AIN GROUP

IR PRESENTATION

AIN PHARMACIEZ INC.

December 2014

Results Overview

Consolidated P/L

In the first six months of the fiscal year, net sales rose 6.3% year on year to ¥88,220 million, reflecting the opening of new dispensing pharmacies and M&As. Ordinary income declined 13.8% to ¥4,451 million due to rising procurement costs, and net income decreased 12.9% to ¥2,525 million.

(¥ million)	FY4/14 2Q results	FY4/15 2Q plan	FY4/15 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	83,024	89,260	88,220	+5,196	+6.3	(1.2)
Gross profit	12,657	12,080	12,622	(35)	(0.3)	+4.5
% of net sales	**15.2**	**13.5**	**14.3**			
SG&A expenses	7,645	8,490	8,392	+747	+9.8	(1.2)
% of net sales	**9.2**	**9.5**	**9.5**			
Operating income	5,012	3,590	4,230	(782)	(15.6)	+17.8
% of net sales	**6.0**	**4.0**	**4.8**			
Ordinary income	5,163	3,830	4,451	(712)	(13.8)	+16.2
% of net sales	**6.2**	**4.3**	**5.0**			
Net income	2,899	1,970	2,525	(374)	(12.9)	+28.2
	3.5	**2.2**	**2.9**			
Net income per share(¥)	90.94	62.13	79.64	(11.3)	(12.4)	+28.2

- Figures in the table are rounded down
- On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Net income per share is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

Dispensing Pharmacy Business (Consolidated)

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The dispensing pharmacy business reported higher sales but lower income year on year, with sales rising 7.2% to ¥79,261 million and segment income decreasing 10.8% to ¥5,710 million.

(¥ million)	FY4/14 2Q results	FY4/15 2Q plan	FY4/15 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	73,954	79,936	79,261	+5,307	+7.2	(0.8)
Gross profit	10,025	9,157	9,822	(203)	(2.0)	+7.3
% of net sales	**13.6**	**11.5**	**12.4**			
SG&A expenses	3,842	4,294	4,328	+486	+12.6	+0.8
% of net sales	**5.2**	**5.4**	**5.5**			
Operating income	6,183	4,863	5,493	(690)	(11.2)	+13.0
% of net sales	**8.4**	**6.1**	**6.9**			
Segment income	6,400	5,160	5,710	(690)	(10.8)	+10.7
% of net sales	**8.7**	**6.5**	**7.2**			
Number of stores	589	656	659	+70	+11.9	+0.5

- Figures in the table are rounded down
- Segment income is adjusted ordinary income shown on the quarterly consolidated statements of income
- Prescription volume: +8.3% YoY
- Average prescription price: -0.5% YoY

Drug and Cosmetic Store Business(Consolidated)

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The drug and cosmetic store business reported a decrease in sales of 2.5% year on year to ¥8,514 million. However, segment income surged 700.0% to ¥32 million.

(¥ million)	FY4/14 2Q results	FY4/15 2Q plan	FY4/15 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	8,736	8,689	8,514	(222)	(2.5)	(2.0)
Gross profit	2,741	2,880	2,844	+103	+3.8	(1.2)
% of net sales	31.4	33.1	33.4			
SG&A expenses	2,756	2,800	2,835	+79	+2.9	+1.3
% of net sales	31.5	32.2	33.3			
Operating income	(15)	80	8	+23	-	(90.0)
% of net sales	-	0.9	0.1			
Segment income	4	126	32	+28	+700.0	(74.6)
% of net sales	0.05	1.5	0.4			
Number of stores	58	59	55	(3)	(5.2)	(6.8)

- Figures in the table are rounded down
- Segment income is adjusted ordinary income shown on the quarterly consolidated statements of income

Consolidated B/S

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The balance of long- and short- term debt decreased by 1,226 million to 9,812 million. Total net assets increased by ¥2,047 million to ¥44,287 million and the shareholdersôequity ratio improved 2.2 percentage points to 43.7%.

(¥ million)

End-FY4/14			
Assets		**Liabilities**	
Current assets	44,334	Current liabilities	50,349
Cash on hand and in banks	18,846	Short-term debt	6,535
		Lease obligations	566
Fixed assets	57,048	Long-term liabilities	8,793
Investments in securities	2,559	Long-term debt	4,502
		Lease obligations	1,454
Deferred assets	-	Total net assets	42,240
Total assets	101,382	Total liabilities and net assets	101,382
Net cash			5,787
Shareholdersœquity ratio(%)			41.5

(¥ million)

End-FY4/15 2Q			
Assets		**Liabilities**	
Current assets	43,493	Current liabilities	49,305
Cash on hand and in banks	18,549	Short-term debt	6,237
		Lease obligations	582
Fixed assets	57,489	Long-term liabilities	7,389
Investments in securities	2,375	Long-term debt	3,574
		Lease obligations	1,451
Deferred assets	-	Total net assets	44,287
Total assets	100,982	Total liabilities and net assets	100,982
Net cash			6,703
Shareholdersœquity ratio(%)			43.7

- Figures in the table are rounded down
- Net cash = Cash on hand and in banks －Interest-bearing debt

Assets

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(¥ million)	End-FY4/14 2Q	End-FY4/14	End-FY4/15 2Q	Change
Cash on hand and in banks	20,182	18,846	18,549	(297)
Notes and accounts receivable	4,739	6,718	6,214	(504)
Inventories	9,009	9,759	10,082	+323
Total current assets	**45,142**	**44,334**	**43,493**	**(841)**
Buildings and structures,net	8,546	9,962	10,254	+292
Land	6,777	6,698	6,890	+192
Lease assets	1,279	1,342	1,413	+71
Total property,plant and equipment	**18,855**	**19,583**	**20,195**	**+612**
Lease assets	69	47	37	(10)
Total intangible fixed assets	**21,228**	**21,129**	**21,519**	**+390**
Investments in securities	2,579	2,559	2,375	(184)
Deferred tax assets	958	1,068	790	(278)
Deposits and guarantees	7,085	8,081	8,487	+406
Total investments and other assets	**14,759**	**16,334**	**15,773**	**(561)**
Total fixed assets	**54,843**	**57,048**	**57,489**	**+441**
Total assets	**99,985**	**101,382**	**100,982**	**(400)**

- Figures in the table are rounded down
- Capital expenditures(Purchases of property,plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥2,015million
- Change(¥):End-FY4/15 2Q compared with end-FY14/4

Liabilities and Net Assets

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(¥ million)	End-FY4/14 2Q	End-FY4/14	End-FY4/15 2Q	Change
Accounts payable	28,514	28,002	29,466	+1,464
Short-term debt	7,088	6,535	6,237	(298)
Lease obligations	513	566	582	+16
Total current liabilities	**49,516**	**50,349**	**49,305**	**(1,044)**
Long-term debt	6,318	4,502	3,574	(928)
Lease obligations	1,253	1,454	1,451	(3)
Total long-term liabilities	**10,188**	**8,793**	**7,389**	**(1,404)**
Total liabilities	**59,704**	**59,142**	**56,694**	**(2,448)**
Common stock	8,682	8,682	8,682	-
Capital surplus	7,872	7,872	7,872	-
Retained earnings	23,647	26,007	27,967	+1,960
Total shareholders' equity	**40,197**	**42,146**	**44,104**	**+1,958**
Total net assets	**40,281**	**42,240**	**44,287**	**+2,047**
Total liabilities and net assets	**99,985**	**101,382**	**100,982**	**(400)**

- Figures in the table are rounded down
- Change(¥):End-FY4/15 2Q compared with end-FY14/4

Consolidated C/F

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(¥ million)	End-FY4/14 2Q	End-FY4/15 2Q	Change
Net cash provided by operating activities	**9,324**	**4,822**	**(4,502)**
Income before income taxes and minority interests	5,318	4,197	(1,121)
Depreciation and amortization	1,080	1,198	+118
Amortization of goodwill	990	1,044	+54
Decrease in accounts receivable	2,840	959	(1,881)
(Increase) decrease in inventories	(813)	(73)	+740
(Increase) decrease in other accounts receivable	(986)	(41)	+945
Net cash used in investing activities	**(4,215)**	**(1,907)**	**+2,308**
Payments for purchases of property, plant and equipment and intangible fixed assets	(2,204)	(1,278)	+926
Purchase of shares in affiliated companies	(1,703)	(1,264)	+439
Net cash provided by (used in) financing activities	**(3,375)**	**(3,170)**	**+205**
Net increase (decrease) in cash and cash equivalents	1,733	(256)	(1,989)
Cash and cash equivalents at end of the period	**20,172**	**18,479**	**(1,693)**

- Figures in the table are rounded down

Business Value Analysis

AIN GROUP

	End-FY4/14 2Q	End-FY4/14	End-FY4/15 2Q	Change
Shareholdersôequity ratio (%)	40.2	41.5	43.7	+3.5
Market value equity ratio (%)	67.9	70.3	94.1	+26.2
PER (times)	-	13.62	-	-
EPS (¥)	90.94	165.04	79.64	(11.3)
PBR (times)	1.69	1.70	2.16	+0.47
BPS (¥)	1,262.18	1,328.43	1,392.86	+130.68
ROA (%)	-	5.3	-	-
ROE (%)	-	13.1	-	-
EBITDA (¥ million)	-	14,405	-	-
EV/EBITDA (times)	-	4.49	-	-
Net D/E ratio (times)	(0.12)	(0.14)	(0.15)	(0.03)
Net cash (¥ million)	5,008	5,787	6,703	+1,695
Shareholder value (¥ million)	-	70,407	-	-
Market capitalization (¥ million)	67,921	71,264	95,059	+27,138

- Figures in the table are rounded down
- Change：FY4/15 2Q compared with FY4/14 2Q
- Net D/E ratio = (Interest-bearing debt ï Cash on hand and in banks) / Shareholdersôequity
- Shareholder value = EV ï Net interest-bearing debt
- Market capitalization：Except treasury stock
- Share prices used to calculate market capitalization:
  End-FY4/14 2Q ¥4,260(end-Oct 2013), end-FY4/14 ¥4,495 (end-Apr 2014), end-FY4/15 2Q ¥2,998 (end-Oct 2014).
- Net cash ＝Cash on hand and in banks － Interest-bearing debt
- On October 1, 2014, the Company conducted a 2ï for-1 stock split of common shares. Net income per share and Net assets per share are calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

FY4/15 Plan (Consolidated)

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We forecast net sales of ¥190,000 million, up 11.6% year on year and ordinary income of ¥10,700 million, up 1.1% year on year for the fiscal year ending April 30, 2015.

(¥ million)	FY4/13 results	FY4/14 results	FY4/15 plan	YoY change	YoY change (%)
Net sales	154,560	170,225	190,000	+19,775	+11.6
Gross profit	24,442	25,748	27,870	+2,122	+8.2
% of net sales	**15.8**	**15.1**	**14.7**		
SG&A expenses	14,740	15,635	17,610	+1,975	+12.6
% of net sales	**9.5**	**9.2**	**9.3**		
Operating income	9,701	10,113	10,260	+147	+1.5
% of net sales	**6.3**	**5.9**	**5.4**		
Ordinary income	10,292	10,587	10,700	+113	+1.1
% of net sales	**6.7**	**6.2**	**5.6**		
Net income	5,075	5,259	5,500	+241	+4.6
	3.3	**3.1**	**2.9**		
Net income per share(¥)	159.19	165.04	173.46	8.42	+5.1
Annual dividend (¥)	30.00	30.00	30.00	0.00	0.0

- Figures in the table are rounded down
- Change:FY4/15plan compared with FY4/14 results

Operating Outlook

- Analysis of results
- Store Network
- Dispensing fee revisions

Analysis of results

AIN GROUP

We achieved our plan for prescription volume, however the result of average prescription price was below our forecast. Net sales was 98.8% whereas operating income was 117.8% by acquiring technical fees and boosting operational efficiency.

(¥ million)	FY4/14 2Q results	FY4/15 2Q plan	FY4/15 2Q results	change	Vs plan (%)
Net sales	83,024	89,260	88,220	(1,040)	(1.2)
Gross profit	12,657	12,080	12,622	+542	+4.5
% of net sales	**15.2**	**13.5**	**14.3**		
SG&A expenses	7,645	8,490	8,392	(98)	(1.2)
% of net sales	**9.2**	**9.5**	**9.5**		
Operating income	5,012	3,590	4,230	+640	+17.8
% of net sales	**6.0**	**4.0**	**4.8**		
Ordinary income	5,163	3,830	4,451	+621	+16.2
% of net sales	**6.2**	**4.3**	**5.0**		
Net income	2,899	1,970	2,525	+555	+28.2
% of net sales	**3.5**	**2.2**	**2.9**		

- Figures in the table are rounded down
- Change(¥):FY4/15 2Q results compared with FY4/15 2Q plan

Analysis

Net sales

		FY4/15 2Q results	Vs plan(%)
Dispensing pharmacy	Same store(542)	70,668	(0.6)
	Stores opened in the previous year(62)	5,806	(4.8)
	New store(48)	1,395	(7.7)
Drug and Cosmetic store(55)		8,514	(2.0)

Operating income

(Dispensing pharmacy)
Gross profit ratio improved 0.9% by acquiring technical fees and boosting operational efficiency .Operating income resulted in plus 630 million yen against our plan.
(Drug and cosmetic store)
Gross margin improved by reconsidering merchandise policy. Gross profit ratio was plus 0.3% against the plan, but operating income resulted in minus 72 million yen due to unachieved sales and increase of selling, general and administrative expenses.

Store Network

AIN GROUP

The group opened 48 new stores, including those acquired through M&A deals.

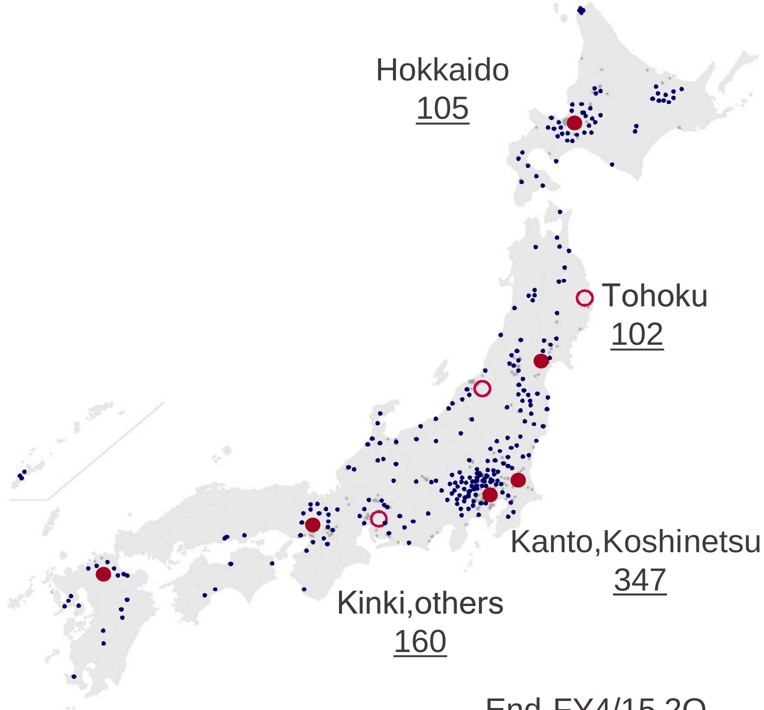
■ Number of stores

714 (Dispensing pharmacy : 659, Drug and cosmetic store : 55)

■ Plan

		FY4/15 2Q		December	FY4/15
		Plan	Results	Results	Plan
Dispensing pharmacy	Near hospitals	18	13	22	56
	Medical mall	2	2	2	6
	M&A	20	33	52	58
Drug and Cosmetic store		0	0	1	6
Total		40	48	77	126

- Total number of stores includes the two franchise stores
- 77 properties secured



■ Transition of dispensing pharmacies

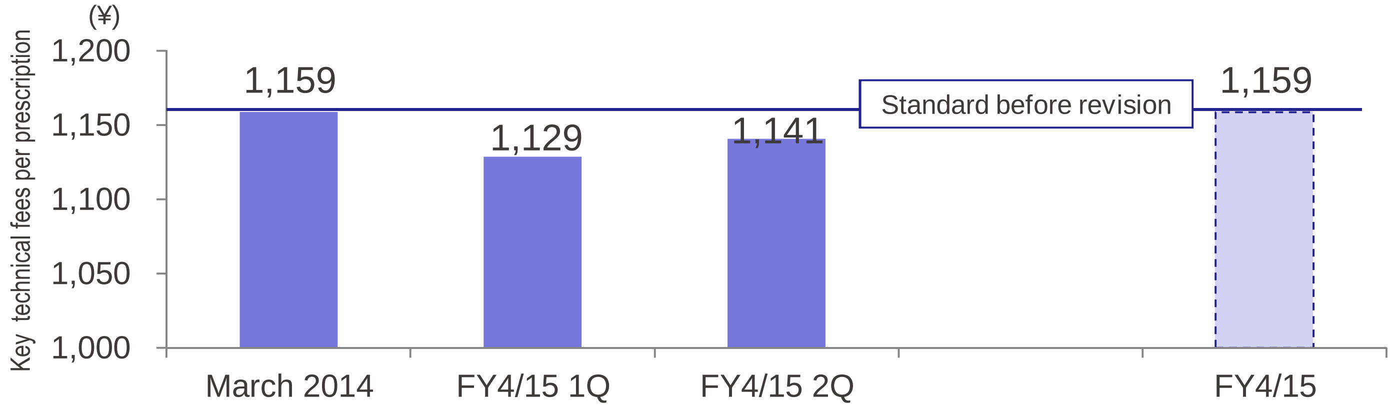
	FY4/06	FY4/07	FY4/08	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15 (Forecast)
Organic	16	14	23	24	21	18	27	38	36	62
M&A	17	18	91	3	3	35	28	38	26	58
EV/EBITDA(times)	5.30	7.54	4.82	2.21	3.45	5.60	5.51	5.09	3.94	4.66
Close	8	3	5	8	2	5	9	10	6	7
No. of stores	218	247	356	375	397	448	494	560	616	729

- EV/EBITDA(times)=EV(Purchase price)/EBITDA(Operating income + Depreciation and amortization)

Dispensing fee revisions①

Key technical fees that are the major items in dispensing fee revisions, but the fees per prescription in the revision of April 2014 are being recovered. It is possible to absorb negative impact by participating in home healthcare service and promoting the switch to generic drugs in this full-year.

■Transition of key technical fees per prescription (same store)



(¥)

		March 2014	FY4/15 1Q		FY4/15 2Q		FY4/15	
		Before revisions	Results	Impact	Results	Impact	After provision	Impact
24-hour, Home healthcare etc	Basic dispensing fee	385	374	(11)	374	(1)	375	(10)
	Standards for dispensing system premiums	123	103	(20)	105	(18)	108	(15)
Promoting GE	Generic drug dispensing system premium	163	156	(7)	163	±0	175	+12
Patient medication notebook	Instruction fee	390	382	(8)	383	(7)	384	(6)
Others	Unit-dose packaging drug fee etc	99	114	+15	116	+17	117	+18
Total		**1,159**	**1,129**	**(30)**	**1,141**	**(18)**	**1,159**	**±0**

- Price per reception of prescriptions
- Object:497 same stores of the four major companies in the Group

Dispensing fee revisions②

AIN GROUP

By aggressive home healthcare services promotion, the number of stores which are eligible for standards for dispensing premiums 2 (36 points) increased 12 stores to 35 stores. Ain pharmacy Noborito started 24-hour services in August.

■ Statement of basic dispensing fee and standards for dispensing system premiums (same store)

Basic dispensing fee 41 points Standards for dispensing system premiums 0/12/36 points	Basic dispensing fee 41 points Standards for dispensing system premiums 0/12 points	Basic dispensing fee 25(exception)/41 points Standards for dispensing system premiums 0/12 points	Basic dispensing fee 25(exception) points Standards for dispensing system premiums 0 point
600	2,500	4,000 (Monthly reception of prescription)	
113 stores (October) Basic dispensing fee 41 points(113stores) Standards for dispensing system premiums 0 point(7stores) 12 points(71stores) 36 points(35stores) (FY4/15 Plan) Standards for dispensing system premiums 0 point(4 stores) 12 points(26stores) 36 points(83stores)	**335 stores** Basic dispensing fee 41 points(335stores) Standards for dispensing system premiums 0 point(10stores) 12 points(325stores)	**35 stores** Basic dispensing fee 25 points(34stores) 41 points(1store) Standards for dispensing system premiums 0 point(34stores) 12 points(1store) Reduce the exception by 24-hour services	**14 stores** Basic dispensing fee 25 points(14stores) Standards for dispensing system premiums 0 point(14stores)

90%

70%

Cocentration rate

(Requirement which is eligible for standards for dispensing system premiums 2)
10 times of home healthcare services in a year, etc

▶ Object:497 same stores of the four major companies in the Group

Promoting home healthcare services

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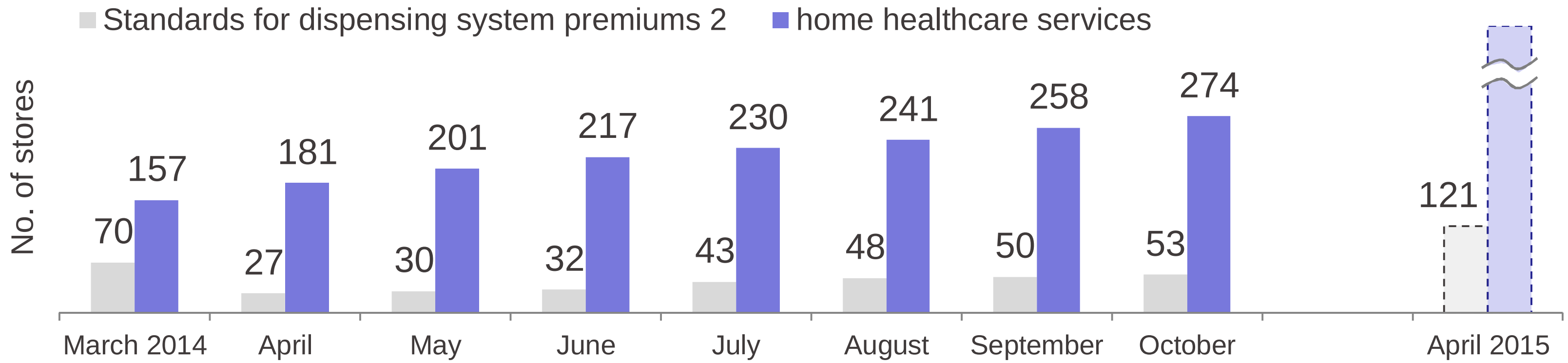
The number of stores that gained premiums for home healthcare services was 274. To promote the home healthcare services, it is important for the local medical institutions and nursing institutions to cooperate with. We will use our sales strengths and actively promote them.

■ Transition of standards for dispensing system premiums 2 and home healthcare services



■ Number of home healthcare services

(Number)	FY4/12	FY4/13	FY4/14	FY4/15 2Q	FY4/15 Plan
Total	**197,889**	**237,131**	**257,337**	**154,161**	**300,000**
Visit (*1)	**190,911**	**221,524**	**222,535**	**123,679**	**240,000**
In-home	5,109	6,016	4,468	2,375	4,400
Facility	185,802	215,508	218,067	121,304	235,600
Eligible for technical fees(*2)	**6,978**	**15,607**	**34,802**	**30,482**	**60,000**
In-home	1,865	2,737	7,427	8,206	13,000
Facility	5,113	12,870	27,375	22,276	47,000
No. of stores(*3)	**26**	**59**	**181**	**274**	**600**

(*1) Number of visit which is not eligible for technical fees for home healthcare service
(*2) Number of visit which is eligible for technical fees for home healthcare service
(*3) Number of stores which is eligible for technical fees for home healthcare service

Promoting Generic Drugs

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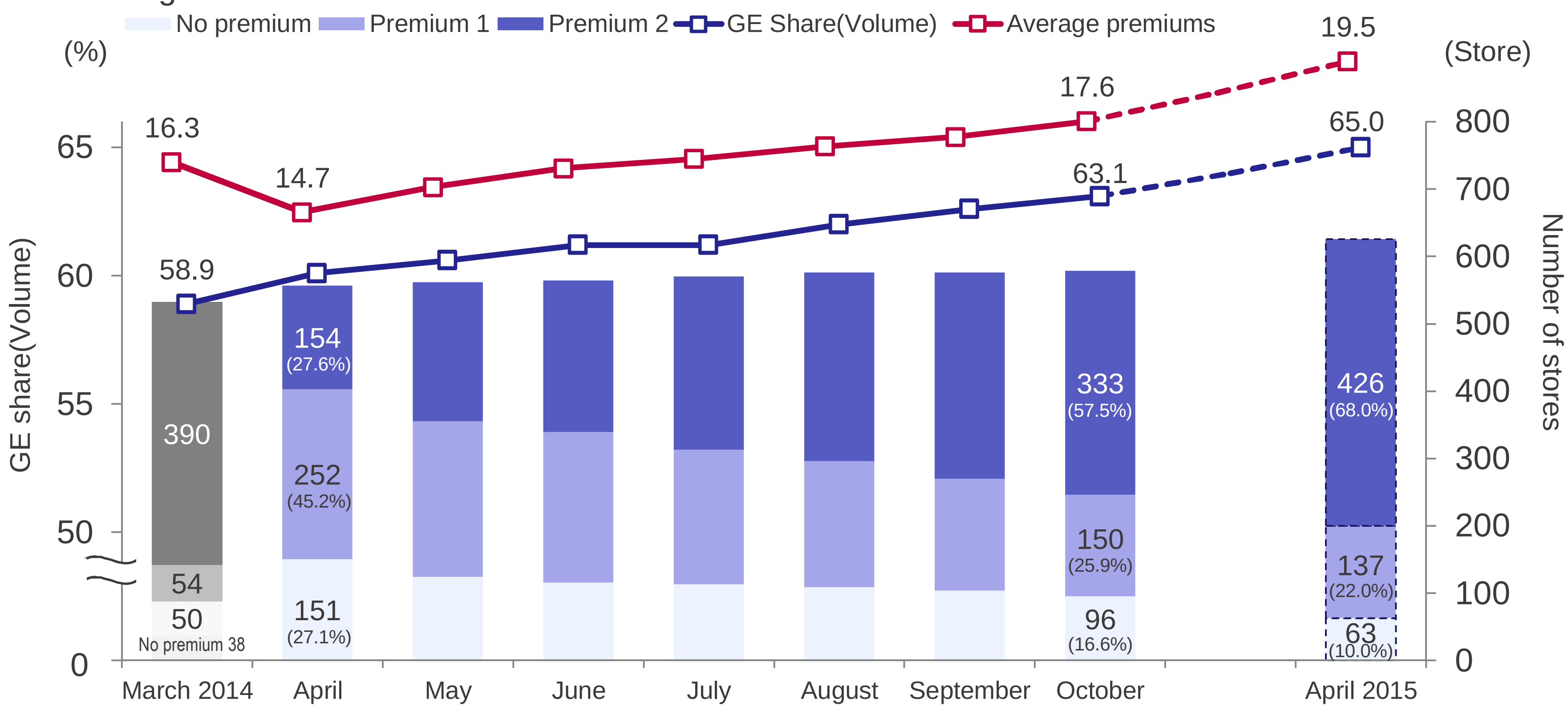
Compared with the target which the Ministry of Health,Labour and Welfare advocated that "the Generic drugsôshare have to be 60% by the end of March 2014", Our generic dugsôshare was 63.1% and average premiums were 17.6 points at the end of October. We will continually promote switching generic drugs and achieve 65.0% and 19.5 points in the end of April 2015.

■ Progress



- March 2014:Old standards before revisions
- Average premiums : Premiums for generic drug dispensing systems per prescription

Progress of FY4/15 Plan

AIN GROUP

In the second quarter of fiscal year ending April 2015, net sales was above the result in previous year by opening new stores. However, ordinary income was below due to the effect of dispensing fee revisions and consumption tax increase. We will achieve the full-year plan by acquiring technical fees and boosting operational efficiency.

■ New store opening aggressiveness

2Q result is progressing above the plan. Especially in M&A deals, the number of stores is 33.

■ Response to dispensing fee revisions

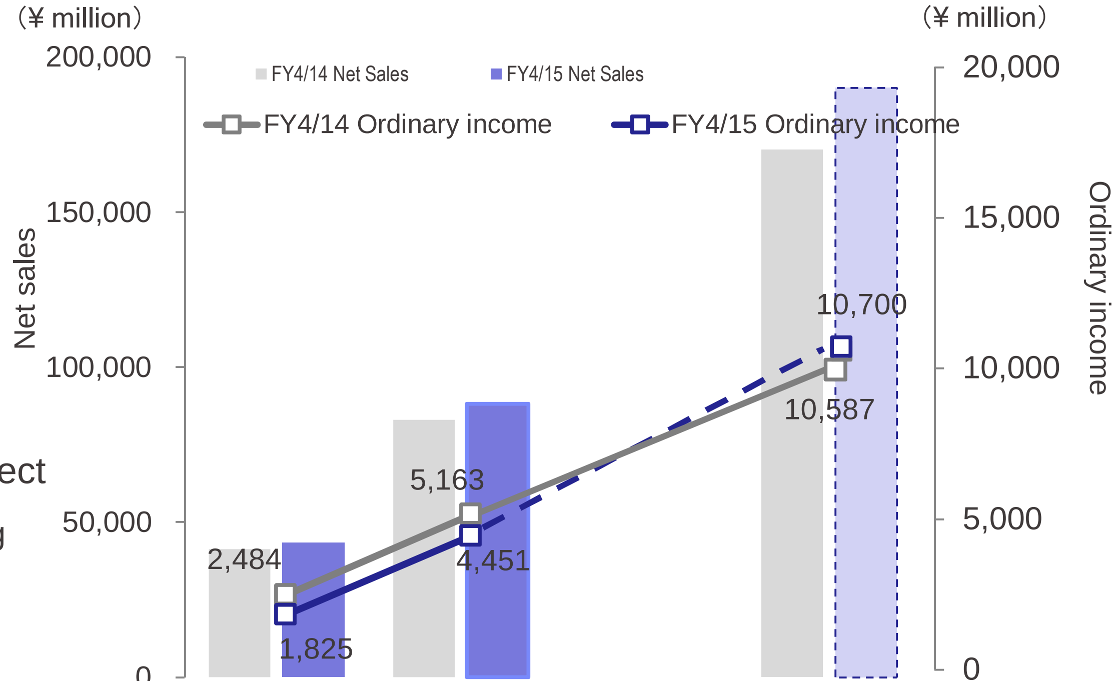
We will make up for the effect of revisions by taking measures for standards for dispensing system premiums, premiums for generic drug dispensing systems, pharmaceutical management fees.

■ Store activation by pharmacy-led project

We will improve storesôefficiencies by saving patient waiting times and reducing stocks. Furthermore, we reposition employees by increasing the number of prescriptions which are dealt with by each pharmacist, and make our stores more profitable.

We will achieve our target by expanding our business by opening new stores and making our existing stores more profitable.

■ The plan of changes in the fiscal year ending April 2015



(¥ million)

	1Q FY4/14	1Q FY4/15	2Q FY4/14	2Q FY4/15	4Q FY4/14	4Q FY4/15 Plan
Net sales	41,214	43,354	83,024	88,220	170,225	190,000
Ordinary income	2,484	1,825	5,163	4,451	10,587	10,700

Inquiries related to this presentation should be addressed to

AIN PHARMACIEZ INC.
Corporate Planning Division
TEL(81)11-814-0010
FAX(81)11-814-5550
http://www.ainj.co.jp/

AIN GROUP