IR PRESENTATION

AIN GROUP

AIN HOLDINGS INC.

February 2016

Results Overview

Consolidated P/L

AIN GROUP

In the first nine months of the fiscal year, net sales increased 24.2% year on year to ¥169,395 million, reflecting the opening of 100 new dispensing pharmacies including M&As. Ordinary income increased 31.8% year on year to ¥10,315 million by the rise of net sales and operational efficiency improvement.

(¥ million)	FY4/15 3Q results	FY4/16 3Q plan	FY4/16 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	136,394	160,242	169,395	+33,001	+24.2	+5.7
Gross profit	20,238	24,628	27,346	+7,108	+35.1	+11.0
% of net sales	**14.8**	**15.4**	**16.1**			
SG&A expenses	12,727	15,479	17,341	+4,614	+36.3	+12.0
% of net sales	**9.3**	**9.7**	**10.2**			
Operating income	7,510	9,148	10,004	+2,494	+33.2	+9.4
% of net sales	**5.5**	**5.7**	**5.9**			
Ordinary income	7,824	9,395	10,315	+2,491	+31.8	+9.8
% of net sales	**5.7**	**5.9**	**6.1**			
Profit attributable to owners of parent	4,471	5,295	5,531	+1,060	+23.7	+4.5
% of net sales	**3.3**	**3.3**	**3.3**			
Earnings per share(¥)	141.04	167.02	174.44	+33.40	+23.7	+4.4

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

Dispensing Pharmacy Business(Consolidated)

AIN GROUP

Net sales rose 23.9% year on year to ¥151,884 million by the growth of prescription volume and average sales per prescription. Segment income rose 38.9% year on year to ¥13,341 million by home-based healthcare, promotion wider use of generic drugs.

(¥ million)	FY4/15 3Q results	FY4/16 3Q plan	FY4/16 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	122,592	142,650	151,884	+29,292	+23.9	+6.5
Gross profit	15,911	19,136	21,393	+5,482	+34.5	+11.8
% of net sales	13.0	13.4	14.1			
SG&A expenses	6,610	7,649	8,429	+1,819	+27.5	+10.2
% of net sales	5.4	5.4	5.5			
Operating income	9,300	11,486	12,963	+3,663	+39.4	+12.9
% of net sales	7.6	8.1	8.5			
Segment income	9,608	11,700	13,341	+3,733	+38.9	+14.0
% of net sales	7.8	8.2	8.8			
Number of stores	687	822	842	+155	+22.6	+2.4

- Figures in the table are rounded down
- Segment income is adjusted ordinary income shown on the quarterly consolidated statements of income
- Prescription volume:+18.4% YoY
- Average prescription price:+4.8% YoY

Drug and Cosmetic Store Business(Consolidated)

Net sales increased 19.1% year on year to ¥15,601 million by the opening of 3 new stores and the increase of inbound demand. However, net sales decreased 5.1% against our plan due to the closing of 4 stores. The year on year change of segment income is ¥(428) million due to the increase of sales promotion expenses for 2 new large store openings.

(¥ million)	FY4/15 3Q results	FY4/16 3Q plan	FY4/16 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	13,102	16,445	15,601	+2,499	+19.1	(5.1)
Gross profit	4,383	5,506	5,382	+999	+22.8	(2.3)
% of net sales	33.5	33.5	34.5			
SG&A expenses	4,333	5,573	5,933	+1,600	+36.9	+6.5
% of net sales	33.1	33.9	38.0			
Operating income	49	(67)	(551)	(600)	-	-
% of net sales	0.4	-	-			
Segment income	92	(42)	(336)	(428)	-	-
% of net sales	0.7	-	-			
Number of stores	55	56	55	0	0	(1.8)

- Figures in the table are rounded down
- Segment income is adjusted ordinary income shown on the quarterly consolidated statements of income
- No. of customers:+4.5% YoY
- Average spending per customer :+14.0% YoY

Consolidates B/S

Net cash became ¥(730) million due to the increase of debt by M&A financial arrangements.

(¥ million)

End-FY4/15			
Assets		Liabilities	
Current assets	46,365	Current liabilities	54,433
Cash on hand and in banks	19,553	Short-term debt	6,330
		Lease obligations	628
Fixed assets	67,783	Long-term liabilities	11,669
Investments in securities	2,872	Long-term debt	7,640
		Lease obligations	1,341
Deferred assets	-	Total net assets	48,046
Total assets	114,149	Total liabilities and net assets	114,149

(¥ million)

End-FY4/16 3Q			
Assets		Liabilities	
Current assets	57,637	Current liabilities	64,809
Cash on hand and in banks	24,209	Short-term debt	6,998
		Lease obligations	669
Fixed assets	79,946	Long-term liabilities	20,539
Investments in securities	2,880	Long-term debt	16,022
		Lease obligations	1,249
Deferred assets	-	Total net assets	52,234
Total assets	137,584	Total liabilities and net assets	137,584

	End-FY4/15	End-FY4/16 3Q
Net cash	3,613	(730)
Shareholders' equity ratio (%)	42.0	37.9

- Figures in the table are rounded down
- Net cash = Cash on hand and in banks －Interest-bearing debt (Short-term debt＋Lease obligations)

Assets

Total assets increased ¥23,435 million compared to those in the fiscal year ended April 2015. The factor is the increase of cash on hand and in banks, inventories, buildings and structures, and land for the new store openings and M&As.

(¥ million)	End-FY4/15 3Q	End-FY4/15	End-FY4/16 3Q	Change
Cash on hand and in banks	23,032	19,553	24,209	+4,656
Notes and accounts receivable	7,488	8,369	12,942	+4,573
Inventories	10,614	9,909	12,598	+2,689
Total current assets	**48,905**	**46,365**	**57,637**	**+11,272**
Buildings and structures,net	10,756	11,678	14,784	+3,106
Land	7,476	7,931	8,323	+392
Lease assets	1,444	1,388	1,413	+25
Total property,plant and equipment	**21,376**	**22,472**	**27,263**	**+4,791**
Lease assets	33	28	17	(11)
Total intangible fixed assets	**23,788**	**27,623**	**33,919**	**+6,296**
Investments in securities	2,389	2,872	2,880	+8
Deferred tax assets	767	984	1,481	+497
Deposits and guarantees	8,683	9,710	10,008	+298
Total investments and other assets	**16,333**	**17,688**	**18,763**	**+1,075**
Total fixed assets	**61,498**	**67,783**	**79,946**	**+12,163**
Total assets	**110,404**	**114,149**	**137,584**	**+23,435**

- Figures in the table are rounded down
- Capital expenditures(Purchases of property,plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥8,750million
- Change(¥):End-FY4/16 3Q compared with end-FY4/15

Liabilities and Net Assets

AIN GROUP

Due to the rise of long-term debt, total liabilities increased ¥ 19,246 million.

(¥ million)	End-FY4/15 3Q	End-FY4/15	End-FY4/16 3Q	Change
Accounts payable	31,309	31,826	40,195	+8,369
Short-term debt	6,412	6,330	6,998	+668
Lease obligations	618	628	669	+41
Total current liabilities	**51,879**	**54,433**	**64,809**	**+10,376**
Long-term debt	8,412	7,640	16,022	+8,382
Lease obligations	1,425	1,341	1,249	(92)
Total long-term liabilities	**12,295**	**11,669**	**20,539**	**+8,870**
Total liabilities	**64,175**	**66,103**	**85,349**	**+19,246**
Common stock	8,682	8,682	8,682	-
Capital surplus	7,872	7,872	7,658	(214)
Retained earnings	29,914	31,639	36,219	+4,580
Total shareholders' equity	**46,051**	**47,776**	**52,141**	**+4,365**
Total net assets	**46,229**	**48,046**	**52,234**	**+4,188**
Total liabilities and net assets	**110,404**	**114,149**	**137,584**	**+23,435**

- Figures in the table are rounded down
- Change(¥):End-FY4/16 3Q compared with end-FY4/15

FY4/16 Plan (Consolidated)

We forecast net sales of ¥218,280 million, up 16.2% year on year and ordinary income of ¥13,700 million, up 17.1% year on year for the fiscal year ending April 30, 2016.

(¥ million)	FY4/14 results	FY4/15 results	FY4/16 plan	YoY change	YoY change (%)
Net sales	170,225	187,904	218,280	+30,376	+16.2
Gross profit	25,748	28,961	34,290	+5,329	+18.4
% of net sales	**15.1**	**15.4**	**15.7**		
SG&A expenses	15,635	17,509	20,890	+3,381	+19.3
% of net sales	**9.2**	**9.3**	**9.6**		
Operating income	10,113	11,452	13,400	+1,948	+17.0
% of net sales	**5.9**	**6.1**	**6.1**		
Ordinary income	10,587	11,697	13,700	+2,003	+17.1
% of net sales	**6.2**	**6.2**	**6.3**		
Net income	5,259	6,197	7,230	+1,033	+16.7
	3.1	**3.3**	**3.3**		
Net income per share(¥)	165.04	195.45	228.02	+32.57	+16.7
Annual dividend (¥)	30.00	30.00	40.00	+10.00	+33.3

- Figures in the table are rounded down
- Change:FY4/16 plan compared with FY4/15 results
- Change (%):FY4/16 plan compared with FY4/15 results
- On October 1, 2014, the Company conducted a 2–for-1 stock split of common shares. Net income per share and annual dividend are calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

3Q Review

Analysis of Results(vs FY4/15 3Q)

AIN GROUP

Net sales increased 24.2% year on year reflecting the increase of average sales per prescription, prescription volume and sales of cosmetic store business. Ordinary income rose 33.2% by the increase of net sales and the response to the dispensing fee revision.

(¥ million)	FY4/15 3Q results	FY4/16 3Q results	Change	Change (%)
Net sales	136,394	169,395	+33,001	+24.2
Gross profit	20,238	27,346	+7,108	+35.1
% of net sales	**14.8**	**16.1**		
SG&A expenses	12,727	17,341	+4,614	+36.3
% of net sales	**9.3**	**10.2**		
Operating income	7,510	10,004	+2,494	+33.2
% of net sales	**5.5**	**5.9**		
Ordinary income	7,824	10,315	+2,491	+31.8
% of net sales	**5.7**	**6.1**		

- Figures in the table are rounded down
- consolidated adjustment is included

Net sales vs FY4/15 3Q results (%)

		Net sales	Prescription volume	Average prescription price
Dispensing pharmacy	Same store(591)	+9.9	+0.1	+9.8
	Store openings in the previous year(148)	+323.2	+318.5	+1.0
	Total(842)	+24.1	+18.4	+4.8

		Net sales	Number of customers	Average spending per customer
Drug and Cosmetic store	Same store(49)	+11.1	+0.2	+10.9
	Store openings in the previous year(3)	+651.7	+1,183.9	(41.5)
	Total(55)	+19.1	+4.5	+14.0

Operating income

Dispensing pharmacy	+ ¥3,663 million Increase of net sales and technical fees from promoting wider use of generic drugs and home-based healthcare.
Drug and Cosmetic store	- ¥600 million Increase of SG&A expenses and sales promotion cost for 2 new large store openings.

- Inside of parentheses is the number of stores except 2 franchise stores

Analysis of Results(vs Plan)

AIN GROUP

Net sales increased 5.7% against our plan reflecting the increase of average sales per prescription and the store openings in the previous year. Ordinary income rose 9.4% against our plan due to the increase of net sales in dispensing pharmacy business.

(¥ million)	FY4/16 3Q plan	FY4/16 3Q results	Change	Vs plan (%)
Net sales	160,242	169,395	+9,153	+5.7
Gross profit	24,628	27,346	+2,718	+11.0
% of net sales	**15.4**	**16.1**		
SG&A expenses	15,479	17,341	+1,862	+12.0
% of net sales	**9.7**	**10.2**		
Operating income	9,148	10,004	+856	+9.4
% of net sales	**5.7**	**5.9**		
Ordinary income	9,395	10,315	+920	+9.8
% of net sales	**5.9**	**6.1**		

- Figures in the table are rounded down
- A consolidated adjustment is included

Net sales vs plan(%)

		Net sales	Prescription volume	Average prescription price
Dispensing pharmacy	Same store(591)	+4.4	(0.6)	+5.0
	Store openings in the previous year(148)	+6.4	+1.9	+4.5
	Total(842)	+6.2	+1.8	+4.2

		Net sales	Number of customers	Average spending per customer
Drug and Cosmetic store	Same store(49)	+7.2	-	-
	Store openings in the previous year(3)	(23.5)	-	-
	Total(55)	(5.1)	-	-

Operating income

Dispensing pharmacy	+ ¥1,477million Increase of net sales and technical fees from promoting wider use of generic drugs and home-based healthcare, and labor cost and operational cost.
Drug and Cosmetic store	—¥484 million Increase of SG&A expenses and sales promotion cost for 2 new large store openings.

- Inside of parentheses is the number of stores except 2 franchise stores

Store Network

NP HOLDINGS co.,Ltd. which is the largest dispensing pharmacy chain in the Shikoku region joined the group in November 2015. Therefore, the number of new stores including M&A resulted 100 at 3Q of FY4/16. We plan to open 124 stores in full year.

■ Number of stores

897 (Dispensing pharmacy : 842, Drug and cosmetic store : 55)

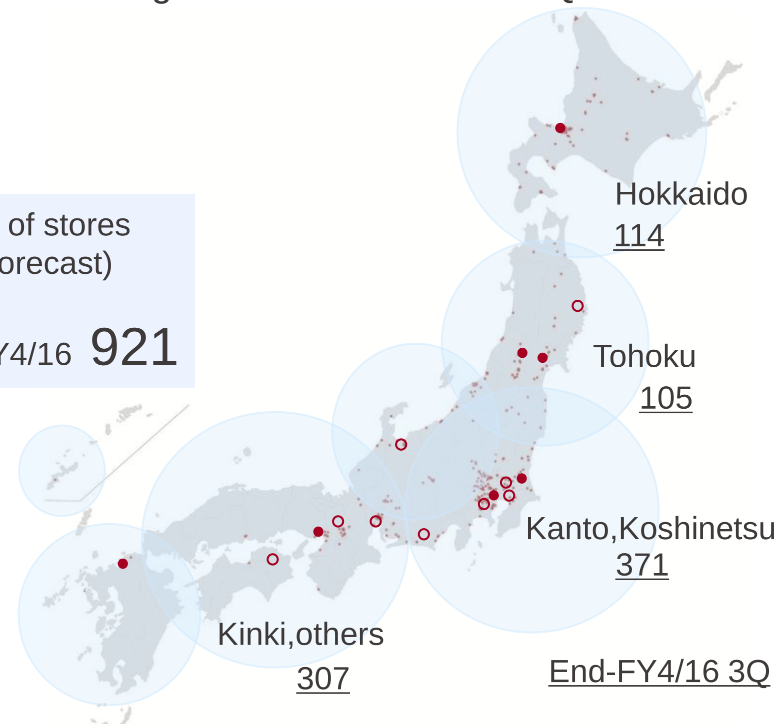
■ Plan

		FY4/16 3Q Plan	FY4/16 3Q Results	FY4/16 Plan
Dispensing pharmacy	Organic	36	25	56
	M&A	32	72	64
Drug and Cosmetic store		3	3	4
Total		71	100	124

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

No. of stores (Forecast)

End-FY4/16 921



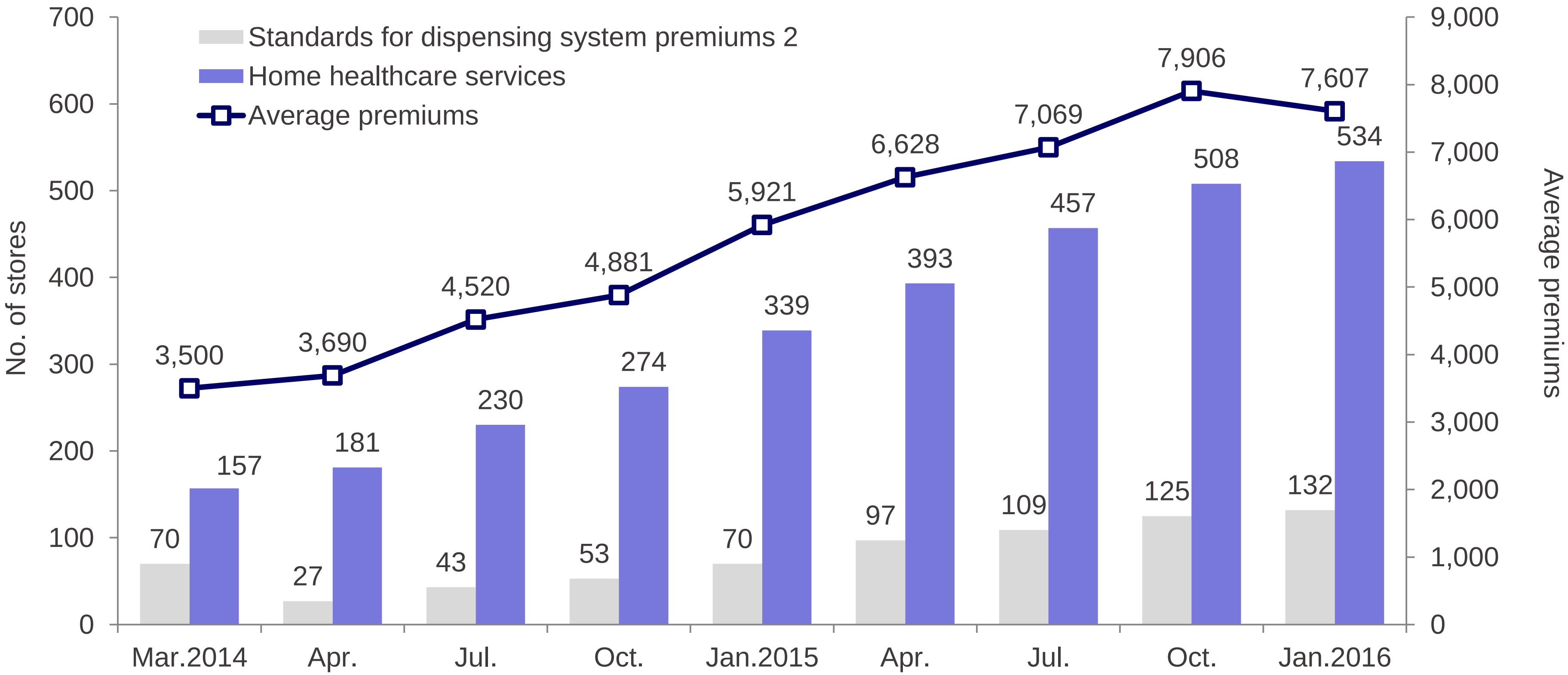
■ Transition of dispensing pharmacies

	FY4/07	FY4/08	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16 3Q
Organic	14	23	24	21	18	27	38	36	40	25
M&A stores	18	91	3	3	35	28	38	26	119	72
companies	1	2	1	0	6	9	11	13	15	13
EV/EBITDA Ratio	7.54	4.82	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.75
Close	3	5	8	2	5	9	10	6	21	9
No. of stores	247	356	375	397	448	494	560	616	754	842

Promoting Home Healthcare Services

In the end of January 2016, 534 stores received premiums for home healthcare services, and 132 stores received standards for dispensing system premiums 2. It is so important for promoting home healthcare to link with local medical facilities and nursing homes that we will strength our advantage of sales force and actively promote the services.

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



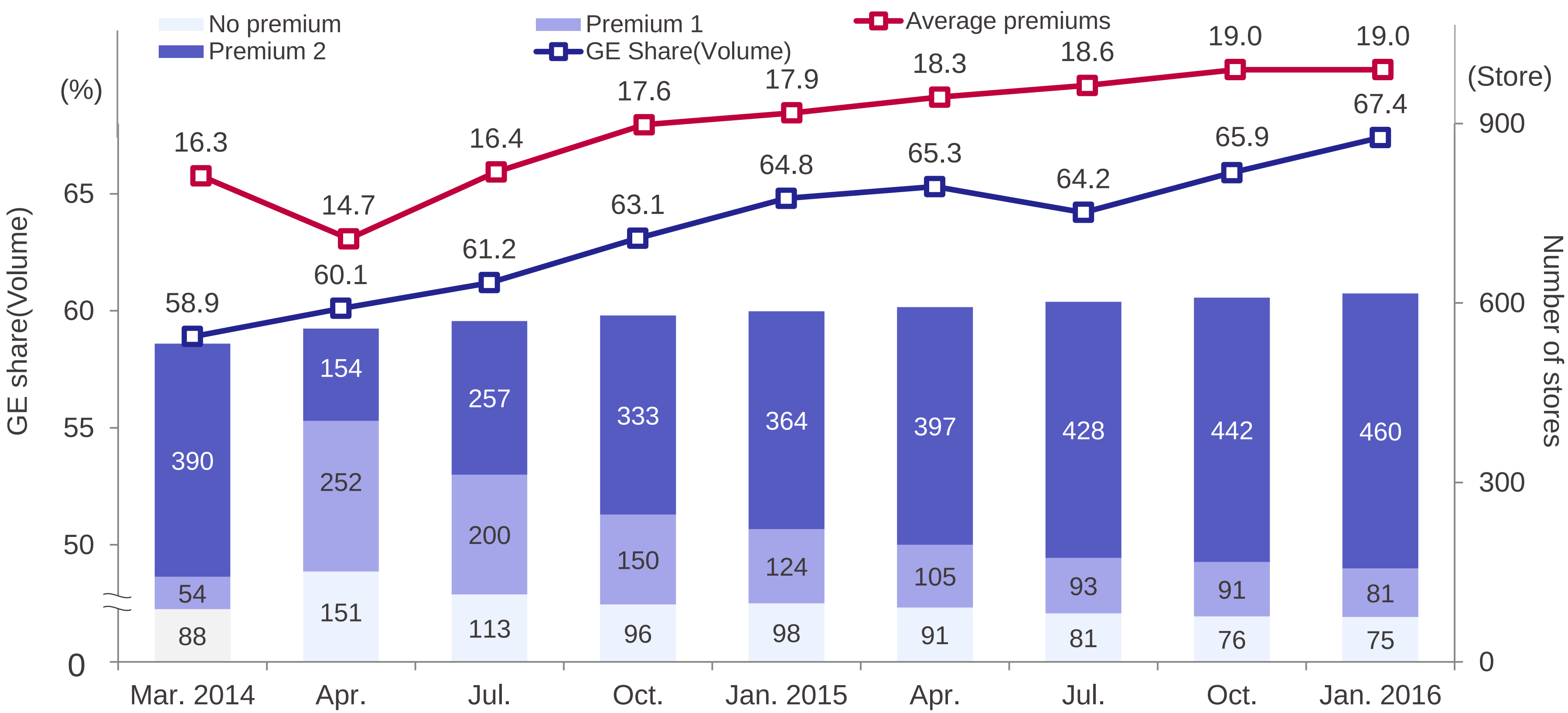
▶ Object: four major companies in the Group

Promoting Generic Drugs

AIN GROUP

The Ministry of Health,Labour and Welfare is currently considering the target which is " the share of generic drugs has to be 80% by the end of 2020". Our group's GE share was 67.4% and average premiums were 19.0 points at the end of January 2016. We will actively continue to promote the use of generic drugs for patients.

■ Progress

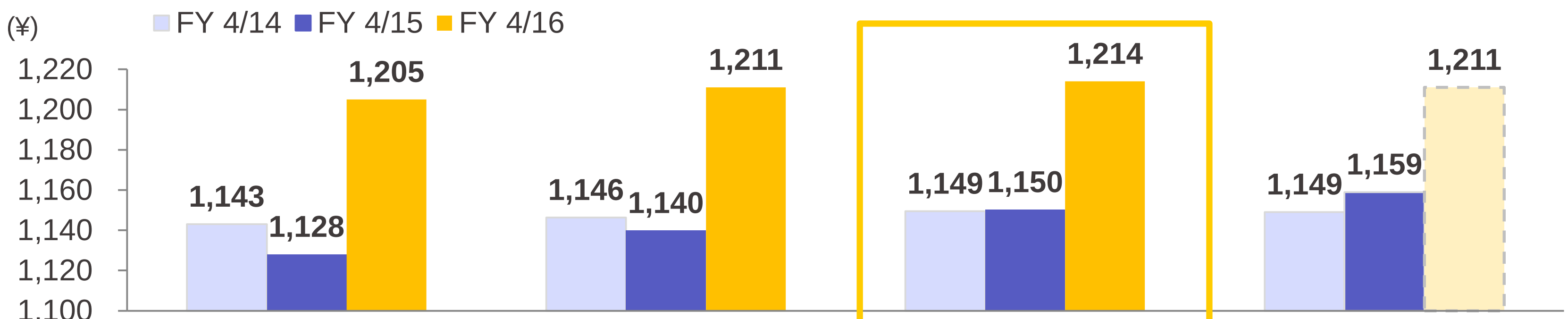


- Mar. 2014: Old standards before revisions
- Average premiums : Premiums for generic drug dispensing systems per prescription
- Object: four major companies in the Group

Transition of Dispensing Fee

Our group promoted home healthcare services and wider use of generic drugs against the revision of April 2014. As a result, the average prescription price went up compared with that in the previous year.

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



(¥)

		1Q FY 4/14	1Q FY 4/15	1Q FY 4/16	1Q Change	2Q FY 4/14	2Q FY 4/15	2Q FY 4/16	2Q Change	3Q FY 4/14	3Q FY 4/15	3Q FY 4/16	3Q Change	4Q FY 4/14	4Q FY 4/15	4Q FY 4/16 (Plan)	4Q Change
24-hour, Home healthcare etc	Basic dispensing fee	384	374	378	+4	384	374	378	+4	384	374	378	+4	384	374	378	+4
	Standards for dispensing system premiums	**116**	**103**	**133**	**+30**	**116**	**105**	**136**	**+31**	**117**	**108**	**138**	**+30**	**116**	**113**	**139**	**+26**
Promoting GE	Generic drug dispensing system premium	**157**	**156**	**190**	**+34**	**158**	**163**	**190**	**+27**	**159**	**169**	**191**	**+22**	**160**	**173**	**192**	**+19**
Medication notebook	Instruction fee	386	382	384	+2	386	383	384	+1	387	383	384	+1	387	383	386	+3
Others	Unit-dose packaging drug fee etc	100	113	120	+7	102	115	123	+8	102	116	123	+7	102	116	116	±0
Total		**1,143**	**1,128**	**1,205**	**+77**	**1,146**	**1,140**	**1,211**	**+71**	**1,149**	**1,150**	**1,214**	**+64**	**1,149**	**1,159**	**1,211**	**+52**

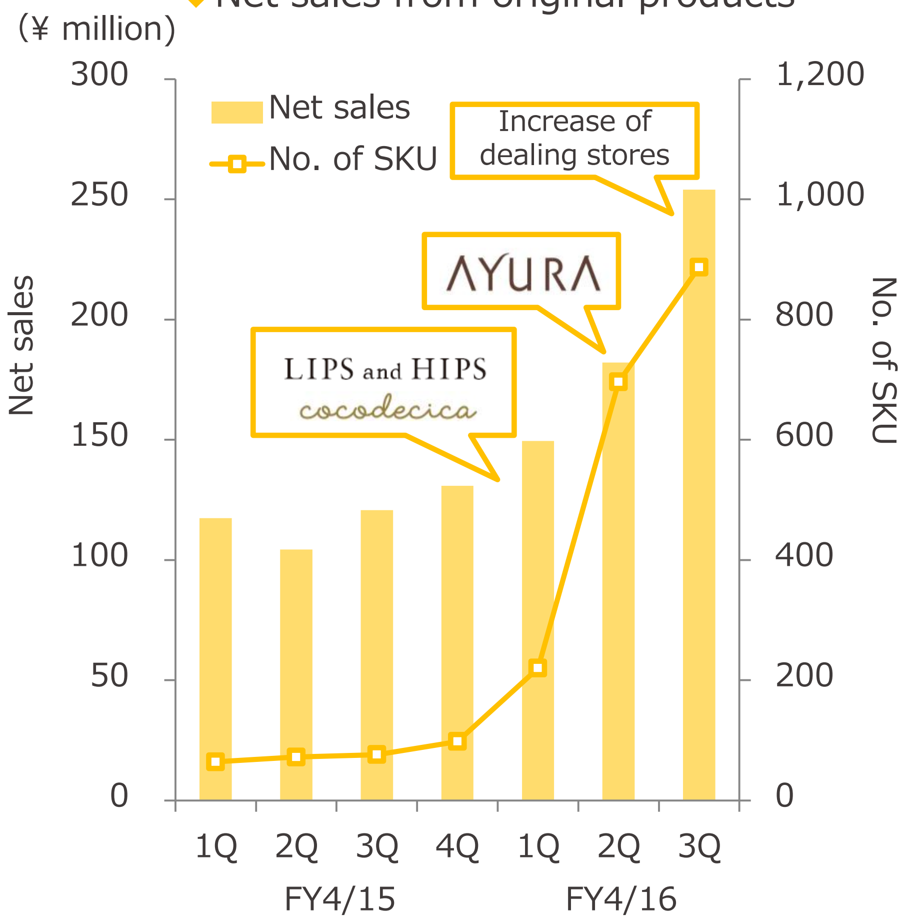
- Price per reception of prescriptions
- Object:480 existing stores of the four major companies in the Group

AINZ & TULPE PB & tax-free goods

AIN GROUP

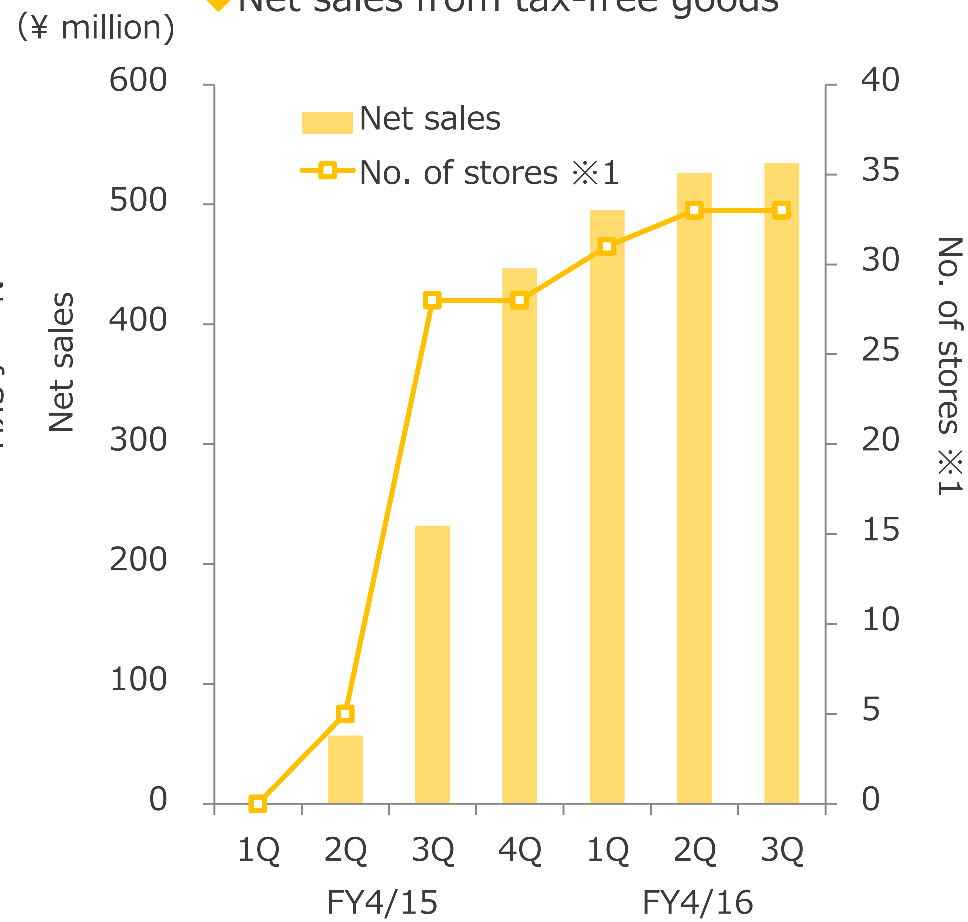
Net sales from original products that we have focused on from FY4/16 is changing smoothly.
Our plan of the number of SKU at FY4/16 3Q was 350 SKU, however, the result was 887 SKU.
Net sales from tax-free goods is also moving steadily by inbound demands.

◆Net sales from original products



▶ No. of SKU：As of the end of a quarter of the year

◆Net sales from tax-free goods



▶ ※1 No. of stores：Stores which have sales from tax -free goods as of the end of a quarter of the year

Supplementary Information

Company Profile

AIN GROUP

AIN HOLDINGS

Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥171,855 million (As of January 31, 2016)
Net sales and operating income	Net sales: ¥218,280 million Operating income: ¥13,400 million (For the year ended April 30, 2016 (FY2016))
Number of employees	7,962 (including pharmacists：3,473) (As of January 31, 2016)
Number of stores	897 (842 dispensing pharmacies, 55 drug and cosmetic stores) (As of January 31, 2016)

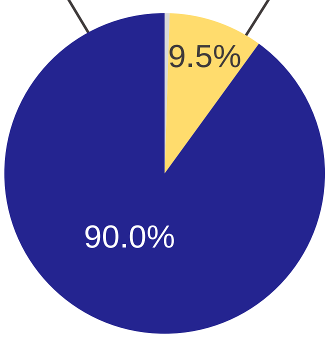
Dispensing Pharmacy

Business description

- Dispensing pharmacy
- Generic drug wholesales
- Pharmacy staffing services
- Consulting services

Main company

- AIN MEDIO Inc.
- DAICHIKU Co., Ltd.
- Asahi Pharmacy Co., Ltd.
- MEDIO PHARMACY Inc.
- NP HOLDINGS Co., Ltd.
- WHOLESALE STARS Co., Ltd
- MEDIWEL Corp.
- Medical Development Co., Ltd. etc



FY4/16 Plan
Consolidated net sales
¥218,280 million

Drug and Cosmetic Store

Business description

- Operation of drug and cosmetic stores
- Manufacturing and selling cosmetics and makeup tool s

Main store

AINZ & TULPE DRUG AND COSMETIC

le trois

Main brand

AYURA

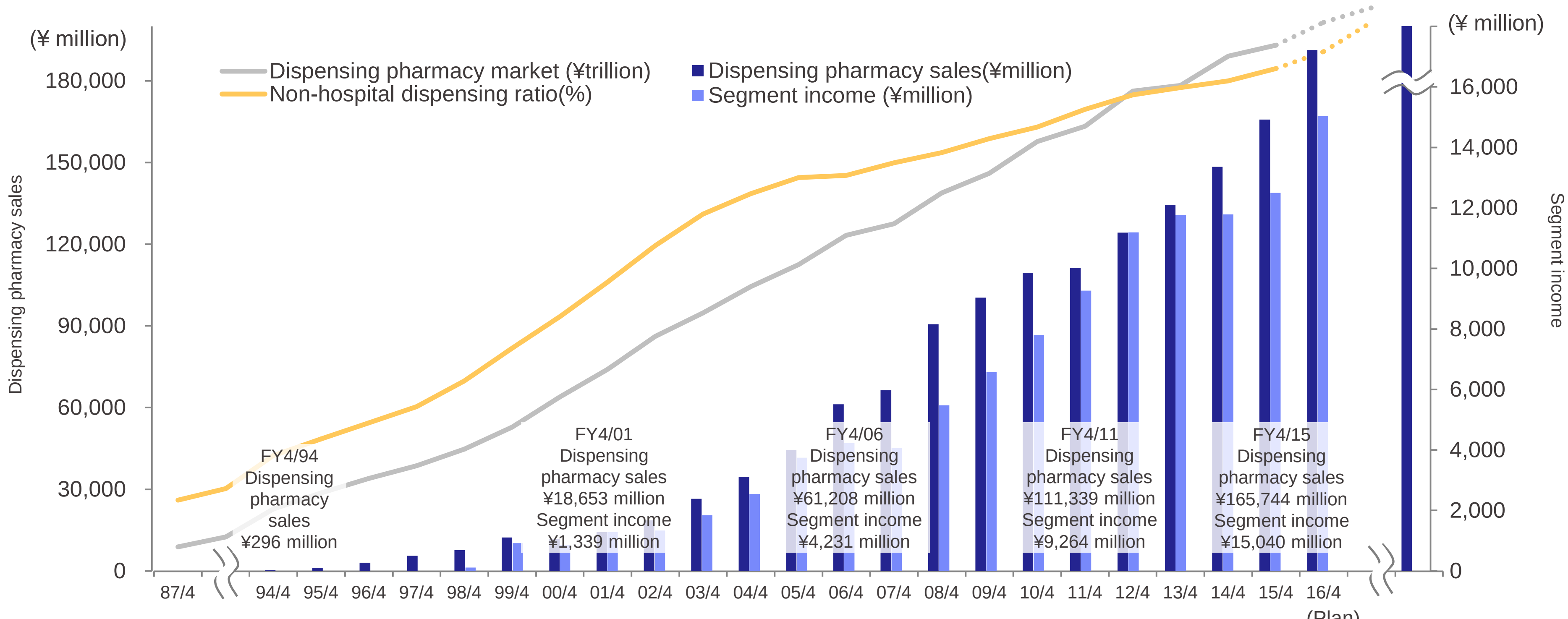
LIPS and HIPS

cocodecica

Growth Transition

AIN GROUP

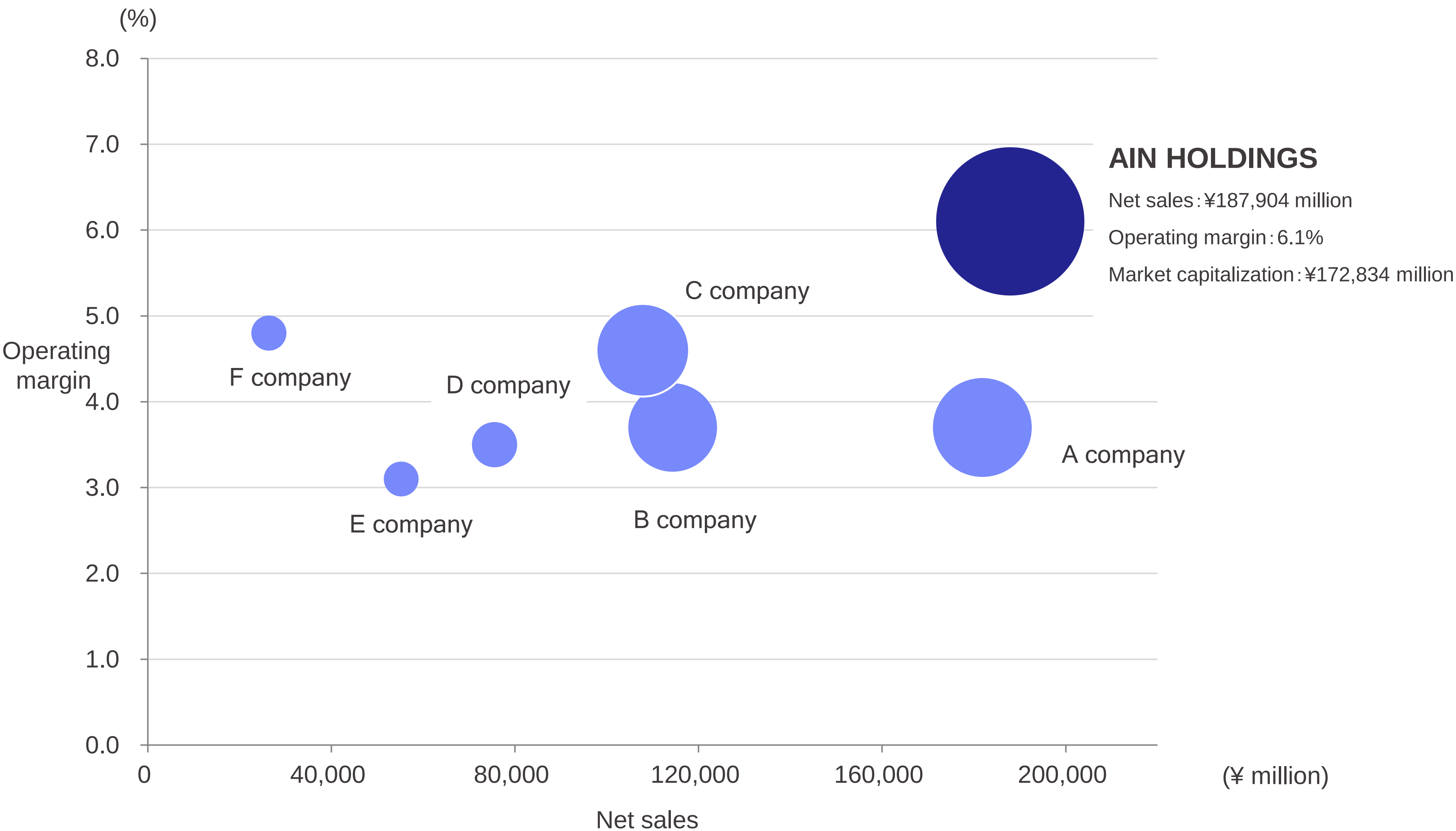
Year	1986	1993	1995	2000	2005	2010	2014	20XX
Non-hospital dispensing ratio	9.7%	15.8%	20.3%	39.5%	54.1%	63.1%	68.7%	85%
Market	¥0.33 trillion	¥0.87 trillion	¥1.23 trillion	¥2.76 trillion	¥4.59 trillion	¥6.08 trillion	¥7.19 trillion	¥8 trillion



No. of pharmacies	2	13	29	34	39	48	58	75	92	148	148	193	218	247	356	375	397	448	494	560	616	754	874
M&A (No. of pharmacies)										1 (56)		2 (40)	2 (30)	2 (35)	2 (91)			6 (33)	9 (21)	11 (28)	13 (22)	15 (119)	

- Non-hospital dispensing ratio: Excerpted by the data of Japan Pharmaceutical Association
- Dispensing pharmacy market: Excerpted by the date of Ministry of Health, Labour and Welfare

Comparison to other companies



- Based on each company's summary of financial statement for FY 3/15 (Our company: FY4/15)
- Size of circle is proportional to market capitalization at the end of January 2016

Inquiries related to this presentation should be addressed to

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AIN GROUP