IR PRESENTATION

AIN HOLDINGS INC.

June 2016

Results Overview

Consolidated P/L

For the fiscal year under the review, the Group reported net sales of ¥234,843 million, an increase of 25.0% year on year, reflecting the opening of 147 new stores and M&As. Ordinary income rose 29.6% to ¥15,158 million and profit attributable to owners of parent increased 27.8% year on year to ¥7,917 million.

(¥ million)	FY4/15 results	FY4/16 plan	FY4/16 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	187,904	218,280	234,843	+46,939	+25.0	+7.6
Gross profit	28,961	34,290	38,535	+9,574	+33.1	+12.4
% of net sales	**15.4**	**15.7**	**16.4**			
SG&A expenses	17,509	20,890	23,915	+6,406	+36.6	+14.5
% of net sales	**9.3**	**9.6**	**10.2**			
Operating income	11,452	13,400	14,619	+3,167	+27.7	+9.1
% of net sales	**6.1**	**6.1**	**6.2**			
Ordinary income	11,697	13,700	15,158	+3,461	+29.6	+10.6
% of net sales	**6.2**	**6.3**	**6.5**			
Profit attributable to owners of parent	6,197	7,230	7,917	+1,720	+27.8	+9.5
% of net sales	**3.3**	**3.3**	**3.4**			
Earnings per share(¥)	195.45	228.02	249.69	+54.24	+27.8	+9.5

Figures in the table are rounded down

Dispensing Pharmacy Business（Consolidated）

AIN GROUP

Net sales rose 8.6% against our plan to ¥211,009 million reflecting the opening of 142 new dispensing pharmacies and M&As and the growth of prescription volume and average sales per prescription. Segment income rose 33.0% year on year to ¥19,219 million by promoting wider use of generic drugs, receipt of technical fees and improvement of operational efficiency.

(¥ million)	FY4/15 results	FY4/16 plan	FY4/16 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	169,063	194,280	211,009	+41,946	+24.8	+8.6
Gross profit	23,090	26,720	30,268	+7,178	+31.1	+13.3
% of net sales	13.7	13.8	14.3			
SG&A expenses	9,069	10,340	11,629	+2,560	+28.2	+12.5
% of net sales	5.4	5.3	5.5			
Operating income	14,020	16,380	18,639	+4,619	+32.9	+13.8
% of net sales	8.3	8.4	8.8			
Segment income	14,449	16,650	19,219	+4,770	+33.0	+15.4
% of net sales	8.5	8.6	9.1			
Number of pharmacies	754	874	881	+127	+16.8	+0.8

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Prescription volume: +18.7% YoY
- Average prescription price: +5.3% YoY

Drug and Cosmetic Store Business(Consolidated)

AIN GROUP

Net sales increased 17.3% year on year to ¥20,884 million by the opening of 5 new stores, renovation of flagship stores and inbound demand. However, net sales decreased 6.1% against our plan due to the closing of 9 stores. Segment income became ¥(459) million due to the increase of sales promotion expenses for 2 new large store openings.

(¥ million)	FY4/15 results	FY4/16 plan	FY4/16 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	17,803	22,250	20,884	+3,081	+17.3	(6.1)
Gross profit	5,898	7,450	7,236	+1,338	+22.7	(2.9)
% of net sales	33.1	33.5	34.6			
SG&A expenses	5,859	7,460	7,931	+2,072	+35.4	+6.3
% of net sales	32.9	33.5	38.0			
Operating income	38	(10)	(694)	(732)	-	-
% of net sales	0.2	-	-			
Segment income	117	24	(459)	(576)	-	-
% of net sales	0.7	0.1	-			
Number of stores	56	60	52	(4)	(7.1)	(13.3)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- No. of customers: +5.3% YoY
- Average spending per customer: +11.4% YoY

Consolidated B/S

Net cash became ¥236 million despite the increase of debt due to financial arrangements of M&A.

(¥ 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
Net cash			3,613
Shareholders' equity ratio(%)			42.0

(¥ million)

End-FY4/16			
Assets		**Liabilities**	
Current assets	56,593	Current liabilities	66,744
Cash on hand and in banks	22,647	Short-term debt	5,690
		Lease obligations	668
Fixed assets	83,294	Long-term liabilities	19,818
Investments in securities	2,677	Long-term debt	14,854
		Lease obligations	1,198
Deferred assets	-	Total net assets	53,324
Total assets	139,888	Total liabilities and net assets	139,888
Net cash			236
Shareholders' equity ratio(%)			38.1

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

Assets

The balance of total assets increased by ¥25,739 million year on year to ¥139,888 million.

(¥ million)	End-FY4/14	End-FY4/15	End-FY4/16	Change
Cash on hand and in banks	18,846	19,553	22,647	+3,094
Notes and accounts receivable	6,718	8,369	12,385	+4,016
Inventories	9,759	9,909	10,984	+1,075
Total current assets	**44,334**	**46,365**	**56,593**	**+10,228**
Buildings and structures,net	9,962	11,678	14,694	+3,016
Land	6,698	7,931	9,537	+1,606
Lease assets	1,342	1,388	1,352	(36)
Total property,plant and equipment	**19,583**	**22,472**	**28,153**	**+5,681**
Lease assets	47	28	13	(15)
Total intangible fixed assets	**21,129**	**27,623**	**35,586**	**+7,963**
Investments in securities	2,559	2,872	2,677	(195)
Deferred tax assets	1,068	984	2,038	+1,054
Deposits and guarantees	8,081	9,710	10,013	+303
Total investments and other assets	**16,334**	**17,688**	**19,555**	**+1,867**
Total fixed assets	**57,048**	**67,783**	**83,294**	**+15,511**
Total assets	**101,382**	**114,149**	**139,888**	**+25,739**

- Figures in the table are rounded down
- Capital expenditures(Purchases of property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥11,209million
- Change(¥):End-FY4/16 compared with end-FY4/15

Liabilities and Net Assets

AIN GROUP

The balance of liabilities increased ¥20,460 million to ¥86,563 million due to the financial arrangements of M&A.

(¥ million)	End-FY4/14	End-FY4/15	End-FY4/16	Change
Accounts payable	28,002	31,826	39,987	+8,161
Short-term debt	6,535	6,330	5,690	(640)
Lease obligations	566	628	668	+40
Total current liabilities	**50,349**	**54,433**	**66,744**	**+12,311**
Long-term debt	4,502	7,640	14,854	+7,214
Lease obligations	1,454	1,341	1,198	(143)
Total long-term liabilities	**8,793**	**11,669**	**19,818**	**+8,149**
Total liabilities	**59,142**	**66,103**	**86,563**	**+20,460**
Common stock	8,682	8,682	8,682	-
Capital surplus	7,872	7,872	6,367	(1,505)
Retained earnings	26,007	31,639	38,605	+6,966
Total shareholders' equity	**42,146**	**47,776**	**53,237**	**+5,461**
Total net assets	**42,240**	**48,046**	**53,324**	**+5,278**
Total liabilities and net assets	**101,382**	**114,149**	**139,888**	**+25,739**

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

Consolidated C/F

Net cash provided by operating activities increased ¥6,513 million to ¥21,352 million due to the increase of profit and accounts payable as the expansion of business scale.

(¥ million)	End-FY4/15	End-FY4/16	Change
Net cash provided by operating activities	**14,839**	**21,352**	**+6,513**
Income before income taxes and minority interests	10,832	13,949	+3,117
Depreciation and amortization	2,553	3,259	+706
Amortization of goodwill	2,278	2,938	+660
Decrease in accounts receivable	455	236	(219)
Decrease in inventories	969	495	(474)
Decrease (increase) in other accounts receivable	414	(600)	(1,014)
Increase in accounts payable	1,544	3,031	+1,487
Net cash used in investing activities	**(14,560)**	**(20,877)**	**(6,317)**
Payments for purchases of property, plant and equipment and intangible fixed assets	(3,775)	(9,916)	(6,141)
Purchase of shares in affiliated companies	(10,024)	(10,954)	(930)
Net cash provided by financing activities	**374**	**2,028**	**+1,654**
Net increase in cash and cash equivalents	653	2,503	+1,850
Cash and cash equivalents at end of the period	**19,389**	**21,892**	**+2,503**

- Figures in the table are rounded down

Business Value Analysis

AIN GROUP

	End-FY4/14	End-FY4/15	End-FY4/16	Change
Shareholders' equity ratio (%)	41.5	42.0	38.1	(3.9)
Market value equity ratio (%)	70.3	117.9	121.0	+3.1
PER (times)	13.62	21.72	21.39	(0.33)
EPS (¥)	165.04	195.45	249.69	+54.24
PBR (times)	1.70	2.82	3.19	+0.37
BPS (¥)	1,328.43	1,511.57	1,679.69	+168.12
ROA (%)	5.3	5.8	6.2	+0.4
ROE (%)	13.1	13.8	15.6	+1.8
EBITDA (¥ million)	14,405	16,284	20,816	+4,532
EV/EBITDA (times)	4.49	7.98	8.08	+0.10
Net D/E ratio (times)	(0.14)	(0.08)	(0.00)	+0.08
Net cash (¥ million)	5,787	3,613	236	(3,377)
Shareholders' value (¥ million)	70,407	133,605	168,520	+34,915
Market capitalization (¥ million)	71,264	134,598	169,318	+34,720

- Figures in the table are rounded down
- Change : End-FY4/16 compared with End-FY4/15
- Net D/E ratio = (Interest-bearing debt – Cash on hand and in banks) / Shareholders' equity
- Shareholders' value = EV – Net interest-bearing debt
- Market capitalization : Except treasury stock
- Share prices used to calculate market capitalization:
  End-FY4/14 ¥4,495 (End-Apr 2014), End-FY4/15 ¥4,245 (End-Apr 2015), End-FY4/16 ¥5,340 (End-Apr 2016).
- Net cash = Cash on hand and in banks – Interest-bearing debt (Long- and short- term debt + Lease obligations)
- On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. EPS (¥) and BPS (¥) are calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

FY4/17 Plan (Consolidated)

AIN GROUP

We forecast net sales of ¥265,000 million, up 12.8% year on year and ordinary income of ¥16,700 million, up 10.2% year on year for the fiscal year ending April 30, 2016.

(¥ million)	FY4/15 results	FY4/16 results	FY4/17 plan	YoY change	YoY change (%)
Net sales	187,904	234,843	265,000	+30,157	+12.8
Gross profit	28,961	38,535	44,200	+5,665	+14.7
% of net sales	**15.4**	**16.4**	**16.7**		
SG&A expenses	17,509	23,915	27,900	+3,985	+16.7
% of net sales	**9.3**	**10.2**	**10.5**		
Operating income	11,452	14,619	16,300	+1,681	+11.5
% of net sales	**6.1**	**6.2**	**6.2**		
Ordinary income	11,697	15,158	16,700	+1,542	+10.2
% of net sales	**6.2**	**6.5**	**6.3**		
Profit attributable to owners of parent	6,197	7,917	9,000	+1,083	+13.7
% of net sales	**3.3**	**3.4**	**3.4**		
Earnings per share(¥)	195.45	249.69	283.84	+34.15	+13.7
Annual dividend (¥)	30.00	40.00	50.00	+10.00	+25.0

- Figures in the table are rounded down
- Change:FY4/17 plan compared with FY4/16 results
- Change (%):FY4/17 plan compared with FY4/16 results
- 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.

Operating Outlook

- Review
- Revisions of 2016
- Growth strategy

Review

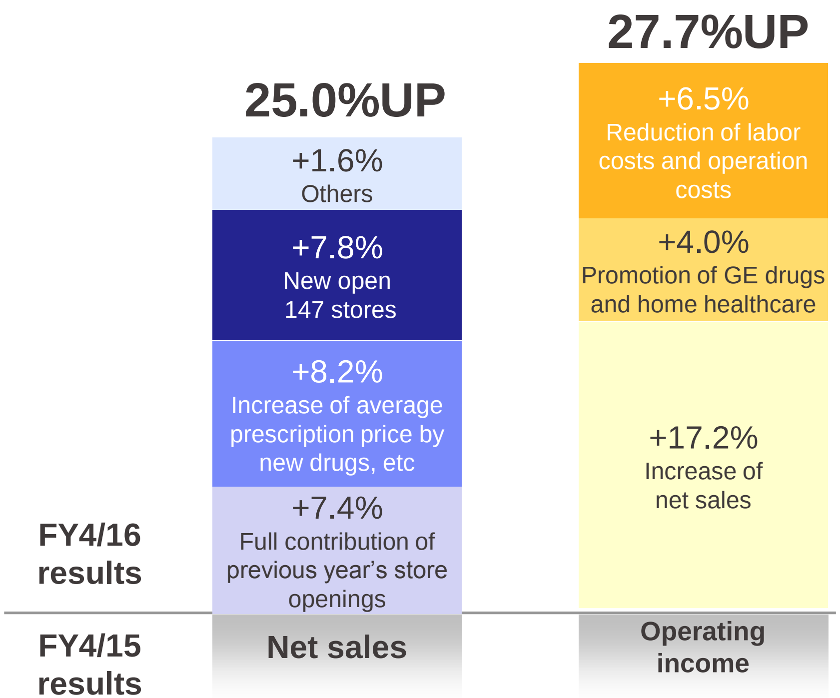
Net sales increased 25.0% year on year reflecting the new store openings and increase of average prescription price. Ordinary income rose 27.7% year on year by the increase of sales, improvement of operational efficiency, and cost reduction.

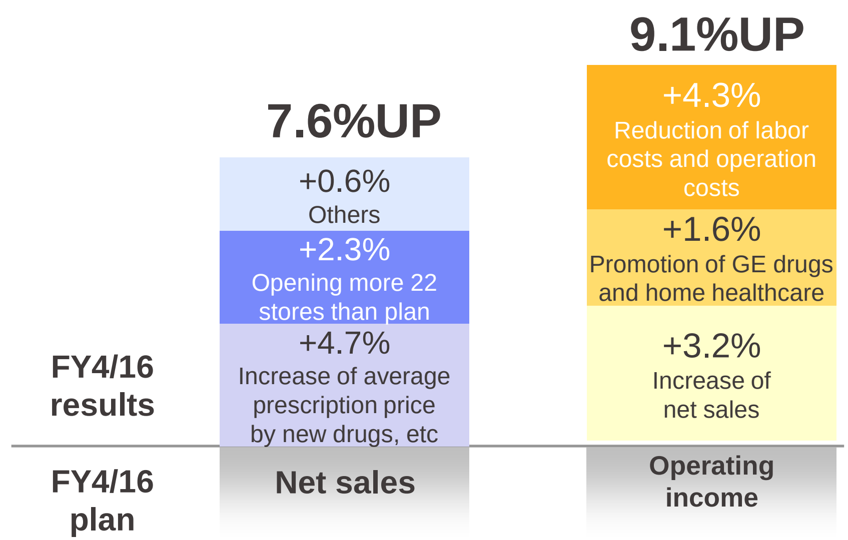
■ Year-on-year

(¥ million)	FY4/15 results	FY4/16 results	YoY change(%)
Net sales	187,904	234,843	+25.0
Operating income % of net sales	11,452 6.1	14,619 6.2	+27.7

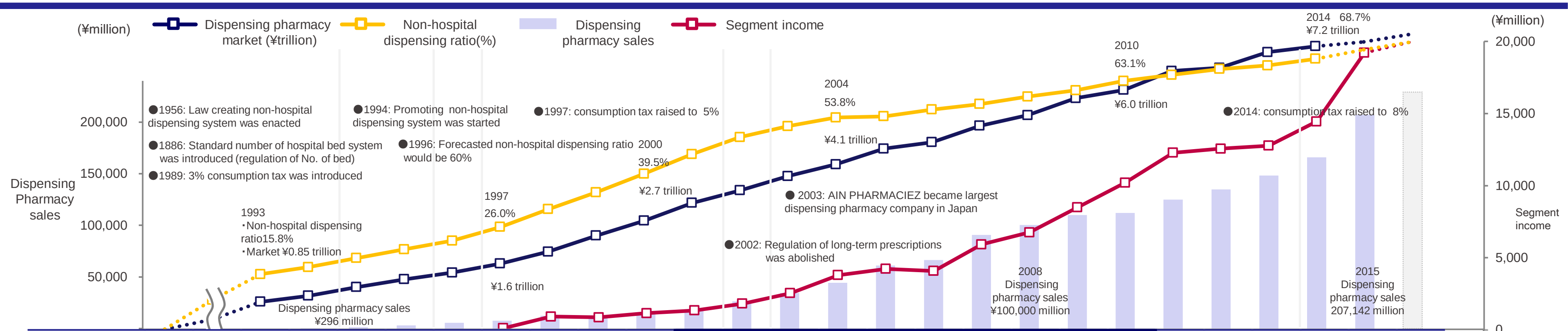
■ Vs plan

(¥ million)	FY4/16 plan	FY4/16 results	YoY change(%)
Net sales	218,280	234,843	+7.6
Operating income % of net sales	13,400 6.1	14,619 6.2	+9.1





Transition of Dispensing Fee Revisions



Year	56	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16 Plan
No. of pharmacies	-	-	1	11	29	34	39	48	58	75	92	148	148	193	218	247	356	375	397	448	494	560	616	754	881	1001
Revision ratio on dispensing fees (%)		+5.0	+3.3	+1.5		+3.4	+1.25	+1.5		+1.9		▲1.3		±0		▲1.36		+0.38		+1.55		+1.38		+0.73		+0.49
Revision ratio on dispensing fees (%)		+1.9	+2.0	+0.1		+1.3	+1.15	+0.7		+0.8		▲1.3		±0		▲0.6		+0.17		+0.52		+0.46		+0.22 *2		+0.17
Revision ratio on drug prices (%) (Drug prices base)		▲8.1	▲6.6	-		▲6.8	▲3.0 *1	▲9.7		▲7.0		▲6.3		▲4.2		▲6.7		▲5.2		▲5.75		▲6.0		▲2.65 *3		▲7.77

→
→

Basic dispensing fee

Basic dispensing fee

- **1972** New 8 points
- **1990** 31 points
- **1994**(2 divisions) 40 points: 5,000 times or less; 33 points: Over 5,000 times
- **1996**(4 divisions) → **1997** → **1998**
  - 45 → 46 → 49 points: 4,000 times or less and 70% or less
  - 40 → 41 → 44 points: Over 4,000 times and 70% or less
  - 35 → 36 → 39 points: 4,000 times or less and over 70%
  - 20 → 20 → 21 points: Over 4,000 times and over 70%
- **2004**(3 divisions) 49 points; 39 points; 21 points
- **2006**(2 divisions) → **2008**: 42 → 40; 19 → 18
- **2010** 40 points: 4,000 times or less 70% or less; 24 points: over 4,000 times and over 70%
- **2014**(Subtraction due to non-settlement) 41 points(31): Except following; 25 points(19): Over 4,000 times and over 70% / Over 2,500 times and over 90%
- **2016**(Additional division) 41points(31): Except following; 25points(19): Over 4,000 times and over 70% / Over 2,000 times and over 90% / Over 4,000 times from specific hospital; 20points(15): Same group over 40,000 times and over 95% or lease contract with medical institution

Standards for dispensing system premiums

- **1990** New: 9 points; Stock 500 items; Concentration ratio: 90% or less
- **1992** 12 points
- **1994** 14 points
- **1996**(Additional condition) 20 points; Concentration ratio: 70% or less; License to sell narcotic drugs; Services for after-hours(Multiple pharmacies approved)
- **1998**(Changed condition) In case of over 600 times: 70% or less
- **2002**(2 divisions) (Additional condition) 10 points: Stock 500 items; 30 points: Stock 700 items; Conduct of training
- **2012**(Additional condition) 10 points: 700 items; 30 points: 1,000 items; Open time
- **2014**(Additional condition) 12 points: 24-hour rotation support, home healthcare support; 36 points: 24-hour own support, result of home healthcare services
- **2016**(1 division) 32points: Basic dispensing fee 41points, supervising pharmacists having operational experience for at least 5 years and enrollment for at least 1 year, 24-hour support, result of home healthcare services (1case / year)

Premiums for generic drug dispensing systems

- **2006** Started promoting GE drugs by changing style of prescription
- **2008**(Dispensing ratio) 4 points: 30%
- **2010**(Volume base) 6 points: 20%; 13 points: 25%; 17 points: 30%
- **2012** 5 points: 22%; 15 points: 30%; 19 points: 35%
- **2014**(New standards) 18 points:55%; 22 points:65%
- **2016** **18 points:65%**; **22 points:75%**

Pharmaceutical management fee

Drug use history management and guidance fee (Instruction fee)

- **1986** New: 5 points
- **1990** 11 points
- **1992** 15 points
- **1994** 21 points
- **1996** 30 points
- **1997** 32 points
- **2000** 22 points
- **2002** 17 points
- **2006** 22 points
- **2008**(2 divisions) 30 points; 35 points: For the elderly aged over 75
- **2010**(1 division) 30 points
- **2012** 41 points
- **2014**(2 divisions) 41 points; 34 points: No notebooks
- **2016**(Changed condition) 38 points: Basic dispensing fee 41 points, handing over medication notebook, patients' visiting within 6 months; 50 points: Except the above

Pharmacists at the heart of local communities instruction fee

- **2016** 70 points: Consent from patients, pharmacists having operational experience for at least 3 years and enrollment for at least a half year

Drug management instruction fee for home medical care patients

- **1994** New: 550 points (Up to once a month)
- **1996** 550 points (Up to 2 times a month)
- **2002** 500 points: Up to once a month; 300 points: After 2 times to 4 times
- **2008** 350 points: Resident in same facility / house; 500 points: Except the above (Up to 4 times a month)
- **2012**(Additional condition) Within 16km in principle
- **2014**(Additional condition) 300 points; 650 points (Up to 5 times a pharmacist a day)
- **2016**(Changed condition) **40 times a week**

Drug information provision fee (for patient medication notebook)

- **2000** 15 points: Issue of notebooks; 10 points: Provide of drug information (once a month)
- **2004** 17 points; 10 points
- **2006**(1 division) 15 points; Drug information is integrated into instruction fee
- **2008**(2 divisions) 15 points: (Excluding the elderly aged over 75)
- **2010**(1 division) 15 points (including the elderly aged over 75)
- **2012** Integrated into instruction fee

Premiums for special instruction

- **2000** 20 points
- **2002** 30 points
- **2004** 28 points
- **2006** 22 points
- **2008** Integrated into instruction fee

Premiums for specific drug management instruction

- **2010** 4 points
- **2016** 10 points

▶ No. of basic dispensing fee is equal to No. of monthly average receptions of prescriptions

▶ Premiums by revisions are excerpted from Japan Pharmaceutical Association

▶ The income after FY 2008 is operating income

▶ Including the correspondence to consumption tax (※1:+1.4%、※2:+0.18%、※3:+2.99%)

▶ Points inside of parentheses of 2014 and 2016 are the subtracted points

Dispensing Fee Revisions of 2016

AIN GROUP

	Before	Points	After	Points
Basic dispensing fee	Except following	41(31)	1 Except following	41(31)
	Over 4,000 times and over 70% Over 2,500 times and over 90%	25(19)	2 Over 4,000 times and over 70% or Over 2,000 times and over 90% or Over 4,000 times from specific hospital	25(19)
			3 **Same group over 40,000 times / month and over 95%** **or Lease contract with medical institution**	**20**(15)
Standards for dispensing system premiums	24-hour rotation support, home healthcare support	12	Basic dispensing fee 41points & Inventory 1,200 items & Home healthcare services (1 case / year) & Notification of Kakaritsuke-pharmasists & supervising pharmacists having operational experience for at least 5 years and enrollment for at least 1 year	32
	24-hour own support, result of home healthcare services	36		
Premiums for generic drug dispensing systems	55%-65%	18	**65-75%**	**18**
	Over 65%	22	**Over 75%**	**22**
Drug use history management and guidance fee	Except following	41	Basic dispensing fee 41 points, handing over medication notebook, patients' visiting within 6 months	38
	No notebooks	34	**Except the above**	**50**
			Kakaritsuke-pharmacists instruction fee	**70**
Premiums for specific drug management instruction	Specific drug management instruction	4	Specific drug management instruction	10

- Items and requirements mentioned above is a part of dispensing fee revisions
- Requirements for Kakaritsuke-pharmacists are mentioned at the other page
- Points inside of parentheses are the subtracted points

Response① Basic Dispensing Fee

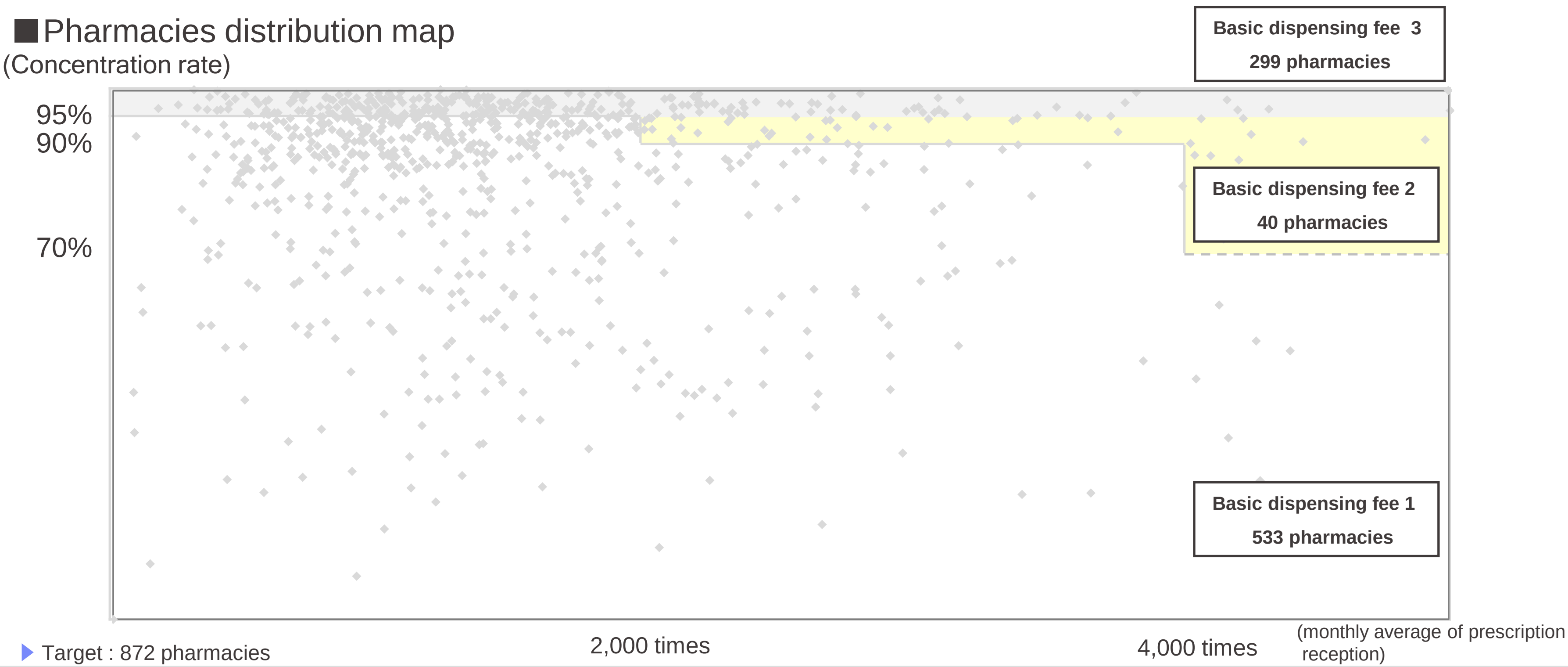
AIN GROUP

Due to the special measures of dispensing fee revisions in 2016, the number of pharmacies that gain basic dispensing fee 1 decreased. We will respond to new rule and increase the number of those pharmacies.

■ No. of pharmacies that gain basic dispensing fees

	March 2016	April 2016
Basic dispensing fee 1 (41 points)	820	533
Basic dispensing fee 2 (25 points)	52	40
Basic dispensing fee 3 (20 points)	–	299

■Pharmacies distribution map



▶ Target : 872 pharmacies

Response② Standards for Dispensing System Premiums

AIN GROUP

By the revisions in 2016, percentage of pharmacies that gain standards for dispensing system premiums became 35.9%, and average premiums for generic drug dispensing systems became 14.7 points.

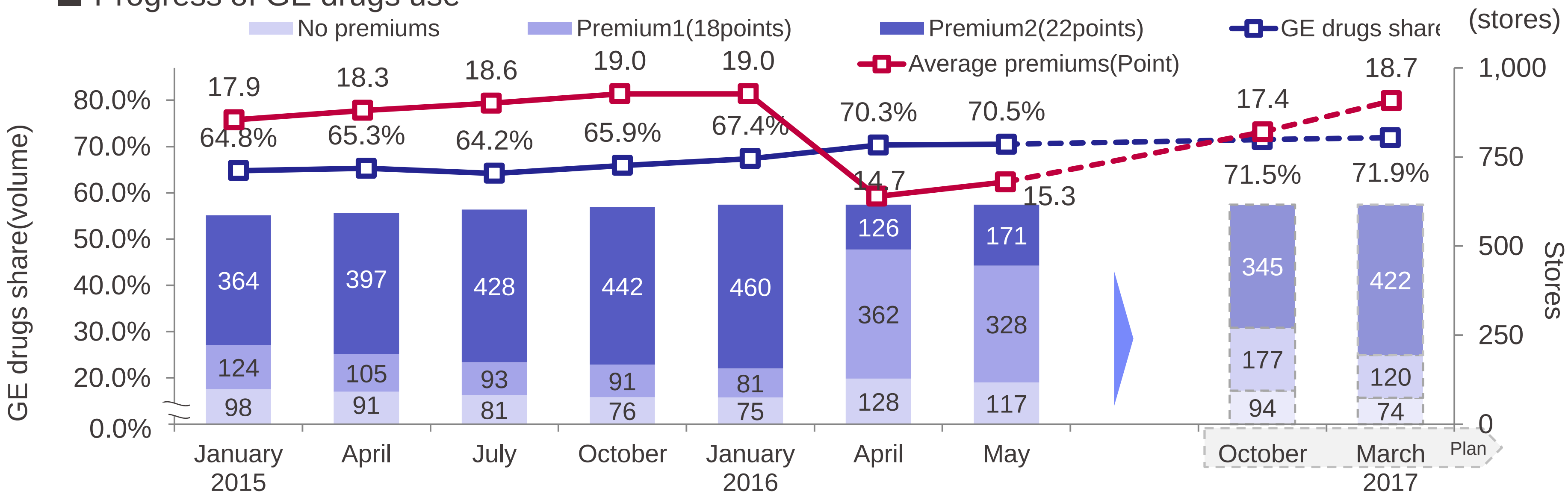
■ Percentage of pharmacies that gain standards for dispensing system premium

	March 2016
Premium2 (36points)	20.2%
Premium1 (12points)	69.8%
No point	10.0%

	April 2016	March 2017
Premium (32points)	35.9%	58.2%
No point	64.1%	41.8%

We will promote home healthcare services and strength the function of Kakaritsuke-pharmacy.

■ Progress of GE drugs use



- Before January 2016：GE dugs share(volume) is calculated by old standards before revisions
- Average premiums : Price per reception of prescriptions
- Object :616 same stores (As of April 2016)

Kakaritsuke-Pharmacists

From revision of 2016, new condition about Kakaritsuke-Pharmacists is established. We will continue to take various measures to strength the function of Kakarituke-Pharmacists, and make effort to respond new rule immediately.

■ Conditions and measures of Kakaritsuke-Pharmacists guidance fee

Usual operations

- **Operations about drug use history management and guidance fee**
- **Integrated management of patients' visit to other department and drug information**
- **24-hour support**
- **Feed back patients' information to doctors**
- **Management of surplus drugs**

We will continue to strength the function of Kakaritsuke-Pharmacists

Efficient use of drug use history and notebooks
We have enhanced convenience of IT. We implement continuous medical history management, promotion of medication notebooks, and service of electronic medication notebooks from April 2012.

24-hour support
Phone-based support and dispensing services where necessary

Prescription question & suggestion, information feedback
Addition to conventional prescription question, we strength the education about drug information etc.

Additional condition

- **Operational experience for at least 3 years**
- **Belongs to pharmacy over 6 months**
- **Working over 32 hours per week**
- **Certified pharmacists, participation of community activity**
- **Agreement from patients**

We will actively promote the measures such as proper staffing, community activities, and promotion of Kakaritsuke-Pharmacists.

■No. of Kakaritsuke-Pharmacists	May 2016	March 2017 plan
All pharmacists	3,899	3,899
Working at pharmacies	3,322	3,322
3 years / 6 months / 32 hours	1,653	1,782
Kakaritsuke-Pharmacists	1,115	1,782

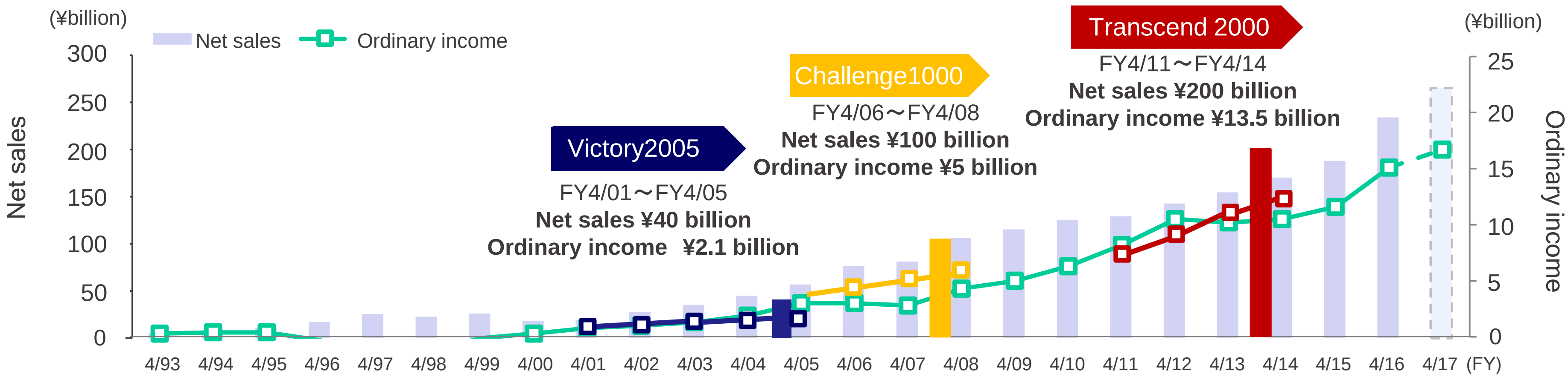
■No. of certified pharmacists	As of April 30,2016	March 2017 plan
No. of certified pharmacists	672	2,156

No. of Kakaritsuke-pharmacists is No.of accepted applications

Conditions of certified pharmacists will effective on April 1, 2017

Growth process

Our group's growth strategy is to consistently increase sales by new openings nationwide, to employ and cultivate human resources, and to improve quality of pharmacies and drug and cosmetic stores.



	4/93	4/95	4/97	4/99	4/01	4/03	**V2005**	**4/05**	4/06	**C1000**	**4/08**	4/10	4/11	**T2000**	**4/14**	4/15	4/16	4/17 Plan
Net sales	52	107	259	261	195	353	**400**	**570**	763	**1,000**	**1,062**	1,254	1,293	**2,000**	**1,702**	1,879	2,348	2,650
Ordinary income	3	4	▲15	▲1	8	13	**21**	**30**	30	**50**	**43**	63	82	**135**	**105**	116	151	167

Our Growth Strategy

FY4/95
- Opening stores in convenient location
- Hiring pharmacists
- New dispensing system
- Dispensing in drugstores

FY4/01
- A nationwide network
- Safety and efficiency in dispensing pharmacy business
- Restructuring of drug and cosmetic store business

FY4/06
- Active new openings and M&A
- Efficient pharmacy operation
- Efforts to promote wider use of generic drugs
- Expansion of *ainz &tulpe*

FY4/11
- Opening strategy
- Improvement of profitability
  GE drugs Automation
  Home healthcare service
- Cost control in drug and cosmetic store division

Growth strategy

From FY16/4, we started various measures for strengthening the function as Kakaritsuke-pharmacy in addition to conventional safety and secure dispensing drugs. In drug and cosmetic store division, we will introduce original product and change for further growth.

■ Growth of top line

Opening stores in convenient location and active M&A.

■ Strength function of Kakaritsuke-Pharmacists

To be local infrastructure by strengthening pharmacies' function continuously.

■ Human resources

Recruitment activity and development of human resources with the energy of the entire company.

■ Growth of AINZ&TULPE

Differentiation by original products and increase of margin.

Top-Line

We opened 147 pharmacies including M&A in FY4/16, and plan 126 new openings in FY4/17.
We forecast the number of stores will be 1,059 in the end of FY4/17.

■ Number of stores

933 (Dispensing pharmacy:881 Drug and cosmetic store:52)

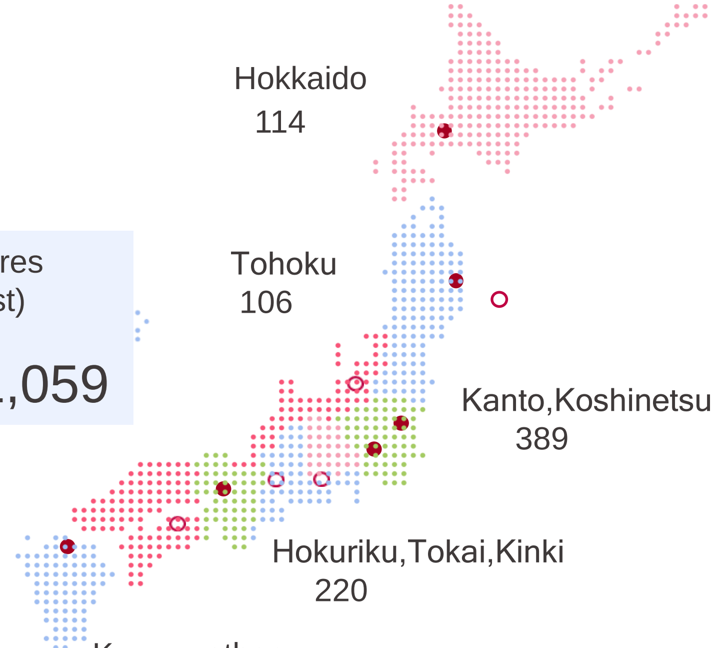
■ Plan

		FY4/16 Plan	FY4/16 Results	FY4/17 Plan
Dispensing pharmacy	Near hospital	47	22	42
	mall	9	10	5
	M&A	64	110	73
Drug and Cosmetic store		4	5	6
Total		124	147	126

No. of stores (Forecast)

End-FY4/17 1,059

- Total number of stores includes the two franchise stores
- 82 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	FY4/16
Organic	16	14	23	24	21	18	27	38	36	40	32
M&A	17	18	91	3	3	35	28	38	26	119	110
EV/EBITDA ratio	5.30	7.54	4.82	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37
Close	8	3	5	8	2	5	9	10	6	21	15
No. of total stores	218	247	356	375	397	448	494	560	616	754	881

- EV/EBITDA ratio=EV（Purchase price）/EBITDA（Operating income + Depreciation and amoritization）
- No. of stores include temporary closed stores from FY4/11

New Hiring of Pharmacists

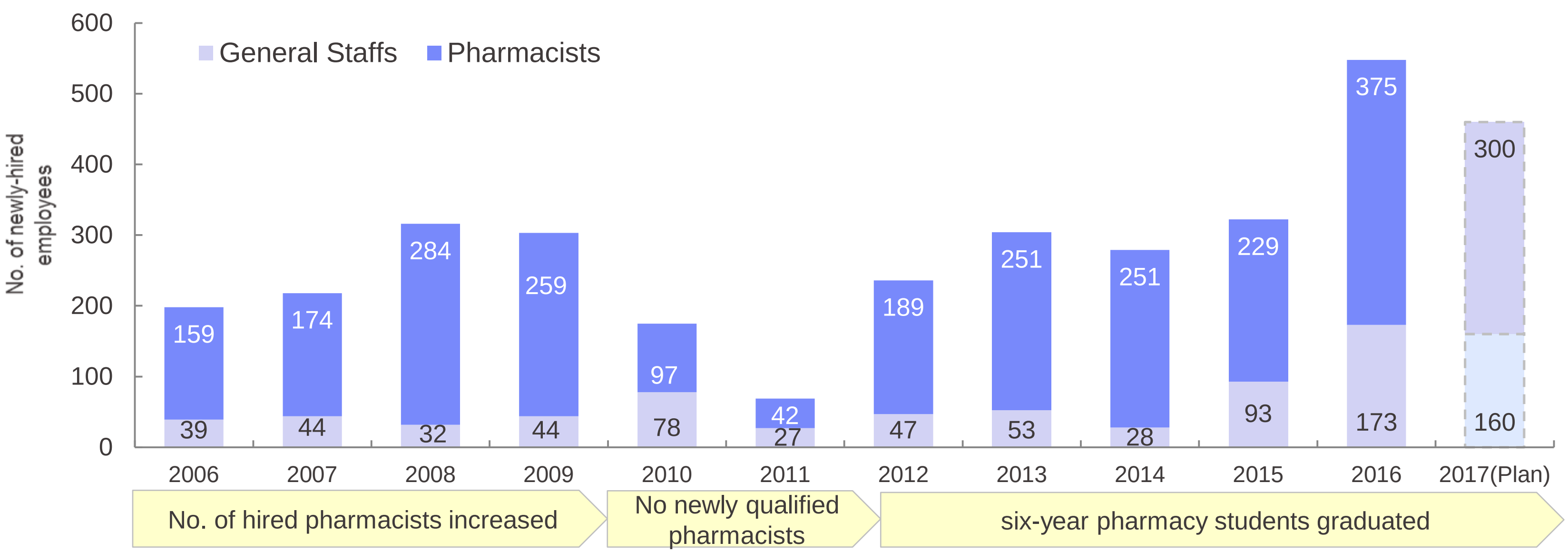
To strength the function of Kakaritsuke-Pharmacists, is necessary to recruit pharmacists. New 548 employees (pharmacists 375 and general staff173) joined our company in 2016 April, and it reached a record-high .

■ The transition of No. of national examination passers and new qualified pharmacists in AIN Group

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
No. of newly qualified pharmacists hired in AIN Group	159	174	284	259	97	42	189	251	251	229	375
No. of pharmacists' national examination passers (Pass rate)	8,202 (74.3%)	9,154 (75.6%)	10,487 (76.1%)	11,301 (74.4%)	3,787 (56.4%)	1,455 (44.4%)	8,641 (88.3%)	8,929 (79.1%)	7,312 (60.8%)	9,044 (63.2%)	11,488 (76.9%)
Rate of newly qualified pharmacists hired in AIN Group (Ratio※1)	1.9% (7.0%)	1.9% (7.0%)	2.7% (8.8%)	2.3% (7.5%)	2.6% (-)	2.9% (-)	2.2% (5.7%)	2.8% (7.0%)	3.4% (8.0%)	2.5% (8.0%)	3.3% (-)

※1 : Ratio of newly qualified pharmacists hired in AIN Group to those that are hired in pharmacies in Japan.

Estimates : based on the result in AIN Group, and data from the Ministry of Health, Labour and Welfare, Council on Pharmaceutical Education.



PJ—AIN GROUP

From 2009, we have made effort to improve operation, and in BPR2015, the economic benefits became ¥1,033 million. By pharmacy-led project, adjustment of stock amount ¥4,897 million and stock periods became 16.3 days in the end of 2016.

FY2009	FY2012-FY2013	FY2014	FY2015
BPR1 Effect amounts : ¥700 million	**BPR2 Effect amounts : ¥682 million**	**BPR3 Effect amounts : ¥645 million**	**BPR2015 Effect amounts : ¥1,033 million**

Same goal in the group

Economies of scale by the group purchasing

Pharmacy-led project PJ

Head office-led

August 2012 : Announcement of "New AIN Declaration"

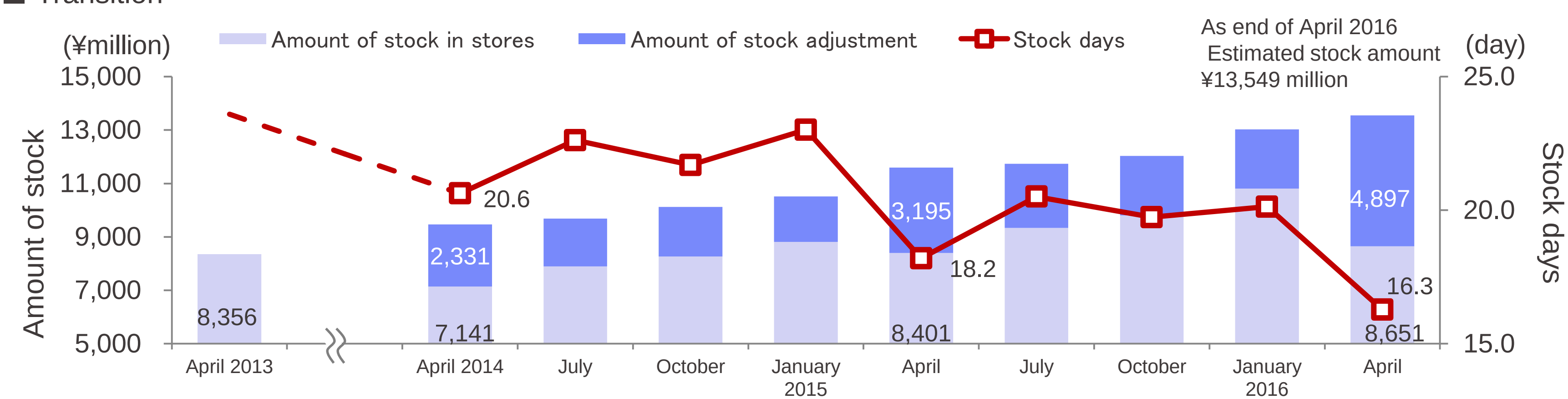
October 2012 : Mr. Mikutsu's PJ

Branches and store-led

September 2014 : ･Adjustment of obsolete inventory (No payout over 6 months)
･Start of transferring inventory between pharmacies

April 2013 : ･Setting a goal of triple3+1 ･3 minutes dispensing ･3 days inventory
･Handling 30 prescription ･Reduction of job separation rate

■ Transition



▶ Estimated stock amount: Calculated by the amount of stock per store in the end of April 2013. ▶ Amount of stock adjustment: Estimated stock amount —Amount of Stock in stores

FY4/17 Plan（Dispensing Pharmacy Business）

We forecast net sales increase 11.9% year on year by contribution of the previous year's 120 new store openings including M&A. Meanwhile, we forecast segment income increase 4.1% year on year by the measure of productivity improvement continuously.

(¥ million)	FY4/16 results	FY4/17 plan	YoY change	YoY change(%)
Net sales	211,009	236,100	+25,091	+11.9
Gross profit	30,268	32,480	+2,212	+7.3
% of net sales	**14.3**	**13.8**		
SG&A expenses	11,629	12,780	+1,151	+9.9
% of net sales	**5.5**	**5.4**		
Operating income	18,639	19,700	+1,061	+5.7
% of net sales	**8.8**	**8.3**		
Segment income	19,219	20,000	+781	+4.1
% of net sales	**9.1**	**8.5**		

- Figures in the table are rounded down
- Prescription volume:+11.9% YoY
- Average prescription price: (1.1%)YoY

Analysis

■ Net sales

(¥ million)		FY4/17 plan	YoY change (%)
Dispensing pharmacy	Same store(730)	191,745	▲1.0
	Stores opened in the previous year(141)	28,892	+131.1
	New store(120)	9,460	-

- Others : 10 stores (FC:2stores, temporary closed: 8 stores)

■ Segment income

(Decrease of gross profit margin)

We will actively take measures to respond dispensing fee revisions, but forecast that gross profit margin will be (0.5) points to 13.8%.

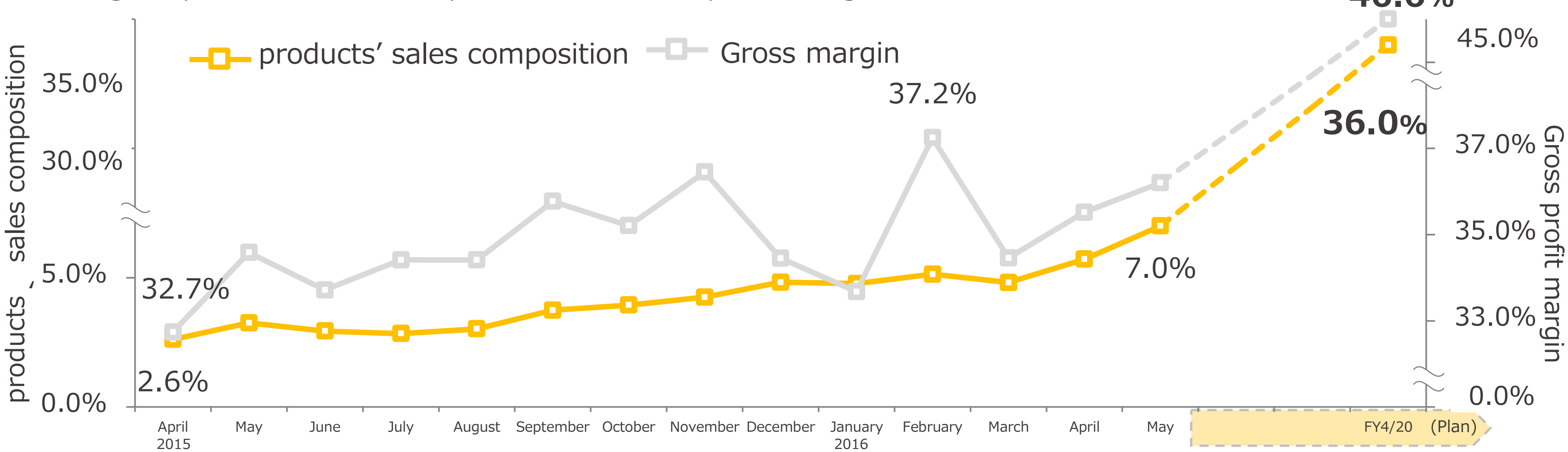
(Reduction of SG&A expenses)

We forecast (0.1) points to 5.4% by reduction of home office costs.

Transition of original products' sales composition

By development and sales of our original product, sales composition ratio and gross profit margin are going up. We forecast sales composition ratio will be 36.0% and gross profit margin will be 46.6% in FY 4/20.

■ Original products' sales composition and Gross profit margin



Gross profit margin : *Ainz & Tulpe* 42stores

Products	PLACENTA & VITAMIN C 	LIPS and HIPS 	cocodecica  
Brand name	VP	LIPS and HIPS	cocodecica
On-sale date	November 2013	July 2015	July 2015
SKU	21	88	1,193

SKU : As of the end of April 2016

FY4/17 Plan（Drug and Cosmetic Store Business）

AIN GROUP

We forecast net sales of ¥22,500 million, up 7.7% year on year by 6 new store openings. We plan gross profit margin improve 2.5%, but segment income will be ¥(224) million due to the increase of SG&A expenses by development cost of original product.

(¥ million)	FY4/16 results	FY4/17 plan	YoY change	YoY change(%)
Net sales	20,884	22,500	+1,616	+7.7
Gross profit	7,236	8,350	+1,114	+15.4
% of net sales	**34.6**	**37.1**		
SG&A expenses	7,931	8,700	+769	+9.7
% of net sales	**38.0**	**38.7**		
Operating income	▲694	▲350	+344	-
% of net sales	**-**	**-**		
Segment income	▲459	▲224	+235	-
% of net sales	**-**	**-**		

Figures in the table are rounded down

Analysis

■ Net sales

	(¥ million)	FY4/17 plan	YoY change (%)
Drug and Cosmetic Store Business	Same store（47）	17,700	+2.0
	Stores opened in the previous year（5）	3,530	+65.7
	New store（6）	1,270	-

■ Segment income

(Improvement of gross profit margin)

We will improve gross profit margin +2.5 points to 37.1% by development of original products.

FY4/17 Plan (Consolidated)

We plan that net sales increase12.8%, and ordinary income increase10.2%.

(¥ million)	FY4/16 results	FY4/17 plan	YoY change	YoY change(%)
Net sales	234,843	265,000	+30,157	+12.8
Gross profit	38,535	44,200	+5,665	+14.7
% of net sales	**16.4**	**16.7**		
SG&A expenses	23,915	27,900	+3,985	+16.7
% of net sales	**10.2**	**10.5**		
Operating income	14,619	16,300	+1,681	+11.5
% of net sales	**6.2**	**6.2**		
Ordinary income	15,158	16,700	+1,542	+10.2
% of net sales	**6.5**	**6.3**		
Profit attributable to owners of parent	7,917	9,000	+1,083	+13.7
% of net sales	**3.4**	**3.4**		
Net income per share(¥)	249.69	283.84	+34.15	+13.7
Annual dividend (¥)	40.00	50.00	+10.00	+25.0

Figures in the table are rounded down

Inquiries related to this presentation should be addressed to

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

AIN GROUP