AIN GROUP

IR PRESENTATION

AIN HOLDINGS INC.

September 2017

Results Overview

Consolidated P/L

Net sales increased 14.3% year on year and 2.9% against the plan due to firm growth in same stores and stores that are opened in previous year. Ordinary income increased 74.0% year on year and 31.6% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)	FY4/17 1Q results	FY4/18 1Q plan	FY4/18 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	57,819	64,257	66,095	+8,276	+14.3	+2.9
Gross profit	8,954	10,410	11,060	+2,106	+23.5	+6.2
% of net sales	**15.5**	**16.2**	**16.7**			
SG&A expenses	6,672	7,372	7,096	+424	+6.4	(3.7)
% of net sales	**11.5**	**11.5**	**10.7**			
Operating income	2,281	3,037	3,963	+1,682	+73.7	+30.5
% of net sales	**3.9**	**4.7**	**6.0**			
Ordinary income	2,376	3,143	4,135	+1,759	+74.0	+31.6
% of net sales	**4.1**	**4.9**	**6.3**			
Profit attributable to owners of parent	1,371	1,451	2,120	+749	+54.6	+46.1
% of net sales	**2.4**	**2.3**	**3.2**			
Earnings per share(¥)	43.25	45.79	66.88	+23.63	+54.6	+46.1

Figures in the table are rounded down

Dispensing Pharmacy Business（Consolidated）

Net sales increased 14.6% year on year and 2.8% against the plan due to the increase of prescription volume and average prescription price in same stores and stores that are opened in the previous year. Segment income increased 40.3% year on year and 14.8% against the plan by reception of technical fees and decrease of costs by raising operating efficiency.

(¥ million)	FY4/17 1Q results	FY4/18 1Q plan	FY4/18 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	51,438	57,305	58,929	+7,491	+14.6	+2.8
Gross profit	6,571	7,608	8,218	+1,647	+25.1	+8.0
% of net sales	**12.8**	**13.3**	**13.9**			
SG&A expenses	3,226	3,505	3,577	+351	+10.9	+2.1
% of net sales	**6.3**	**6.1**	**6.1**			
Operating income	3,345	4,102	4,640	+1,295	+38.7	+13.1
% of net sales	**6.5**	**7.2**	**7.9**			
Segment income	3,437	4,201	4,821	+1,384	+40.3	+14.8
% of net sales	**6.7**	**7.3**	**8.2**			
Number of pharmacies	894	1,065	1,054	+160	+17.9	(1.0)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Prescription volume: +16.4% YoY
- Average prescription price: (2.4)% YoY

Drug and Cosmetic Store Business(Consolidated)

Net sales increased 11.1% year on year and 3.9% against the plan due to contribution of stores that are opened in the previous year and improvement of ability to attract customers in same stores. Segment income turned positive to ¥37 million due to improvement of gross margin by active expansion of original brand and decrease of costs by raising operating efficiency.

(¥ million)	FY4/17 1Q results	FY4/18 1Q plan	FY4/18 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	5,246	5,610	5,827	+581	+11.1	+3.9
Gross profit	1,880	2,060	2,105	+225	+12.0	+2.2
% of net sales	35.8	36.7	36.1			
SG&A expenses	2,089	2,170	2,077	(12)	(0.6)	(4.3)
% of net sales	39.8	38.7	35.6			
Operating income	(209)	(110)	27	+236	-	-
% of net sales	-	-	0.5			
Segment income	(194)	(80)	37	+231	-	-
% of net sales	-	-	0.6			
Number of stores	52	52	52	0	0.0	0.0

- 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: +5.6% YoY
- Average spending per customer: +5.2% YoY

Consolidated B/S

AIN GROUP

Net cash became ¥3,132 million and shareholders' equity ratio became 39.0% due to the decrease of long-term debt.

(¥ 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

(¥ million)

End-FY4/18 1Q			
Assets		**Liabilities**	
Current assets	65,552	Current liabilities	73,715
Cash on hand and in banks	29,500	Short-term debt	8,520
		Lease obligations	560
Fixed assets	90,146	Long-term liabilities	21,265
Investments in securities	2,476	Long-term debt	16,376
		Lease obligations	911
Deferred assets	-	Total net assets	60,717
Total assets	155,698	Total liabilities and net assets	155,698

	End-FY4/17	End-FY4/18 1Q
Net cash	2,371	3,132
Shareholders' equity ratio(%)	38.4	39.0

- 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

AIN GROUP

The balance of total assets decreased by ¥625 million compared to those in the fiscal year ended April 2017 due to the decrease of notes and accounts receivable and goodwill etc.

(¥ million)	End-FY4/17 1Q	End-FY4/17	End-FY4/18 1Q	Change
Cash on hand and in banks	26,822	29,775	29,500	(275)
Notes and accounts receivable	7,621	9,990	9,656	(334)
Inventories	11,737	11,668	12,688	+1,020
Total current assets	**56,326**	**65,420**	**65,552**	**+132**
Buildings and structures,net	14,570	15,365	15,342	(23)
Land	9,517	9,958	9,871	(87)
Lease assets	1,273	1,166	1,122	(44)
Total property,plant and equipment	**27,766**	**28,464**	**28,229**	**(235)**
Goodwill	33,308	40,939	40,438	(501)
Lease assets	16	8	16	+8
Total intangible fixed assets	**35,558**	**43,109**	**42,583**	**(526)**
Investment securities	2,582	2,435	2,476	+41
Deferred tax assets	2,084	2,167	2,125	(42)
Deposits and guarantees	10,037	10,443	10,763	+320
Total investments and other assets	**19,498**	**19,329**	**19,333**	**+4**
Total fixed assets	**82,823**	**90,902**	**90,146**	**(756)**
Total assets	**139,149**	**156,323**	**155,698**	**(625)**

- Figures in the table are rounded down
- Change(¥):End-FY4/18 1Q compared with end-FY4/17
- Capital expenditures(Purchases of property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥852million

Liabilities and Net Assets

AIN GROUP

The total liabilities decreased by ¥1,163 million compared to those in the fiscal year ended April 2017 due to the repayment of debts etc.

(¥ million)	End-FY4/17 1Q	End-FY4/17	End-FY4/18 1Q	Change
Accounts payable	38,320	39,325	41,779	+2,454
Short-term debt	8,477	7,596	8,520	+924
Lease obligations	647	594	560	(34)
Total current liabilities	**67,300**	**72,955**	**73,715**	**+760**
Long-term debt	13,448	18,254	16,376	(1,878)
Lease obligations	1,107	958	911	(47)
Total long-term liabilities	**18,408**	**23,188**	**21,265**	**(1,923)**
Total liabilities	**85,709**	**96,144**	**94,981**	**(1,163)**
Common stock	8,682	8,682	8,682	-
Capital surplus	6,367	6,367	6,367	-
Retained earnings	38,708	45,286	45,822	+536
Total shareholders' equity	**53,340**	**59,918**	**60,453**	**+535**
Total net assets	**53,440**	**60,178**	**60,717**	**+539**
Total liabilities and net assets	**139,149**	**156,323**	**155,698**	**(625)**

- Figures in the table are rounded down
- Change(¥):End-FY4/18 1Q compared with End-FY4/17

FY4/18 Plan (Consolidated)

AIN GROUP

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	262.63	+11.92	+4.8
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
- Earnings per share is calculated including new shares issued through a public offering (2,820,000) and a private placement (270,000). We plans to issue additional shares (450,000) through a private placement for a secondary offering using an over-allotment option, but the impact of those shares has not been factored into the earnings per share calculation as the payment date is October 3, 2017.

1QReview

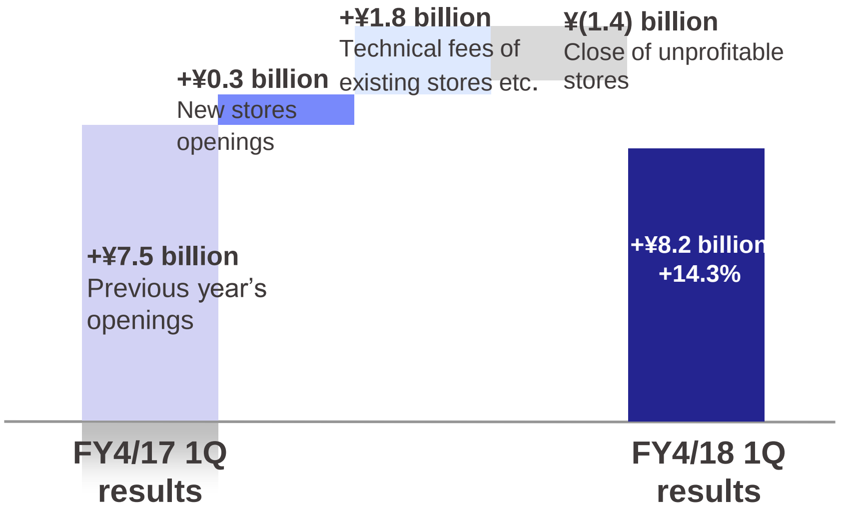
Analysis of Results ①(vs FY4/17 1Q results)

AIN GROUP

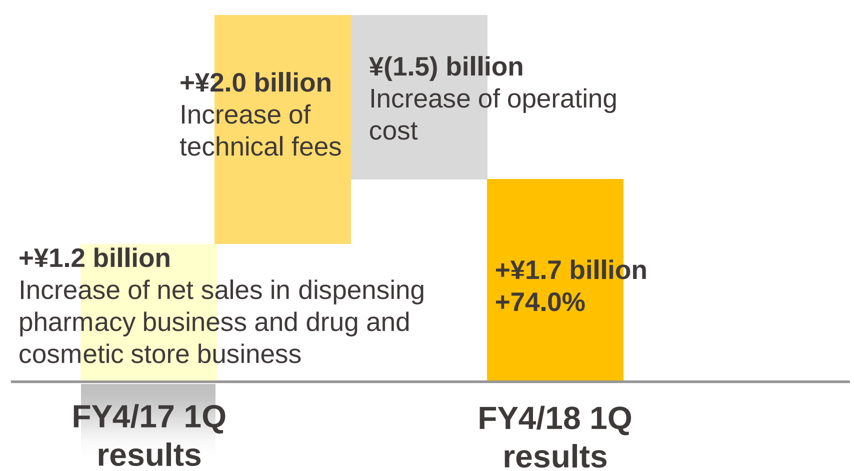
(¥ million)	FY4/17 1Q results	FY4/18 1Q results	YoY change	YoY change(%)
Net sales	57,819	66,095	+8,276	+14.3
Gross profit	8,954	11,060	+2,106	+23.5
% of net sales	**15.5**	**16.7**		
SG&A expenses	6,672	7,096	+424	+6.4
% of net sales	**11.5**	**10.7**		
Operating income	2,281	3,963	+1,682	+73.7
% of net sales	**3.9**	**6.0**		
Ordinary income	2,376	4,135	+1,759	+74.0
% of net sales	**4.1**	**6.3**		

Figures in the table are rounded down

Net sales



Ordinary income



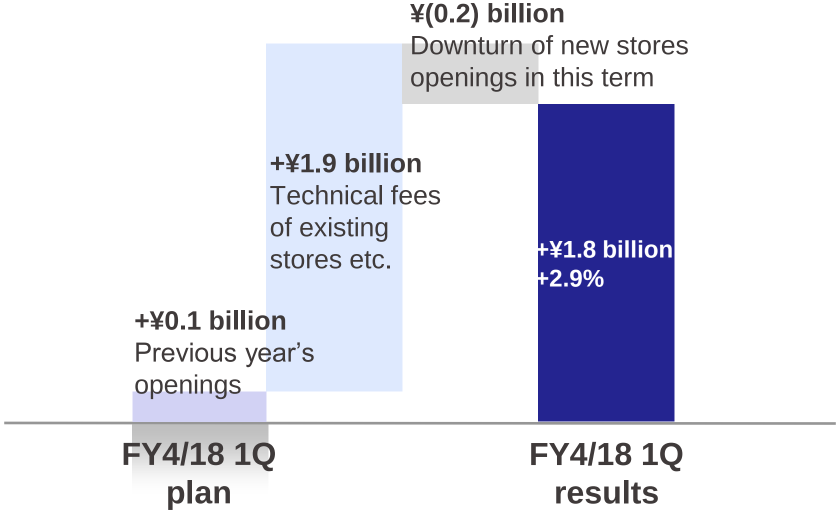
Analysis of Results ②（vs FY4/18 1Q plan）

AIN GROUP

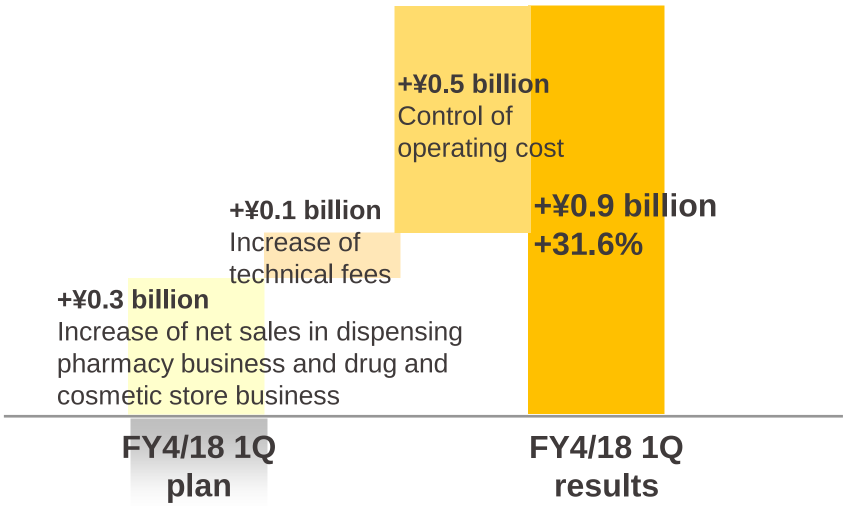
(¥ million)	FY4/18 1Q plan	FY4/18 1Q results	Vs plan	Vs plan (%)
Net sales	64,257	66,095	1,838	+2.9
Gross profit	10,410	11,060	650	+6.2
% of net sales	**16.2**	**16.7**		
SG&A expenses	7,372	7,096	(276)	(3.7)
% of net sales	**11.5**	**10.7**		
Operating income	3,037	3,963	926	+30.5
% of net sales	**4.7**	**6.0**		
Ordinary income	3,143	4,135	992	+31.6
% of net sales	**4.9**	**6.3**		

- Figures in the table are rounded down

Net sales



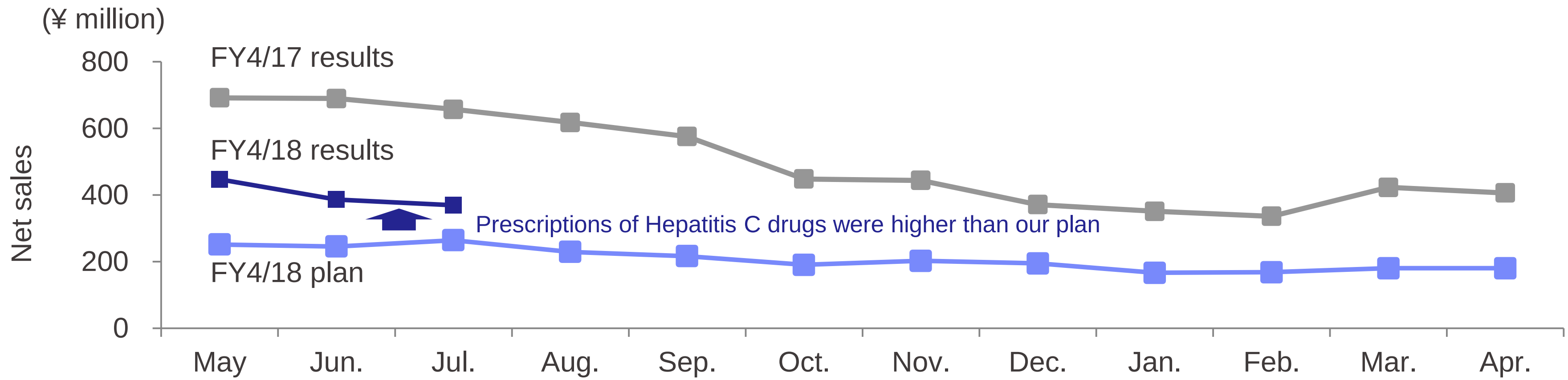
Ordinary income



Transition of Sales from Drugs per Prescription

AIN GROUP

■ Transition of Hepatitis C drugs' sales



Aggregated the data from main 5 companies (AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, Asahi Pharmacy, MEDIO PHARMACY) .
This data is adjusted to the months following the schedule.

■ Transition of increase-decrease rate of other drugs' sales per prescription (Except Hepatitis C drugs)

Aggregated the data from main 5 companies (AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, Asahi Pharmacy, MEDIO PHARMACY) .
This data is adjusted to the months following the schedule.

Response to Dispensing Fee Revisions of 2016 ①

Comparison of 590 pharmacies of 4 main existing companies

(¥)

		After	Points	March 2016	April 2016	Change	July 2017	Change
Basic dispensing fee	1	Except following	41 **(31)**	382.9	312.9	(70.0)	337.1	(45.8)
	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 primary care pharmacists & Supervising pharmacists having operational experience for at least 5 years and enrollment for at least 1 year	32	146.8	117.8	(29.0)	178.4	+31.6
Premiums for generic drug dispensing systems		**65-75%**	**18**	191.1	147.0	(44.1)	185.9	(5.2)
		Over 75%	**22**					
Drug use history management and guidance fee		Basic dispensing fee 41 points & Patients' handing over medication notebook & Patients' visiting within 6 months	38	382.6	435.1	+52.5	443.4	+60.8
		Except the above	**50**					
		Primary care pharmacists instruction fee	**70**					
Premiums for specific drug management instruction		Specific drug management instruction	10	9.6	25.5	+15.9	25.2	+15.6
						(74.7)		**+57.0**

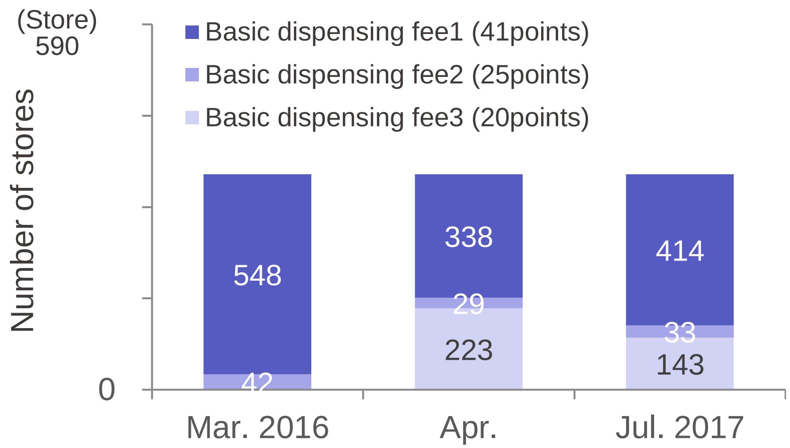
- Items and requirements mentioned above are a part of revisions of 2016
- Change: Compared to March 2016
- Points inside of parentheses are the subtracted points
- Average prescription price per a reception
- Object: 590 pharmacies(AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, Asahi Pharmacy)

Response to Dispensing Fee Revisions of 2016 ②

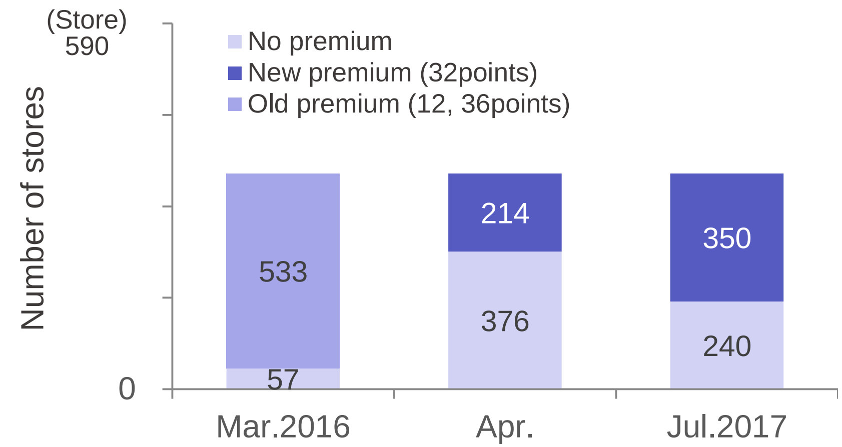
AIN GROUP

Comparison of 590 pharmacies of 4 main existing companies

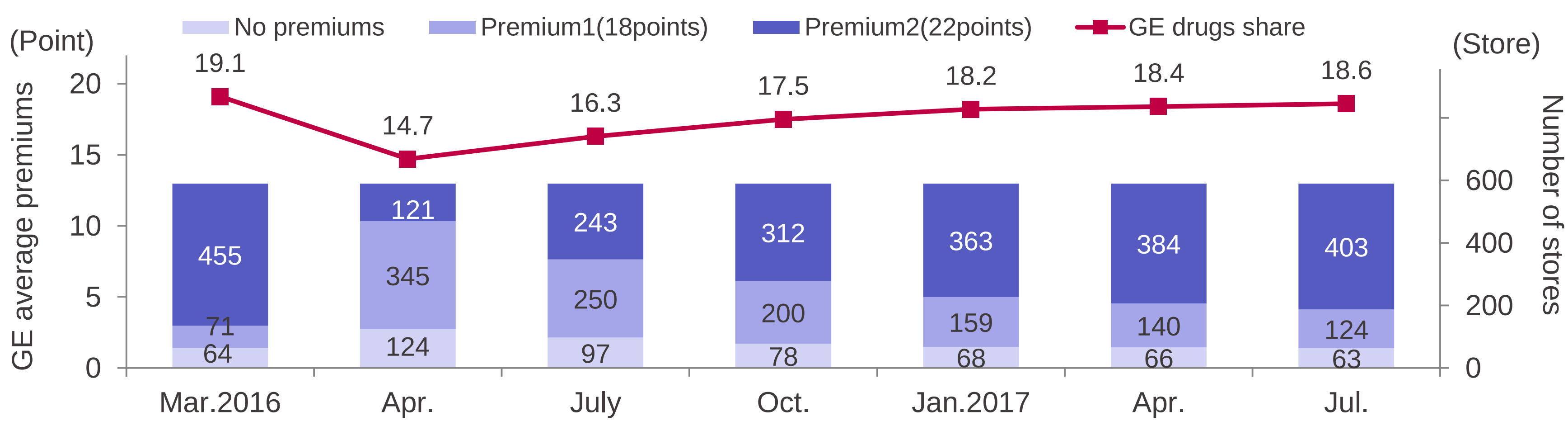
- Ratio of pharmacies that receive basic dispensing fees



- Ratio of pharmacies that receive standards for dispensing system premiums



- Progress of generic drugs



- Mar. 2016 : Calculated by old standards of revisions of 2014
- GE average premiums : Average points per reception of prescriptions
- GE drug share (volume) : 74.5% (As of July 2017)
- Object :590 pharmacies of main 4 companies (AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, Asahi Pharmacy)

Top-Line

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We opened 11 stores including M&As in FY4/18 1Q. We forecast the number of stores in the end of FY4/18 will be 1,189 by opening 108 stores and closing 37 stores.

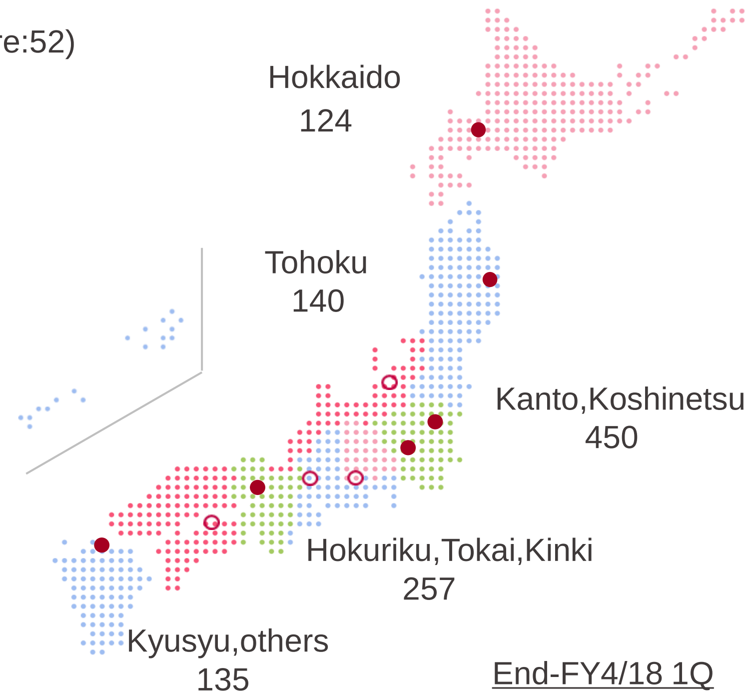
Total number of stores

1,106 (Dispensing pharmacy:1,054 Drug and cosmetic store:52)

Plan

		FY4/18 1Q Plan	FY4/18 1Q Results	FY4/18 Plan
Dispensing pharmacy	Organic	7	7	34
	M&A	8	4	66
Drug and Cosmetic store		-	-	8
Total		15	11	108
Close	Dispensing pharmacy	16	23	31
	Drug and Cosmetic store	-	-	6
Total of closed stores		16	23	37

54 properties are secured



Transition of dispensing pharmacies

	FY4/08	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18 1Q
Organic	23	24	21	18	27	38	36	40	32	27	7
M&A	91	3	3	35	28	38	26	119	110	182	4
EV/EBITDA ratio	4.82	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37	5.50	3.84
Close	5	8	2	5	9	10	6	21	15	24	23
No. of total stores	356	375	397	448	494	560	616	754	881	1,066	1,054

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

No. of stores include temporary closed stores from FY4/11

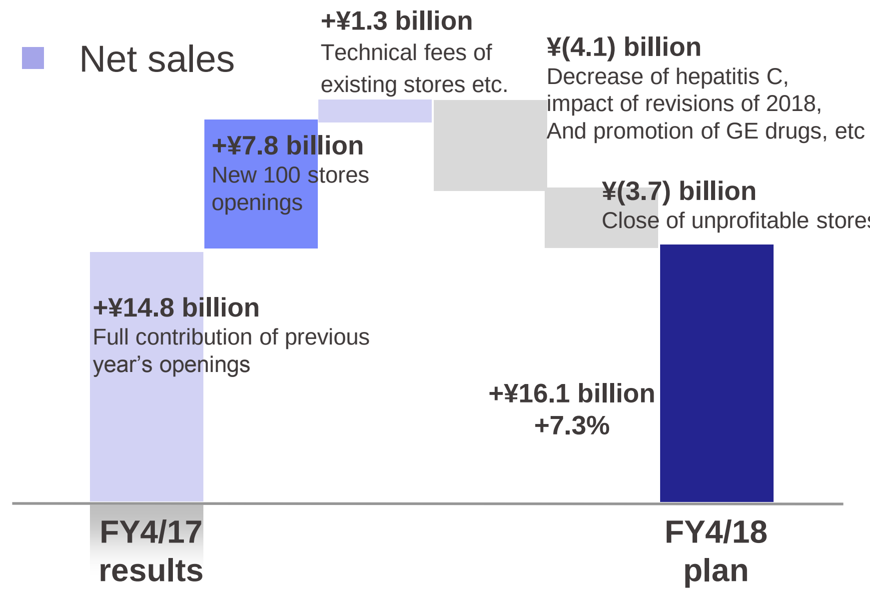
FY4/18 Plan (Dispensing Pharmacy Business)

AIN GROUP

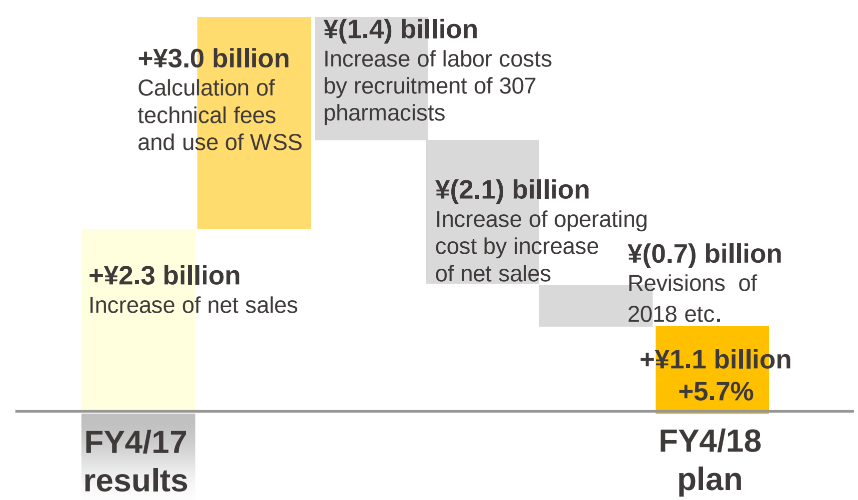
(¥ million)	FY4/17 results	FY4/18 plan	YoY change	YoY change (%)
Net sales	221,801	237,900	+16,099	+7.3
Gross profit	32,090	34,280	+2,190	+6.8
% of net sales	**14.5**	**14.4**		
SG&A expenses	13,432	14,480	+1,048	+7.8
% of net sales	**6.1**	**6.1**		
Operating income	18,658	19,800	+1,142	+6.1
% of net 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 from decrease of hepatitis C drugs' usage

Net sales



Segment income



AINZ & TULPE Analysis of Results

AIN GROUP

Same stores are shifting well by increase of visibility from customers, store renovations and measurement of sales promotion. Also, earning capacity is being improved by increase of operating efficiency and review of sales promotion expenses etc.

■ Analysis of results

(¥ million)	FY4/18 1Q	YoY change(%)	Vs plan (%)
Net sales	5,827	+11.1%	+3.9%
Same store	5,235	+7.2%	+3.7%
Store openings in the previous year and others	592	+1535.4%	+5.3%
Segment income	37	-	-
Same store	211	+741.4%	+70.5%
Store openings in the previous year	(35)	-	-
Others	(139)	-	-

Net Sales

・Effect of store renovation in same stores
・Acquisition of inbound demands
・Acquisition of new customers by sales promotion activities

Segment income

・Improvement of gross profit by expansion of original brand
・Increase of operating efficiency and improvement of customer services
・Review of expenses such as store opening cost and sales promotion expenses, etc

■ AINZ＆TULPE SHINJUKU HIGASHIGUCHI

	YoY change(%)
Net sales	+7.9%
Segment income	+68.9%
Measures	・Restructuring of merchandise ・Improvement of purchase ・Review of sales promotion

■ AINZ＆TULPE TOKYOEKI

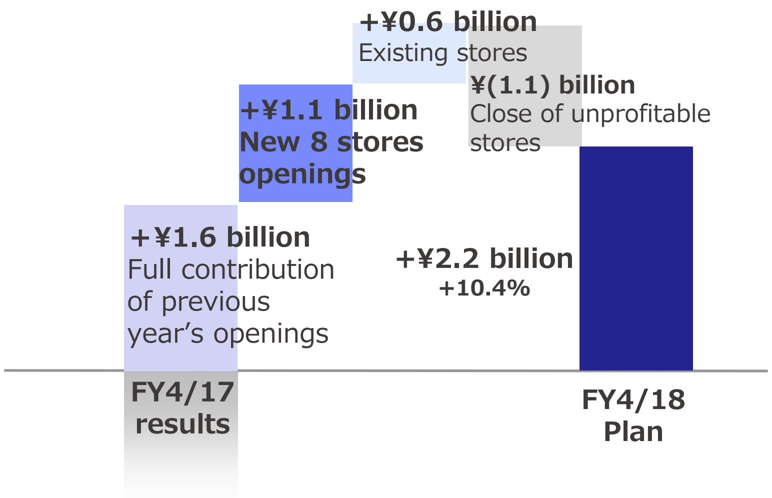
	YoY change(%)
Net sales	+12.2%
Segment income	+195.1%
Measures	・Store renovation ・Improvement of purchase ・Review of sales promotion

FY4/18 Plan (Drug and Cosmetic Store Business)

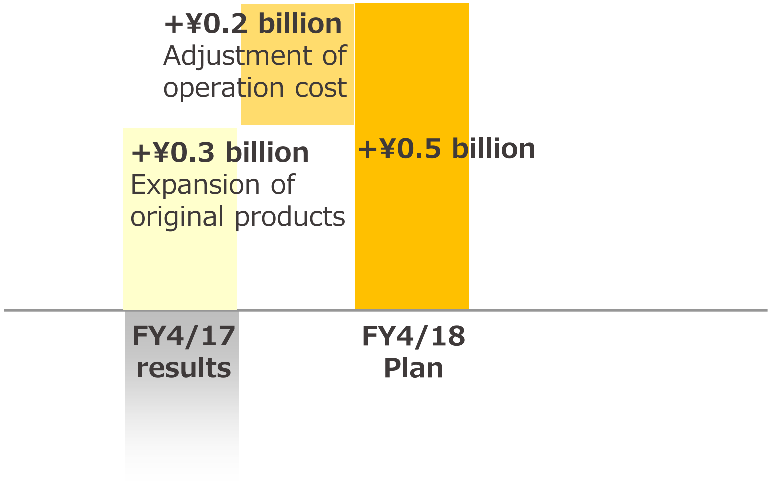
(¥ million)	FY4/17 results	FY4/18 plan	YoY change	YoY change (%)
Net sales	21,383	23,600	+2,217	+10.4
Gross profit	7,623	8,770	+1,147	+15.0
% of net sales	35.6	37.2		
SG&A expenses	8,583	9,270	+683	+8.0
% of net sales	40.1	39.3		
Operating income	(959)	(500)	+459	-
% of net sales	-	-		
Segment income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

Figures in the table are rounded down

Net sales



Segment income



Supplementary Information

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 primary care pharmacists & 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 & Patients' 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 are a part of revisions of 2016
- Points inside of parentheses are the subtracted points

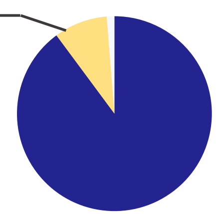
Condition for calculating primary care pharmacists instruction fee	Operational experience for at least 3 years, Working over 32 hours per week, Belongs to pharmacy over 6 months, Certified pharmacists, Participation of community activity
Opetation of primary care pharmacists	Guidance for drug usage,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

Company Profile

AIN GROUP

Trade name	AIN HOLDINGS INC.
Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥244,782 million As of April 30, 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

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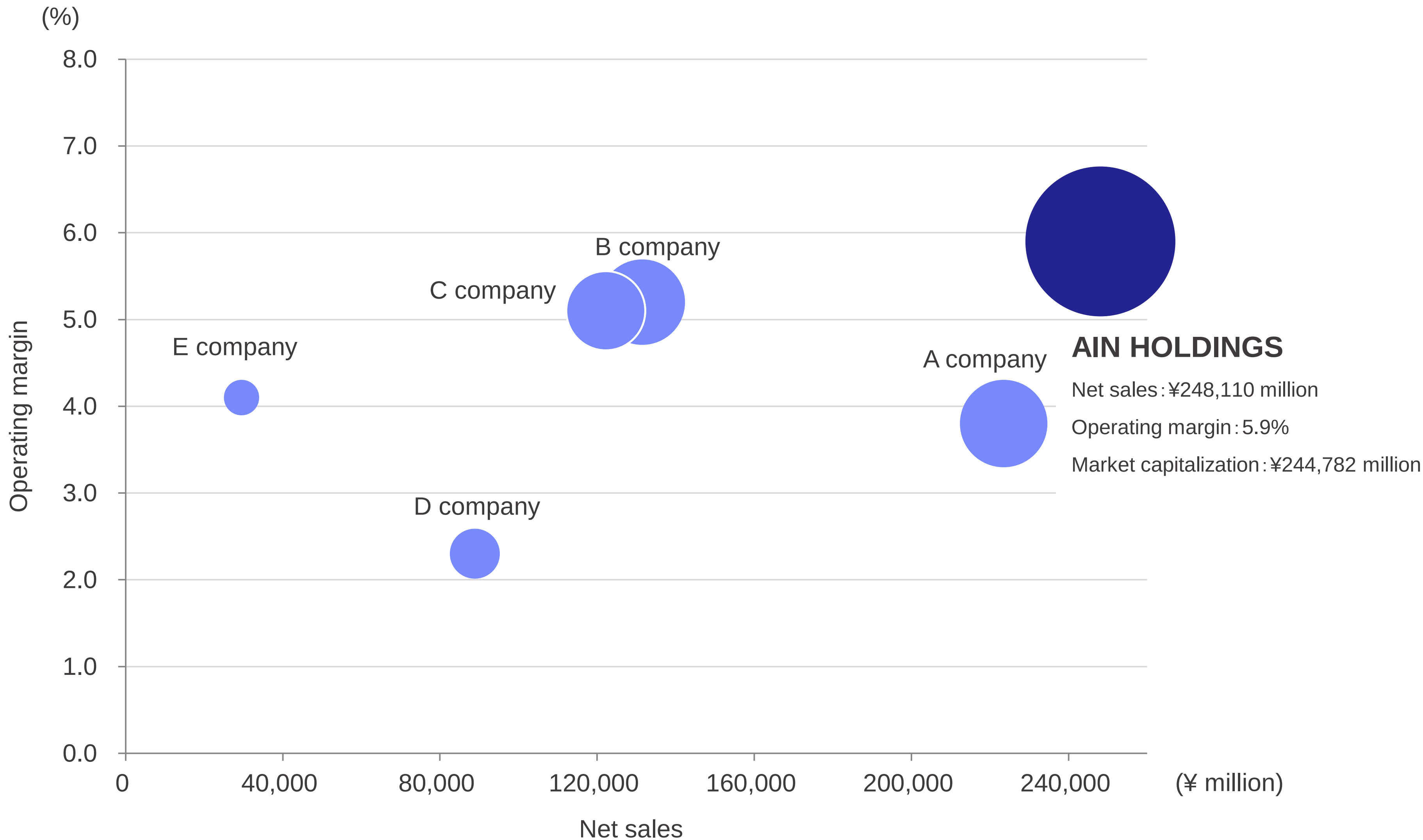

- Based on each company's summary of financial statement for FY 3/17 (Our company: FY4/17)
- Size of circle is proportional to market capitalization on April 30, 2017

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