AIN GROUP

FY4/17

IR PRESENTATION

AIN HOLDINGS INC.

June 2017

Results Overview

Consolidated P/L

Net sales increased 5.6% year on year and decreased 0.8% against the plan reflecting 218 new store openings including M&As and store openings in the previous year. Ordinary income decreased 0.5% year on year and decreased 1.4% against the plan due to the impact of drug price and dispensing fee revisions etc.

(¥ million)	FY4/16 results	FY4/17 revised plan	FY4/17 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	234,843	250,000	248,110	+13,267	+5.6	(0.8)
Gross profit	38,535	42,500	42,092	+3,557	+9.2	(1.0)
% of net sales	**16.4**	**17.0**	**17.0**			
SG&A expenses	23,915	27,700	27,529	+3,614	+15.1	(0.6)
% of net sales	**10.2**	**11.1**	**11.1**			
Operating income	14,619	14,800	14,563	(56)	(0.4)	(1.6)
% of net sales	**6.2**	**5.9**	**5.9**			
Ordinary income	15,158	15,300	15,080	(78)	(0.5)	(1.4)
% of net sales	**6.5**	**6.1**	**6.1**			
Profit attributable to owners of parent	7,917	8,300	7,949	+32	+0.4	(4.2)
% of net sales	**3.4**	**3.3**	**3.2**			
Earnings per share(¥)	249.69	261.77	250.71	+1.02	+0.4	(4.2)

- Figures in the table are rounded down

Dispensing Pharmacy Business (Consolidated)

Net sales increased 5.1% year on year and decreased 1.0% against the plan reflecting new store openings including M&As and store openings in the previous year. Segment income decreased 0.6% year on year and decreased 2.0% against the plan due to the impact of drug price and dispensing fee revisions etc.

(¥ million)	FY4/16 results	FY4/17 revised plan	FY4/17 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	211,009	224,000	221,801	+10,792	+5.1	(1.0)
Gross profit	30,268	32,600	32,090	+1,822	+6.0	(1.6)
% of net sales	**14.3**	**14.6**	**14.5**			
SG&A expenses	11,629	13,600	13,432	+1,803	+15.5	(1.2)
% of net sales	**5.5**	**6.1**	**6.1**			
Operating income	18,639	19,000	18,658	+19	+0.1	(1.8)
% of net sales	**8.8**	**8.5**	**8.4**			
Segment income	19,219	19,500	19,110	(109)	(0.6)	(2.0)
% of net sales	**9.1**	**8.7**	**8.6**			
Number of pharmacies	881	1,001	1,066	+185	+21.0	+6.5

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Plan of the number of stores is by original plan
- Prescription volume: +15.6% YoY
- Average prescription price: (9.2)% YoY

Drug and Cosmetic Store Business (Consolidated)

Net sales increased 2.4% year on year by new store openings and sales growth of flagship stores. The ratio of gross profit to net sales year on year has improved by the active development of original products, but segment income became ¥(866) million due to the increase of sales promotion expenses, etc.

(¥ million)	FY4/16 results	FY4/17 revised plan	FY4/17 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	20,884	21,300	21,383	+499	+2.4	+0.4
Gross profit	7,236	7,750	7,623	+387	+5.3	(1.6)
% of net sales	**34.6**	**36.4**	**35.6**			
SG&A expenses	7,931	8,570	8,583	+652	+8.2	+0.2
% of net sales	**38.0**	**40.2**	**40.1**			
Operating income	(694)	(820)	(959)	(265)	-	-
% of net sales	**-**	**-**	**-**			
Segment income	(459)	(740)	(866)	(407)	-	-
% of net sales	**-**	**-**	**-**			
Number of stores	52	58	52	0	0	(10.3)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Plan of the number of stores is by original plan
- Number of customers: (0.3)% YoY
- Average spending per customer: +2.7% YoY

Consolidated B/S

In spite of the increase of debt by M&A financial arrangements, net cash became ¥2,371 million due to the increase of cash on hand and in banks by ¥7,128 million from the end of FY4/16.

(¥ 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

(¥ million)

End-FY4/17			
Assets		**Liabilities**	
Current assets	65,420	Current liabilities	72,955
Cash on hand and in banks	29,775	Short-term debt	7,596
		Lease obligations	594
Fixed assets	90,902	Long-term liabilities	23,188
Investments in securities	2,435	Long-term debt	18,254
		Lease obligations	958
Deferred assets	-	Total net assets	60,178
Total assets	156,323	Total liabilities and net assets	156,323

	End-FY4/16	End-FY4/17
Net cash	236	2,371
Shareholders' equity ratio(%)	38.1	38.4

- 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 ¥16,435 million from the end of FY4/16 reflecting the increase of cash on hand and in banks by M&A financial arrangements and the increase of goodwill by M&A execution.

(¥ million)	End-FY4/15	End-FY4/16	End-FY4/17	Change
Cash on hand and in banks	19,553	22,647	29,775	+7,128
Notes and accounts receivable	8,369	12,385	9,990	(2,395)
Inventories	9,909	10,984	11,668	+684
Total current assets	**46,365**	**56,593**	**65,420**	**+8,827**
Buildings and structures,net	11,678	14,694	15,365	+671
Land	7,931	9,537	9,958	+421
Lease assets	1,388	1,352	1,166	(186)
Total property,plant and equipment	**22,472**	**28,153**	**28,464**	**+311**
Goodwill	26,340	33,337	40,939	+7,602
Lease assets	28	13	8	(5)
Total intangible fixed assets	**27,623**	**35,586**	**43,109**	**+7,523**
Investments in securities	2,872	2,677	2,435	(242)
Deferred tax assets	984	2,038	2,167	+129
Deposits and guarantees	9,710	10,013	10,443	+430
Total investments and other assets	**17,688**	**19,555**	**19,329**	**(226)**
Total fixed assets	**67,783**	**83,294**	**90,902**	**+7,608**
Total assets	**114,149**	**139,888**	**156,323**	**+16,435**

Increase by M&A financial arrangements

Increase by M&A execution

- Figures in the table are rounded down
- Change:End-FY4/17 compared with End-FY4/16
- Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥4,786 million

Liabilities and Net Assets

The balance of liabilities increased ¥9,581 million by the debt finance as M&A funds etc.

(¥ million)	End-FY4/15	End-FY4/16	End-FY4/17	Change
Accounts payable	31,826	39,987	39,325	(662)
Short-term debt	6,330	5,690	7,596	+1,906
Lease obligations	628	668	594	(74)
Total current liabilities	**54,433**	**66,744**	**72,955**	**+6,211**
Long-term debt	7,640	14,854	18,254	+3,400
Lease obligations	1,341	1,198	958	(240)
Total long-term liabilities	**11,669**	**19,818**	**23,188**	**+3,370**
Total liabilities	**66,103**	**86,563**	**96,144**	**+9,581**
Common stock	8,682	8,682	8,682	-
Capital surplus	7,872	6,367	6,367	-
Retained earnings	31,639	38,605	45,286	6,681
Total shareholders' equity	**47,776**	**53,237**	**59,918**	**+6,681**
Total net assets	**48,046**	**53,324**	**60,178**	**+6,854**
Total liabilities and net assets	**114,149**	**139,888**	**156,323**	**+16,435**

M&A funds etc.

- Figures in the table are rounded down
- Change : End-FY4/17 compared with End-FY4/16

Consolidated C/F

The change of net increase in cash and cash equivalents became ¥7,342 million by M&A financial arrangements etc.

(¥ million)	End-FY4/16	End-FY4/17	Change
Net cash provided by operating activities	**21,352**	**18,409**	**(2,943)**
Profit before income taxes	13,949	14,307	+358
Depreciation and amortization	3,259	3,687	+428
Amortization of goodwill	2,938	3,654	+716
Decrease in accounts receivable	236	5,369	+5,133
Decrease in inventories	495	449	(46)
Increase in other accounts receivable	(600)	(2,820)	(2,220)
(Decrease) increase in accounts payable	3,031	(4,340)	(7,371)
Net cash used in investing activities	**(20,877)**	**(11,183)**	**+9,694**
Payments for purchases of property, plant and equipment and intangible fixed assets	(9,916)	(3,448)	+6,468
Purchase of subsidiaries' shares resulting in obtaining controls	(10,954)	(9,697)	+1,257
Net cash provided by financing activities	**2,028**	**116**	**(1,912)**
Net increase in cash and cash equivalents	2,503	7,342	+4,839
Cash and cash equivalents at end of the year	**21,892**	**29,234**	**+7,342**

- Figures in the table are rounded down

Business Value Analysis

	End-FY4/15	End-FY4/16	End-FY4/17	Change
Shareholders’ equity ratio (%)	42.0	38.1	38.4	+0.3
Market value equity ratio (%)	117.9	121.0	156.6	+35.6
PER (times)	21.72	21.39	30.79	+9.40
EPS (¥)	195.45	249.69	250.71	+1.02
PBR (times)	2.82	3.19	4.09	+0.90
BPS (¥)	1,511.57	1,679.69	1,895.63	+215.94
ROA (%)	5.8	6.2	5.4	(0.8)
ROE (%)	13.8	15.6	14.0	(1.6)
EBITDA (¥ million)	16,284	20,816	21,905	+1,089
EV/EBITDA (times)	7.98	8.08	11.07	+2.99
Net D/E ratio (times)	(0.08)	(0.00)	(0.04)	(0.04)
Net cash (¥ million)	3,613	236	2,371	+2,135
Shareholders’ value (¥ million)	133,605	168,520	244,828	+76,308
Market capitalization (¥ million)	134,598	169,318	244,782	+75,464

- Figures in the table are rounded down
- Change：End-FY4/17 compared with End-FY4/16
- Net D/E ratio = (Interest-bearing debt – Cash on hand and in banks) / Shareholders’ equity
- Shareholders’ value = EV – Net interest-bearing debt
- Market capitalization：Treasury stock is excepted
- Share prices used to calculate market capitalization:
  End-FY4/15 ¥4,245 (End-Apr,2015), End-FY4/16 ¥5,340 (End-Apr,2016), End-FY4/17 ¥7,720 (End-Apr,2017).
- 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. Earnings per share is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

FY4/18 Plan (Consolidated)

We expect that net sales increase 7.8% year on year by new openings (100 pharmacies in dispensing pharmacy business and 8 stores in drug and cosmetic store business). We also expect that ordinary income increase 12.7% by the promotion of the use of generic drugs, calculation of technical fees and improvement of operating efficiency.

(¥ million)	FY4/16 results	FY4/17 results	FY4/18 plan	YoY change	YoY change (%)
Net sales	234,843	248,110	267,500	+19,390	+7.8
Gross profit	38,535	42,092	46,530	+4,438	+10.5
% of net sales	**16.4**	**17.0**	**17.4**		
SG&A expenses	23,915	27,529	29,930	+2,401	+8.7
% of net sales	**10.2**	**11.1**	**11.2**		
Operating income	14,619	14,563	16,600	+2,037	+14.0
% of net sales	**6.2**	**5.9**	**6.2**		
Ordinary income	15,158	15,080	17,000	+1,920	+12.7
% of net sales	**6.5**	**6.1**	**6.4**		
Profit attributable to owners of parent	7,917	7,949	8,900	+951	+12.0
% of net sales	**3.4**	**3.2**	**3.3**		
Earnings per share(¥)	249.69	250.71	280.69	+29.98	+12.0
Annual dividend (¥)	40.00	50.00	50.00	(0.00)	(0.0)

▶Figures in the table are rounded down ▶YoY change, YoY change(%) :FY4/18 plan compared with FY4/17 results

Review

Revision of 2016

Growth Strategy

Review

Vs Original Plan (Consolidated)

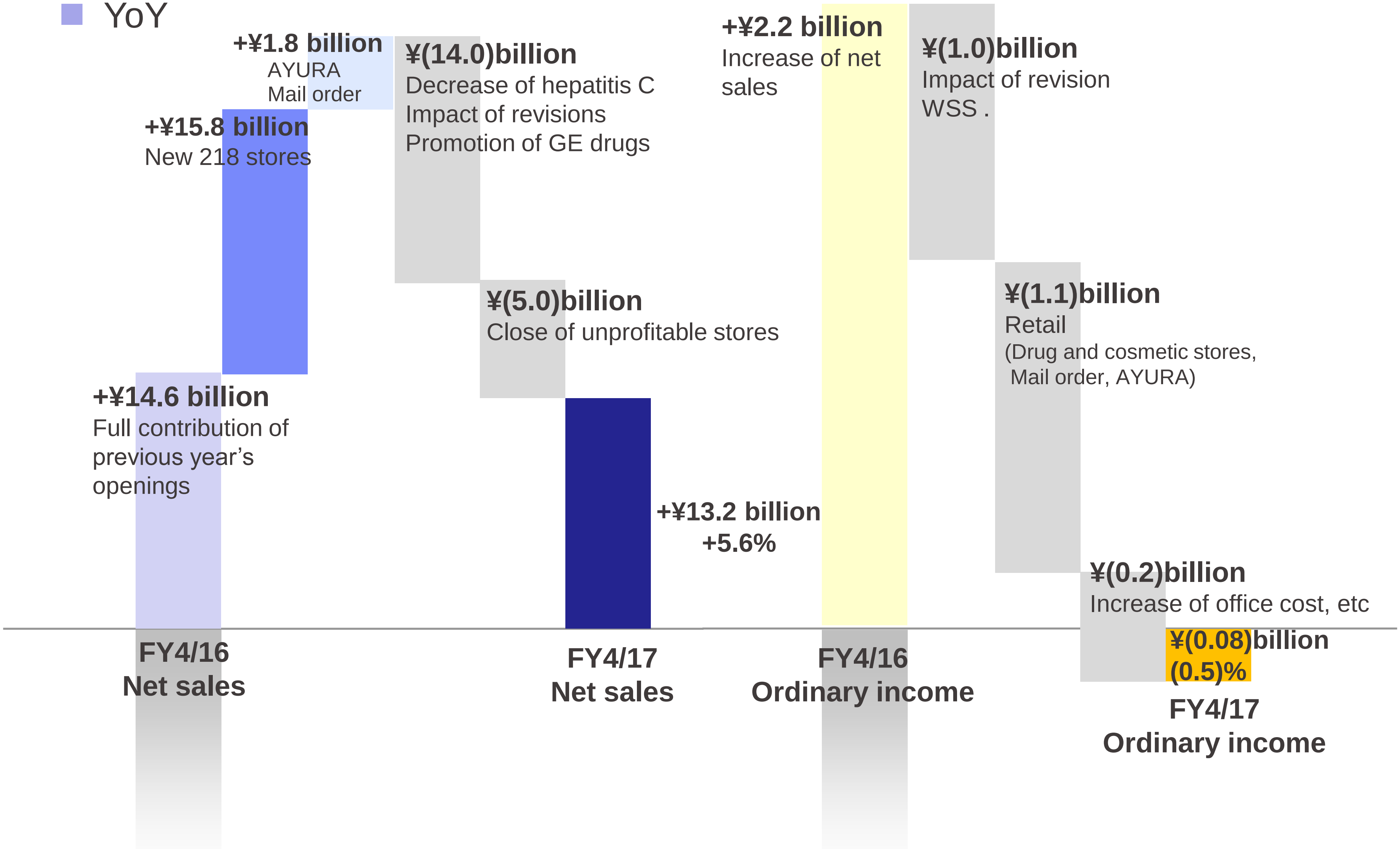
Net sales decreased 6.4% against the plan due to drug price revision etc in spite of the contribution of new store openings including M&As and openings in the previous year. Ordinary income decreased 9.7% due to non-achievement of generic drug usage plan and non-achievement of net sales plan in retail business.

(¥ million)	FY4/16 results	FY4/17 Original plan	FY4/17 results	YoY change(%)	Vs plan (%)
Net sales	234,843	265,000	248,110	+5.6	(6.4)
Gross profit	38,535	44,200	42,092	+9.2	(4.8)
% of net sales	**16.4**	**16.7**	**17.0**		
SG&A expenses	23,915	27,900	27,529	+15.1	(1.3)
% of net sales	**10.2**	**10.5**	**11.1**		
Operating income	14,619	16,300	14,563	(0.4)	(10.7)
% of net sales	**6.2**	**6.2**	**5.9**		
Ordinary income	15,158	16,700	15,080	(0.5)	(9.7)
% of net sales	**6.5**	**6.3**	**6.1**		
Profit attributable to owners of parent	7,917	9,000	7,949	+0.4	(11.7)
% of net sales	**3.4**	**3.4**	**3.2**		
Earnings per share(¥)	249.69	283.84	250.71	+0.4	(11.7)

- Figures in the table are rounded down

Review①

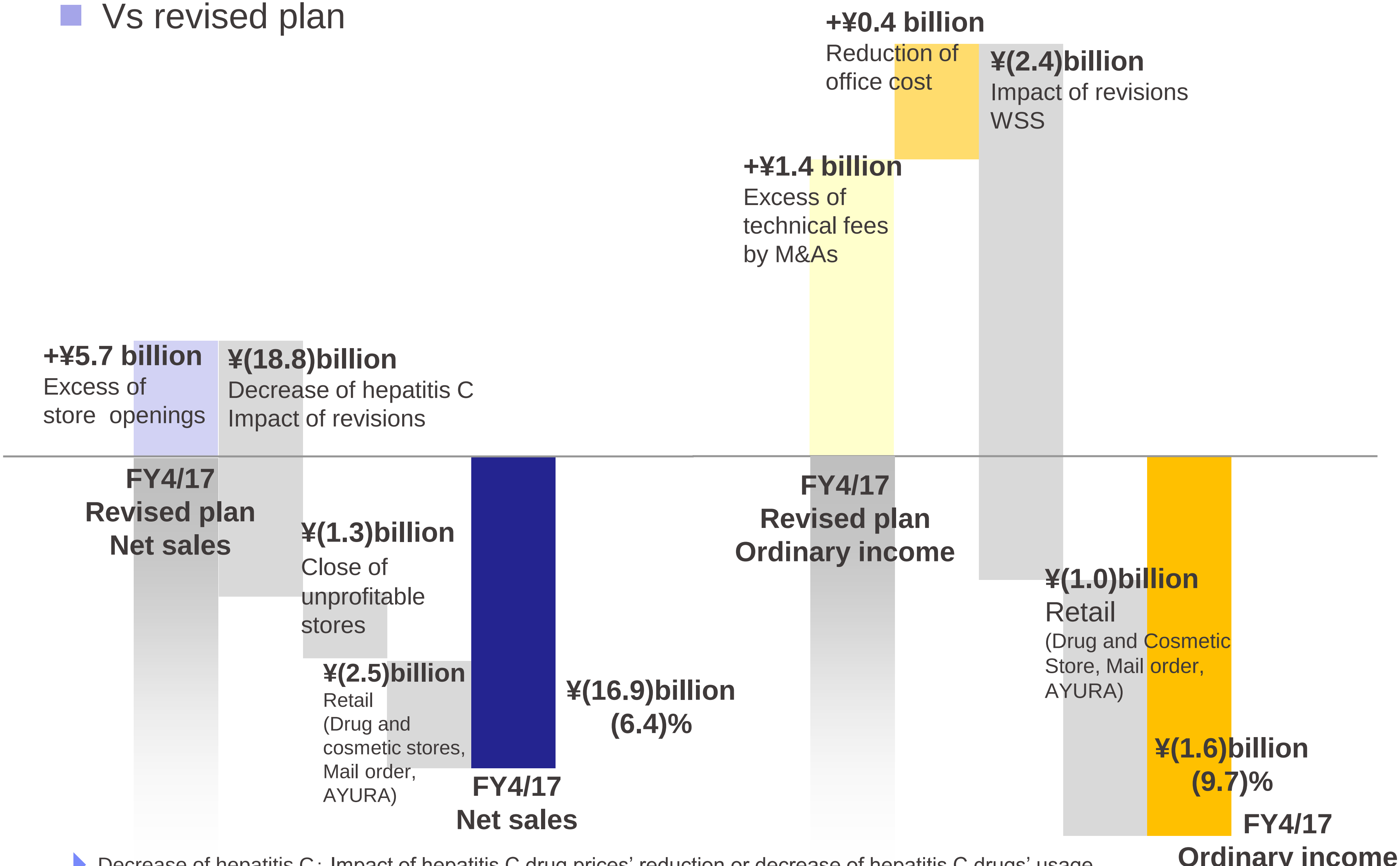
YoY



Decrease of hepatitis C：Impact of hepatitis C drug prices’ reduction or decrease of hepatitis C drugs’ usage

Review②

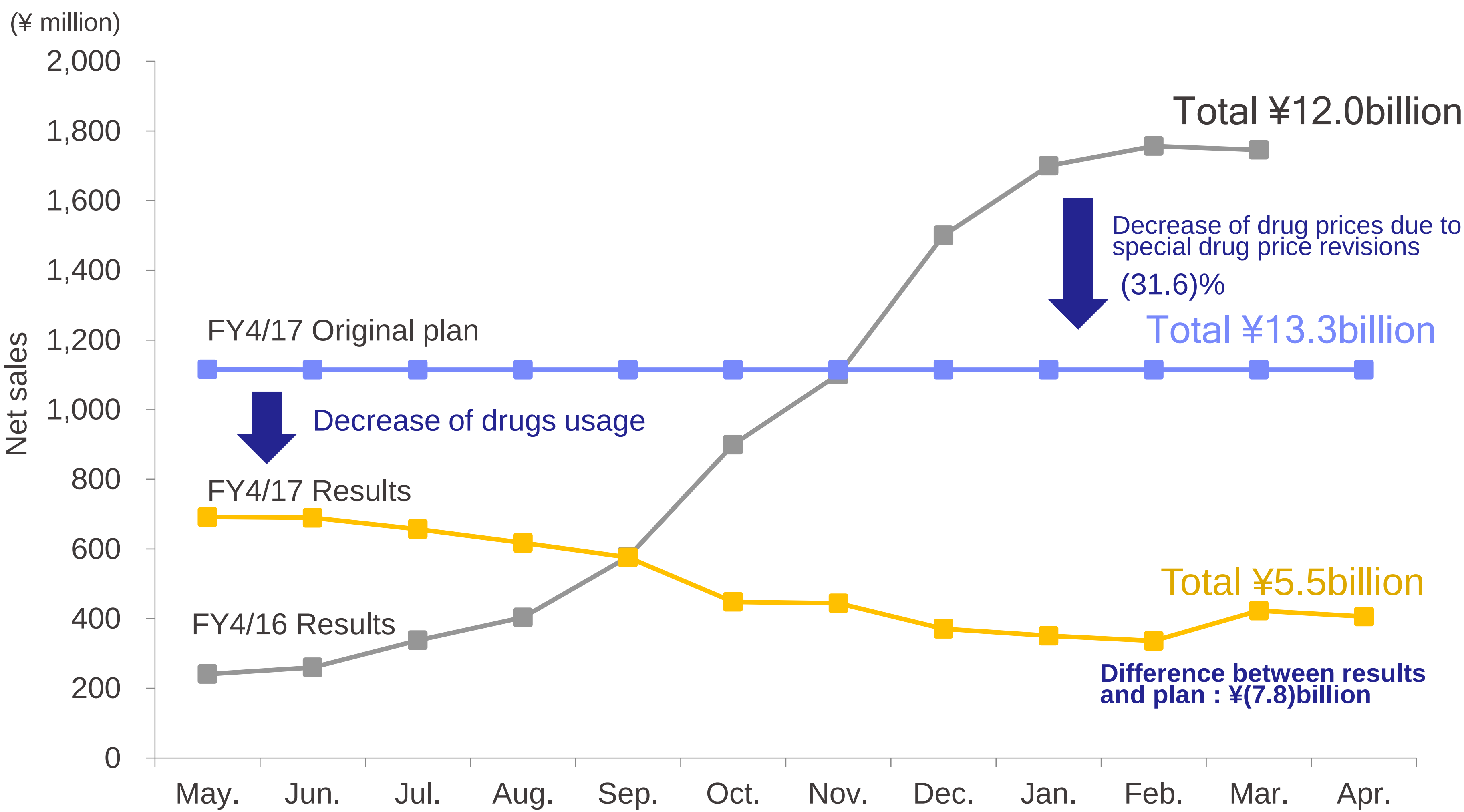
Vs revised plan



Decrease of hepatitis C：Impact of hepatitis C drug prices’ reduction or decrease of hepatitis C drugs’ usage

Review③

Transition of Hepatitis C drugs' sales



- Aggregated the data from pharmacies that could receive Hepatitis C drugs' usage data.

Revision of 2016

Progress①

Comparison of 594 pharmacies of 4 main existing companies

(¥)

		After	Points	March 2016	April 2016	Change	April 2017	Change	May 2017	Change
Basic dispensing fee	1	Except following	41 **(31)**	383.0	312.3	(70.7)	336.2	(46.8)	337.0	(46.0)
	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		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	147.5	117.8	(29.7)	174.0	+26.5	177.7	+30.2
Premiums for generic drug dispensing systems		**65-75%**	**18**	191.1	146.4	(44.7)	182.9	(8.2)	182.5	(8.6)
		Over 75%	**22**							
Drug use history management and guidance fee		Basic dispensing fee 41 points, handing over medication notebook, patients' visiting within 6 months	38	382.7	433.7	+51.0	439.7	+57.0	440.4	+57.7
		Except the above	**50**							
		Kakaritsuke-pharmacists instruction fee	**70**							
Premiums for specific drug management instruction		Specific drug management instruction	10	9.6	25.3	+15.7	25.0	+15.4	24.3	+14.7
						(78.4)		**+43.9**		**+48.0**

- Items and requirements mentioned above is a part of revisions of 2016
- Change: Compared to March 2016
- Points inside of parentheses are the subtracted points
- Average prescription price per a reception
- Object: 594 pharmacies(AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, Asahi Pharmacy)

Progress②

Comparison of 200 acquired pharmacies

(¥)

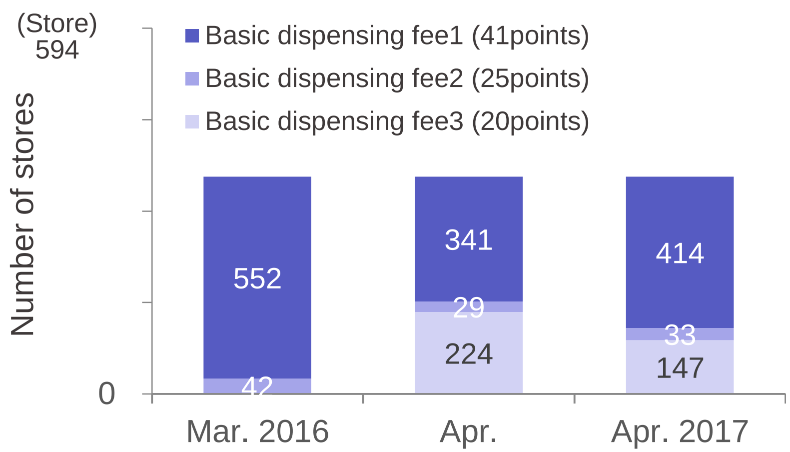
		After	Points	March 2016	April 2016	Change	April 2017	Change
Basic dispensing fee	1	Except following	41 **(31)**	401.4	341.7	(59.7)	346.0	(55.4)
	2	Over 4,000 times and over 70% or Over 2,000 times and over 90% or Over 4,000 times from specific hospital	25 **(19)**					
	3	**Same group over 40,000 times / month and over 95% or Lease contract with medical institution**	**20** **(15)**					
Standards for dispensing system premiums		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	140.8	88.8	(52.0)	153.8	+13.0
Premiums for generic drug dispensing systems		**65-75%**	**18**	127.0	103.5	(23.5)	150.0	+23.0
		Over 75%	**22**					
Drug use history management and guidance fee		Basic dispensing fee 41 points & Handing over medication notebook & Patients' revisiting within 6 months	38	374.9	428.4	+53.5	432.7	+57.8
		Except the above	**50**					
		Kakaritsuke-pharmacists instruction fee	**70**					
Premiums for specific drug management instruction		Specific drug management instruction	10	4.0	13.2	+9.2	15.3	+11.3
						(72.5)		**+49.7**

- Items and requirements mentioned above is a part of revisions of 2016
- Change: Compared to March 2016
- Points inside of parentheses are the subtracted points
- Average prescription price per a reception
- Object: 200 pharmacies that were acquired until March 2016

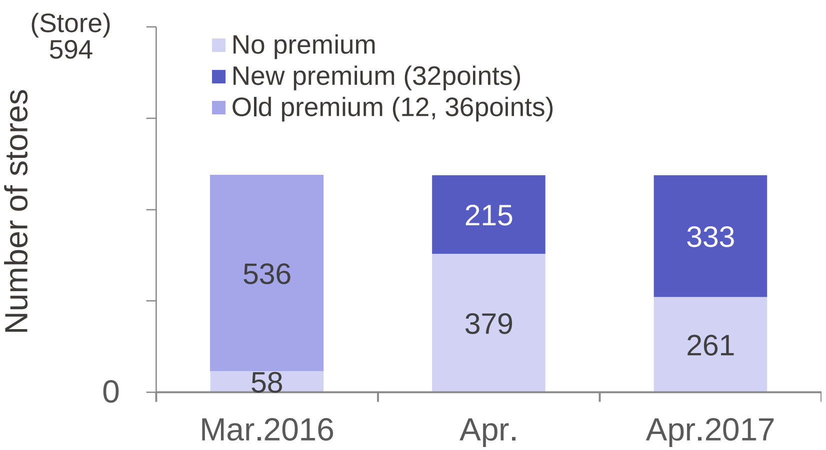
Progress③

Comparison of 594 pharmacies of 4 main existing companies

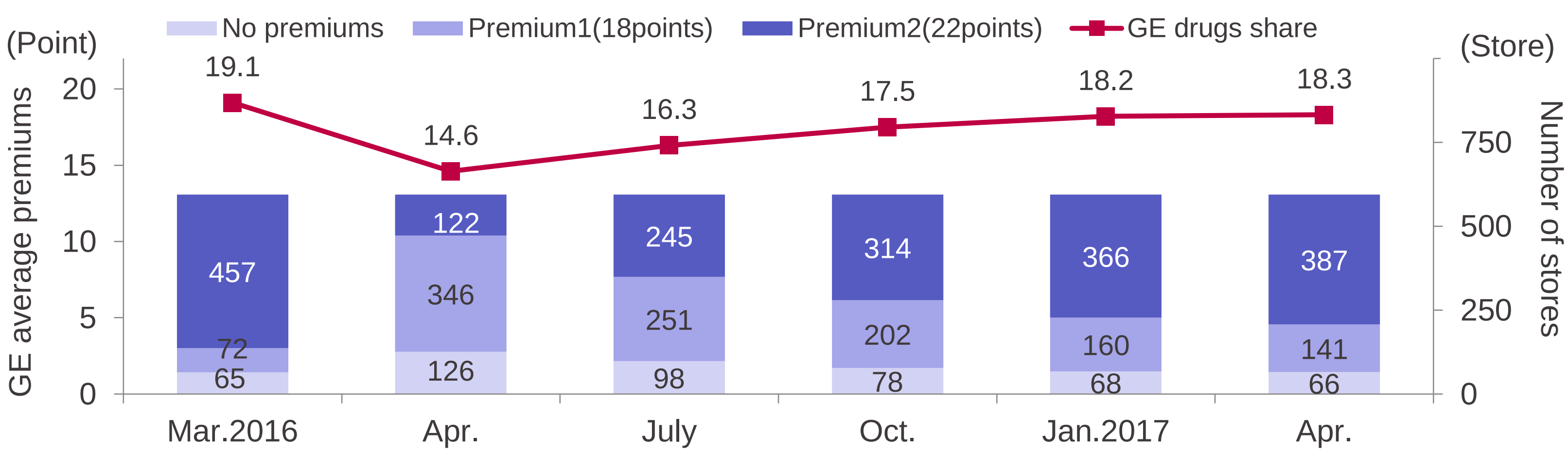
- Ratio of pharmacies that receive basic dispensing fees



- Ratio of pharmacies that receive standards for dispensing system premiums



- Progress of generic drugs

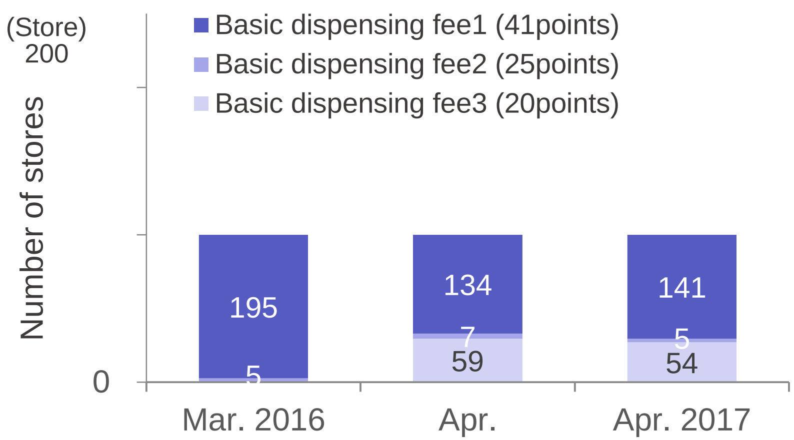


- Mar. 2016 : Calculated by old standards of revisions of 2016
- GE average premiums : Average points per reception of prescriptions
- GE drug share (volume) : 74.3% (As of April 2017)
- Object :594 pharmacies of main 4 companies (AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, Asahi Pharmacy)

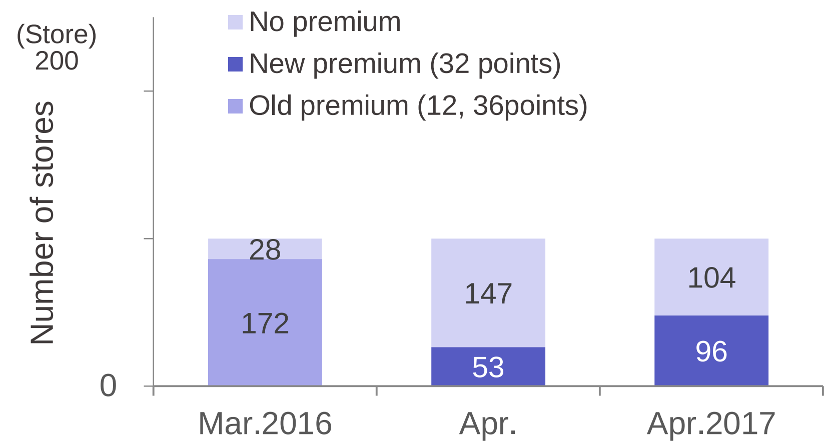
Progress④

Comparison of 200 acquired pharmacies

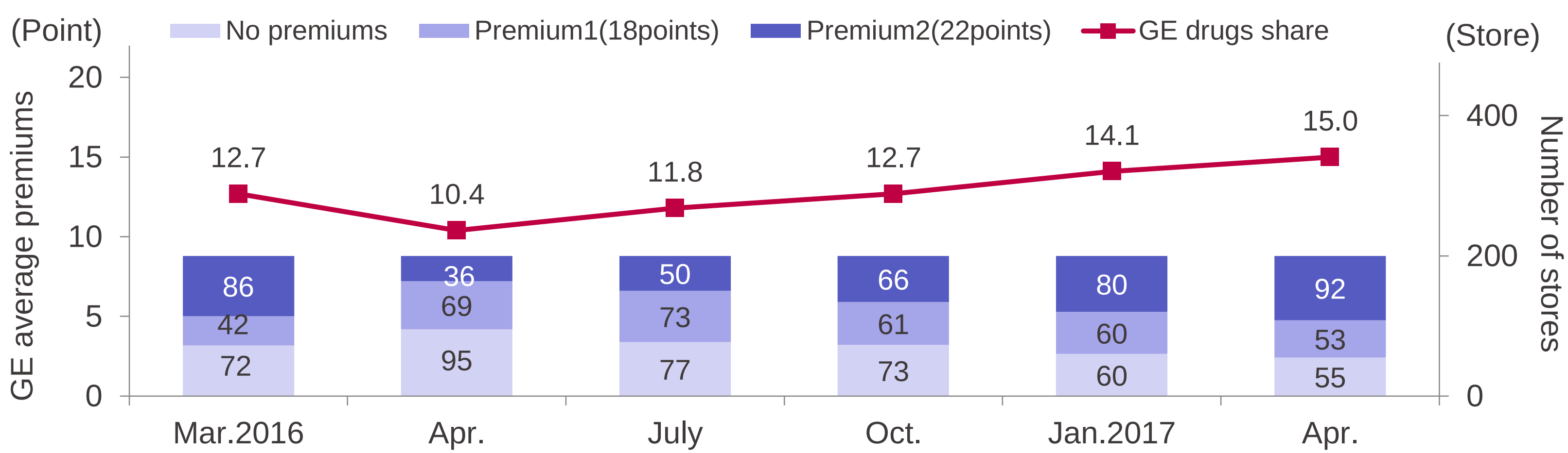
- Ratio of pharmacies that receive basic dispensing fees



- Ratio of pharmacies that receive standards for dispensing system premiums



- Progress of generic drugs



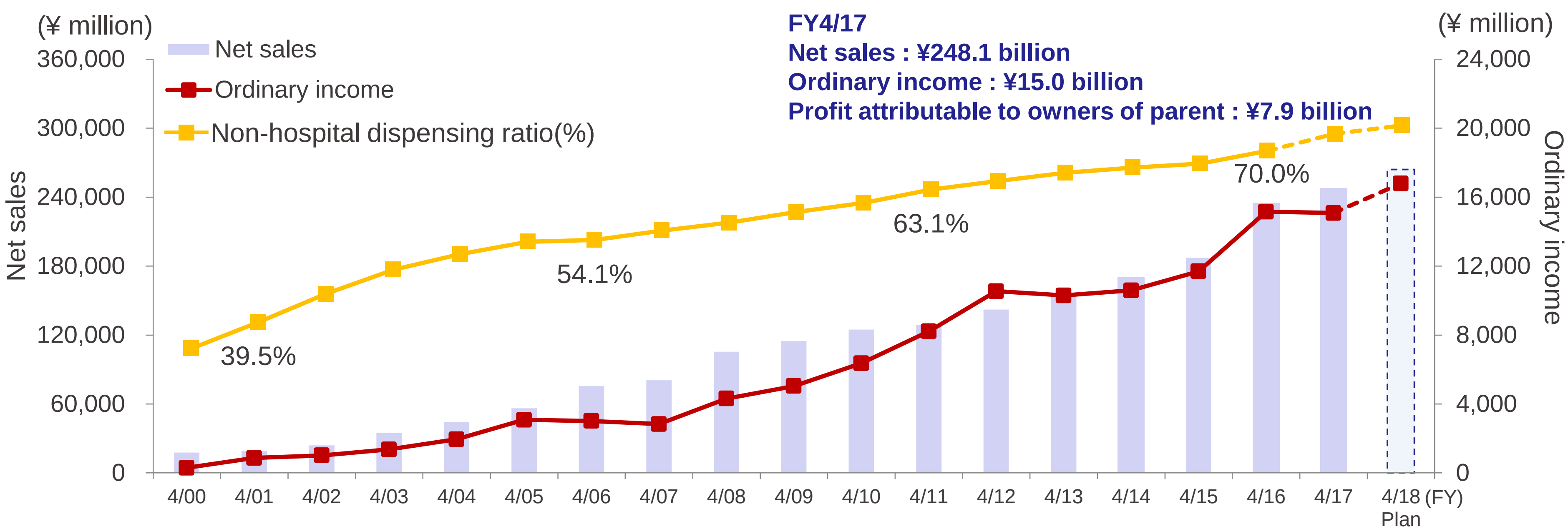
- Mar. 2016 : It is calculated by old standards of 2014 revisions
- GE average premiums : Average points per reception of prescriptions
- GE drug share (volume) : 70.1% (As of April 2017)
- Object : 200 pharmacies that were acquired until March 2016

Growth Strategy

Transition of net sales and ordinary income

Our group consistently set a growth strategy to increase net sales by new openings nationwide, to strength the capability of pharmacies and drug and cosmetic stores, and to attract and train personnel. We will continue to grow adjusting the changing environment in future.

- Transition of net sales and ordinary income



FY4/95

- **Store opening stores in convenient location**
- Securing pharmacists
- Construction of new dispensing system
- Dispensing in drugstores

FY4/01

- Nationwide network
- Safety and efficiency in dispensing pharmacy business
- Restructuring of drug and cosmetic store business

FY4/06

- Active new store openings and M&As
- Boosting efficiency of pharmacy operation
- **WHOLESALE STARS**
- Expansion of *ainz &tulpe*

FY4/08

- Openings large-scale dispensing pharmacies mainly near hospitals that respond for patient needs
- Economy of scale
- Recruting and training pharmacists
- Active use of M&As

FY4/15-FY4/16

- Store opening strategy
  Active new openings and M&As
- Strengthening the primary care capabilities of dispensing pharmacies
- New form of *ainz & tulpe*
  Differentiation by original products

Growth Strategy

We will develop stores and human resources that are able to adapt the environmental changes by flexibly responding the system changes and ease of regulations and by openings promising stores including M&As.

■ Top-line

Opening pharmacies in prime locations near hospitals and continuing secure M&As by evaluation method which we considered coming revisions for three consecutive years

■ Strengthening the function of pharmacies

Strengthening the primary care capabilities of pharmacists and dispensing pharmacies, raising the operating efficiency and making stores more profitable by responding to the environmental changes

■ Recruiting and training human resources

Recruiting activity and development of human resources with the energy of the entire company

■ Growth of AINZ&TULPE

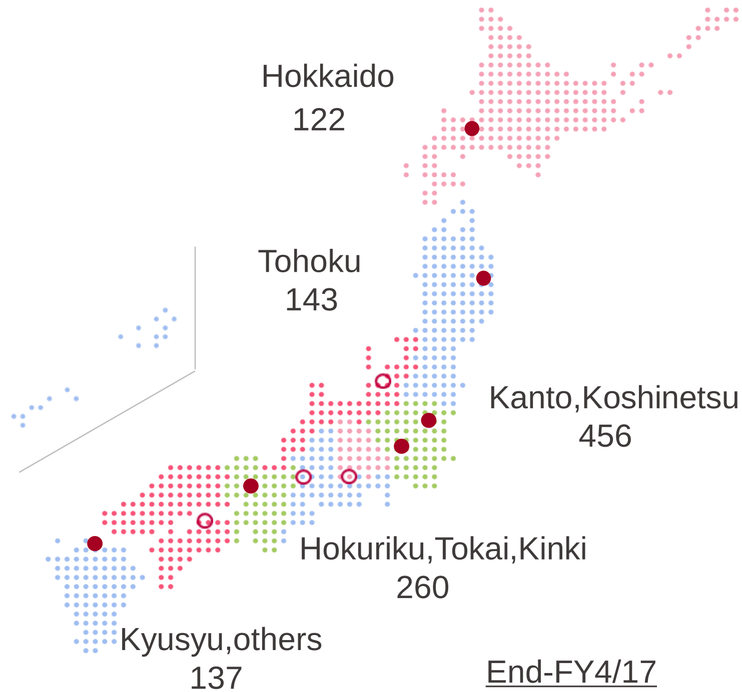
Improving the ratio of original products and gross profit by active store openings in the metropolitan area and by strengthening our brand equity

Top-Line

We opened 218 stores including M&As in FY4/17, and M&A EV/EBITDA ratio became 5.50 times in dispensing pharmacy business. We forecast the number of stores in the end of FY4/18 will be 1,189 by opening 108 stores and closing 37 stores.

Total number of stores

1,118 (Dispensing pharmacy:1,066 Drug and cosmetic store:52)



Plan

		FY4/17		FY4/18	As of June 8
		Plan	Results	Plan	Results
Dispensing pharmacy	Organic	47	27	34	5
	M&A	73	182	66	2
Drug and Cosmetic store		6	9	8	0
Total		126	218	108	7
Close	Dispensing pharmacy	-	24	31	5
	Drug and Cosmetic store	-	9	6	0
Total of closed stores		-	33	37	5

▶ Total number of stores includes a franchise store ▶62 properties are 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	FY4/17
Organic	16	14	23	24	21	18	27	38	36	40	32	27
M&A	17	18	91	3	3	35	28	38	26	119	110	182
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	5.50
Close	8	3	5	8	2	5	9	10	6	21	15	24
No. of total stores	218	247	356	375	397	448	494	560	616	754	881	1,066

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

Strength of pharmacy' function①

In "Pharmacy's vision for patients (by the Ministry of Health, Labor and Welfare on October 23th, 2015)", the ideal of the primary care pharmacists and dispensing pharmacies is stated. Also, based on medium- and long-term perspective, the way to change the present pharmacies to the primary dispensing pharmacies is showed.

Healthcare support pharmacies

Function of Healthcare support

- Contribution for prevention of patients' decease and healthcare support

Function of advanced pharmaceutical management

- Correspondence for the needs of advanced pharmaceutical management

\+

Primary care pharmacists and dispensing pharmacies

Integrated and continuous management of drug usage

- Continuous check of drugs' effects and side effects
- Prevention of over-prescription, double medication and interactions

24-hour support & Home-based healthcare

- Support for patients in the night and holidays & Home-based healthcare

Cooperation with medical institutions

- Inquiry to doctors about possible prescription errors & Suggestion about prescription drugs
- Feedback to doctors about side effects and drug usage
- Giving advice to patients about drugs and their healthcare
- Recommendation to see doctors at medical institutions

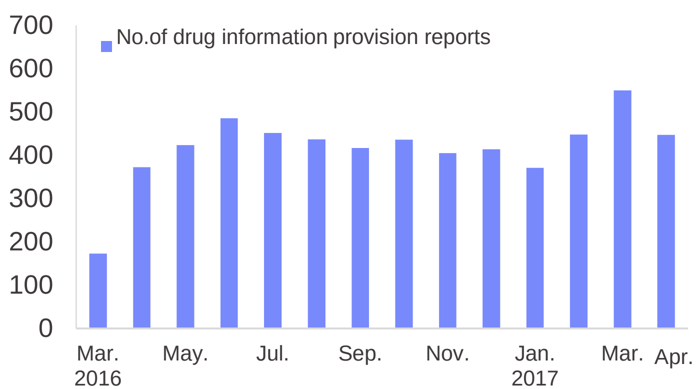
Strength of pharmacy' function②

In "Pharmacy's vision for patients (by the Ministry of Health, Labor and Welfare on October 23th, 2015)", the ideal of the primary care pharmacists and dispensing pharmacies is stated. Also, based on medium- and long-term perspective, the way to change the present pharmacies to the primary dispensing pharmacies is showed.

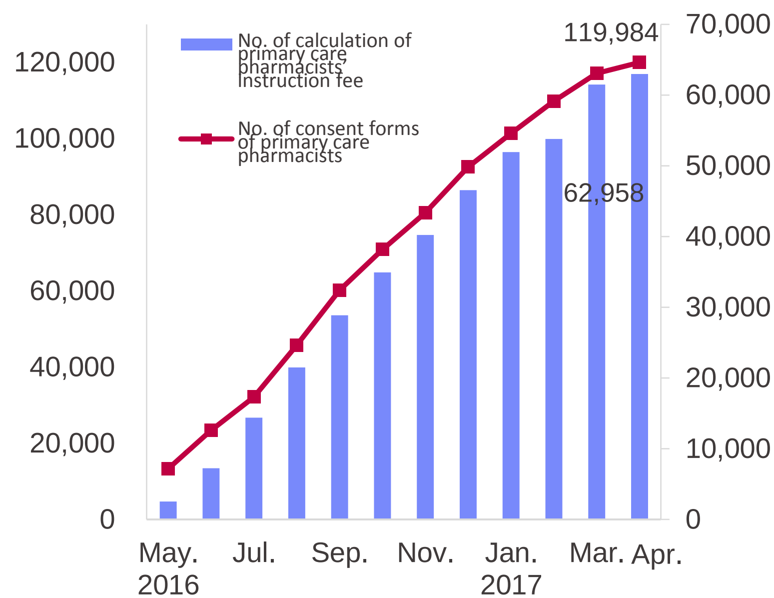
Primary care pharmacists and dispensing pharmacies

- Primary care pharmacists
  1,358 pharmacists (As of May 2017)
- Primary care dispensing pharmacies
  762 pharmacies (As of May 2017)

- Drug information provision reports
  Pharmacists provide doctors with the reports about conditions and effects of patients who are in long-term medical treatment



- The number of calculation of primary care pharmacists' instruction fees
  62,958 cases (April 2017, monthly basis)
- Consent form of primary care pharmacists
  119,984 cases (Total until April, 2017)



Strength of pharmacy' function③

In "Pharmacy's vision for patients (by the Ministry of Health, Labor and Welfare on October 23th, 2015)", the ideal of the primary care pharmacists and dispensing pharmacies is stated. Also, based on medium- and long-term perspective, the way to change the present pharmacies to the primary dispensing pharmacies is showed.

Healthcare support pharmacies

Healthcare support pharmacies are actively working on the maintenance of supply system of pharmacist's intervention required medicines, Non smoking guidance with medical institutions that mainly handle prescriptions and local activities, etc.

- Local activity

  In order to support local residents' health maintenance and health promotion, we held consultation meetings about drugs, events of dementia's early detection and various study groups.

- No. of pharmacists who attend the lecture of healthcare support pharmacies

  130 pharmacists (As of June,2017)

- No. of stores that pharmacists who finished the lecture are located

  77 stores (As of June,2017)

- No. of healthcare support pharmacies

  21 stores (As of June,2017) → 50 stores (Target: April,2018)


Seminar about infection prevention


Local NST & Study group of bedsore


Local NST & Study group of swallowing

Strength of pharmacy' function④

In "Pharmacy's vision for patients (by the Ministry of Health, Labor and Welfare on October 23th, 2015)", the ideal of the primary care pharmacists and dispensing pharmacies is stated. Also, based on medium- and long-term perspective, the way to change the present pharmacies to the primary dispensing pharmacies is showed.

Function of advanced pharmaceutical management

As well as starting the development of specialist pharmacist with universities and medical institutions, we continuously conduct trainings for all pharmacists using web conference system

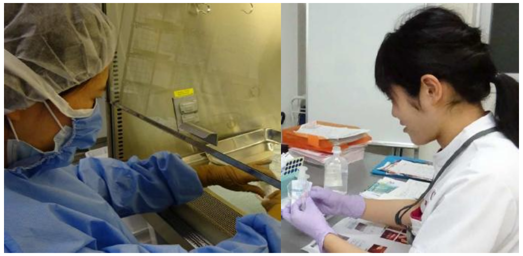
- Approach in concert with Fujita Health University Hospital

Contents	Outsource of cancer specialist pharmacists' training
Place	Fujita Health University Hospital (Toyoake-shi, Aichi)
Period	5 years
Number of pharmacists	2 pharmacists
Start period	March, 2017～

- Approach in concert with Hokkaido University & Social Medial Corporation Caress Sapporo

Contents	Advanced medical simulation training by pharmacists in hospitals and dispensing pharmacies
Place	Caress Sapporo Clinical Simulation Center (Sapporo-shi, Hokkaido)
Period	2 days
Number of pharmacists	Planning about 100 pharmacists in a year
Start period	From June, 2017

Study group of advanced pharmaceutical management using web conference system



Cancer specialist pharmacists' training in University Hospital

Advanced medical simulation training

PJ—AIN GROUP

We started BPR for business improvement from 2009. We aim to reduce ¥1,000 million in BPR2017. Also, by Pharmacy-led project, ¥6,455 million of stock money amount was adjusted and inventory days became 16.4 days.

2009～2016 (Year) | 2017 (Year)

BPR
Total business impact :¥3,060 million

BPR2017
Target : Cost reduction ¥1,000 million

Unification of group's vector

Group purchasing

Pharmacy-led project

Release of "New･AIN's Declaration"

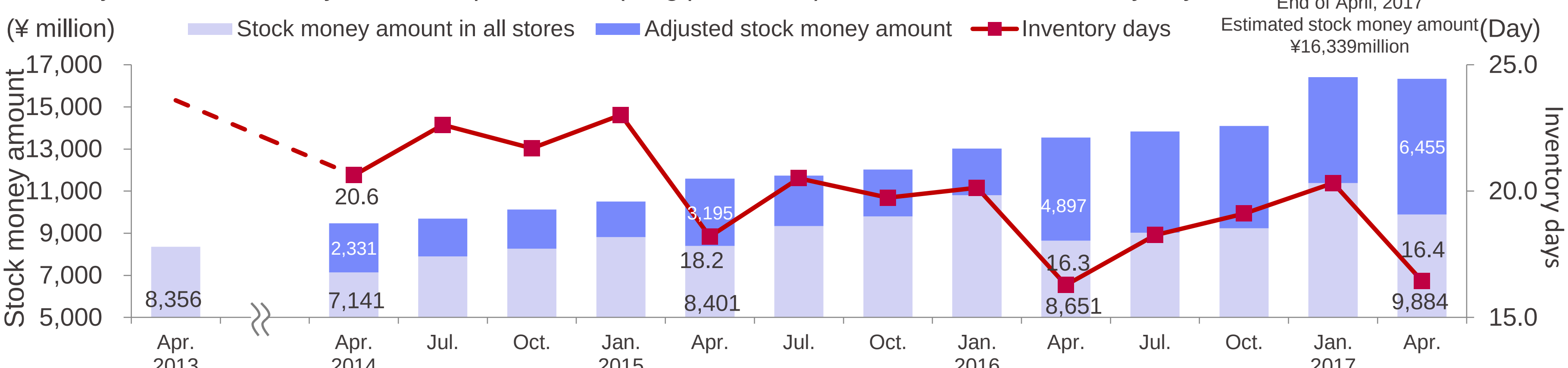
Triple3+1 Establishment of target
- 3 minutes dispensing
- 3 days stock
- 30 prescriptions handling
- Reduction of turnover rates

･Adjustment of unused stock
･Office-led transfer of drugs between stores

･In-house training
･Area manager meeting
･Monthly branch office meeting
･Unification of technic of check

- Pharmacy-led project
- Redefining M&A evaluation and standard
- Structuring the role of ideal pharmacies
- Personnel relocation
- Recruitment activity with the energy of the entire company
- Cost reduction by reconsideration of purchasing

■ Adjusted stock money amount in pharmacies(drug price base) and transition of inventory days



▶ Estimated stock money amount：Calculated by stock money amount per store at end of April 2013 and the number of running stores

▶ Adjusted stock money amount：Estimated stock money amount－Stock money amount in all stores

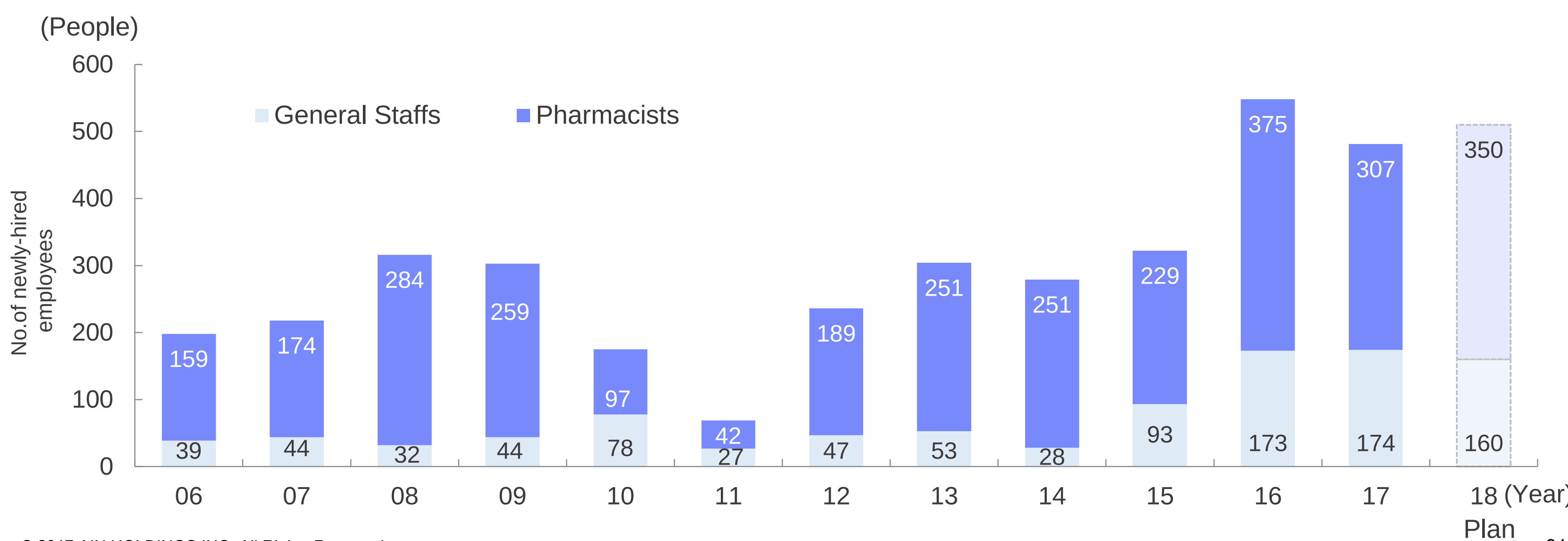
Recruiting of Pharmacists

It is necessary to recruit pharmacists to fulfill the role of pharmacy that government requires. Our group's strength is recruiting of new graduates and training of human resources. In April 2017, new 481 employees (pharmacists : 307, general staff : 174) joined our company.

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

(People)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. of newly qualified pharmacists hired in AIN Group	174	284	259	97	42	189	251	251	229	375	307	350
No. of pharmacists' national examination passers (Pass rate)	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%)	9,479 (71.6%)	- (-)
Rate of newly qualified pharmacists hired in AIN Group	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% (11.7%)	3.2% (9.5%)	- (-)

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

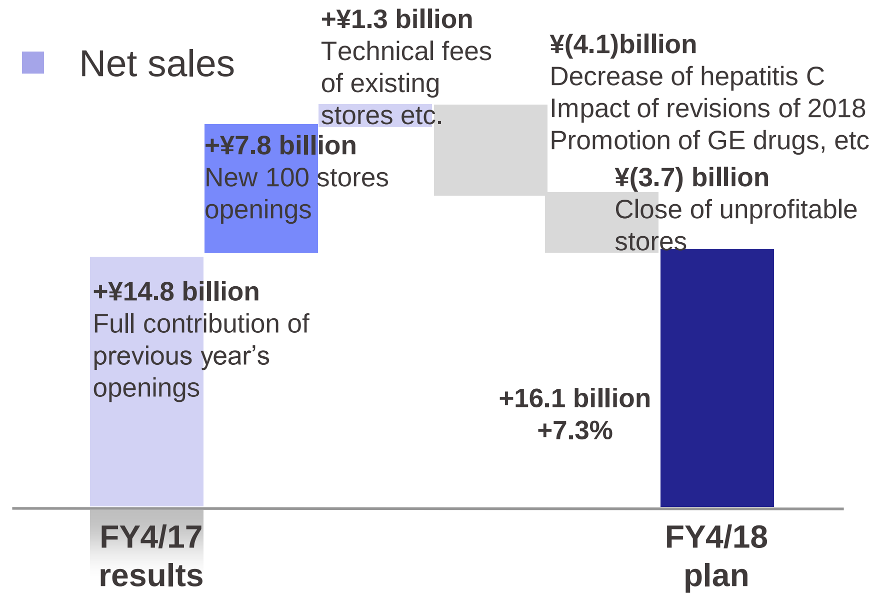


FY4/18 Plan (Dispensing Pharmacy Business)

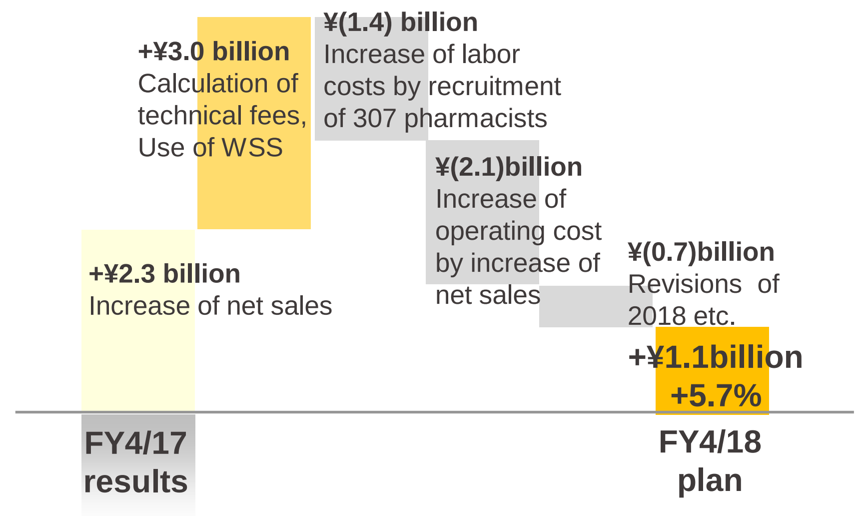
(¥ million)	FY4/17 results	FY4/18 plan	YoY change	YoY change (%)
Net sales	221,801	237,900	+16,099	+7.3
Gross profit	32,090	34,280	+2,190	+6.8
% of net sales	**14.5**	**14.4**		
SG&A expenses	13,432	14,480	+1,048	+7.8
% of net sales	**6.1**	**6.1**		
Operating income	18,658	19,800	+1,142	+6.1
% of net sales	**8.4**	**8.3**		
Segment income	19,110	20,200	+1,090	+5.7
% of net sales	**8.6**	**8.5**		

- Figures in the table are rounded down
- Decrease of hepatitis C：Impact of hepatitis C drug prices' reduction or decrease of hepatitis C drugs' usage

■ Net sales



■ Segment income



Vs Original Plan (Drug and Cosmetic Store Business)

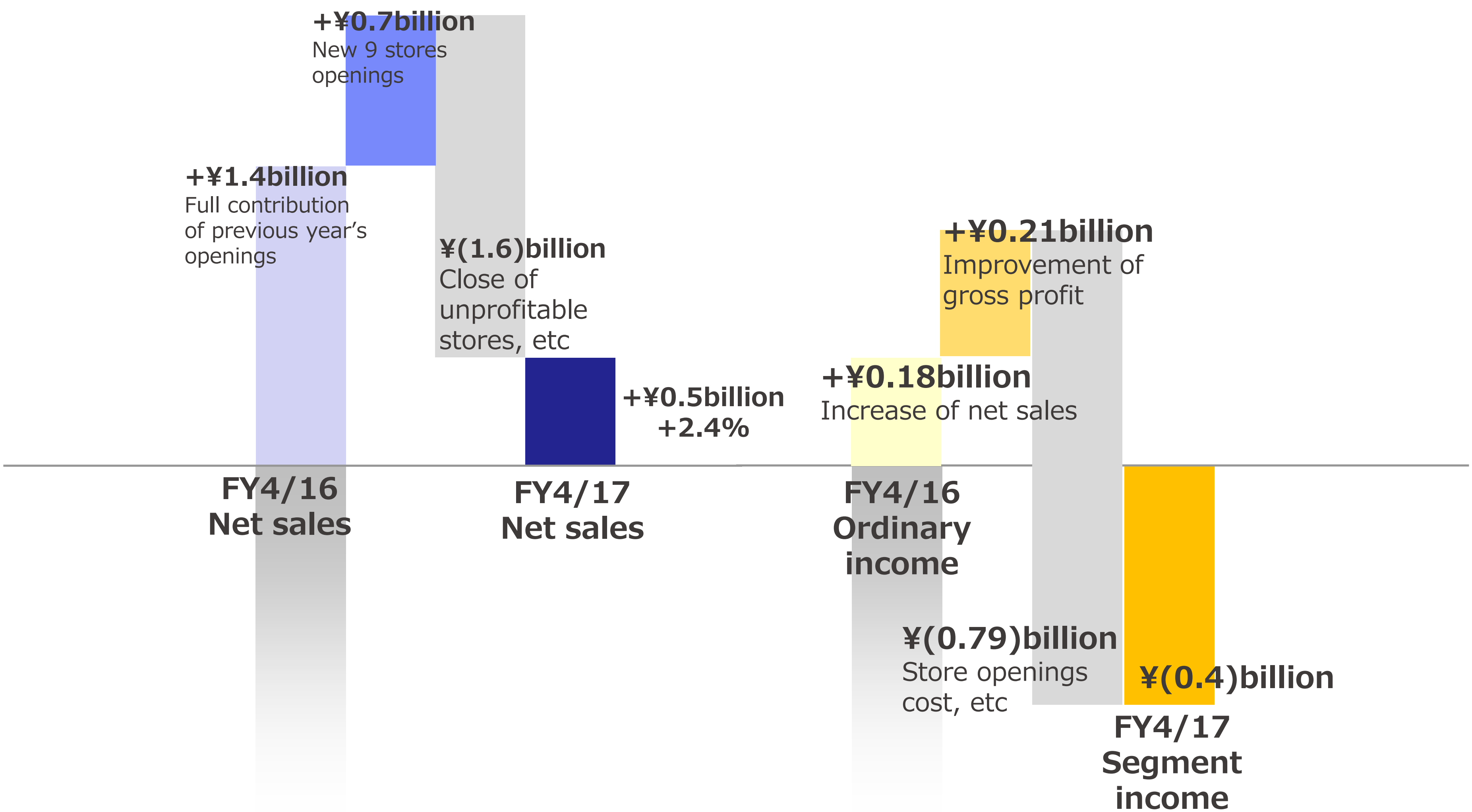
Net sales increased 2.4% year on year by new store openings and sales growth of flagship stores. The ratio of gross profit to net sales year on year has improved by the active development of original products, but segment income became ¥(866) million due to the increase of sales promotion expenses, etc.

(¥ million)	FY4/16 results	FY4/17 original plan	FY4/17 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	20,884	22,500	21,383	+499	+2.4	(5.0)
Gross profit	7,236	8,350	7,623	+387	+5.3	(8.7)
% of net sales	**34.6**	**37.1**	**35.6**			
SG&A expenses	7,931	8,700	8,583	+652	+8.2	(1.3)
% of net sales	**38.0**	**38.7**	**40.1**			
Operating income	(694)	(350)	(959)	(265)	-	-
% of net sales	**-**	**-**	**-**			
Segment income	(459)	(224)	(866)	(407)	-	-
% of net sales	**-**	**-**	**-**			
Number of stores	52	58	52	0	(0.0)	(10.3)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Number of customers: (0.3)% YoY
- Average spending per customer: +2.7% YoY

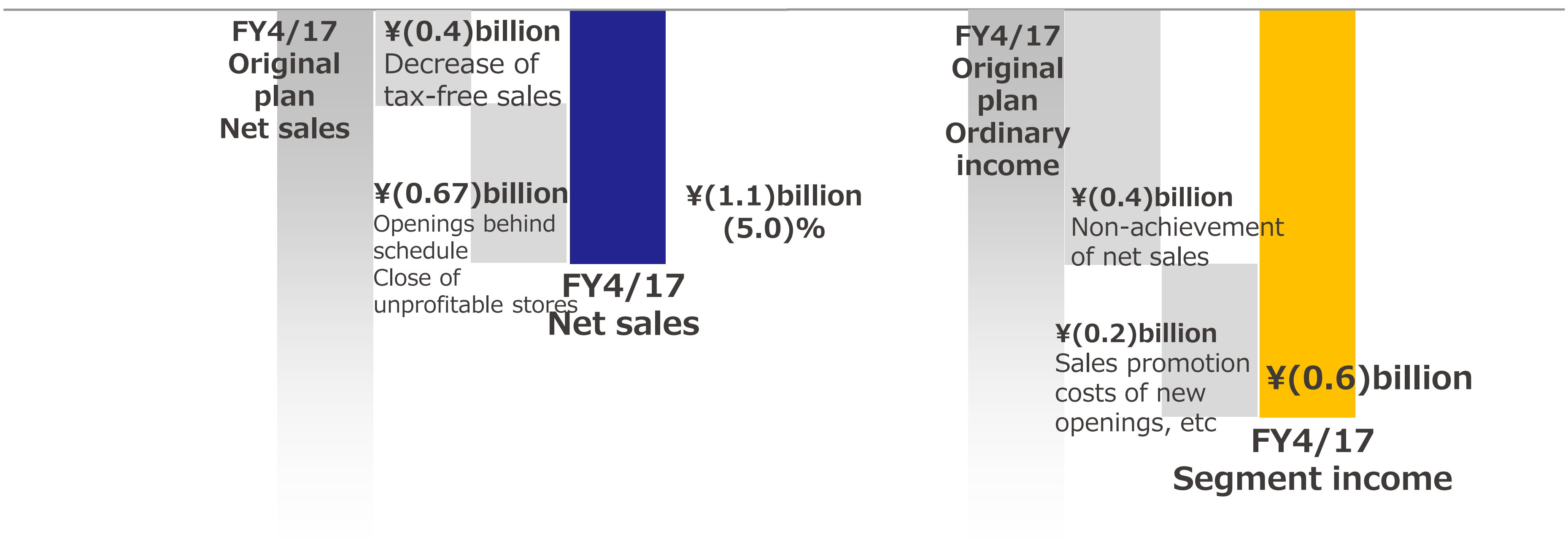
Results Verification①(Drug and Cosmetic Store Business)

■ YoY



Results Verification②(Drug and Cosmetic Store Business)

Vs Original plan



Store opening strategy

In FY4/17, we tried to improve customer's degree of recognition of *ainz & tulpe* by opening new stores in the metropolitan area.

Opened on March 16, 2017
KEIO DEPARTMENT STORE SHINJUKU

FRENTE MINAMI-OSAWA

IKEBUKURO SEIBU

OMIYA MARUI
KAWAGUCHI CASTY
TOKOROZAWA STATION

Ikebukuro

KITASENJU MARUI
Opened December 9, 2016

Shinjuku

CHOFU

SHINJUKU HIGASHIGUCHI

HARAJUKU QUEST

LIPS and HIPS TOKYU PLAZA OMOTESANDO HARAJUKI
Opened on April 21, 2017

MARUI KINSHICHO

TOKYO STATION

Tokyo

GINZA NAMIKI DORI
Opened on November 7, 2016

Shibuya

SHIBUYA CENTER GAI

JIYUGAOKA

Opened on December 15, 2016
Colette Mare SAKURAGICHO

Yokohama

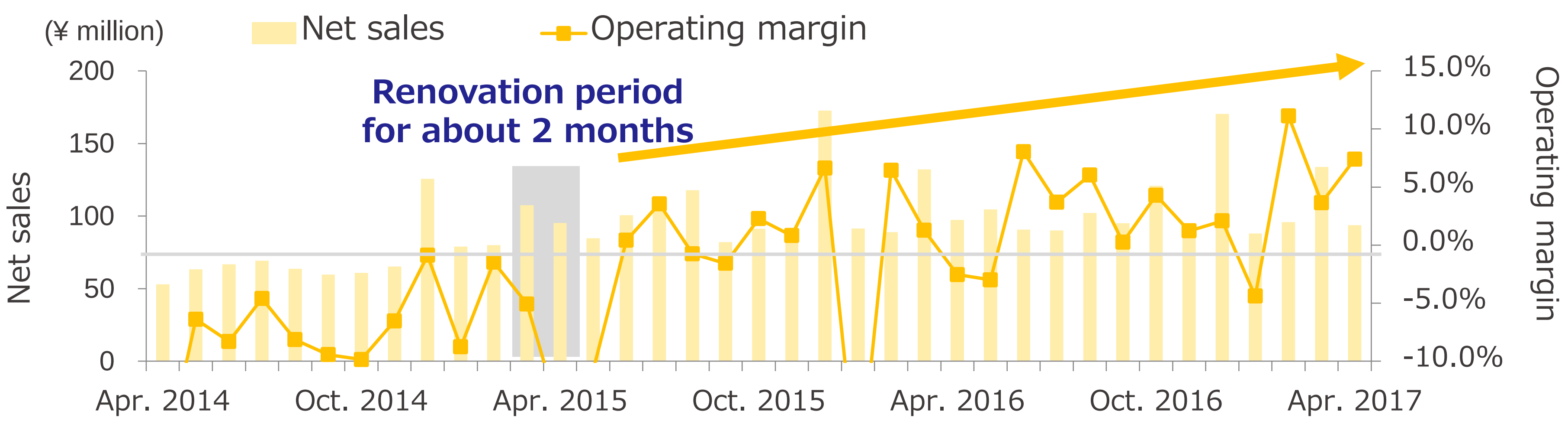
MINATO MIRAI
YOKOHAMA PORTA
MARUI CITY YOKOHAMA
Yokohama JOINUS
Opened on April 12, 2017

Opened on March 15, 2017
MARRONNIER GATE GINZA

Establishment of store opening format

We will increase store operation efficiency in existing stores by setting *ainz & tulpe* IKEBUKURO SEIBU as a good model whose earning rate improved after renovation. Also, the requests for new openings are increased after openings of *ainz & tulpe* SHINJUKU HIGASIGUCHI, and proper cost management became possible. We are ready to make stores profitable in early stage.

- *ainz & tulpe* IKEBUKURO SEIBU's transition of net sales and operating margin after renovation



- *ainz & tulpe* KEIO DEPARTMENT STORE SHINJUKU

Net sales
Vs plan +35.3%

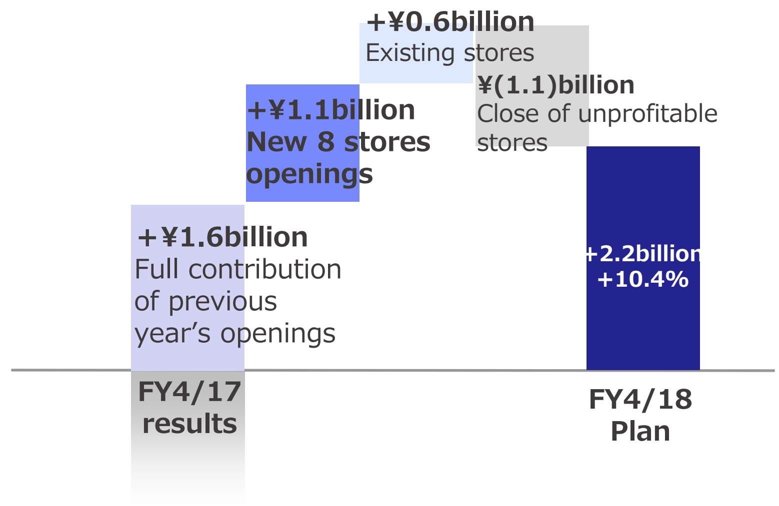
Operating income
Making profits in 2 months after opening

FY4/18 Plan (Drug and Cosmetic Store Business)

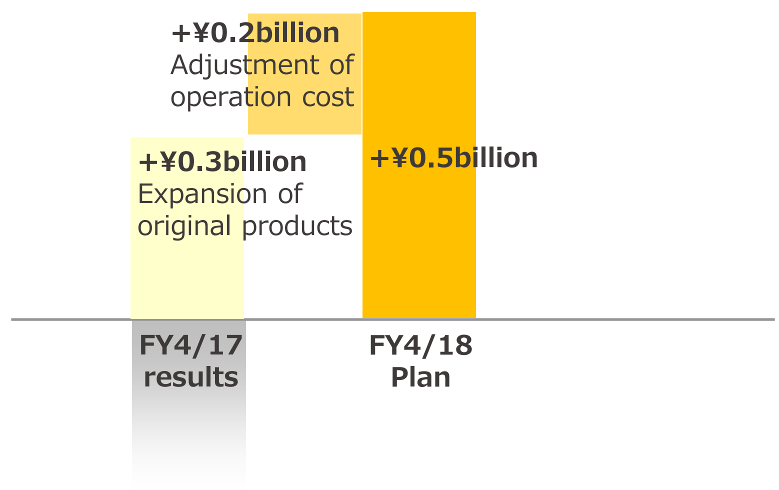
(¥ million)	FY4/17 results	FY4/18 plan	YoY change	YoY change (%)
Net sales	21,383	23,600	+2,217	+10.4
Gross profit **% of net sales**	7,623 **35.6**	8,770 **37.2**	+1,147	+15.0
SG&A expenses **% of net sales**	8,583 **40.1**	9,270 **39.3**	+683	+8.0
Operating income **% of net sales**	(959) **-**	(500) **-**	+459	-
Segment income **% of net sales**	(866) **-**	(370) **-**	+496	-

- Figures in the table are rounded down

■ Net sales



■ Segment income



FY4/18 Plan (Consolidated)

In FY4/18, we expect that net sales increase 7.8% year on year by 100 new store openings in dispensing pharmacy business and 8 new store openings in cosmetic and drug store business. We also expect that ordinary income increase 12.7% year on year by promoting wider use of generic drugs, calculating technical fees and increase of store operation efficiency.

(¥ million)	FY4/17 results	FY4/18 plan	YoY change
Net sales	248,110	267,500	+7.8%
Gross profit	42,092	46,530	+10.5%
Operating income	14,563	16,600	+14.0%
Ordinary income	15,080	17,000	+12.7%
Profit attributable to owners of parent	7,949	8,900	+12.0%
Earnings per share(¥)	250.71	280.69	+12.0%

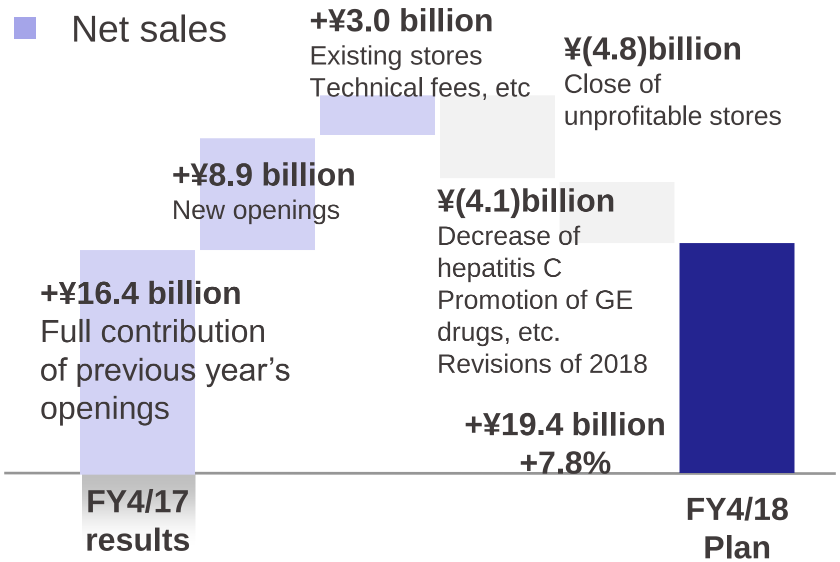
Figures in the table are rounded down

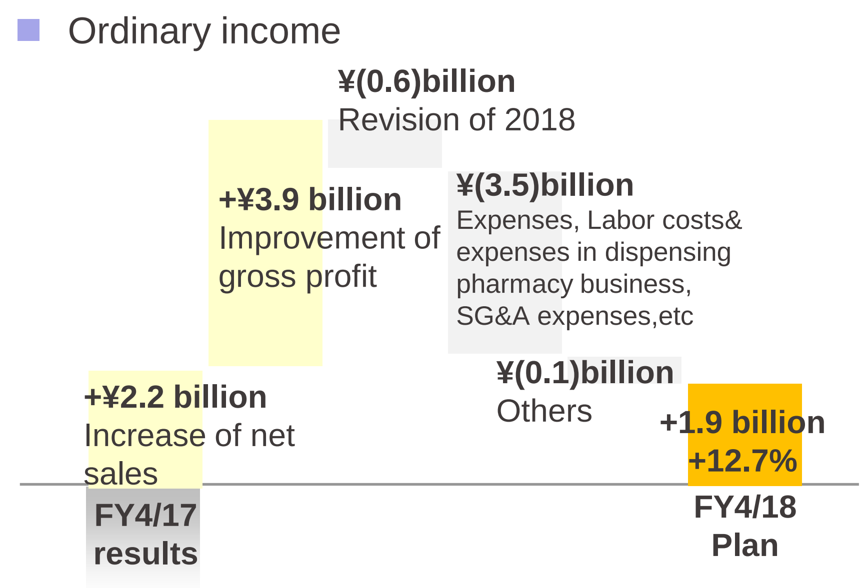
Supplementary Materials

FY4/18 Plan (Consolidated)

(¥ million)	FY4/17 results	FY4/18 plan	YoY change	YoY change (%)
Net sales	248,110	267,500	+19,390	+7.8
Gross profit	42,092	46,530	+4,438	+10.5
% of net sales	**17.0**	**17.4**		
SG&A expenses	27,529	29,930	+2,401	+8.7
% of net sales	**11.1**	**11.2**		
Operating income	14,563	16,600	+2,037	+14.0
% of net sales	**5.9**	**6.2**		
Ordinary income	15,080	17,000	+1,920	+12.7
% of net sales	**6.1**	**6.4**		

- Figures in the table are rounded down
- Decrease of hepatitis C : Impact of hepatitis C drug prices' reduction or decrease of hepatitis C drugs' usage





Dispensing Fee Revisions of 2016

	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**
				Primary care pharmacists instruction fee	**70**
Premiums for specific drug management instruction	Specific drug management instruction	4		Specific drug management instruction	10

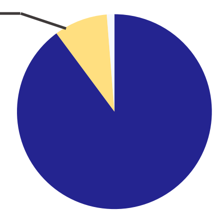
- Items and requirements mentioned above is a part of dispensing fee revisions
- Points inside of parentheses are the subtracted points

Condition for calculating primary care pharmacists instruction fee	Operational experience for at least 3 years, Working over 32 hours per week, Belongs to pharmacy over 6 months, Certified pharmacists, Participation of community activity
Opetation of primary care pharmacists	Guidance for drug usage, Integrated and continuous management of patients' information, 24-hour support, Management of surplus drugs, home-based healthcare

Company Profile

Trade name	AIN HOLDINGS INC.
Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥258,932 million As of June 8, 2017
Net sales and operating income	Net sales: ¥248,110 million Operating income: ¥14,563 million As of April 30, 2017
Sales composition	Dispensing Pharmacy : ¥221,801 million, Drug and Cosmetic Store : ¥21,383 million Others : ¥4,925 million As of April 30, 2017
Number of employees	9,774 (including pharmacists：4,518) As of April 30, 2017
Group companies	《Dispensing pharmacy》 AIN PHARMACIEZ Inc. and other 78 companies. 《Staffing services》《Consulting services》 MEDIWEL Corp., Medical Development Co., Ltd. etc 《Generic drug wholesales》 WHOLESALE STARS Co., Ltd As of April 30, 2017
Number of stores	1,118 (1,066 dispensing pharmacies, 52 drug and cosmetic stores) As of April 30, 2017

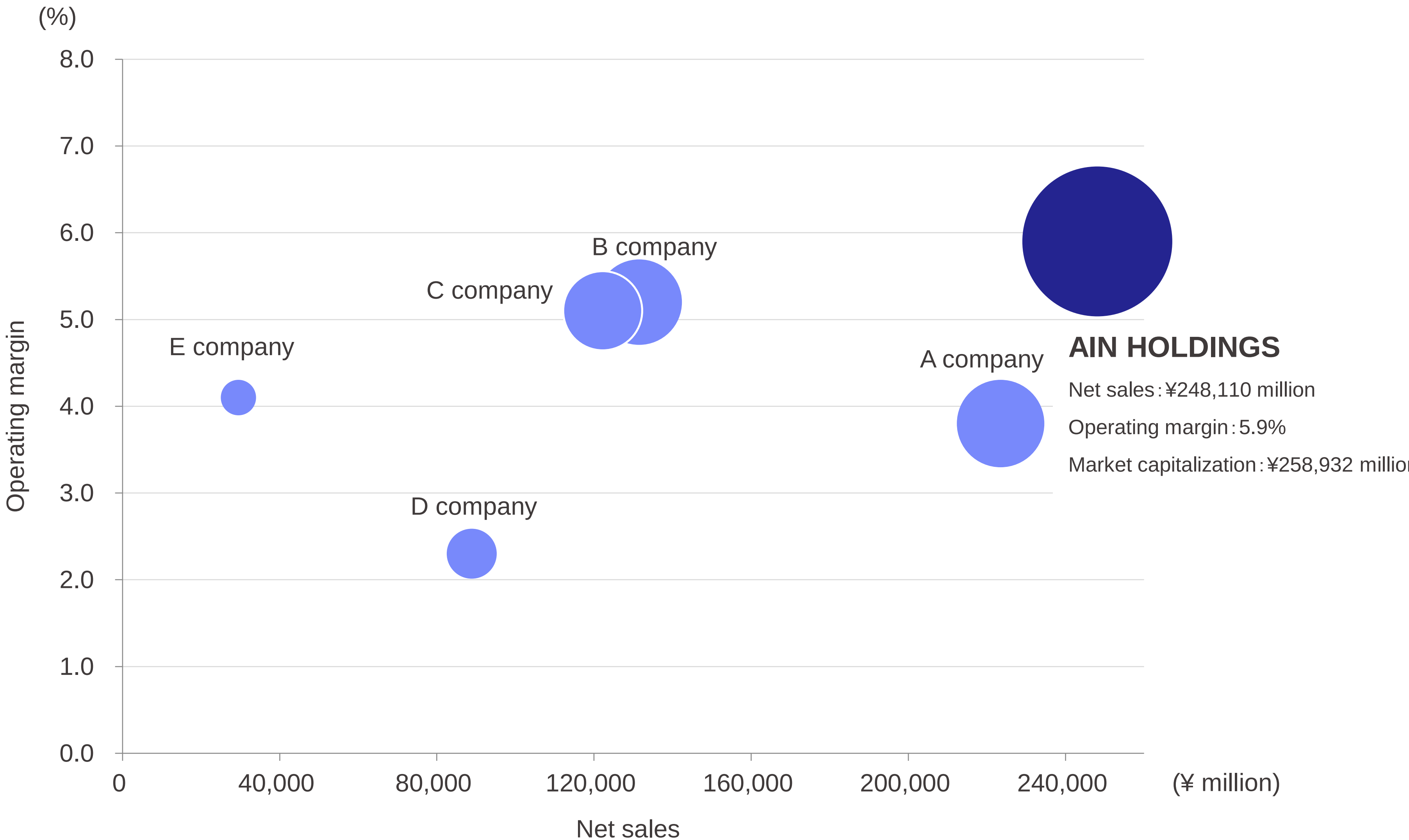
Drug and Cosmetic Store
8.6%



FY4/17 Consolidated net sales
¥248,110 million

Dispensing Pharmacy
89.4%

Comparison to other companies



- Based on each company's summary of financial statement for FY 3/17 (Our company: FY4/17)
- Size of circle is proportional to market capitalization on June 8, 2017

Inquiries related to this presentation should be addressed to

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TEL(81)11-814-0010
FAX(81)11-814-5550
http://www.ainj.co.jp/

AIN GROUP