FY4/18 2Q
IR PRESENTATION

AIN HOLDINGS INC.

December 2017

2Q Results Overview

Consolidated P/L

Net sales increased 13.3% year on year and 2.3% against the plan due to firm growth in same stores and stores that were opened in previous year. Ordinary income increased 62.1% year on year and 25.6% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)

	FY4/17 2Q results	FY4/18 2Q plan	FY4/18 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	116,844	129,400	132,342	+15,498	+13.3	+2.3
Gross profit	18,365	21,380	22,390	+4,025	+21.9	+4.7
% of net sales	**15.7**	**16.5**	**16.9**			
SG&A expenses	13,315	14,680	14,022	+707	+5.3	(4.5)
% of net sales	**11.4**	**11.3**	**10.6**			
Operating income	5,049	6,700	8,367	+3,318	+65.7	+24.9
% of net sales	**4.3**	**5.2**	**6.3**			
Ordinary income	5,346	6,900	8,665	+3,319	+62.1	+25.6
% of net sales	**4.6**	**5.3**	**6.5**			
Profit attributable to owners of parent	2,855	3,600	4,418	+1,563	+54.7	+22.7
% of net sales	**2.4**	**2.8**	**3.3**			
Earnings per share(¥)	90.07	109.91	134.91	+44.84	+49.8	+22.7

Figures in the table are rounded down

Dispensing Pharmacy Business (Consolidated)

Net sales increased 13.1% year on year and 2.2% against the plan due to the increase of prescription volume and average prescription price in same stores and stores that were opened in the previous year. Segment income increased 29.5% year on year and 9.9% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)	FY4/17 2Q results	FY4/18 2Q plan	FY4/18 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	104,297	115,400	117,991	+13,694	+13.1	+2.2
Gross profit	13,620	15,670	16,541	+2,921	+21.4	+5.6
% of net sales	**13.1**	**13.6**	**14.0**			
SG&A expenses	6,401	7,040	7,160	+759	+11.9	+1.7
% of net sales	**6.1**	**6.1**	**6.1**			
Operating income	7,218	8,630	9,380	+2,162	+30.0	+8.7
% of net sales	**6.9**	**7.5**	**7.9**			
Segment income	7,494	8,830	9,702	+2,208	+29.5	+9.9
% of net sales	**7.2**	**7.7**	**8.2**			
Number of pharmacies	917	1,071	1,045	+128	+14.0	(2.4)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Prescription volume: +15.3% YoY
- Average prescription price: (2.5)% YoY

Drug and Cosmetic Store Business (Consolidated)

Net sales increased 12.4% year on year and 3.6% 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 ¥163 million due to improvement of gross margin by active development of original brand and by an overhaul of procurement activities and due to the decrease of costs by raising operating efficiency.

(¥ million)	FY4/17 2Q results	FY4/18 2Q plan	FY4/18 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	10,288	11,160	11,566	+1,278	+12.4	+3.6
Gross profit	3,723	4,120	4,320	+597	+16.0	+4.9
% of net sales	**36.2**	**36.9**	**37.4**			
SG&A expenses	4,136	4,390	4,177	+41	+1.0	(4.9)
% of net sales	**40.2**	**39.3**	**36.1**			
Operating income	(412)	(270)	143	+555	-	-
% of net sales	-	-	**1.2**			
Segment income	(384)	(210)	163	+547	-	-
% of net sales	-	-	**1.4**			
Number of stores	51	50	50	(1)	(2.0)	(0.0)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Number of customers: +5.2% YoY
- Average spending per customer: +6.8% YoY

Consolidated B/S

Net cash increased by ¥31,266 million to ¥33,637 million and shareholders' equity ratio became 50.2% by fund-raising through a public offering and private placements.

(¥ 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 2Q			
Assets		**Liabilities**	
Current assets	91,711	Current liabilities	70,285
Cash on hand and in banks	57,059	Short-term debt	7,457
		Lease obligations	520
Fixed assets	88,700	Long-term liabilities	19,472
Investments in securities	2,438	Long-term debt	14,608
		Lease obligations	834
Deferred assets	125	Total net assets	90,779
Total assets	180,537	Total liabilities and net assets	180,537

	End-FY4/17	End-FY4/18 2Q
Net cash	2,371	33,637
Shareholders' equity ratio(%)	38.4	50.2

- 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 ¥24,214 million compared to those in the fiscal year ended April 2017 due to fund-raising through a public offering and private placements.

(¥ million)	End-FY4/17 2Q	End-FY4/17	End-FY4/18 2Q	Change
Cash on hand and in banks	23,012	29,775	57,059	+27,284
Notes and accounts receivable	7,214	9,990	10,250	+260
Inventories	11,823	11,668	12,337	+669
Total current assets	**53,295**	**65,420**	**91,711**	**+26,291**
Buildings and structures,net	14,680	15,365	15,180	(185)
Land	9,525	9,958	9,784	(174)
Lease assets	1,285	1,166	1,040	(126)
Total property,plant and equipment	**27,749**	**28,464**	**27,931**	**(533)**
Goodwill	33,776	40,939	39,494	(1,445)
Lease assets	12	8	13	+5
Total intangible fixed assets	**36,113**	**43,109**	**41,569**	**(1,540)**
Investments in securities	2,565	2,435	2,438	+3
Deferred tax assets	2,163	2,167	2,071	(96)
Deposits and guarantees	10,287	10,443	10,697	+254
Total investments and other assets	**19,688**	**19,329**	**19,199**	**(130)**
Total fixed assets	**83,552**	**90,902**	**88,700**	**(2,202)**
Total assets	**136,847**	**156,323**	**180,537**	**+24,214**

Fund-raising

- Figures in the table are rounded down
- Change:End-FY4/18 2Q compared with End-FY4/17
- Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥1,772 million

Liabilities and Net Assets

The balance of liabilities decreased by ¥6,387 million compared to those in the fiscal year ended April 2017 due to the repayment of debts etc.

(¥ million)	End-FY4/17 2Q	End-FY4/17	End-FY4/18 2Q	Change
Accounts payable	37,693	39,325	40,326	+1,001
Short-term debt	7,584	7,596	7,457	(139)
Lease obligations	641	594	520	(74)
Total current liabilities	**64,707**	**72,955**	**70,285**	**(2,670)**
Long-term debt	12,138	18,254	14,608	(3,646)
Lease obligations	1,087	958	834	(124)
Total long-term liabilities	**17,177**	**23,188**	**19,472**	**(3,716)**
Total liabilities	**81,885**	**96,144**	**89,757**	**(6,387)**
Common stock	8,682	8,682	21,894	+13,212
Capital surplus	6,367	6,367	20,500	+14,133
Retained earnings	40,193	45,286	48,120	+2,834
Total shareholders' equity	**54,824**	**59,918**	**90,514**	**+30,596**
Total net assets	**54,961**	**60,178**	**90,779**	**+30,601**
Total liabilities and net assets	**136,847**	**156,323**	**180,537**	**+24,214**

- Figures in the table are rounded down
- Change：End-FY4/18 2Q compared with End-FY4/17

Consolidated C/F

The change of net increase in cash and cash equivalents became ¥27,376 million due to fund-raising through a public offering and private placements, etc.

(¥ million)	End-FY4/17 2Q	End-FY4/18 2Q	Change
Net cash provided by operating activities	**6,090**	**6,886**	**+796**
Profit before income taxes	5,298	8,104	+2,806
Depreciation and amortization	1,753	1,735	(18)
Amortization of goodwill	1,660	1,983	+323
(Decrease) increase in accounts receivable	5,733	(92)	(5,825)
Increase in inventories	(651)	(583)	+68
Increase in other accounts receivable	(1,525)	1,265	+2,790
Increase (decrease) increase in accounts payable	(2,918)	806	+3,724
Net cash used in investing activities	**(3,053)**	**(1,279)**	**+1,774**
Payments for purchases of property, plant and equipment and intangible fixed assets	(1,544)	(1,247)	+297
Purchase of subsidiaries' shares resulting in obtaining controls	(2,293)	(418)	+1,875
Net cash provided by financing activities	**(2,616)**	**21,769**	**+24,385**
Proceeds from issuance of common shares and sales of treasury shares	-	27,635	+27,635
Net increase in cash and cash equivalents	420	27,376	+26,956
Cash and cash equivalents at end of the year	**22,312**	**56,611**	**+34,299**

Figures in the table are rounded down

Business Value Analysis

	End-FY4/17 2Q	End-FY4/17	End-FY4/18 2Q	Change
Shareholders' equity ratio (%)	40.1	38.4	50.2	+10.1
Market value equity ratio (%)	164.3	156.6	152.1	(12.2)
PER (times)	39.36	30.79	28.72	(10.64)
EPS (¥)	90.07	250.71	134.91	+44.84
PBR (times)	4.11	4.09	3.02	(1.09)
BPS (¥)	1,731.65	1,895.63	2,560.59	+828.94
ROA (%)	-	5.4	-	-
ROE (%)	-	14.0	-	-
EBITDA (¥ million)	-	21,905	-	-
EV/EBITDA (times)	-	11.07	-	-
Net D/E ratio (times)	(0.03)	(0.04)	(0.37)	(0.34)
Net cash (¥ million)	1,559	2,371	33,637	32,078
Shareholders' value (¥ million)	-	244,828	-	-
Market capitalization (¥ million)	224,806	244,782	274,563	49,757

- Figures in the table are rounded down
- Change : End-FY4/18 2Q compared with End-FY4/17 2Q
- 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-FY4/17 2Q ¥7,090 (End-Oct,2016), End-FY4/17 ¥7,720 (End-Apr,2017), End-FY4/18 2Q ¥7,750 (End-Oct,2017).
- Net cash = Cash on hand and in banks − Interest-bearing debt (Long- and short- term debt + Lease obligations)

FY4/18 Revised Plan (Consolidated)

Net sales went according to original plan reflecting the close of unprofitable stores in preparation for the revision of April 2018, even though both dispensing pharmacy business and drug and cosmetic store business went strong in FY4/18. We also decided to revise up our forecasts that ordinary income increase 22.7% because same stores in drug and cosmetic store business are shifting well and operating efficiency is improving.

(¥ million)	FY4/17 results	FY4/18 original plan	FY4/18 revised plan	YoY change	YoY change (%)
Net sales	248,110	267,500	267,500	+19,390	+7.8
Gross profit	42,092	46,530	47,400	+5,308	+12.6
% of net sales	**17.0**	**17.4**	**17.7**		
SG&A expenses	27,529	29,930	29,400	+1,871	+6.8
% of net sales	**11.1**	**11.2**	**11.0**		
Operating income	14,563	16,600	18,000	+3,437	+23.6
% of net sales	**5.9**	**6.2**	**6.7**		
Ordinary income	15,080	17,000	18,500	+3,420	+22.7
% of net sales	**6.1**	**6.4**	**6.9**		
Profit attributable to owners of parent	7,949	8,900	9,200	+1,251	+15.7
% of net sales	**3.2**	**3.3**	**3.4**		
Earnings per share(¥)	250.71	261.15	269.96	+19.25	+7.7
Annual dividend (¥)	50.00	50.00	50.00	(0.00)	(0.0)

- Figures in the table are rounded down
- YoY change, YoY change(%) :FY4/18 revised plan compared with FY4/17 results
- Earnings per share is calculated including new shares issued through a public offering (2,820,000) a private placement (270,000) and a private placement for a secondary offering using an over-allotment option (450,000).

2QReview

Growth Strategy

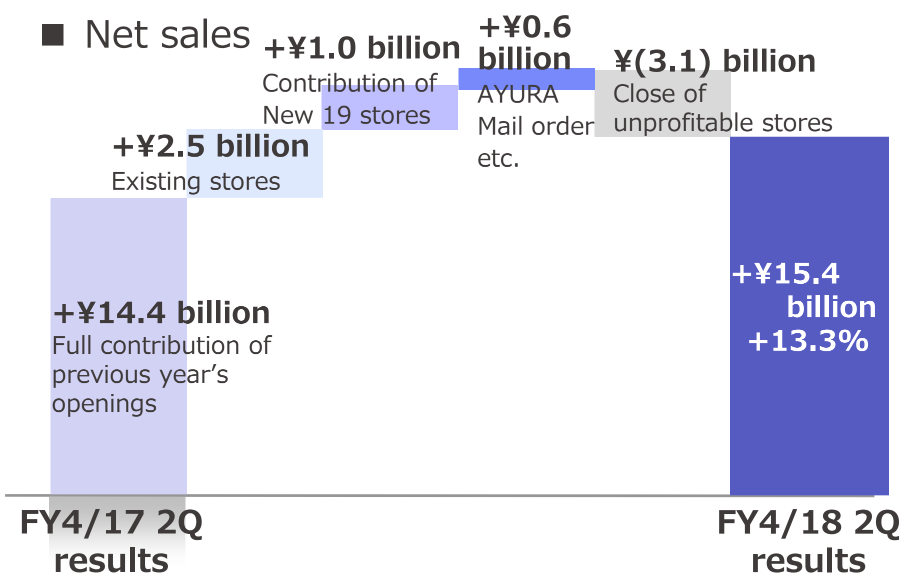
2QReview

Review① (Vs FY4/17 2Q Results)

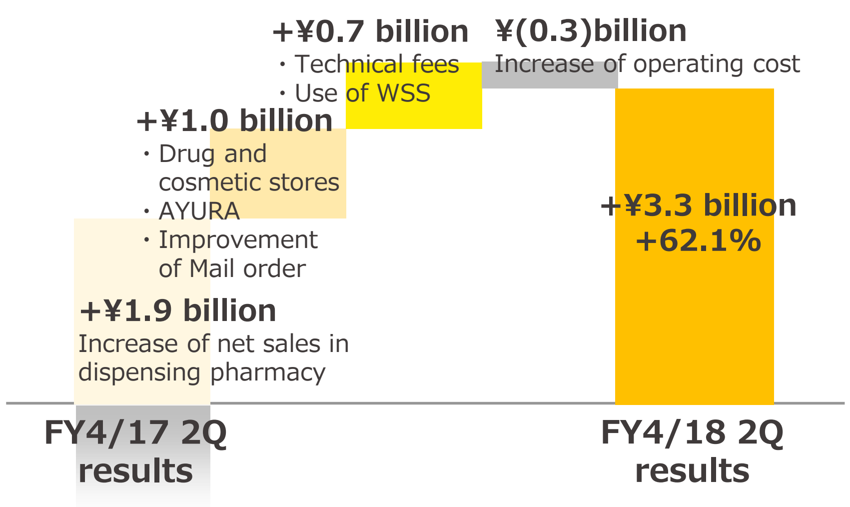
(¥ million)	FY4/17 2Q results	FY4/18 2Q results	YoY change	YoY change (%)
Net sales	116,844	132,342	+15,498	+13.3
Gross profit	18,365	22,390	+4,025	+21.9
% of net sales	15.7	16.9		
SG&A expenses	13,315	14,022	+707	+5.3
% of net sales	11.4	10.6		
Operating income	5,049	8,367	+3,318	+65.7
% of net sales	4.3	6.3		
Ordinary income	5,346	8,665	+3,319	+62.1
% of net sales	4.6	6.5		

Figures in the table are rounded down

■ Net sales



■ Ordinary income

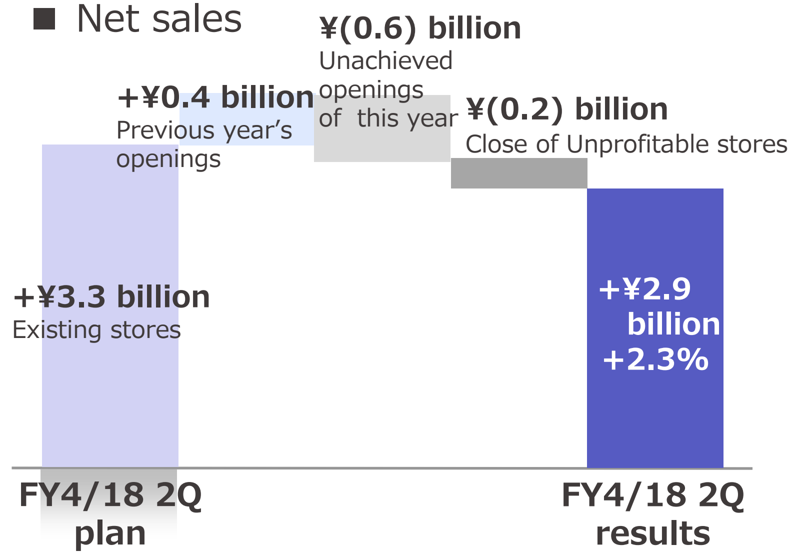


Review② (Vs Plan)

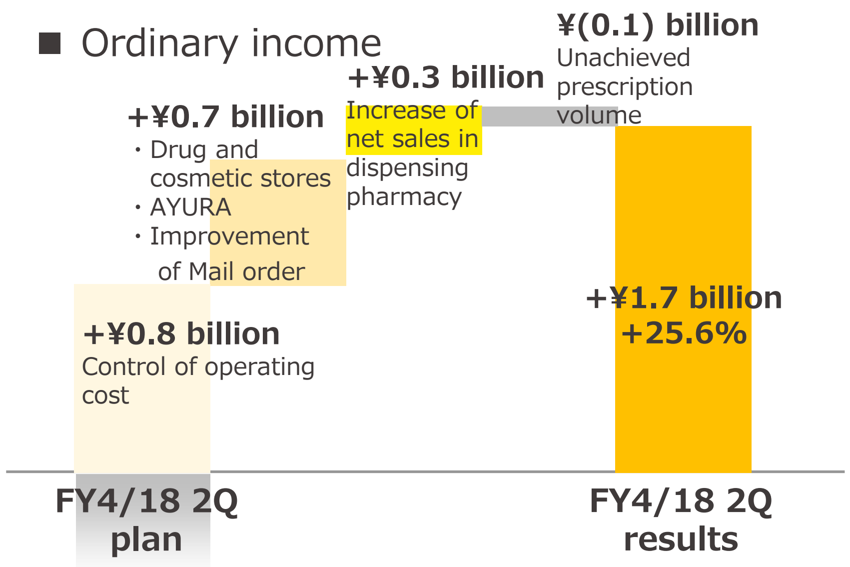
(¥ million)	FY4/18 2Q plan	FY4/18 2Q results	Vs plan	Vs plan (%)
Net sales	129,400	132,342	+2,942	+2.3
Gross profit	21,380	22,390	+1,010	+4.7
% of net sales	16.5	16.9		
SG&A expenses	14,680	14,022	(658)	(4.5)
% of net sales	11.3	10.6		
Operating income	6,700	8,367	+1,667	+24.9
% of net sales	5.2	6.3		
Ordinary income	6,900	8,665	+1,765	+25.6
% of net sales	5.3	6.5		

▶ Figures in the table are rounded down

■ Net sales

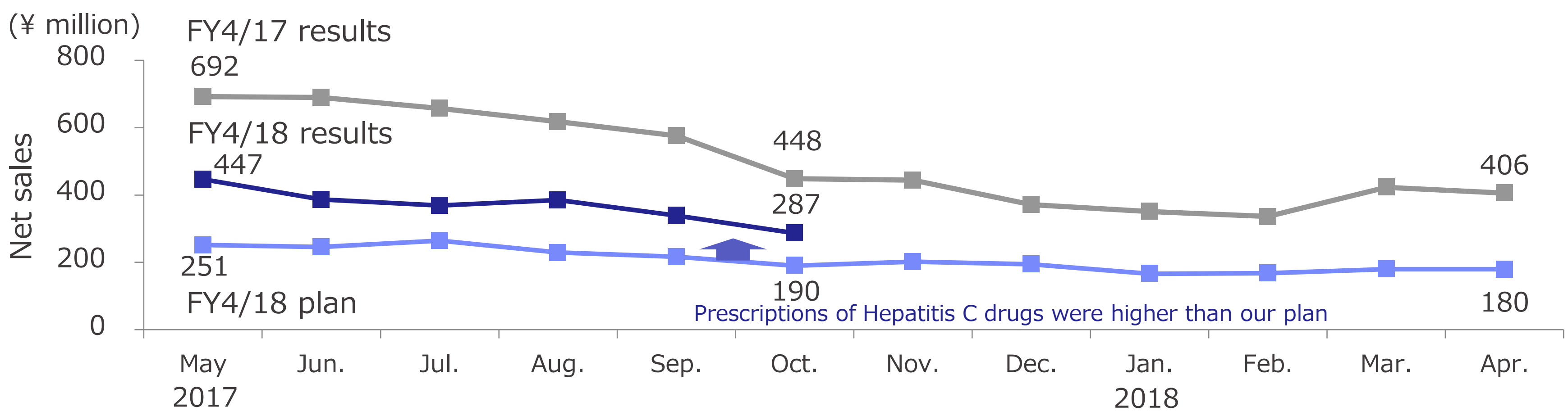


■ Ordinary income



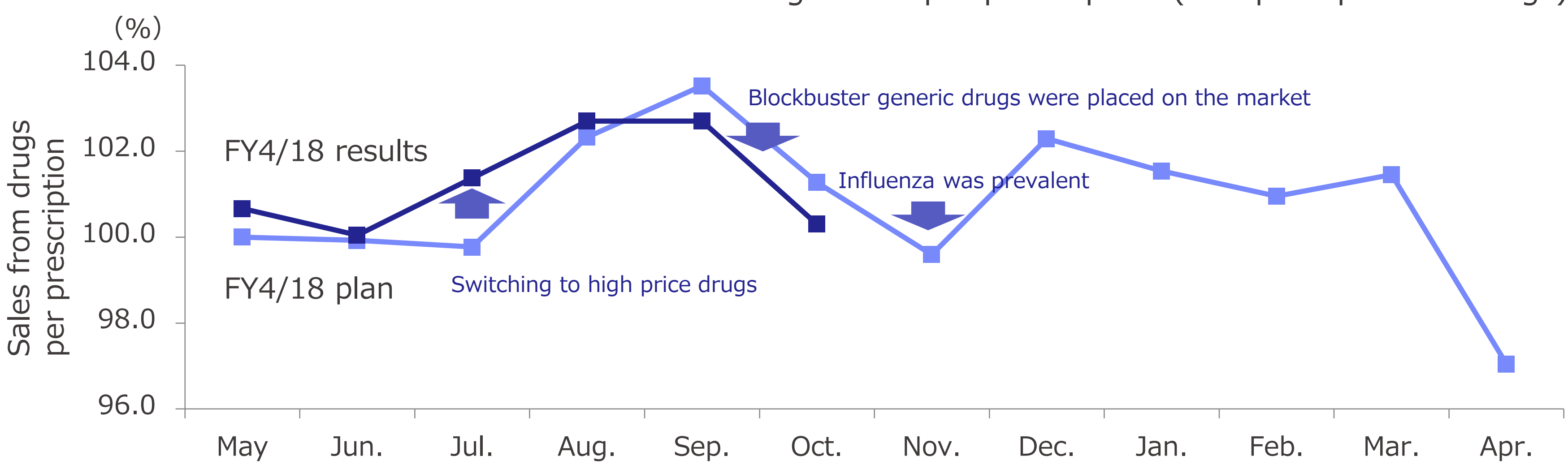
Transition of Sales from Drugs per Prescription

■ Transition of Hepatitis C drugs' sales



▸ Aggregated the data from main 5 companies

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



▸ Aggregated the data from main 5 companies ▸ Considered the plan of May 2017 as 100%

Response to Dispensing Fee Revisions of 2016

Comparison of 585 pharmacies of 4 main existing companies

(¥)

		Contents of revisions	Points	March 2016	April 2016	Change	April 2017	Change	October 2017	Change
Basic dispensing fee	1	Except following	41	382.8	312.9	(69.9)	337.1	(45.7)	341.2	(41.6)
	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							
	3	**Same group over 40,000 times / month and over 95% or Lease contract with medical institution**	**20**							
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	146.9	118.0	(28.9)	174.5	+27.6	183.1	+36.2
Premiums for generic drug dispensing systems		**65-75%**	**18**	191.6	147.3	(44.3)	184.0	(7.6)	189.7	(1.9)
		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	441.3	+58.7	443.9	+61.3
		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	25.3	+15.7
						(74.7)		**+48.6**		**+69.7**

- Items and requirements mentioned above are a part of revisions of 2016
- Average prescription price per a reception
- Change: Compared to March 2016

Growth Strategy

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 and creating “thinking environment”.

■ 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

■ Realization of pharmacy vision for patients

Response for KPI which evaluates the quality of non-hospital dispensing

■ 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

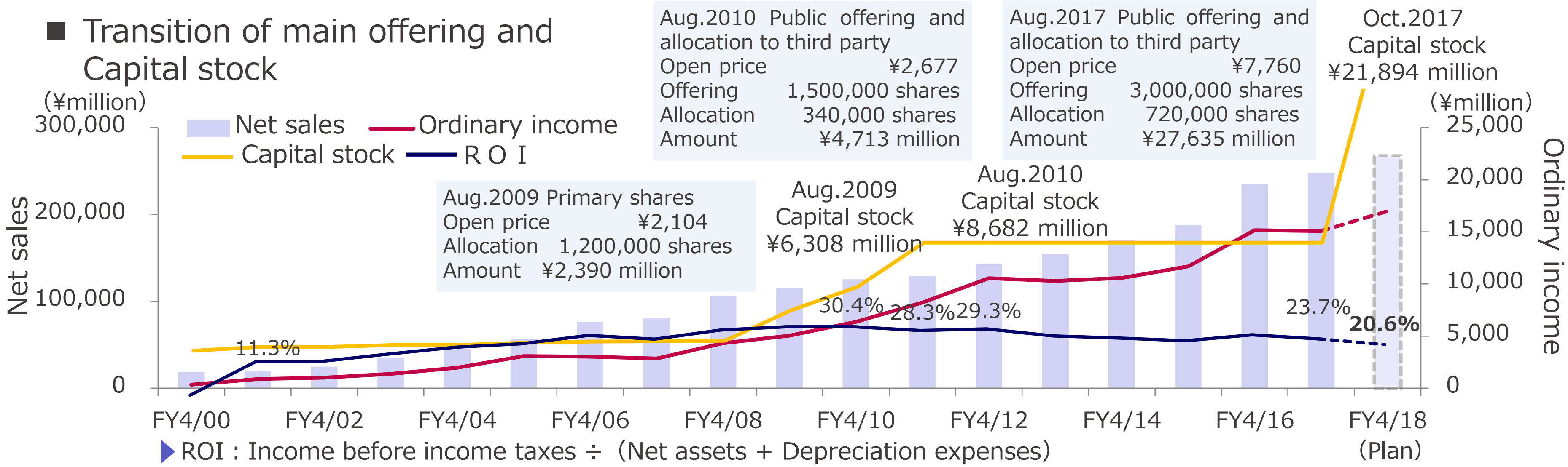
Top-Line①

We raised a total of ¥27.6 billion mainly through a public offering and private placement in order to strengthen financial position for our growth.

■ Offering Summary

Type of Offering	Primary shares	2,820,000 shares
	Treasury shares	180,000 shares
	Over-allotment	450,000 shares
	Total	**3,450,000 shares**
	*270,000 shares were allocated to Seven & i Holdings Co., Ltd. apart from the offering	
Use of Proceeds	・Capital investment related to new openings of dispensing pharmacies and drug stores as well as renewal of existing stores ・Capital investment related to introduction and switching systems ・Repayment of debt used for M&As, working capital and capital investment	
Amount	¥27,635 million	

■ Transition of main offering and Capital stock



▶ROI : Income before income taxes ÷ (Net assets + Depreciation expenses)

Top-Line②

We opened 19 stores including M&As and closed 42 stores in FY4/18 2Q. We forecast 76 new stores opening by active new store openings and promotion of M&A and 67 store closings in full year.

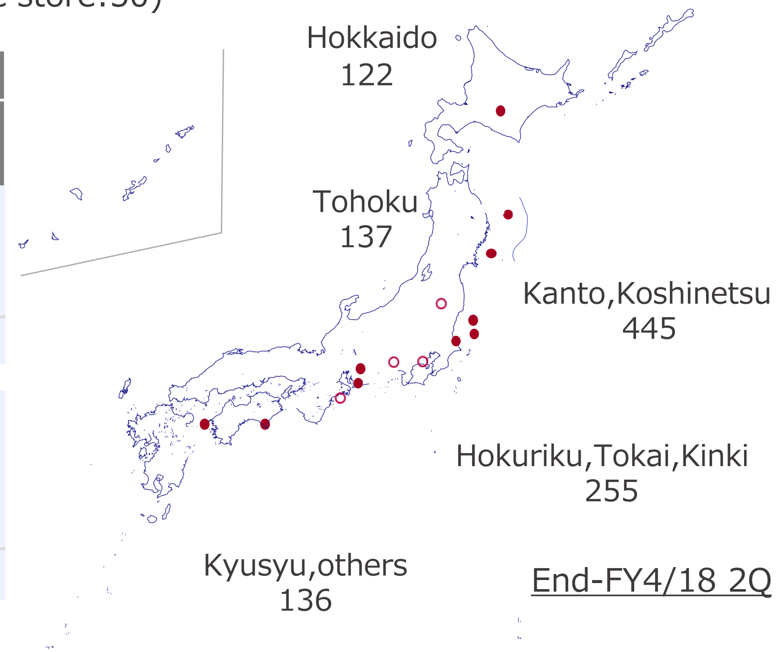
■ Total number of stores

1,095 (Dispensing pharmacy:1,045 Drug and cosmetic store:50)

■ Plan

		FY4/18 2Q		FY4/18	FY4/18
		Plan	Results	Original plan	Revised plan
Dispensing pharmacy	Organic	13	13	34	29
	M&A	17	5	66	43
Drug and cosmetic store		1	1	8	4
Total		31	19	108	76
Close	Dispensing pharmacy	25	39	31	60
	Drug and cosmetic store	3	3	6	7
Total of closed stores		28	42	37	67

▶ 51 properties are secured



■ Transition of dispensing pharmacies

	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18 2Q
Organic	24	21	18	27	38	36	40	32	27	13
M&A	3	3	35	28	38	26	119	110	182	5
EV/EBITDA ratio	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37	5.50	3.88
Close	8	2	5	9	10	6	21	15	24	39
No. of total stores	375	397	448	494	560	616	754	881	1,066	1,045

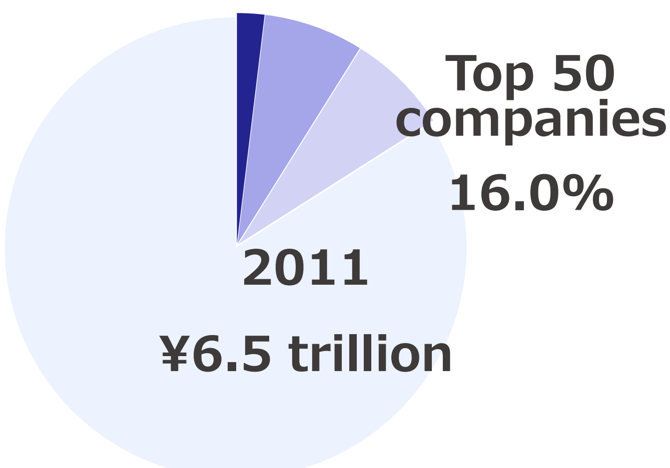
▶ EV/EBITDA ratio=EV(Purchase price)/EBITDA(Operating income + Depreciation and amortization) ▶ No. of stores include temporary closed stores from FY4/11

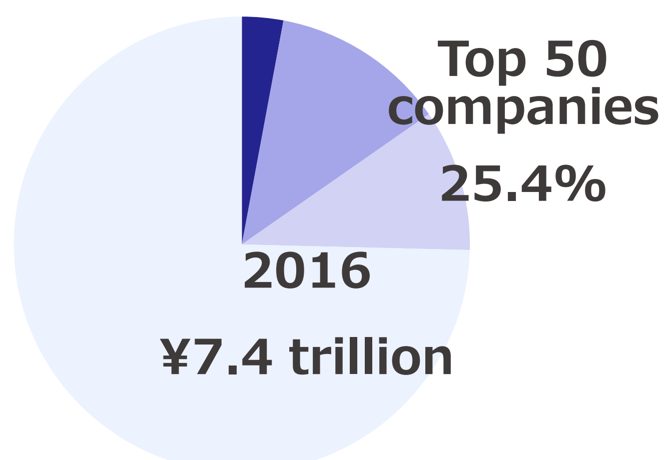
Top-Line③

Our company's market share is increasing by active growth strategy. We will continue to open new stores and to promote M&As considering the risk of dispensing fee revisions and payout period.

■ Sale composition ratio of top companies in dispensing pharmacy market

(¥billion)	2011		2016	
	Dispensing pharmacy sales	Component ratio	Dispensing pharmacy sales	Component ratio
Dispensing pharmacy sales in AIN Group	1,248	1.9%	2,174	2.9%
Total of top 10 companies	5,788	8.9%	11,388	15.3%
Total of top 50 companies	10,405	16.0%	18,887	25.4%
Market size in dispensing pharmacy	65,133		74,395	

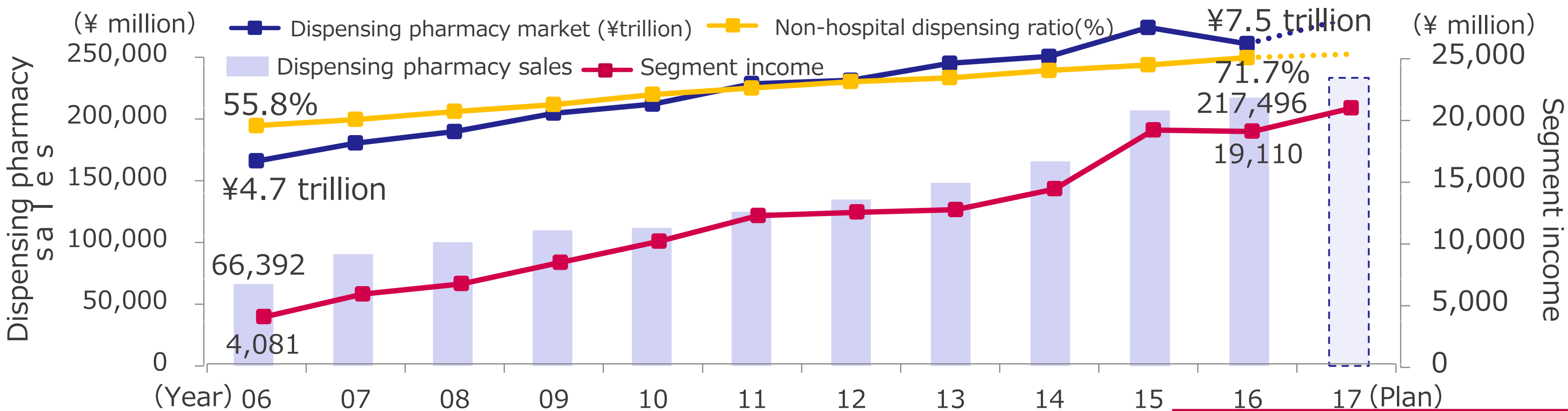




■ AIN HOLDINGS ■ Total of 2-10 companies ■ Total of 11-50 companies ■ Others

Our estimates from DRUG MAGAZINE "Ranking in pharmaceutical industry"

Transition of Dispensing Fee Revisions



	2006	2008	2010	2012	2014	2016
Revision ratio on dispensing fees (%)	▲0.6	+0.17	+0.52	+0.46	+0.22	+0.17
Revision ratio on drug prices (%)(Drug prices base)	▲6.7	▲5.2	▲5.75	▲6.0	▲2.65	▲7.77

Adjustment of evaluation for large dispensing pharmacies in front of hospitals is not included.

		2006	2008	2010	2012	2014	2016	
Technical fees in dispensing operations	**Basic dispensing fee**	**2006** 42points 19points Over 4,000 times Over 70%	**2008** 40 18	**2010** 40 24		**2014** 41 25 Over 2,500 times Over 90%	**2016** (Additional divisions and conditions) 41 25 : **Over 2,000 times and over 90% or Over 4,000 times from specific hospital** 20 : **Same group over 40,000 times a month and over 95% or lease contract with medical institution**	**Review of evaluation for dispensing pharmacies**
	Standards for dispensing system premiums			**2012** (Increase of inventory) 10points : 700 items 30points : 1,000 items Open time		**2014** 12 : 24-hour rotation support 36 : 24-hour own support Home healthcare services	**2016** 32 : Basic dispensing fee 41points & Inventory 1,200 items & 24-hour rotation support & Home healthcare services (1 case / year) & Notification of primary care pharmacists & Supervising pharmacists (Having operational experience for at least 5 years & Enrollment at least 1 year & Working over 32 hours per week)	
	Premiums for generic drug dispensing systems	**2006** Started promoting GE drugs by changing style of prescription	**2008**(Dispensing ratio) Over 30% 4points	**2010**(Volume base) 25% 6points 25-30% 13points Over30% 17points	**2012** 22-30% 5points 30-35% 15points Over35% 19points	**2014** 55-65% 18points Over65% 22points	**2016** **65-75% 18points** **Over75% 22points**	**Promotion of generic drugs**
Pharmaceutical management fee	**Drug use history Management and guidance fee (Instruction fee)**	**2006** 22points	**2008** 30 35 : For the elderly aged over 75	**2010** 30	**2012** 41	**2014** 41 34 No notebooks	**2016** (Change of conditions) 38 : **Basic dispensing fee 41 points & Handing over medication notebook & Patients' visiting within 6 month** 50 : Except the above	**Adjustment of over-prescription and double medication, etc**
	Primary care pharmacists instruction fee						**2016** (New) **70 points** **Consent from patients & Pharmacists (Having operational experience for at least 3 years & Enrollment for at least a half year & Working over 32 hours per week)**	**Review of standard of primary care pharmacists**

- Premiums by revisions are excerpted from Japan Pharmaceutical Association
- Revision ratio of 2014 Includes the correspondence to consumption tax (Dispensing fees : +0.18%, Drug price : +2.99%)
- The income after FY 2008 is operating income
- Adjustment of evaluation for large dispensing pharmacies in front of hospitals is not included in revision ration of 2016.

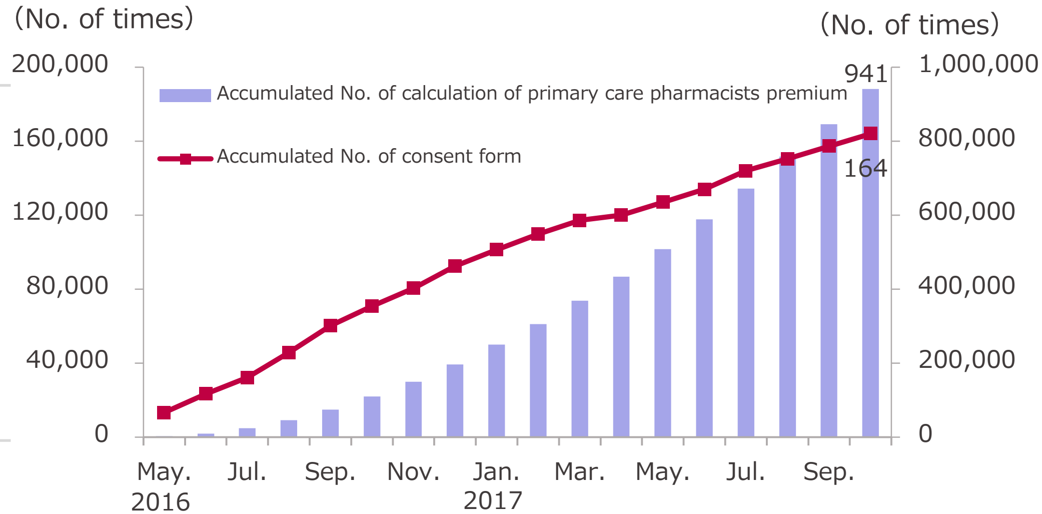
Realization of Pharmacy Vision for Patients①

In "**Pharmacy Vision for Patients** (October 23, 2015 Ministry of Health, Labor and Welfare)", the path to reorganize present pharmacies to be primary care pharmacies was shown. We also keep trying to strength the function of primary care dispensing pharmacies and to train up primary care pharmacists.

■ Primary care pharmacists

Primary care pharmacists	1,412 pharmacists (As of October 2017)
Primary care dispensing pharmacies	936 pharmacies (As of October 2017)
Accumulated No. of calculation of primary care pharmacists' instruction fees	941,171 (From May 2016 to October 2017)

▶ Object : All pharmacies



■ Calculation of premiums of preventing double medication and interaction

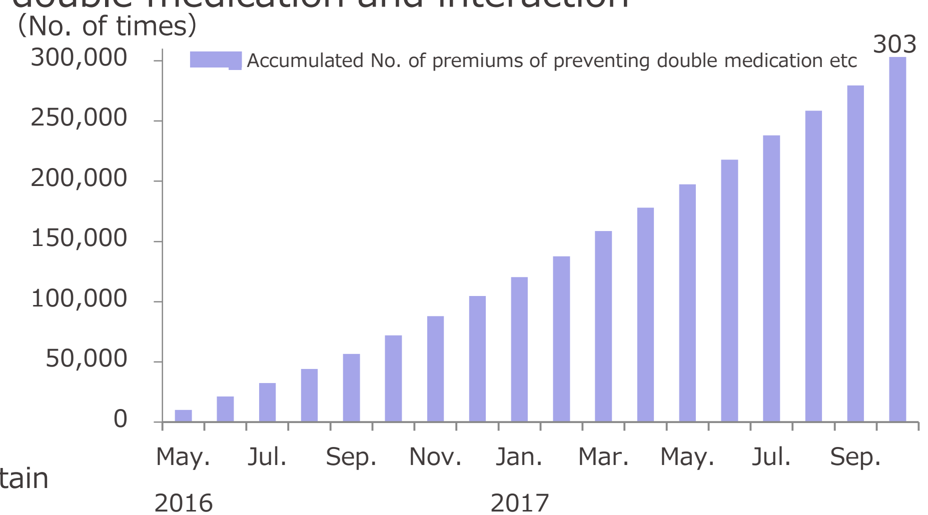
Accumulated No. of calculated premiums of preventing double medication and interaction, etc	303,178 (From May 2016 to October 2017)

▶ Object : All pharmacies

■ Doubt reference to doctor

Accumulated No. of doubt references to doctors	798,252 (From May 2016 to October 2017)

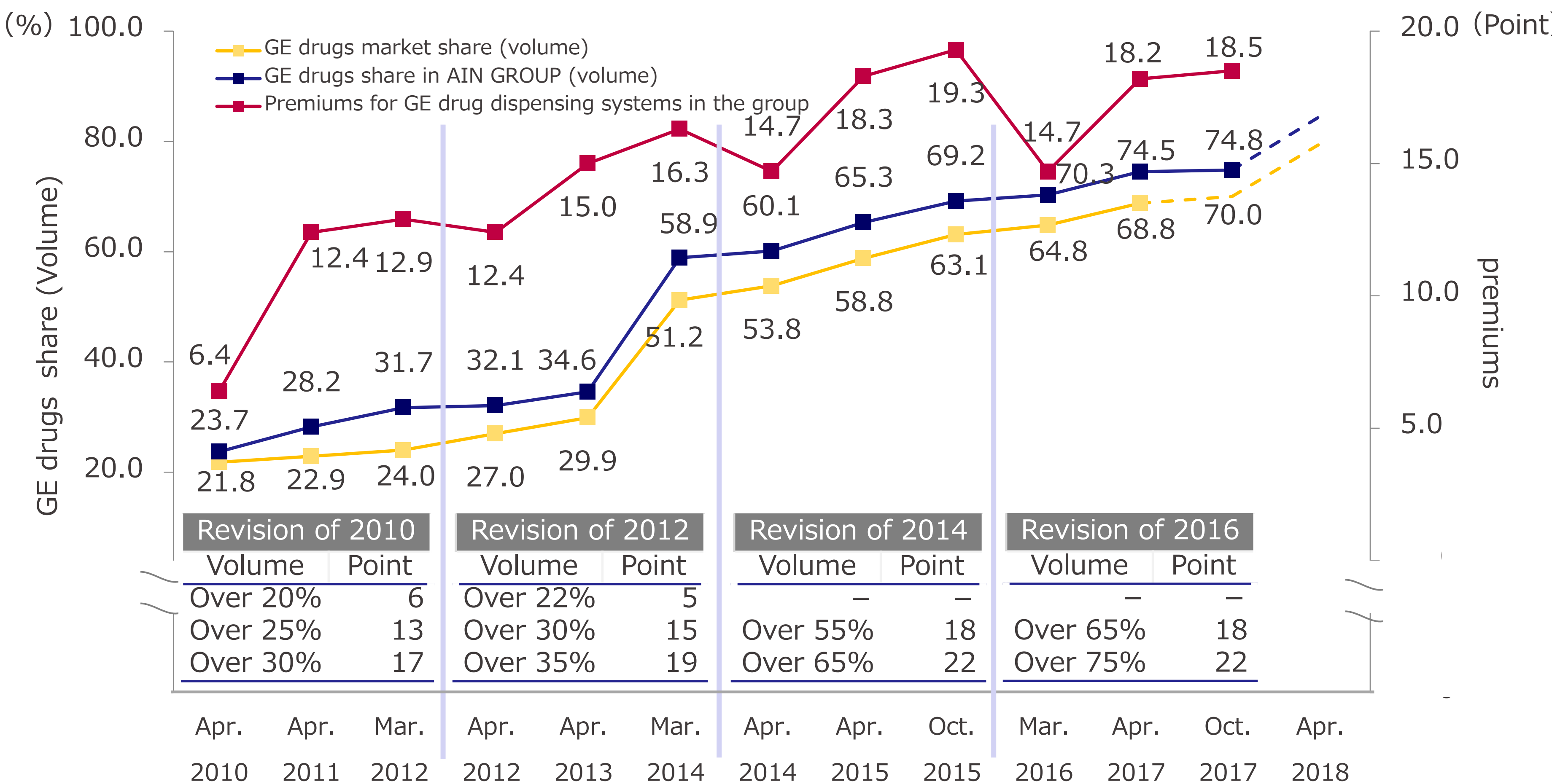
▶ Object : 756 pharmacies
▶ 18 month conversion by investigated result in certain period of time



Realization of Pharmacy Vision for Patients②

The standard of premiums for generic drug dispensing systems is getting higher every revision.
We have exceeded the national average by promotion of the wider use of generic drugs.

■ Progress of GE drugs use



Revision of 2010		Revision of 2012		Revision of 2014		Revision of 2016	
Volume	Point	Volume	Point	Volume	Point	Volume	Point
Over 20%	6	Over 22%	5	–	–	–	–
Over 25%	13	Over 30%	15	Over 55%	18	Over 65%	18
Over 30%	17	Over 35%	19	Over 65%	22	Over 75%	22

- Before March 2013: GE drugs share (volume) is calculated by old standards before revisions
- Object :Main 4 companies

Realization of Pharmacy Vision for Patients③

Index to promote primary care pharmacists and pharmacies was disclosed. The contents of the index are same as the effort that our company has kept trying and we will continue to promote this effort.

■ KPI (draft) to understand the progress of primary care pharmacists and pharmacies

	Contents
Integrated and continuous management of drug usage	ICT deployment such as digital patient medication notebook or digital medication history system
Home-based healthcare	Home-based healthcare (Annual average over a visit per month)
Pharmaceutical management and instruction	Offer of patients' drug usage document (Annual average over a visit per month)
Links with medical institutions	Pharmacists who completed health support pharmacy training attend the meetings that are for connecting with local other professionals. (Over once per year)

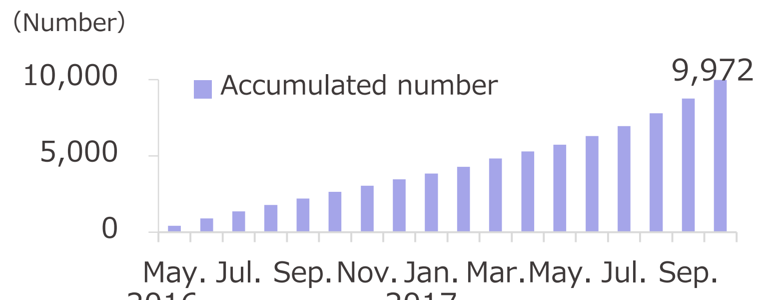
■ Digital patient medication notebooks

We opened the digital patient medication notebooks that we co-developed with NTT docomo to the public. We will start their operation in all pharmacies.

■ Home-based healthcare

	As of October 2017
Over a visit per year	847 pharmacies
Over a visit per month(annual average)	654 pharmacies

■ Result of patients' drug usage document



■ Health support pharmacy training

	As of November 2017
No. of completed pharmacists	248 pharmacists
No. of pharmacies that pharmacists are enrolled	175 pharmacies

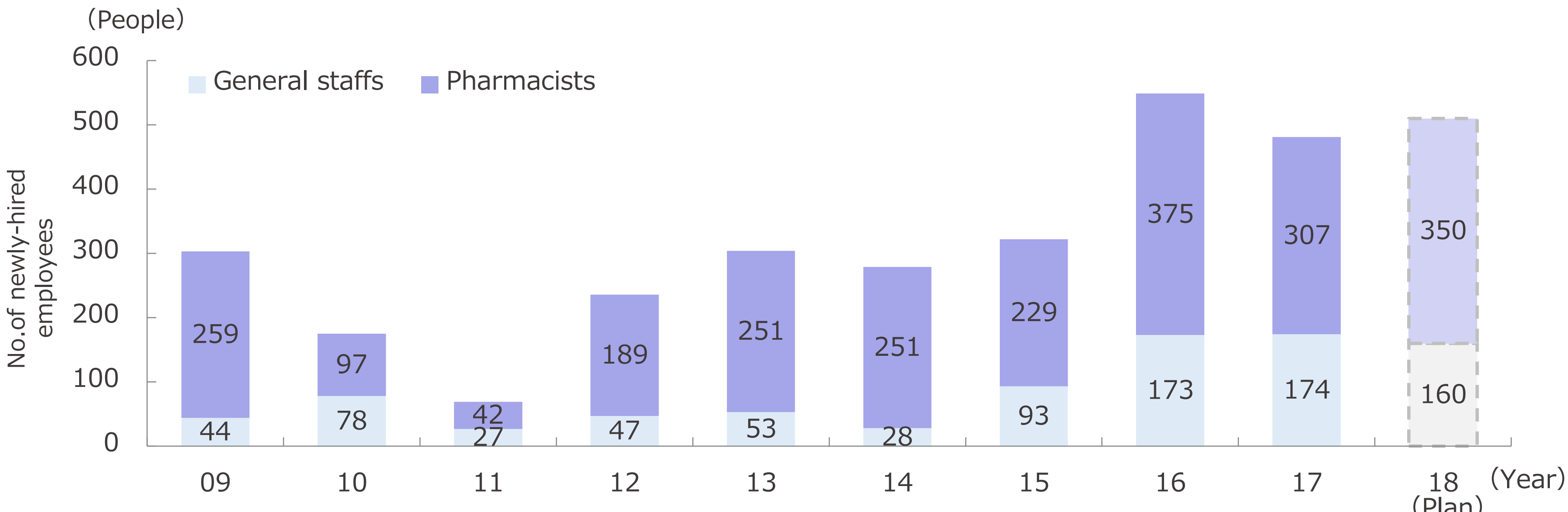
Recruiting of Pharmacists

In April 2017, new 481 employees (pharmacists : 307, general staff : 174) joined our company.
We plan to recruit 510 new graduates (pharmacists : 350, general staff : 160) in April 2018.
As of the end of October, the number of prospective employees of pharmacists are 402.

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

(People)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. of newly qualified pharmacists hired in AIN Group	259	97	42	189	251	251	229	375	307	350
No. of pharmacists' national examination passers (Pass rate)	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	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.

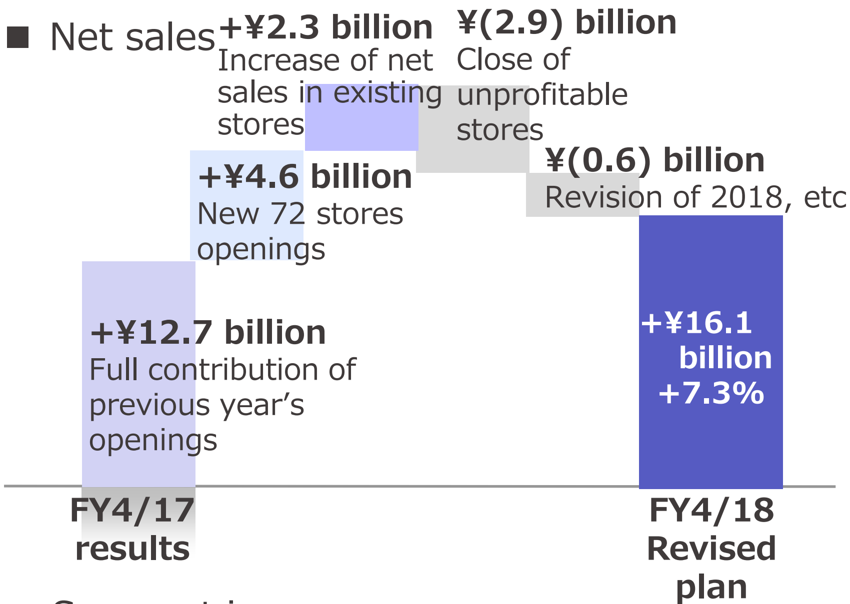


FY4/18 Plan (Dispensing Pharmacy Business)

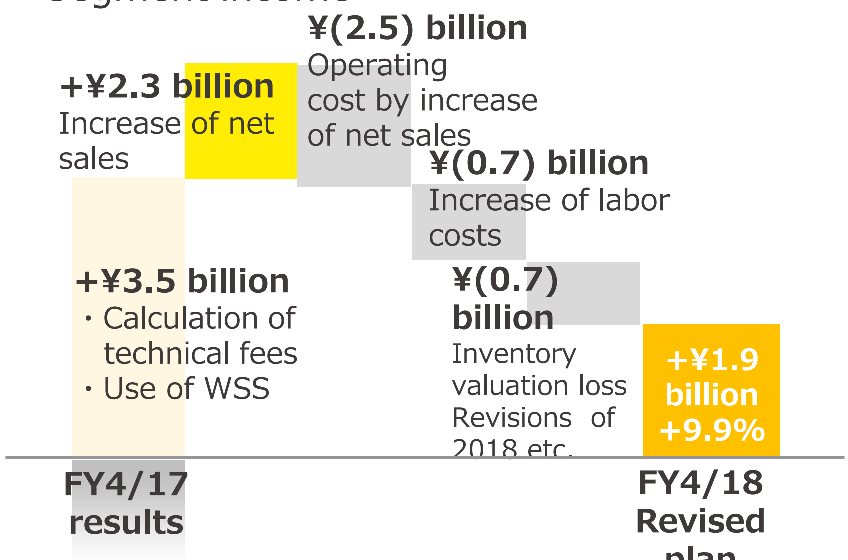
(¥ million)	FY4/17 results	FY4/18 Revised plan	YoY change	YoY change (%)
Net sales	221,801	237,900	+16,099	+7.3
Gross profit	32,090	35,260	+3,170	+9.9
% of net sales	**14.5**	**14.8**		
SG&A expenses	13,432	14,860	+1,428	+10.6
% of net sales	**6.1**	**6.2**		
Operating income	18,658	20,400	+1,742	+9.3
% of net sales	**8.4**	**8.6**		
Segment income	19,110	21,000	+1,890	+9.9
% of net sales	**8.6**	**8.8**		

Figures in the table are rounded down

■ Net sales



■ Segment income



Expansion of AINZ & TULPE①

AINZ＆TULPE Odakyu Department Store Machida was opened in August 2017. AINZ＆TULPE Marui Kichijyoji Store was opened in November 2017 and it will aim to be a new earnings model as a beauty specialized store which only sells cosmetics.

■ AINZ＆TULPE Odakyu Department Store Machida

Open	August, 2017
Item	13,000SKU
Sales floor	503.9m^2

■ AINZ＆TULPE Marui Kichijyoji Store

Open	November, 2017
Item	8,000SKU
Sales floor	243.9m^2

Expansion of AINZ & TULPE②

Stores that passed over 2 years got a lot of visibility and same stores has been shifting well by store renovations and measurement of sales promotion. Also, earning power has been improved by the review of procurement activities, operating efficiency and promotion expenses.

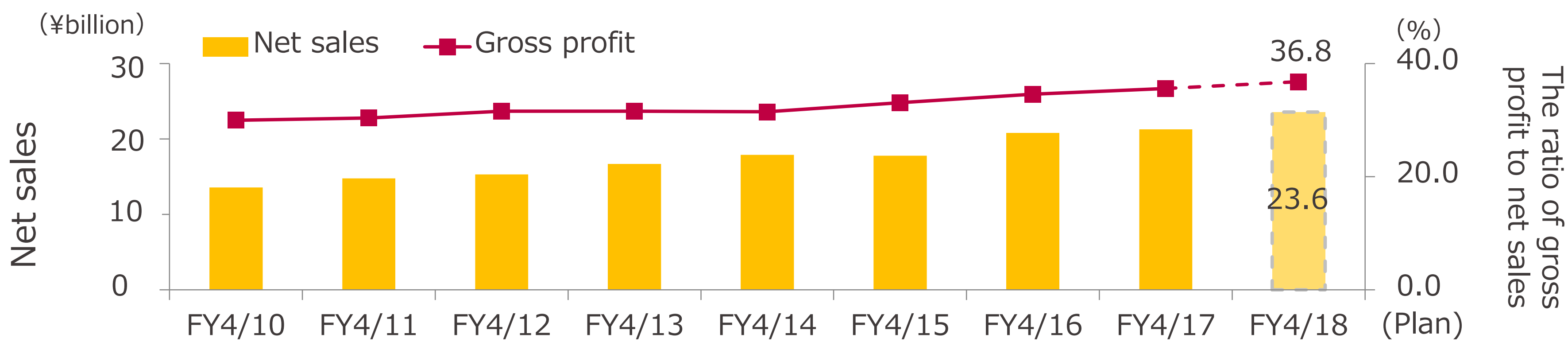
■ Results

(¥ million)	FY4/18 2Q Plan	YoY change(%)	Vs plan (%)
Net sales	11,566	+12.4	+3.6
Same store	10,038	+7.2	+3.0
Store openings in the previous year and others	1,528	+66.1	+7.8
Segment income	163	-	-
Same store	451	+478.2%	+47.7
Store openings in the previous year	(60)	-	-
Others	(228)	-	-

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

Ordinary income
- Improvement of gross profit by expansion of original brand and an overhaul of procurement activities.
- Increase of operating efficiency and improvement of customer services
- Review of expenses such as store opening cost and sales promotion expenses, etc

■ Transition of net sales and the ratio of gross profit to net sales



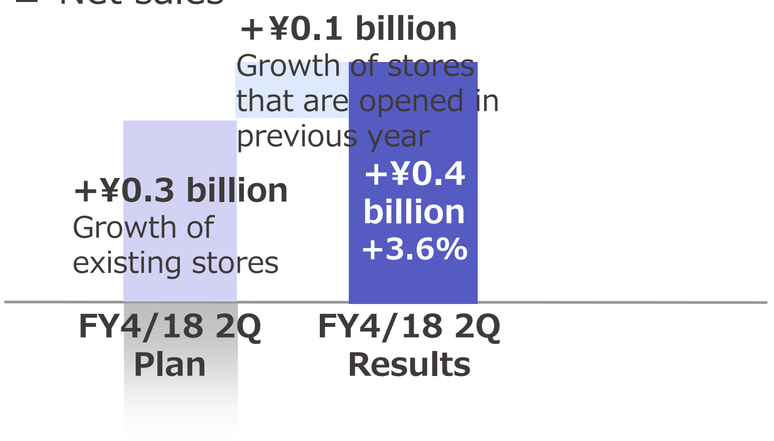
	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18 (Plan)
Net sales (¥billion)	13.6	14.8	15.3	16.7	17.9	17.8	20.8	21.3	23.6
No. of stores	49	53	56	61	59	56	52	52	49

Analysis of Results（Drug and Cosmetic Store Business)

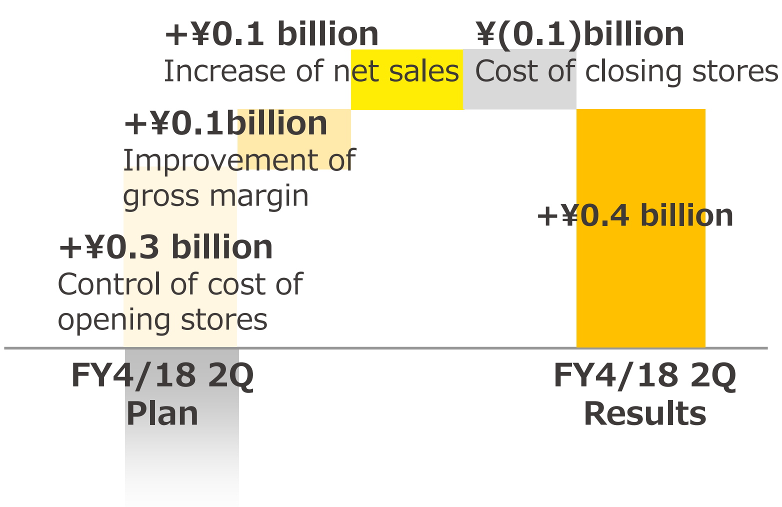
(¥ million)	FY4/18 2Q Plan	FY4/18 2Q Results	Vs plan	Vs plan (%)
Net sales	11,160	11,566	+406	+3.6
Gross profit	4,120	4,320	+200	+4.9
% of net sales	**36.9**	**37.4**		
SG&A expenses	4,390	4,177	(213)	(4.9)
% of net sales	**39.3**	**36.1**		
Operating income	(270)	143	+413	-
% of net sales	**-**	**1.2**		
Segment income	(210)	163	+373	-
% of net sales	**-**	**1.4**		

Figures in the table are rounded down

■ Net sales



■ Segment income

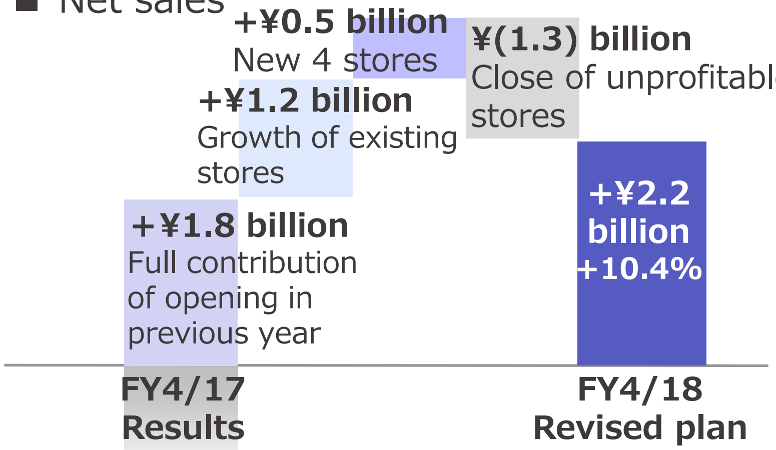


FY4/18 Plan（Drug and Cosmetic Store Business）

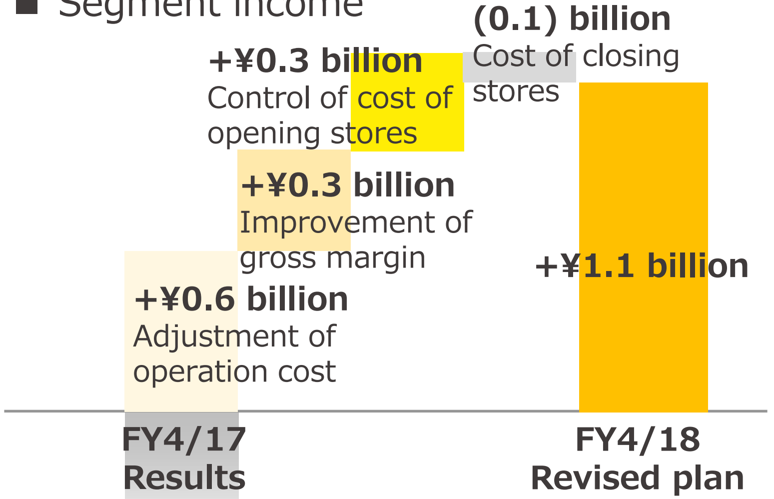
(¥ million)	FY4/17 Results	FY4/18 Revised plan	YoY change	YoY change (%)
Net sales	21,383	23,600	2,217	+10.4
Gross profit	7,623	8,680	1,057	+13.9
% of net sales	**35.6**	**36.8**		
SG&A expenses	8,583	8,430	(153)	(1.8)
% of net sales	**40.1**	**35.7**		
Operating income	(959)	250	1,209	-
% of net sales	**-**	**1.1**		
Segment income	(866)	280	1,146	-
% of net sales	**-**	**1.2**		

Figures in the table are rounded down

■ Net sales



■ Segment income



FY4/18 Revised Plan (Consolidated)

Net sales went according to original plan reflecting the close of unprofitable stores in preparation for the revision of April 2018, even though both dispensing pharmacy business and drug and cosmetic store business went strong in FY4/18. We also decided to revise up our forecasts that ordinary income increase 22.7% because same stores in drug and cosmetic store business are shifting well and operating efficiency is improving.

(¥ million)	FY4/17 results	FY4/18 original plan	FY4/18 revised plan	YoY change	YoY change (%)
Net sales	248,110	267,500	267,500	+19,390	+7.8
Gross profit	42,092	46,530	47,400	+5,308	+12.6
% of net sales	**17.0**	**17.4**	**17.7**		
SG&A expenses	27,529	29,930	29,400	+1,871	+6.8
% of net sales	**11.1**	**11.2**	**11.0**		
Operating income	14,563	16,600	18,000	+3,437	+23.6
% of net sales	**5.9**	**6.2**	**6.7**		
Ordinary income	15,080	17,000	18,500	+3,420	+22.7
% of net sales	**6.1**	**6.4**	**6.9**		
Profit attributable to owners of parent	7,949	8,900	9,200	+1,251	+15.7
% of net sales	**3.2**	**3.3**	**3.4**		
Earnings per share(¥)	250.71	261.15	269.96	+19.25	+7.7
Annual dividend (¥)	50.00	50.00	50.00	(0.00)	(0.0)

- Figures in the table are rounded down
- YoY change, YoY change(%) :FY4/18 revised plan compared with FY4/17 results
- Earnings per share is calculated including new shares issued through a public offering (2,820,000) a private placement (270,000) and a private placement for a secondary offering using an over-allotment option (450,000).

Supplementary Information

Dispensing Fee Revisions of 2016

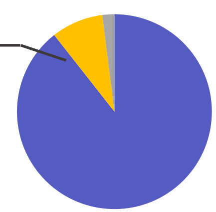
	Before revision	Point	After revision	Point
Basic dispensing fee	Except following	41 (31)	1 Except following	41 (31)
	Special case: Over 4,000 times and over 70% Over 2,500 times and over 90%	25 (19)	2 Over 4,000 times and over 70% or Over 2,000 times and over 90% or Over 4,000 times from specific hospital	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	Basic dispensing fee 41 points & Inventory 700 items & 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
	Basic dispensing fee 41points & Over 600 times, less than 70% & Inventory 1,000 items & 24-hour own support & home healthcare services (10 cases / year)	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

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
Operation 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	¥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%

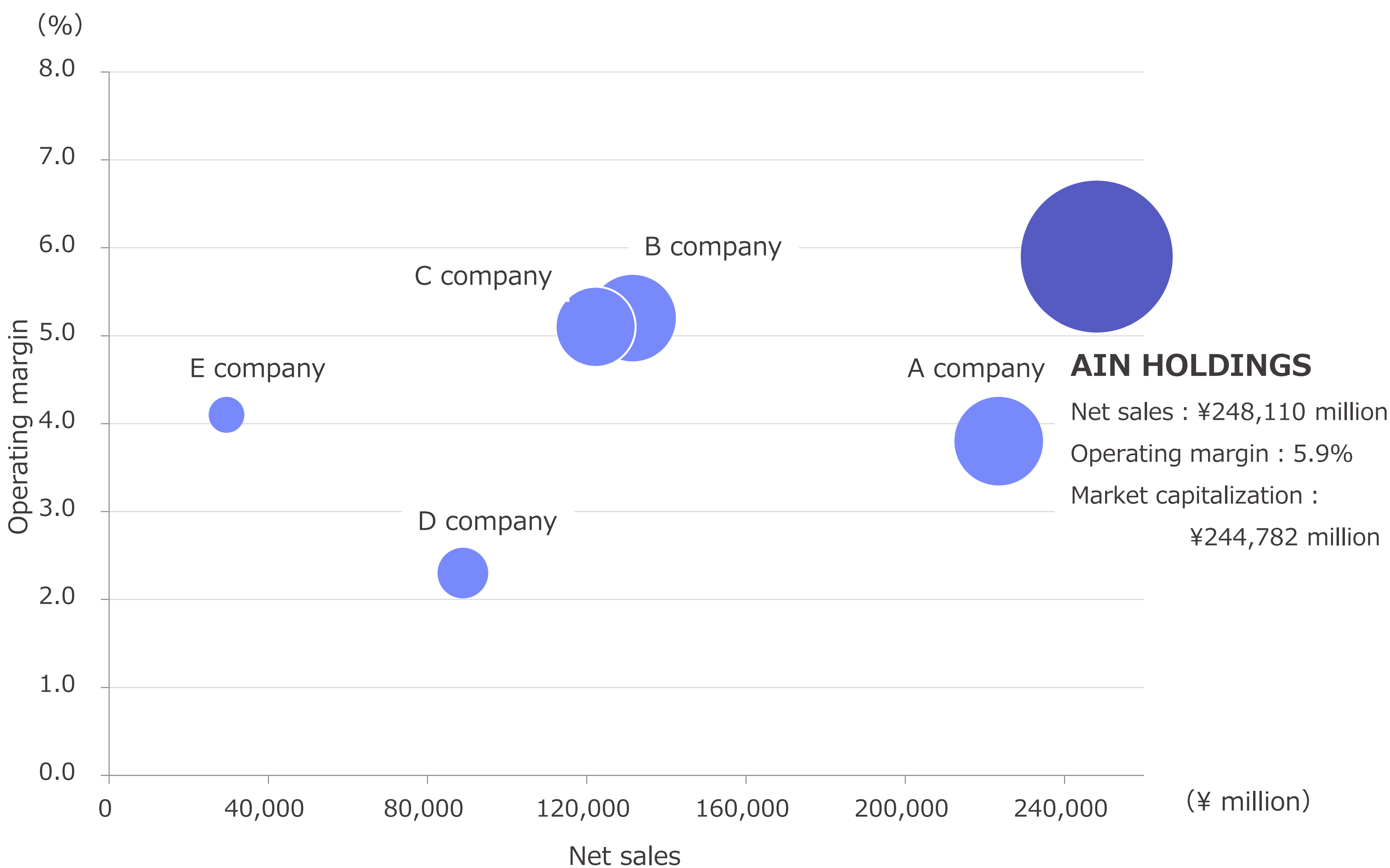


FY4/17 Consolidated net sales

¥248,110 million

Dispensing Pharmacy 89.4%

Comparison to Other Companies



- 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

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