGS INC.)
- May 1991 Division Manager of Corporate Planning of the Company
- June 1994 Director and Division Manager of Administration of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)
- February 2000 Department Manager of Kansai Sales, Dispensing Pharmacy Business of the Company
- July 2000 Director
- May 2003 Managing Director
- May 2004 Division Manager of Dispensing Pharmacy Business
- May 2012 Senior Managing Director
- November 2015 Representative Senior Managing Director in charge of Store Development (current post)
- May 2020 Chairman of Nippon Pharmacy Association (NPhA) (current post)



Hidehiro Awaji

Director
(4 thousand shares)

- December 1983 Joined Daiichi Medical Testing Laboratories Co., Ltd., Asahikawa (now AIN HOLDINGS INC.)
- February 2000 Department Manager of Tohoku Sales, Dispensing Pharmacy Business of the Company
- August 2000 Branch Manager of Tohoku, Dispensing Pharmacy Business
- May 2004 Branch Manager of Hokkaido, Dispensing Pharmacy Business
- June 2007 Branch Manager of Tohoku, Dispensing Pharmacy Business
- August 2009 Executive Officer
- May 2010 In charge of Western Japan, Dispensing Pharmacy Business
- July 2014 Director
- November 2015 Retired as Director of the Company
- Managing Director, Division Manager of Dispensing Pharmacy Business, and in charge of Western Japan of AIN PHARMACIEZ INC.
- May 2018 Senior Managing Director, Division Manager of Dispensing Pharmacy Business, and in charge of Western Japan (current post)
- July 2018 Director of the Company (current post)



Shigeru Yamazoe

Director **Outside** **Independent** **Newly appointed**
(- shares)

- April 1978 Joined Marubeni Corporation
- April 2006 Executive Officer and COO of Power Projects Division
- April 2009 Managing Executive Officer, COO of Power Projects & Infrastructure Division, and Chief Corporate Officer of Abu Dhabi Trade House Project Department
- June 2010 Managing Executive Officer, Member of the Board, Advisor to the President for Machinery Group, and Vice Chairman of Investment and Credit Committee
- April 2012 Senior Managing Executive Officer and Member of the Board
- April 2015 Senior Executive Vice President, Member of the Board, and Chief Executive Officer of Power Projects & Plant Group
- April 2018 Vice Chairman and Member of the Board
- June 2018 Outside Director of Fujitec Co., Ltd. (current post)
- April 2019 Outside Audit & Supervisory Committee Member of Mizuho Capital Partners Co., Ltd. (now MCP Partners Co., Ltd.) (current post)
- April 2020 Chairman of Marubeni Power & Infrastructure Systems Corporation
- August 2020 Outside Director and Audit and Supervisory Committee Member of Bewith, Inc. (current post)
- July 2022 Outside Director of the Company (current post)



Osamu Muramatsu

Corporate Auditor **Outside** **Independent**
(- shares)

- April 1972 Joined Nomura Securities Co., Ltd.
- June 1994 Branch Manager of Sapporo
- June 1996 Director, Deputy Branch Manager of Osaka
- January 1999 President of Nomura Fundnet Securities Co., Ltd.
- November 2004 Advisor of Nomura Securities Co., Ltd.
- April 2007 Corporate Auditor of AIN MEDICAL SYSTEMS INC. (now AIN HOLDINGS INC.)
- October 2007 Retired from Nomura Securities Co., Ltd.
- August 2011 President and Representative Director of Executive Partners, Inc.
- June 2012 Outside Corporate Auditor of Asahi Pharmacy Co., Ltd. (current post)
- July 2016 Outside Corporate Auditor of the Company (current post)
- August 2018 Chairman of Executive Partners Inc. (current post)



Toshihide Mizushima

Representative Senior Managing Director
in charge of Operating Management,
Operational Support and Digital Promotion
(27 thousand shares)

- April 1982 Joined SSP Co., Ltd.
- April 1986 Joined Ohtani Corporation (now AIN HOLDINGS INC.)
- May 2000 Department Manager of Drug Store, Cosmetic and Drug Store Business of the Company
- July 2000 Director
- February 2001 Division Manager of Cosmetic and Drug Store Business
- May 2003 Managing Director
- May 2012 Senior Managing Director and Division Manager of Administration
- November 2012 President and Representative Director of WHOLESAL STARS Co., Ltd. (current post)
- November 2015 Representative Senior Managing Director of the Company (current post) in charge of Operating Management and Operational Support
- July 2018 In charge of Operating Management, Operational Support and Information Technology Management
- May 2020 In charge of Operating Management, Operational Support and Digital Promotion (current post)



Masato Sakai

Director,
Division Manager of Store Development
and Department Manager of Group Liaison
(7 thousand shares)

- April 1995 Joined The Nisshin Oil Mills, Ltd.
- January 1999 Joined the Company
- May 2004 Branch Manager of Tohoku, Dispensing Pharmacy Business
- May 2006 Division Manager of Corporate Planning
- July 2011 Executive Officer and Division Manager of Sales, Dispensing Pharmacy Business in Tokyo Metropolitan Area
- November 2012 In charge of Dispensing Pharmacy Business in Tokyo Metropolitan Area, and Branch Manager of Tokyo
- June 2014 President and Representative Director of Asahi Pharmacy Co., Ltd.
- July 2014 Director of the Company
- November 2015 Retired as Director of the Company
- December 2016 Director in charge of Dispensing Pharmacy Business in Eastern Japan of AIN PHARMACIEZ INC. (current post)
- July 2018 Director of the Company (current post)
- May 2019 Division Manager of Store Development
- August 2019 Division Manager in charge of Store Development, and Department Manager of Group Liaison (current post)



Hideki Kuriyama

Director **Outside** **Independent** **Newly appointed**
(- shares)

- April 2004 Assistant Professor of Hakuoh University
- April 2008 Professor (current post)
- November 2011 Manager of Hokkaido Nippon-Ham Fighters baseball team
- November 2021 Manager of Japan National Baseball Team (current post)
- January 2022 Professor (Senior Coach) of Hokkaido Nippon-Ham Fighters (current post)
- April 2022 Specially Appointed Professor of Hokkai-Gakuen University (current post)
- July 2022 Outside Director of the Company (current post)

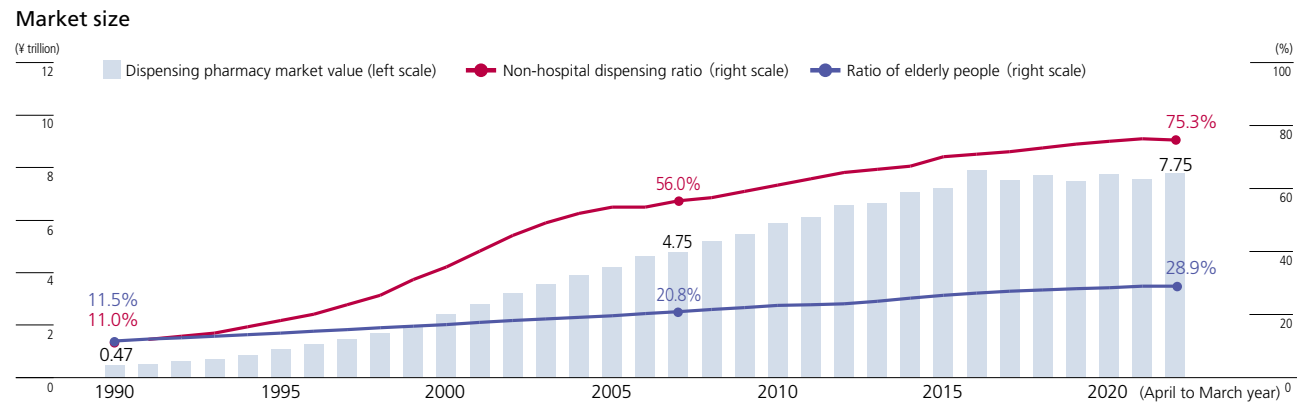
Characteristics of Japan's Dispensing Pharmacy Sector

Differences in national healthcare policy and other factors mean Japan's dispensing pharmacies are different to pharmacies in the US and other countries. In this section, we look at the main characteristics of Japan's dispensing pharmacies.

Market size

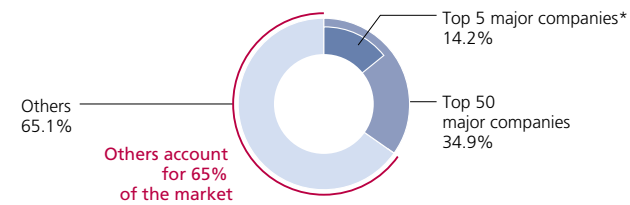
Barriers to entry are high in Japan's dispensing pharmacy sector due to various risks faced by pharmacy operators, such as government policy calling for pharmacies and pharmacists to play a greater role in healthcare provision, annual revisions to drug prices, revisions to dispensing fees every two years, and a lack of trained pharmacists.

Japan's dispensing pharmacy market was worth roughly ¥7.7trillion in fiscal 2022 (April 2021 to March 2022), but the market remains fragmented, with the top five companies accounting for a combined market share of only 14.2%. While the market has matured, deregulation such as the start of online pharmaceutical guidance and a new pharmacy certification scheme are likely to lead to wider gaps in performance between dispensing pharmacy companies. The AIN Group aims to increase market share by responding to these changes in the operating environment.

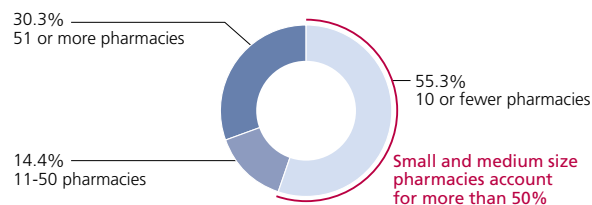


Source: Japan Pharmaceutical Association, Trends in Dispensing Pharmaceutical Expenditure (Ministry of Health, Labour and Welfare), White Paper on Ageing Society (Cabinet Office)

Dispensing pharmacy company market share



Market structure — Breakdown by company size



*Top 5 major companies: AIN HOLDINGS INC., NIHON CHOUZAI Co., Ltd., WELCIA HOLDINGS CO., LTD., SAKURA PHARMACY GROUP, Qol Holdings Co., Ltd.
Source: AIN HOLDINGS estimates, based on data from DRUG Magazine (July 2022) and Trends in Dispensing Pharmaceutical Expenditure released by the Ministry of Health, Labour and Welfare.

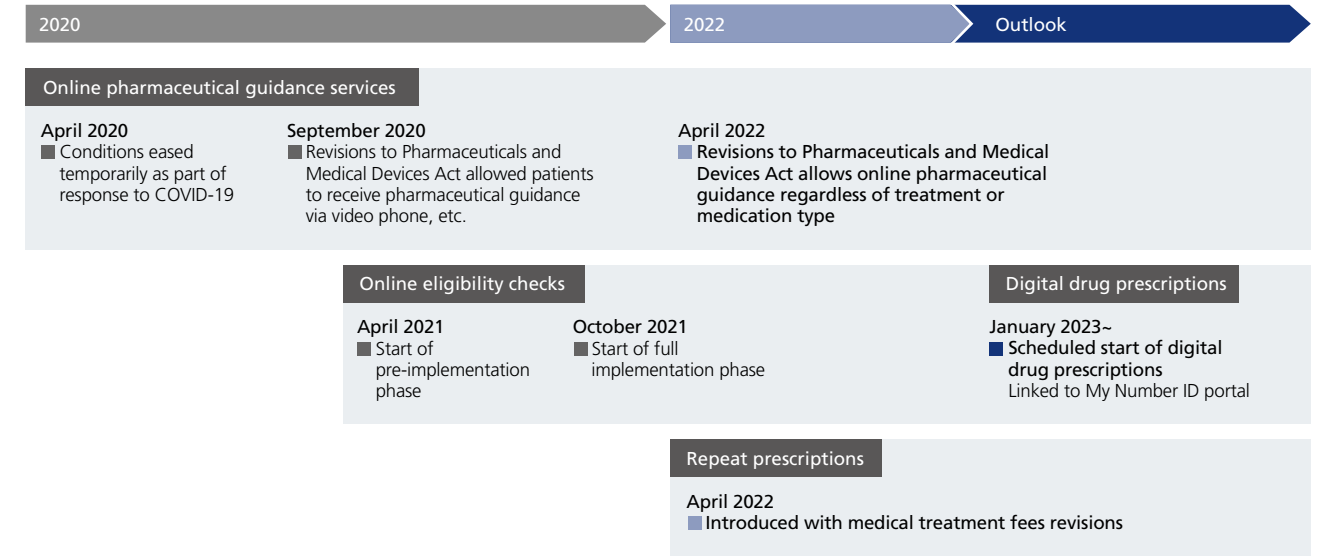
Difference between Japan and US

	Japan	US
Medical insurance (patient cost)	Universal healthcare (0-30%)	Private health insurance (depends on contract terms)
Freedom to select hospitals by patients	No restrictions	Affiliated service providers
Non-hospital dispensing ratio	75.3% (fiscal 2022 (April 2021 to March 2022))	100%
Drug prescriptions	Repeat O (from April 2022) hard copy only*	Repeat O hard copy / patient data
Drug prices	Set by the government (Revised regularly)	Market price

*In Japan, patients can only receive repeat prescriptions in person or by delivery after pharmacist has sighted hard copy of prescription

Operating environment

A range of measures to reform and deregulate the dispensing pharmacy sector have led to changes in the operating environment. These trend is likely to continue, so the ability to adapt to change will become even more important. In the face of these developments, we will continue to provide high-quality services by actively promoting digital transformation (DX).

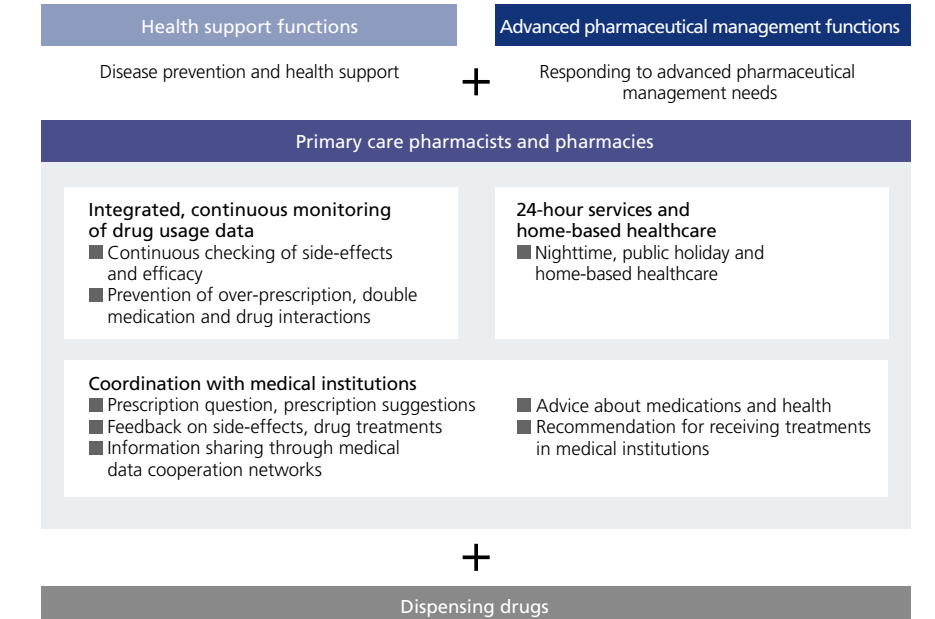


The growing role of dispensing pharmacies

The role of dispensing pharmacies is shifting from a focus on dispensing drugs to one-on-one communication with patients. They are also being asked to play a greater role in local healthcare. The provision of high-quality services and closer coordination with medical institutions, in line with the vision for patient-focused dispensing pharmacies being promoted by Ministry of Health, Labour and Welfare, is expected to mitigate dispensing risks and lead to better collaboration in advanced healthcare services.



Vision for patient-focused dispensing pharmacies



Business environment surrounding the AIN Group

The core business of the AIN Group (the Group) is the dispensing pharmacy business that includes preparing and dispensing drugs based on prescriptions. Earnings at dispensing pharmacies are largely determined by dispensing fees and drug prices, which are regularly revised by the Ministry of Health, Labour and Welfare as part of the government's policy to curb national healthcare expenses.

Under revisions to the Pharmaceuticals and Medical Devices Act (partial revisions to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices), which come into effect from August 2021, prefectural governments introduced a new pharmacy certification system. Dispensing pharmacies with advanced pharmaceutical management capabilities will be certified as specialized medical institution coordination pharmacies and pharmacies with advanced primary care functions will be certified as community coordination pharmacies. The gap in performance between companies in the sector is widening due to this new certification system, as well as other developments in the operating environment such as a relaxation of the criteria governing online pharmaceutical guidance.

Seeing these developments as an opportunity, the Group has been making preparations to adapt to any changes ahead, aiming to ensure sustained growth while also helping to solve issues faced by society.

Business overview for the fiscal year

During the current fiscal year (May 1, 2021 to April 30, 2022), the Japanese economy continued to face challenging conditions due to the COVID-19 pandemic. Although there were signs of a pickup in consumer spending, the outlook remained uncertain.

In this economic environment, the Group rigorously implemented measures to prevent the spread of COVID-19 and worked to provide healthcare and retail services, in line with its mission to "contribute to local healthcare" and "provide beauty and happiness" – two of the Group's materiality issues. To help solve various social issues through its business activities, AIN HOLDINGS aims to be a company that "people welcome to their communities."

In March 2022, the Group received certification as an Outstanding Health and Productivity Management Organization for 2022 (large enterprise category) under a program run jointly by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi that recognizes leading companies in health and productivity management. To "ensure a sound management base," one of its other materiality issues, the Group is working to improve the health of employees to reduce the staff turnover rate and lift productivity by harnessing the performance of every employee.

Recognizing the importance of creating a sustainable society amid the growing impact of climate change, the Group is tackling another materiality issue, "protect the environment and reduce environmental impact." In April 2022, the Group endorsed the recommendations of the TCFD to improve

information disclosure for all stakeholders. The Group also joined the TCFD Consortium, a group of domestic companies, financial institutions and other bodies that have endorsed and are working to implement the TCFD recommendations. Going forward, the Group will disclose appropriate information using the TCFD recommendations and explore the best approach for dialogue with stakeholders, aiming to increase corporate value while building mutual trust with stakeholders.

Through businesses that support human health and beauty, the Group will work to realize sustainability management in order to generate sustainable growth and create social, environmental and economic value.

For the fiscal year under review, net sales rose 6.4% year on year to ¥316,247 million, operating profit increased 38.5% to ¥15,139 million, ordinary profit increased 26.8% to ¥16,041 million and profit attributable to owners of parent increased 5.9% year on year to ¥7,092 million.

Business results by segment

■ Dispensing pharmacy business

By providing services to meet the increasingly diverse needs of patients, such as by responding to the start of the repeat prescription in April 2022, the easing of regulations on online pharmaceutical guidance, and the expected start of digital prescriptions, we aim to create an environment that allows every patient to easily access pharmaceutical treatments in their local community.

In business development, the Group is targeting further business expansion through a strategy of actively opening large pharmacies and using M&A deals that emphasize investment returns, while also improving pharmacy operating efficiency.

The business continues to be impacted by the COVID-19 pandemic, but sales and profits both increased year on year, supported by a recovery in the number of prescriptions and steady growth in sales at dispensing pharmacies opened in the previous fiscal year.

As a result, for the fiscal year under review, the dispensing pharmacy business reported sales of ¥283,111 million, up 7.6% year on year, and segment profit of ¥25,082 million, up 19.7%.

During the fiscal year, the Group opened a total of 49 dispensing pharmacies, including those acquired through M&A deals, and closed 10 dispensing pharmacies and sold 5, resulting in a total of 1,099.

■ Cosmetic and drug store business

The cosmetic and drug store business continued to face a challenging market environment due to the impact of the COVID-19 pandemic. The Group continued to create appealing retail displays by strengthening product lineups. Also, the Group pushed ahead with store openings in locations with good prospects for profitability and optimized costs.

The business opened its third store in the Fukuoka area in March 2022, AINZ & TULPE FUKUOKA TENJIN-NISHI DORI, and its fourth store in the same area the following month, AINZ & TULPE LaLaport FUKUOKA. The AINZ & TULPE FUKUOKA TENJIN-NISHI DORI store is steadily becoming the flagship store in the area, helping to raise the visibility of the AINZ & TULPE brand in Fukuoka.

However, the cosmetic and drug store business reported sales of ¥20,558 million, up 5.9% year on year, and a segment loss of ¥1,764 million, compared with a segment loss of ¥1,999 million in the previous fiscal year, which included an ongoing impact from the COVID-19 pandemic.

During the same period, the Group opened 12 AINZ & TULPE stores and closed three stores, resulting in a total of 78 cosmetic and drug stores at the end of the fiscal year.

■ Other businesses

Net sales from other businesses declined 14.9% year on year to ¥12,677 million and the segment loss narrowed to ¥146 million from ¥721 million in the previous fiscal year, mainly reflecting efficiency improvements in store operations at retail stores acquired in March 2020.

Financial position

The balance of total assets at the end of the fiscal year increased ¥8,798 million from the end of the previous fiscal year to ¥212,461 million. This mainly reflected declines for notes and accounts receivable - trade and for goodwill, outweighed by increases for cash and deposits and for leasehold and guarantee deposits.

The balance of liabilities at the end of the fiscal year under review increased by ¥5,625 million to ¥93,450 million.

The balance of short- term and long-term debts decreased by ¥3,508 million to ¥8,458 million.

Total net assets increased by ¥3,173 million to ¥119,010 million and the shareholders' equity ratio decreased 0.8 percentage points to 56.0%. Also, return on assets (ROA) remained the same at 3.4% as the previous fiscal year, while return on equity (ROE) rose by 0.1 percentage point to 6.0%.

Basic policies for profit distribution

The Company considers the return of profits to shareholders as an important management issue. Our basic policy is to repay investors proportionately to profits generated, and to maintain payments at stable levels.

Internal reserves are held to strengthen the corporate structure and in preparation for new store openings and future development of the business. We will make effective use of these funds to generate profits to be returned to shareholders in the future.

The Company's basic policy is to pay dividends from retained earnings once each year at the end of the fiscal year.

Taking into account a range of factors, including profit levels for the fiscal year under review and plans for future business development, the Company paid a full-year dividend of ¥55 per share, equating to a dividend payout ratio of 27.3% (down 1.8 percentage points from the previous fiscal year). For the fiscal year ending April 30, 2023, the Company intends to pay a full-year dividend of ¥60 per share, an increase of ¥5 per share.

Cash flows

In the fiscal year under review, cash on hand and in banks ("cash") increased ¥4,460 million year on year to ¥59,470 million.

Cash flows from each category and their relevant factors are as follows.

■ Cash flows from operating activities

Net cash provided by operating activities was ¥26,156 million, compared with net cash provided of ¥14,928 million in the previous fiscal year.

The main items that were positive for cash flow were income before income taxes of ¥13,125 million, as well as depreciation and amortization of ¥4,792 million and amortization of goodwill of ¥4,133 million related to business expansion through new store openings and M&A.

The main item negative for cash flow was income taxes paid of ¥4,396 million.

■ Cash flows from investing activities

Net cash used in investing activities was ¥13,943 million, compared with net cash used of ¥9,493 million in the previous fiscal year.

This mainly reflected payments of ¥2,322 million for purchases of shares in subsidiaries resulting in change in scope of consolidation related to shares acquired in four companies through M&A deals, ¥5,880 million for purchases of property, plant and equipment related to the opening of new cosmetic and drug stores and dispensing pharmacies, ¥3,842 million for payments of leasehold and guarantee deposits and ¥3,186 million for increase in investments and other assets.

■ Cash flows from financing activities

Net cash used in financing activities was ¥7,753 million, compared with net cash provided in ¥3,643 million in the previous fiscal year.

The main items were net repayment of ¥3,548 million from short-term and long-term debt repayment and proceeds, ¥2,015 million of purchase of treasury shares, and ¥1,948 million for cash dividends paid.

11-year financial and non-financial summary

	2012/4	2013/4	2014/4	2015/4	2016/4	2017/4	2018/4	2019/4	2020/4	2021/4	2022/4	(¥ million)
For the year:												
Net sales	142,790	154,560	170,225	187,904	234,843	248,110	268,385	275,596	292,615	297,305	316,247	
Selling, general and administrative expenses	12,839	14,740	15,635	17,509	23,915	27,529	28,370	29,295	30,793	35,222	34,832	
Operating profit	10,253	9,701	10,113	11,452	14,619	14,563	19,622	16,067	16,068	10,932	15,139	
Ordinary profit	10,547	10,292	10,587	11,697	15,158	15,080	20,129	16,637	16,822	12,649	16,041	
Profit attributable to owners of parent	4,899	5,075	5,259	6,197	7,917	7,949	10,567	9,029	9,179	6,697	7,092	
Capital expenditures	5,870	7,235	6,328	6,413	11,209	4,786	5,311	9,919	10,536	8,122	12,756	
Depreciation and amortization	1,749	2,212	2,258	2,553	3,259	3,687	3,596	3,903	4,087	4,243	4,792	
At the end of the year:												
Equity capital*1	33,695	38,312	42,122	47,928	53,258	60,105	96,697	103,855	110,915	115,758	118,923	
Total net assets	33,745	38,356	42,240	48,046	53,324	60,178	96,733	103,922	111,003	115,837	119,010	
Total assets	85,908	95,839	101,382	114,149	139,888	156,323	183,380	189,021	193,451	203,662	212,461	
Number of shares outstanding (shares)	15,940,790	15,940,740	15,854,190	31,707,617	31,707,617	31,707,568	35,427,524	35,427,484	35,427,484	35,427,321	35,127,301	
Number of stores: Dispensing pharmacy business	494	560	616	754	881	1,066	1,029	1,132	1,088	1,065	1,099	
Number of stores: Cosmetic and drug store business	56	61	59	56	52	52	48	54	63	69	78	
Per share information (¥):												
Earnings*2	153.67	159.18	165.04	195.45	249.69	250.71	310.08	254.87	259.11	189.04	201.47	
Net assets*2	1,056.89	1,201.71	1,328.43	1,511.57	1,679.69	1,895.63	2,729.44	2,931.48	3,130.77	3,267.49	3,385.51	
Cash dividends*2	25.0	30.0	30.0	30.0	40.0	50.0	50.0	55.0	55.0	55.0	55.0	
Stock information (based on the closing price as of April 30) (¥):												
Stock price	4,290	4,765	4,495	4,245	5,340	7,720	7,300	8,840	6,030	6,070	5,840	
Ratios (%):												
Operating margin	7.2	6.3	5.9	6.1	6.2	5.9	7.3	5.8	5.5	3.7	4.8	
Return on sales*3	3.4	3.3	3.1	3.3	3.4	3.2	3.9	3.3	3.1	2.3	2.2	
Return on assets (ROA)*4	6.0	5.6	5.3	5.8	6.2	5.4	6.2	4.8	4.8	3.4	3.4	
Return on equity (ROE)*5	15.5	14.1	13.1	13.8	15.6	14.0	13.5	9.0	8.5	5.9	6.0	
Shareholders' equity ratio	39.2	40.0	41.5	42.0	38.1	38.4	52.7	54.9	57.3	56.8	56.0	

Note:
Amounts of less than one million yen were rounded down.

*1: Equity capital = Total net assets - Non-controlling interests

*2: The Company conducted a 2-for-1 stock split of common shares with an effective date of October 1, 2014. Earnings per share, net assets per share and cash dividends per share have been adjusted retroactively to reflect the impact of the stock split.

*3: Return on sales = Profit attributable to owners of parent / Net sales × 100

*4: Return on assets = Profit attributable to owners of parent / Total assets (yearly average) × 100

*5: Return on equity = Profit attributable to owners of parent / Equity capital (yearly average) × 100

ESG data

	2020/4	2021/4	2022/4
Environment			
Environmental protection action plan Yes (Japanese only)	https://www.ainj.co.jp/csr/health_promotion2.html		
Number of environmental infringements	—	—	0
Environmental data			
CO ₂ emissions			
Scope 1 and 2 (t-CO ₂ , thousand)	—	—	21.0
Scope 1 (t-CO ₂ , thousand)	—	—	1.0
Scope 2 (t-CO ₂ , thousand)	—	—	20.0
Scope 3 (t-CO ₂ , thousand)	—	—	684.5
Total energy use (TJ)	—	—	399.0
Electricity use (TJ)	—	—	373.9
Hot and cold water use (TJ)	—	—	6.0
CO ₂ emissions per unit of production (Scope 1 + Scope 2) (t / million yen *net sales)	—	—	670
Other			
Pharmaceutical disposal rate (%)	—	—	0.05
Social			
Human Rights Policy Yes	https://www.ainj.co.jp/Portals/0/images/csr/sustainability/humanrights_english_20211201.pdf		
Employment: Human resources activity			
Total employees	13,158	13,065	13,009
Male	2,407	2,448	2,467
Female	10,751	10,617	10,542
Pharmacists	5,273	5,477	5,768
Non-Japanese employees	97	70	36
Number of graduates hired	952	1,018	999
Pharmacists	560	613	660
Full-time employees average age	33.5	33.5	33.6
Full-time employees turnover rate (%)	6.7	5.2	6.9
Pharmacists (%)	6.0	4.5	5.7
Proportion of employees continuing work after mandatory retirement age (%)	45.2	60.8	82.4
Human resources utilization / training			
Eruboshi certification Yes Third level – highest level of certification			
Kurumin certification Yes			
Ratio of female graduate recruitment (%)	76.1	81.4	82.5
Ratio of female managers (%)	31.7	32.6	34.0
Directors (%)	33.3	27.3	26.3
Executive officers (%)	16.0	14.3	19.2

Social

	2020/4	2021/4	2022/4
Employees using maternity/paternity leave	400	351	432
Employees using childcare leave	584	640	657
Employees with reduced hours for childcare	725	875	1,008
Average training hours per full-time employee	—	—	26
Average training cost per full-time employee	—	—	13,126
Health & Productivity Management			
Health & Productivity Management Declaration Yes (Japanese only)	https://www.ainj.co.jp/csr/health_promotion2.html		
Average monthly overtime per employee (hours)	5.8	3.9	4.7
Occupational accident frequency rate (%)	—	—	0.37
Other			
Full-time employee average annual compensation (¥ thousand)	4,614	4,484	4,398

Governance

	2020/4	2021/4	2022/4
Board of Directors			
Number of directors	12	12	12
Independent outside directors	4	4	4
Female directors	3	3	3
Ratio of female directors (%)	25	25	25
Number of meetings	11	11	11
Average attendance for outside directors (%)	90.5	100	97.7
Average attendance for outside corporate auditors (%)	100	100	100
Board of Corporate Auditor Meetings			
Number of corporate auditors	3	3	3
Outside corporate auditors	2	2	2
Number of meetings	11	13	13
Average attendance for outside corporate auditors (%)	100	100	100
Executive Remuneration			
Director and corporate auditor remuneration	213	213	218
Inside directors (¥million)	175	175	180
Inside corporate auditors (¥million)	7	7	7
Outside directors (¥million)	18	18	18
Outside corporate auditors (¥million)	12	12	12
Nomination and Remuneration Committees			
Number of meetings (Average attendance %)	2(100)	2(100)	4(100)
Sustainability Committee			
Number of meetings (Average attendance %)	—	3(98.1)	3(91.2)

Corporate data

- **Corporate name**
AIN HOLDINGS INC.
- **Head office**
5-2-4-30, Higashi-sapporo,
Shiroishi-ku, Sapporo-shi,
Hokkaido, Japan
- **Established**
August 1969
- **Paid-in capital**
¥21,894,970 thousand
- **Number of employees**
13,009
(consolidated)(including part-timers)
- **Business lines**
Planning, management and operation of the corporate Group, focused on dispensing pharmacy and cosmetic and drug store operations, generic drug wholesaling, sales of cosmetics, and operation of retail shops, and the Group's other businesses

Stock information

- **Transfer agent**
Mizuho Trust & Banking Co., Ltd.
- **Stock listings**
Tokyo Stock Exchange, Prime Market and Sapporo Securities Exchange
- **Securities code number**
9627
- **Fiscal year**
May 1 to April 30 of the following year
- **Ordinary general meeting of shareholders**
July
- **Date of record**
April 30
(The Company will announce other dates as and when required.)
- **Number of shares outstanding**
35,428,212 shares
(including treasury stock)
- **Number of shareholders**
11,008

■ **Major shareholders**

Shareholders	Number of shares held (thousand shares)	Shareholding ratio*1 (%)
The Master Trust Bank of Japan. Ltd (Trust account)	3,821	10.88
Kiichi Ohtani	3,238	9.22
Seven & i Holdings Co., Ltd.	2,750	7.83
North Pacific Bank, Ltd.	1,743	4.96
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account)*2	1,594	4.54
The Hokkaido Bank, Ltd.	1,472	4.19
STATE STREET BANK AND TRUST COMPANY 505103	1,270	3.62
Custody Bank of Japan, Ltd. (Trust account)	1,129	3.22
THE BANK OF NEW YORK MELLON 140044	1,010	2.88
JP MORGAN CHASE BANK 385151	939	2.67

Notes: 1. Shareholding ratios are calculated excluding 300,911 treasury shares.
2. Shares held in the Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account) are part of Marubeni Corporation's retirement benefit trust.

Editorial policy

The AIN Group implements a variety of initiatives aimed at generating sustainable growth and creating social, environmental, and economic value. Since the fiscal year ended April 30, 2010, we have published an Annual Report in English to strengthen communication with shareholders, investors and other stakeholders through deeper understanding of the Group's specific initiatives and ideas. Starting this year, we are publishing an Integrated Report in Japanese and English, which includes expanded information on the Group's materiality, human resources strategy, DX strategy and other initiatives aimed at increasing value over the medium and long term.

In editing this report, we referenced the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)* and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry (METI). The AIN Group works to actively disseminate information to stakeholders, including regular updates through news releases and other information disclosures on its corporate website. → https://www.ainj.co.jp/ir/index_eng.html.

*In June 2021, IIRC merged with the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation (VRF). VRF subsequently merged by the International Sustainability Standards Board (ISSB) together with Climate Disclosure Standards Board (CDSB) in June 2022.

Period covered: Fiscal year ended April 30, 2022 (May 1, 2021 - April 30, 2022)
This report includes the latest information as of the date of publication.
Scope: The Company (AIN HOLDINGS INC.), 35 subsidiaries and 3 affiliates

External evaluations

■ **Inclusion in ESG indexes**

- **FTSE Blossom Japan Sector Relative Index**
Selected for inclusion in an index composed of Japanese companies that demonstrate outstanding environmental, social and governance (ESG) performance in their respective sectors



*FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that AIN HOLDINGS INC. has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index following an evaluation by independent assessors. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.

- **MSCI Japan Empowering Women (WIN) Select Index**
Selected for empowering women and scoring highly for gender diversity from constituents of the MSCI Japan IMI Top 500 Index



* The inclusion of AIN HOLDINGS INC. in any MSCI index, and the use of the MSCI logos, trademarks, service marks or index names herein by AIN HOLDINGS INC., do not constitute a sponsorship, endorsement or promotion of AIN HOLDINGS INC. by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

■ **Evaluation of Health and Productivity Management, Diversity, etc.**

- **Health and Productivity Management**
Selected as an Outstanding Health and Productivity Management Organization for 2022
- **Eruboshi Certification**
Certified at the third level (highest level) for outstanding support for women's participation and career advancement in the workplace
- **Kurumin Certification**
Recognized as an outstanding company for childcare support



■ **Participation in the initiative**

- **TCFD**
Endorsed the final report of the Task Force on Climate-related Financial Disclosure (TCFD) (TCFD recommendations) and joined the TCFD Consortium





AIN HOLDINGS