FY4/18
IR PRESENTATION

AIN HOLDINGS INC.

June 2018

Results Overview

Consolidated P/L

Net sales increased 8.2% year on year and 0.3% against the plan due to business growth in same stores and stores that were opened in previous year. Ordinary income increased 33.5% year on year and 8.8% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)	FY4/17 results	FY4/18 plan	FY4/18 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	248,110	267,500	268,385	+20,275	+8.2	+0.3
Gross profit	42,092	47,400	47,993	+5,901	+14.0	+1.3
% of net sales	**17.0**	**17.7**	**17.9**			
SG&A expenses	27,529	29,400	28,370	+841	+3.1	(3.5)
% of net sales	**11.1**	**11.0**	**10.6**			
Operating income	14,563	18,000	19,622	+5,059	+34.7	+9.0
% of net sales	**5.9**	**6.7**	**7.3**			
Ordinary income	15,080	18,500	20,129	+5,049	+33.5	+8.8
% of net sales	**6.1**	**6.9**	**7.5**			
Profit attributable to owners of parent	7,949	9,200	10,567	+2,618	+32.9	+14.9
% of net sales	**3.2**	**3.4**	**3.9**			
Earnings per share(¥)	250.71	269.96	310.08	+59.37	+23.7	+14.9

- Figures in the table are rounded down

Dispensing Pharmacy Business (Consolidated)

Net sales increased 7.6% year on year and 0.3% 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 18.6% year on year and 7.9% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)	FY4/17 results	FY4/18 plan	FY4/18 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	221,801	237,900	238,645	+16,844	+7.6	+0.3
Gross profit	32,090	35,260	36,030	+3,940	+12.3	+2.2
% of net sales	14.5	14.8	15.1			
SG&A expenses	13,432	14,860	14,034	+602	+4.5	(5.6)
% of net sales	6.1	6.2	5.9			
Operating income	18,658	20,400	21,995	+3,337	+17.9	+7.8
% of net sales	8.4	8.6	9.2			
Segment income	19,110	21,000	22,668	+3,558	+18.6	+7.9
% of net sales	8.6	8.8	9.5			
Number of pharmacies	1,066	1,078	1,029	(37)	(3.5)	(4.5)

- Figures in the table are rounded down
- Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- Prescription volume: +7.6% YoY
- Average prescription price: +0.2% YoY

Cosmetic and Drug Store Business (Consolidated)

Net sales increased 12.8% year on year and 2.2% 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 increasing ￥1,523million year on year to ¥657 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 results	FY4/18 plan	FY4/18 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	21,383	23,600	24,117	+2,734	+12.8	+2.2
Gross profit	7,623	8,680	8,925	+1,302	+17.1	+2.8
% of net sales	**35.6**	**36.8**	**37.0**			
SG&A expenses	8,583	8,430	8,317	(266)	(3.1)	(1.3)
% of net sales	**40.1**	**35.7**	**34.5**			
Operating income	(959)	250	608	+1,567	-	+143.2
% of net sales	-	**1.1**	**2.5**			
Segment income	(866)	280	657	+1,523	-	+134.6
% of net sales	-	**1.2**	**2.7**			
Number of stores	52	49	48	(4)	(7.7)	(2.0)

- 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: +4.9% YoY
- Average spending per customer: +7.5% YoY

Consolidated B/S

Net cash increased by ¥42,103 million to ¥44,474 million and shareholders' equity ratio became 52.7% 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			
Assets		**Liabilities**	
Current assets	96,169	Current liabilities	70,235
Cash on hand and in banks	63,779	Short-term debt	6,717
		Lease obligations	443
Fixed assets	87,162	Long-term liabilities	16,467
Investments in securities	2,375	Long-term debt	11,511
		Lease obligations	632
Deferred assets	103	Total net assets	96,733
Total assets	183,435	Total liabilities and net assets	183,435

	End-FY4/17	End-FY4/18
Net cash	2,371	44,474
Shareholders' equity ratio(%)	38.4	52.7

- 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 ¥27,112 million from the end of the previous fiscal year due to fund-raising through a public offering and private placements.

(¥ million)	End-FY4/16	End-FY4/17	End-FY4/18	Change
Cash on hand and in banks	22,647	29,775	63,779	+34,004
Notes and accounts receivable	12,385	9,990	10,466	+476
Inventories	10,984	11,668	9,580	(2,088)
Total current assets	**56,593**	**65,420**	**96,169**	**+30,749**
Buildings and structures,net	14,694	15,365	14,934	(431)
Land	9,537	9,958	10,041	+83
Lease assets	1,352	1,166	824	(342)
Total property,plant and equipment	**28,153**	**28,464**	**27,853**	**(611)**
Goodwill	33,337	40,939	38,011	(2,928)
Lease assets	13	8	11	+3
Total intangible fixed assets	**35,586**	**43,109**	**40,132**	**(2,977)**
Investments in securities	2,677	2,435	2,375	(60)
Deferred tax assets	2,038	2,167	2,216	+49
Deposits and guarantees	10,013	10,443	11,339	+896
Total investments and other assets	**19,555**	**19,329**	**19,176**	**(153)**
Total fixed assets	**83,294**	**90,902**	**87,162**	**(3,740)**
Total deferred assets	**-**	**-**	**103**	**+103**
Total assets	**139,888**	**156,323**	**183,435**	**+27,112**

Fund-raising

- Figures in the table are rounded down
- Change:End-FY4/18 compared with End-FY4/17
- Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥5,311 million

Liabilities and Net Assets

The balance of liabilities decreased ¥9,442 million from the end of the previous fiscal year due to the repayment of debts etc.

(¥ million)	End-FY4/16	End-FY4/17	End-FY4/18	Change
Accounts payable	39,987	39,325	38,728	(597)
Short-term debt	5,690	7,596	6,717	(879)
Lease obligations	668	594	443	(151)
Total current liabilities	**66,744**	**72,955**	**70,235**	**(2,720)**
Long-term debt	14,854	18,254	11,511	(6,743)
Lease obligations	1,198	958	632	(326)
Total long-term liabilities	**19,818**	**23,188**	**16,467**	**(6,721)**
Total liabilities	**86,563**	**96,144**	**86,702**	**(9,442)**
Common stock	8,682	8,682	21,894	+13,212
Capital surplus	6,367	6,367	20,500	+14,133
Retained earnings	38,605	45,286	54,268	+8,982
Total shareholders' equity	**53,237**	**59,918**	**96,662**	**+36,744**
Total net assets	**53,324**	**60,178**	**96,733**	**+36,555**
Total liabilities and net assets	**139,888**	**156,323**	**183,435**	**+27,112**

Repayment of debts

Fund-raising

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

Consolidated C/F

The change of net increase in cash and cash equivalents became ¥33,999 million due to fund-raising through a public offering and private placements, etc.

(¥ million)	FY4/17	FY4/18	Change
Net cash provided by operating activities	**18,409**	**21,656**	**+3,247**
Profit before income taxes	14,307	17,852	+3,545
Depreciation and amortization	3,687	3,596	(91)
Amortization of goodwill	3,654	3,937	+283
(Increase) decrease in accounts receivable	5,369	(25)	(5,394)
(Increase) decrease in inventories	449	2,278	+1,829
(Increase) decrease in other accounts receivable	(2,820)	1,685	+4,505
Increase (decrease) in accounts payable	(4,340)	(1,076)	+3,264
Net cash used in investing activities	**(11,183)**	**(5,281)**	**+5,902**
Payments for purchases of property, plant and equipment and intangible fixed assets	(3,448)	(3,709)	(261)
Purchase of subsidiaries' shares resulting in obtaining controls	(9,697)	(1,310)	+8,387
Net cash provided by financing activities	**116**	**17,623**	**+17,507**
Proceeds from issuance of common shares and sales of treasury shares	-	27,631	+27,631
Net increase in cash and cash equivalents	7,342	33,998	+26,656
Cash and cash equivalents at end of the year	**29,234**	**63,233**	**+33,999**

- Figures in the table are rounded down

Business Value Analysis

	FY4/16	FY4/17	FY4/18	Change
Shareholders' equity ratio (%)	38.1	38.4	52.7	+14.3
Market value equity ratio (%)	121.0	156.6	141.0	(15.6)
PER (times)	21.39	30.79	23.54	(7.25)
EPS (¥)	249.69	250.71	310.08	+59.37
PBR (times)	3.19	4.09	2.67	(1.42)
BPS (¥)	1,679.69	1,895.63	2,729.44	+833.81
ROA (%)	6.2	5.4	6.2	+0.8
ROE (%)	15.6	14.0	13.5	(0.5)
EBITDA (¥ million)	20,816	21,905	27,156	+5,251
EV/EBITDA (times)	8.08	11.07	7.90	(3.17)
Net D/E ratio (times)	(0.00)	(0.04)	(0.46)	(0.42)
Net cash (¥ million)	236	2,371	44,474	+42,103
Shareholders' value (¥ million)	168,520	244,828	258,928	+14,100
Market capitalization (¥ million)	169,318	244,782	258,620	+13,838

- Figures in the table are rounded down
- Change : End-FY4/18 compared with End-FY4/17
- 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-FY4/16 ¥5,340 (End-Apr,2016), End-FY4/17 ¥7,720 (End-Apr,2017), End-FY4/18 ¥7,300 (End-Apr,2018).
- Net cash = Cash on hand and in banks − Interest-bearing debt (Long- and short- term debt + Lease obligations)

FY4/19 Plan (Consolidated)

The group forecasts net sales for the fiscal year ending April 30, 2019 of 272,870 million, increase 1.7% year on year by openings new stores (100 pharmacies and 7 Cosmetic and drug stores) , ordinary income decrease 10.6% due to the dispensing fee revisions.

(¥ million)	FY4/17 results	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	248,110	268,385	272,870	+4,485	+1.7
Gross profit	42,092	47,993	48,040	+47	+0.1
% of net sales	**17.0**	**17.9**	**17.6**		
SG&A expenses	27,529	28,370	30,540	+2,170	+7.6
% of net sales	**11.1**	**10.6**	**11.2**		
Operating income	14,563	19,622	17,500	(2,122)	(10.8)
% of net sales	**5.9**	**7.3**	**6.4**		
Ordinary income	15,080	20,129	18,000	(2,129)	(10.6)
% of net sales	**6.1**	**7.5**	**6.6**		
Profit attributable to owners of parent	7,949	10,567	9,260	(1,307)	(12.4)
% of net sales	**3.2**	**3.9**	**3.4**		
Earnings per share(¥)	250.71	310.08	261.38	(48.70)	(15.7)
Annual dividend (¥)	50.00	50.00	55.00	+5.00	+10.0

- Figures in the table are rounded down
- YoY change :FY4/19 plan compared with FY4/18 results

Review

Revision of 2018

Growth Strategy

Review

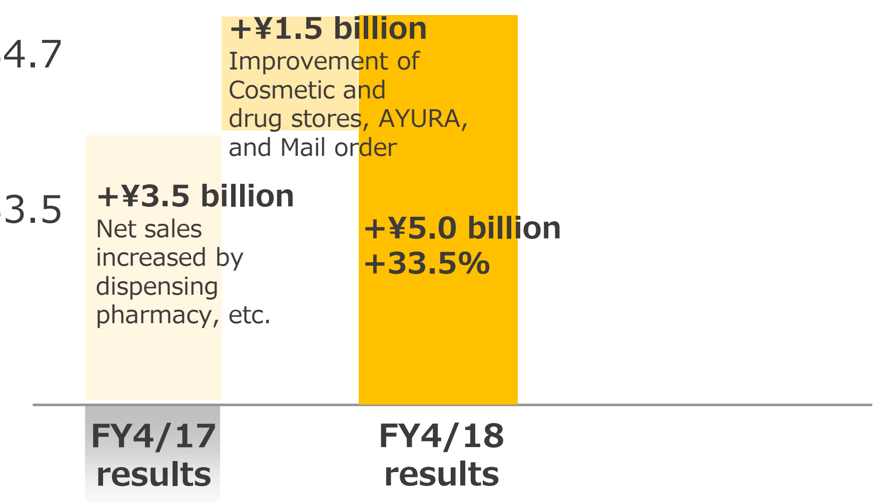
Review① (Vs FY4/17 Results)

(¥ million)	FY4/17 results	FY4/18 results	YoY change	YoY change (%)
Net sales	248,110	268,385	+20,275	+8.2
Gross profit	42,092	47,993	+5,901	+14.0
% of net sales	**17.0**	**17.9**		
SG&A expenses	27,529	28,370	+841	+3.1
% of net sales	**11.1**	**10.6**		
Operating income	14,563	19,622	+5,059	+34.7
% of net sales	**5.9**	**7.3**		
Ordinary income	15,080	20,129	+5,049	+33.5
% of net sales	**6.1**	**7.5**		

▶ Figures in the table are rounded down

■ Net sales

■ Ordinary income

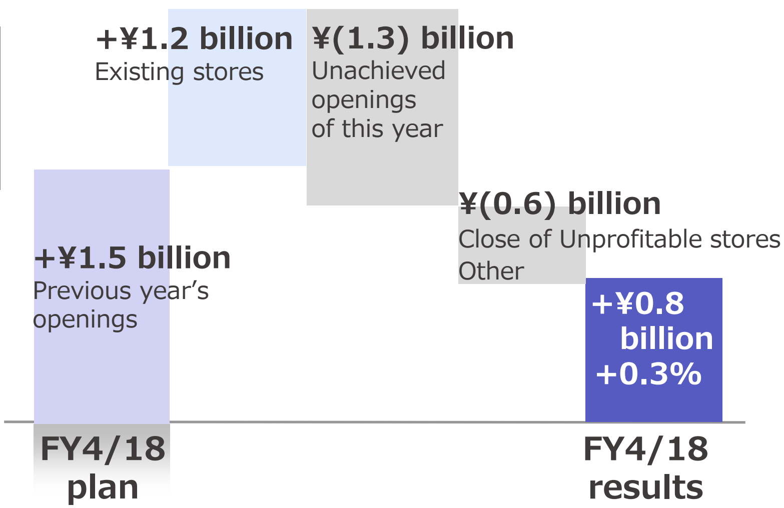


Review② (Vs plan)

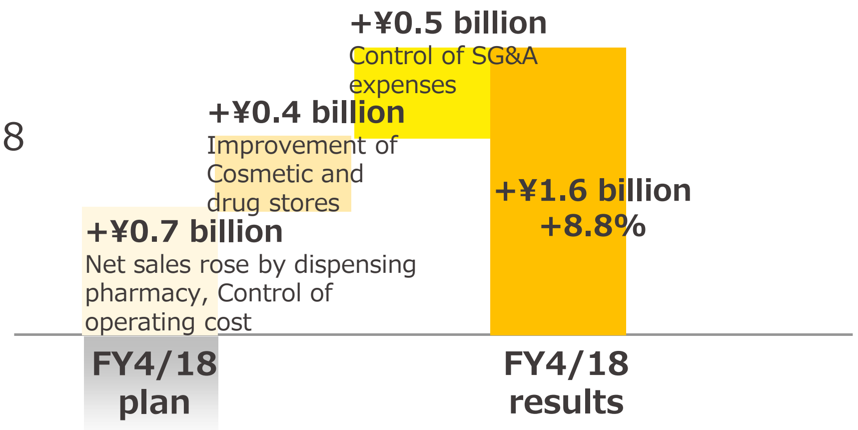
(¥ million)	FY4/18 plan	FY4/18 results	Vs plan	Vs plan (%)
Net sales	267,500	268,385	+885	+0.3
Gross profit	47,400	47,993	+593	+1.3
% of net sales	**17.7**	**17.9**		
SG&A expenses	29,400	28,370	(1,030)	(3.5)
% of net sales	**11.0**	**10.6**		
Operating income	18,000	19,622	+1,622	+9.0
% of net sales	**6.7**	**7.3**		
Ordinary income	18,500	20,129	+1,629	+8.8
% of net sales	**6.9**	**7.5**		

Figures in the table are rounded down

■ Net sales



■ Ordinary income



Revision of 2018

Dispensing Fee Revisions of 2018

■ **Basic dispensing fee** (New classification requirements)

1 41 pts

2 25 pts Over 4,000 times & 70% or Over 2,000 times & Over **85%** or Over 4,000 times from specific hospital

3- I 20 pts Same group over 40,000 times / month & Over 85% or lease contract with medical institution

3-Ⅱ 15 pts Same group over 400,000 times / month & Over 85% or lease contract with medical institution

S 10 pts Same premises (lease contract) & Over 95%

Companies with annual net sales of approximately 43 billion yen or more

■ **Community support system premiums (New) 35 pts**

Basic dispensing fee 1, Inventory 1,200 items & Home healthcare services & Primary care pharmacists & Supervising pharmacist having experience 5 years, staying 1 year, 32h/week

Other than basic dispensing fee 1, have to fulfill all the following achievements

Per pharmacists per year
①Night・Holiday addition 400 times
②Narcotic drug management guidance addition 10 times
③Duplicate medication・Interaction prevention addition 40 times
④Primary care pharmacists instruction fee 40 times
⑤Outpatient medication support fee 12 times
⑥Medication adjustment support addition 1 time
⑦Home care services 12 times
⑧Medication information providing fee 60 times

■ **GE Premiums** (Requirements changed)

75-80% 18pts, 80-85% 22pts, Over 85% 26pts

■ **Drug use history management and guidance fee** (3 classifications)

41pts BDF 41pts & handing over medication notebook & visiting within 6 months

53pts Except the above

13pts handing over medication notebook ratio under 50%

■ **Primary care pharmacists instruction fee** (Requirements changed)

73pts Patient's consent & 3 years experience・**Staying 1 year**・32h/week, etc.

Basic dispensing fee・Community support system premiums

Work actively to improve basic dispensing fee and community support system premiums due to increase prescriptions from other hospitals and clinics.

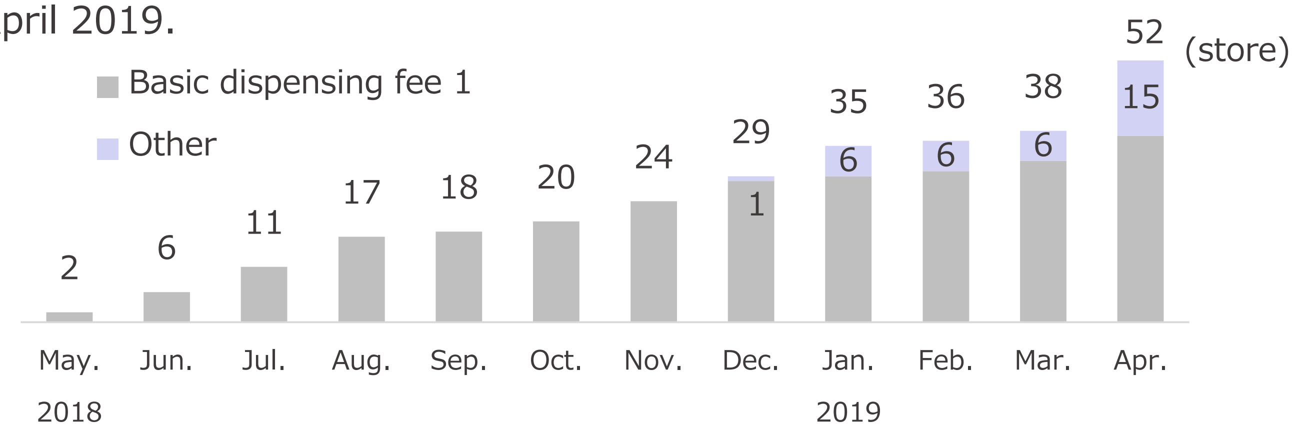
■ Basic dispensing fee

	April 2018	April 2019	change
1 (41pts)	362 stores	409 stores	+47
2 (25pts)	4 stores	4 stores	-
3-Ⅰ (20pts)	0 store	0 store	-
3-Ⅱ (15pts)	639 stores	596 stores	(43)
S (10pts)	13 stores	9 stores	(4)

Object : 1,018 stores excluding the recent M&A stores

■ Community support system premiums

Although the number of stores became 247 after the revisions, the group will undertakes such as satisfy the requirements for supervising pharmacists and accumulate the necessary achievements for the stores that other than basic dispensing fee 1, aim to increase 52 stores to 299 stores in April 2019.

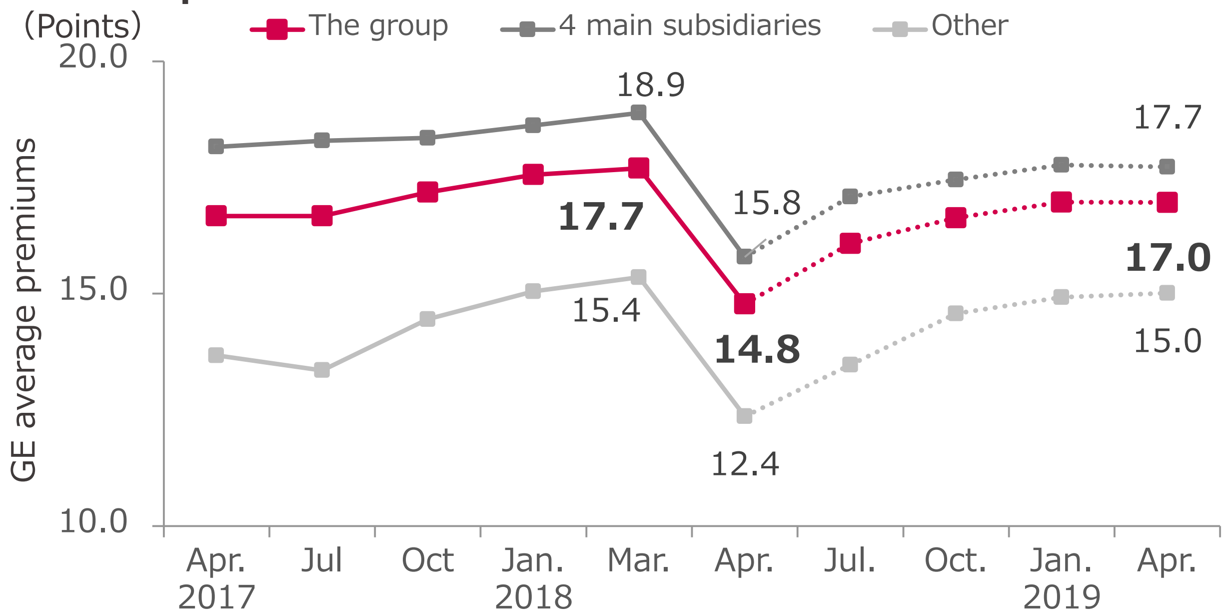


Object : 1,018 stores excluding the recent M&A stores

Generic drug dispensing system premiums

The GE average premiums fell from 17.7 to 14.8 points and the figure that excluding 4 main subsidiaries is 12.4 points. The group will keep going for promotion of the use of GE then try to recover to the pre-revision level as soon as possible.

■ Transition of GE premium



▶ 4 main subsidiaries : AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, ASAHI PHARMACY

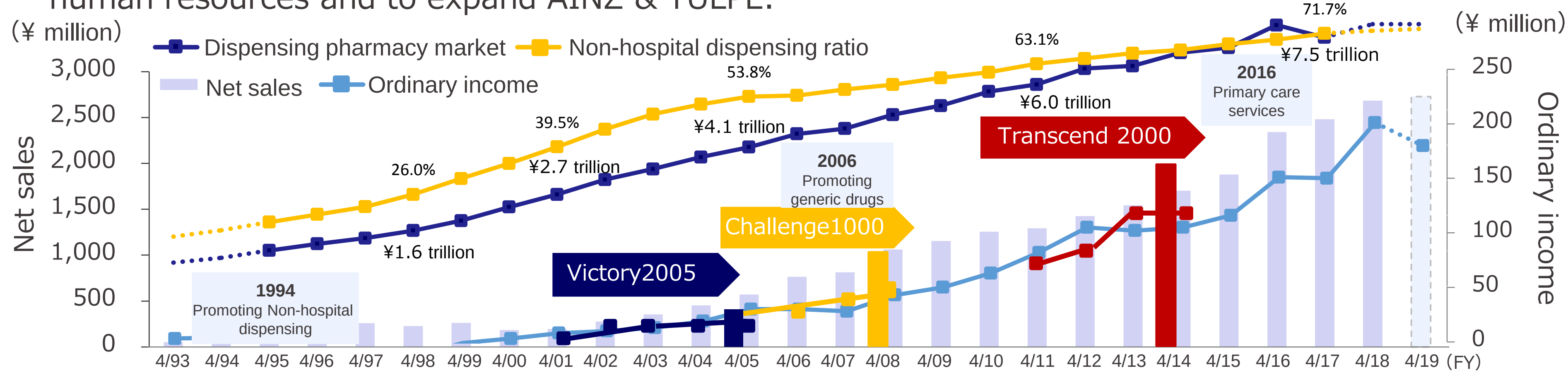
	April 2018	April 2019	Change
1 (18points)	191 stores	159 stores	(32)
2 (22points)	319 stores	371 stores	+52
3 (26points)	149 stores	259 stores	+110
Total	659 stores	789 stores	+130

▶ Object : 1,018 stores excluding the recent M&A stores

Growth strategy

Growth Process

The business environment and the role of dispensing pharmacy are changing greatly year by year. Our group continue to grow adapting to the changing environment with setting 4 followings as a growth strategy, to improve of Top-line, to strength the function of pharmacies, to recruit and train human resources and to expand AINZ & TULPE.



(¥ million)	4/93	4/95	4/97	4/99	4/01	4/03	V2005	4/05	4/06	C1000	4/08	4/10	4/11	T2000	4/14	4/16	4/18	4/19 (Plan)
Net sales	52	107	259	261	195	353	400	570	763	1,000	1,062	1,254	1,293	2,000	1,702	2,348	**2,683**	**2,728**
Ordinary income	3	4	(15)	(1)	8	13	21	30	30	50	43	63	82	135	105	151	**201**	**180**

Topics

FY 4/95

- Opening stores in prime location
- Securing pharmacists
- Construction of new dispensing system
- Dispensing in drugstores

FY 4/01

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

FY 4/06

- Active new store openings and M&As
- Boosting efficiency of pharmacy operation
- WHOLESALE STARS
- Expansion of AINZ & TULPE

FY 4/11

- Development sales model
- GE / automation / Yubari model
- Cost management

FY 4/19

- **Top-line Opening stores in prime location / M&A**
- **Strengthening the function of pharmacies**
- **Recruiting and training human resources**
- **Expansion of AINZ & TULPE**

Growth Strategy

With a drastic reduction in drug prices and further reduction of points aimed at major dispensing pharmacy chains, the dispensing fee revisions in 2018 gotten severe. We will continue to strengthen pharmacy functions in anticipation of strict system changes and deregulation in the future.

■ Top-line

Expanding of business by active new store openings in prime location and by secure M&As

■ Strengthening the function of pharmacies

Strengthening the function of pharmacies focusing on KPI, evaluating the quality of the non-hospital dispensing, such as Community Support System and Primary Care Functions, etc.

■ 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

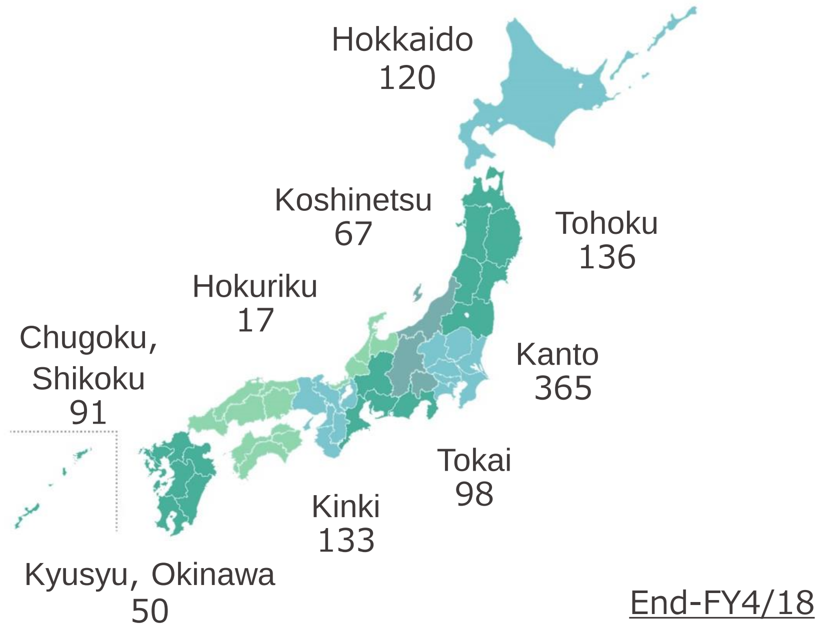
We opened 40 stores including M&As and closed 81 stores in FY4/18. We forecast 107 new stores opening by active new store openings and promotion of M&A and 17 stores closing in FY4/19.

■ Total number of stores

1,077 (Dispensing pharmacy:1,029 Cosmetic and drug store:48)

■ Plan

		FY4/18		FY4/19
		Plan	Results	Plan
Dispensing Pharmacy	Organic	29	25	30
	M&A	43	11	70
Cosmetic and drug store		4	4	7
Total		76	40	107
Close	Dispensing Pharmacy	60	73	17
	Cosmetic and drug store	7	8	0
Total of closed store		67	81	17



■ Transition of dispensing pharmacies

	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18
Organic	24	21	18	27	38	36	40	32	27	25
M&A	3	3	35	28	38	26	119	110	182	11
EV/EBITDA ratio	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37	5.50	3.96
Closed	8	2	5	9	10	6	21	15	24	73
No. of total stores	375	397	448	494	560	616	754	881	1,066	1,029

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

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

Top-line②

Due to the failure of successor, shortage of pharmacist, dispensing fee revisions in 2018 and anxiety about business continuity, the number of projects both of private and corporate pharmacy that meet our M&A standards is increasing. We will continue aggressive M&A towards expanding the top line.

■ Transition of M&A

	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18
No. of M&A	3	3	35	28	38	26	119	110	182	11
EV/EBITDA ratio	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37	5.50	3.96

■ M&A Targets and standards of AIN Group

Dispensing pharmacy market
(59,000 pharmacies)
¥7.5 trillion

Our targets
Annual net sales more than ¥120 million
(26,000 pharmacies)
¥6.2 trillion

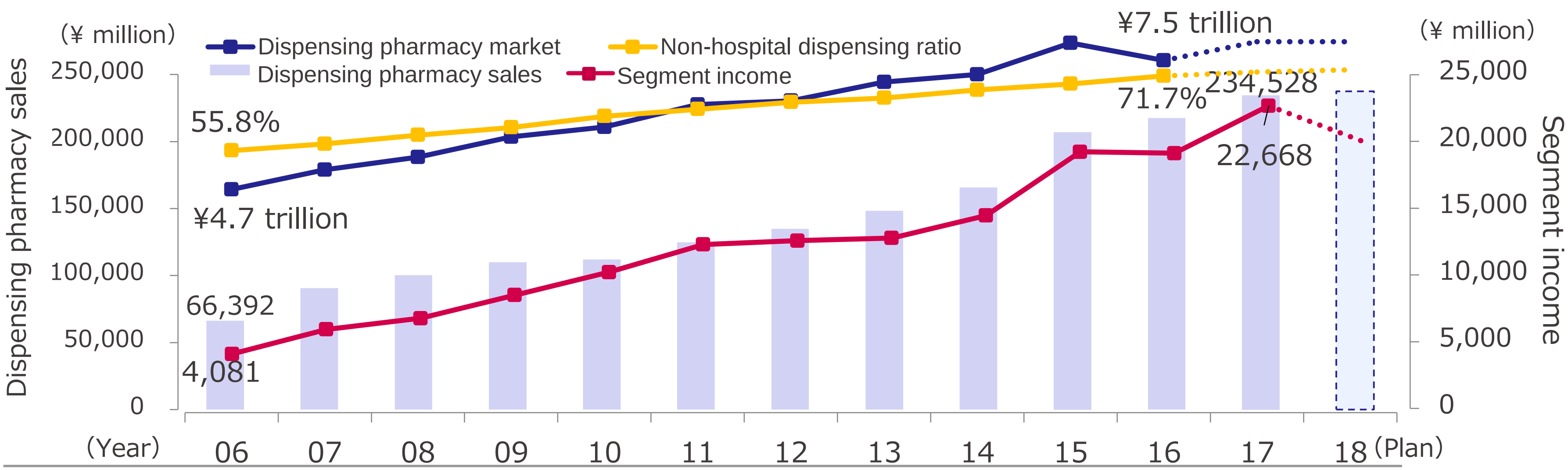
Annual net sales less than ¥120 million
(33,000 pharmacies)
¥1.3 trillion

	Our M&A standards
Store size	Private pharmacy: Annual net sales more than ¥200 million Corporate pharmacy: Annual net sales more than ¥120 million
EV/EBITDA ratio	5 times - 7 times
Profit	Contribute from next FY
Risk	On-site pharmacy Compliance

FY4/19 Plan
70 Stores
FY4/19 Net sales up ¥10 billion (FY4/20) Net sales up ¥14 billion

Estimated by Recent trend of national dispensing medical expenses(2017) from Ministry of Health, Labor and Welfare

Strengthening the function of pharmacies①



	06	08	10	12	14	16	18
Revision ratio on dispensing fees (%)	(0.6)	+0.17	+0.52	+0.46	+0.22	+0.17	+0.19
Revision ratio on drug prices (%) (Drug prices base)	(6.7)	(5.2)	(5.75)	(6.0)	(2.65)	(7.77)	(7.48)

2006 Establishment of WSS

Strengthening the function for the GE use promotion

2009 "Yubari model" started

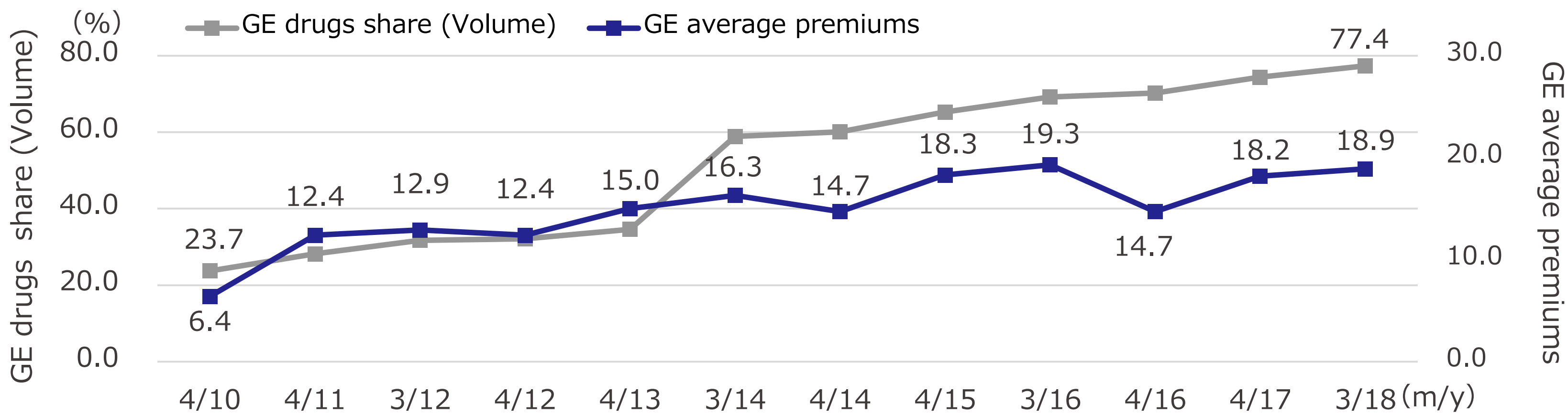
Strengthening the home-based healthcare function

2016 Primary Care Services established

Strengthening the primary care services function

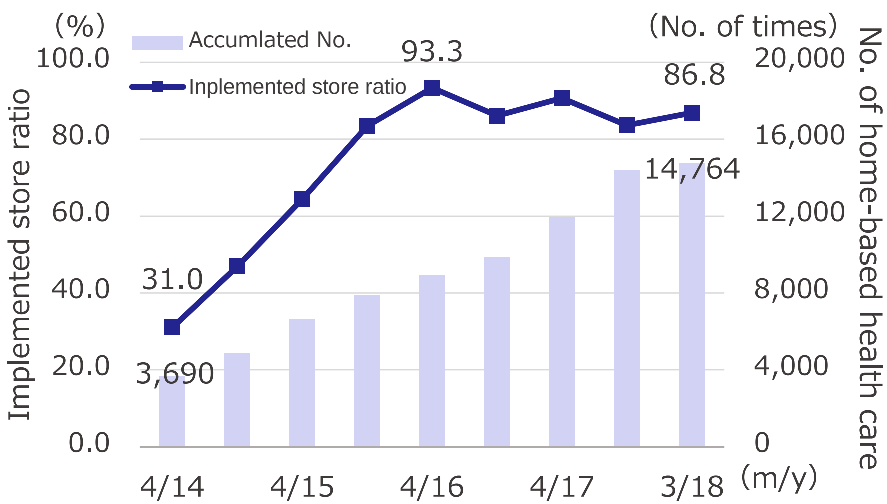
Strengthening the function of pharmacies②

■ The promotion of the use of generic drug (monthly)



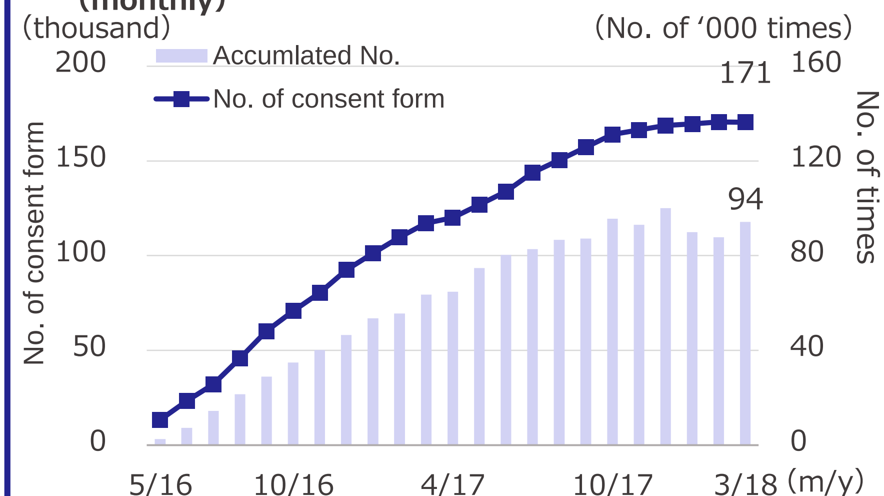
Aggregate the data from 4 main subsidiaries (AIN PHARMACIEZ, AIN MEDIO, DAICHIKU, ASAHI PHARMACY)

■ Home-based health care (monthly)



Object : 1,018 stores excluding the recent M&A stores
Exclude the case that only delivery

■ Primary care pharmacist instruction fee (monthly)



Object : 1,018 stores excluding the recent M&A stores

Strengthening the function of pharmacies③

In terms of functions such as promotion of GE use, home-based health care and primary care services, which have been demanded by the country and patients, we have accumulated high achievements compared with national pharmacies. we will focus on strengthening medical cooperation by making full use of the strength of being close to medical institutions.

■ Comparison of results (As of March 2018)

	No. of stores	Basic dispensing fee 1 (41)	Basic dispensing fee 2 (25)	Basic dispensing fee 3 (20)	Standards for dispensing system premiums (32)	Premiums for GE drug dispensing systems 1 (18)	Premiums for GE drug dispensing systems 2 (22)	No. of notification of primary care pharmacists	No. of Home-based health care Over 10 times per year
Japan	57,989	51,871	1,770	3,066	16,253	16,436	23,074	29,859	14,217
%		89.4	3.1	5.3	31.3	28.3	39.8	51.5	24.5
AIN Group	1,018	747	43	228	546	163	695	910	716
%		73.4	4.2	22.4	73.1	16.0	68.3	89.4	70.3

▶ The group estimated. % of Standards for dispensing system premiums is from the No. of stores that applicable to Basic dispensing fee1

■ Medication adjustment support addition（125 pts)

(Requirements)
In the occasion that more than 6 types of internal medicine prescribed, if the pharmacist make a proposal document to medical institutions and two or more types of them have decreased, it is calculated only once a month.

In 2018 dispensing fee revisions, further collaboration with medical institutions is required. We will accumulate achievements of medical collaboration such as Medication adjustment support addition making full use of the strength of being close to medical institutions.

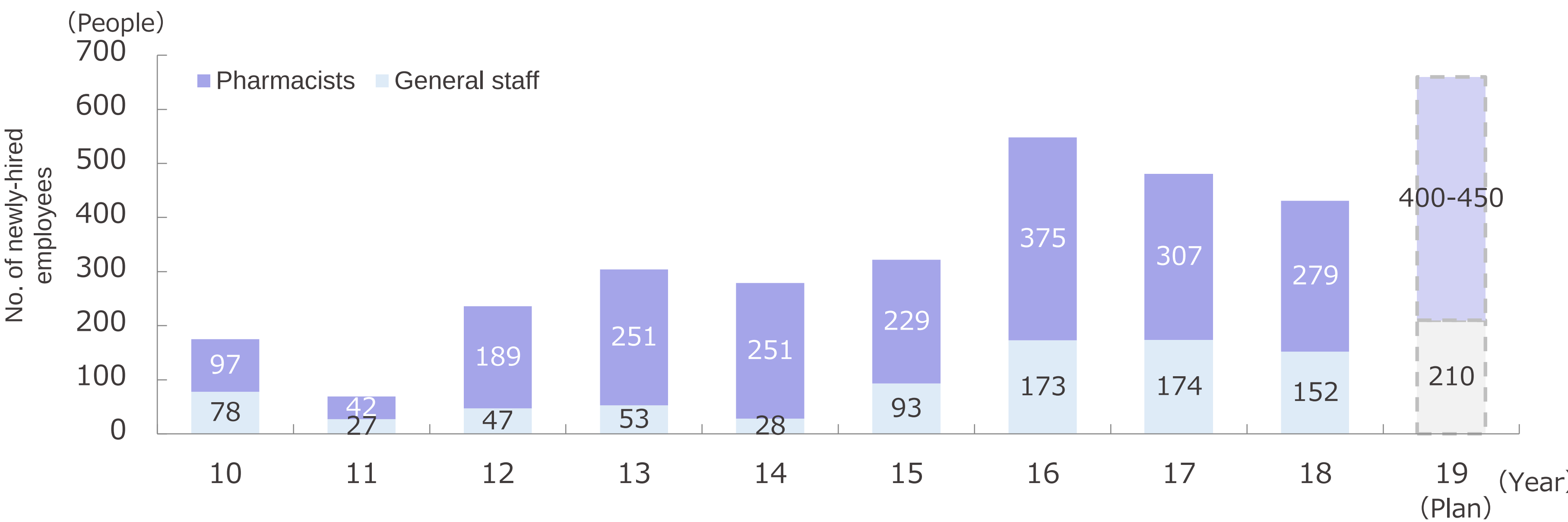
Recruiting of Pharmacists

In April 2018, new 431 employees (pharmacists : 279, general staff : 152) joined our company.
We plan to recruit 400-450 pharmacists and 210 general staff in April 2019.

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

(People)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No. of newly qualified pharmacists hired in AIN Group	97	42	189	251	251	229	375	307	279	400-450
No. of pharmacists' national examination passers (pass rate)	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%)	9,584 (70.6%)	- (-)
Rate of newly qualified pharmacists hired in AIN Group	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% (10.0%)	2.9% (-)	- (-)

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

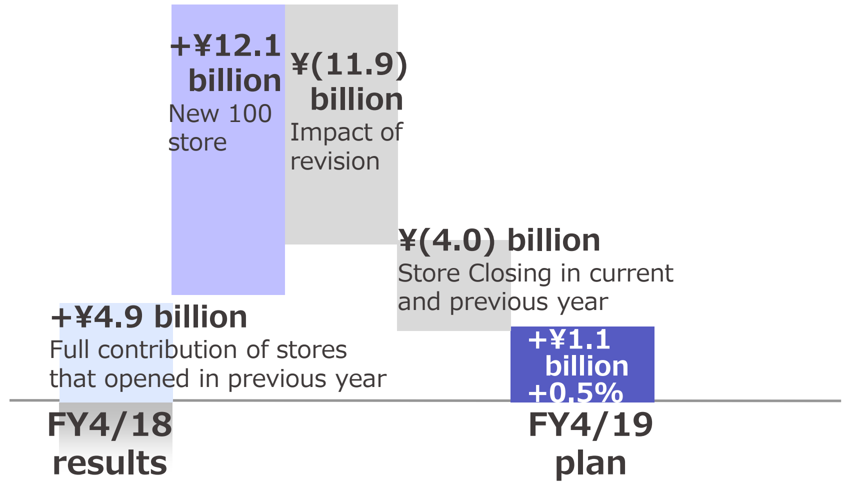


FY4/19 Plan（Dispensing Pharmacy Business）

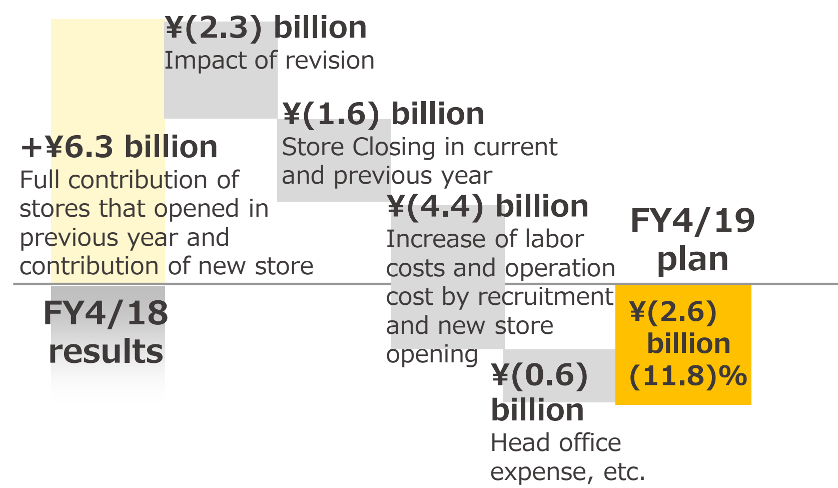
(¥ million)	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	238,645	239,800	1,155	+0.5
Gross profit	36,030	34,500	(1,530)	(4.2)
% of net sales	**15.1**	**14.4**		
SG&A expenses	14,034	15,200	1,166	+8.3
% of net sales	**5.9**	**6.3**		
Operating income	21,995	19,300	(2,695)	(12.3)
% of net sales	**9.2**	**8.0**		
Segment income	22,668	20,000	(2,668)	(11.8)
% of net sales	**9.5**	**8.3**		

Figures in the table are rounded down

■ Net sales



■ Segment income



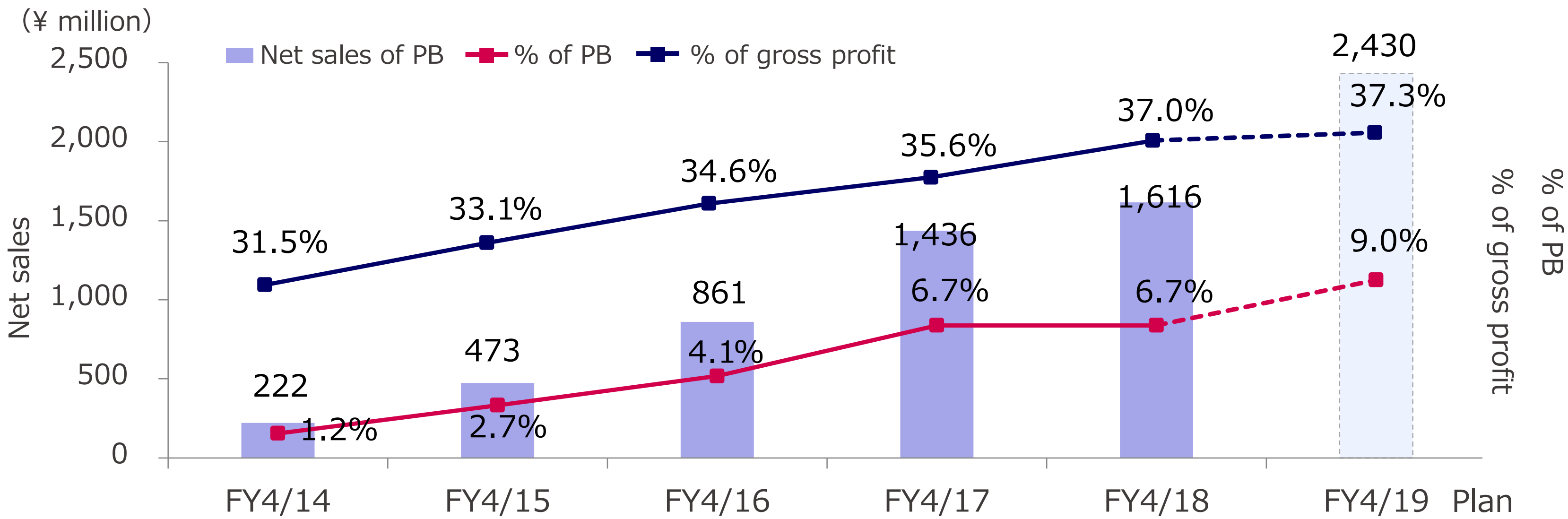
Expansion of AINZ & TULPE①

Existing store in Tokyo metropolitan area contributed significantly to the profitability in FY4/18. Earnings also improve by an increase in the gross margin due to active efforts to develop private brands and an overhaul of procurement activities.

■ Area verify

(¥ million)	Hokkaido				Honshu (The main island)			
	FY4/17	FY4/18	YoY change	YoY change(%)	FY4/17	FY4/18	YoY change	YoY change(%)
Net sales	8,608	8,787	+179	+2.1	12,775	15,329	+2,554	+20.0
Segment income	378	659	+281	+74.3	(586)	334	+920	-
% of net sales	4.4	7.5	-	-	-	2.2	-	-

■ Development of private brands and improvement of gross margin



Expansion of AINZ & TULPE②

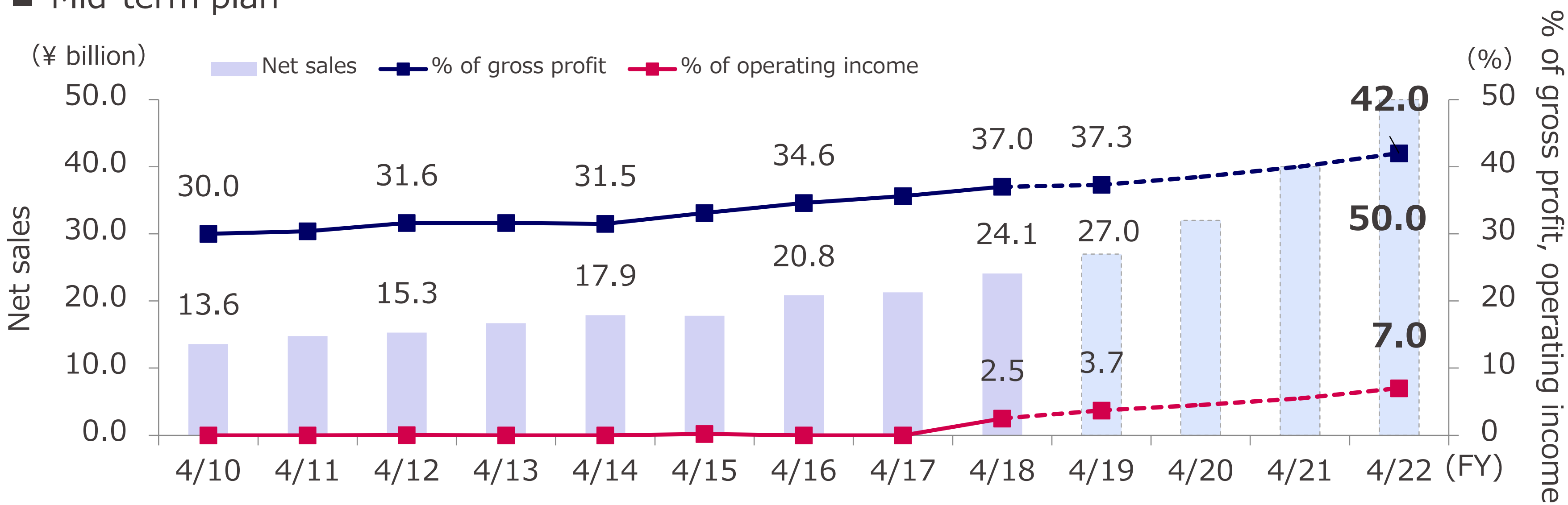
The group have been decided to open new store in Ikebukuro, Kinshicho and Shibuya until this 2Q of FY4/19. The group will actively seek to open AINZ & TULPE in the area that can attract number of customers such as metropolitan area.

	Ikebukuro 2nd store	Kinshicho 2nd store	Shibuya 2nd store
Open	Aug.2018（Plan）	Sep.2018（Plan）	Oct.2018（Plan）
Sales floor	800.3 ㎡	292.9 ㎡	465.1 ㎡（2 floors）
Annual net sales	1,500 million	700 million	1,500 million

Expansion of AINZ & TULPE③

Gross profit has been turn to profitability due to the expansion of net sales, reviews of procurement activities and greater operation efficiency in FY4/18. The group also stated its goal of reaching net sales ¥50 billion, gross profit 42% and operating income 7% in FY4/22 through open new stores in metropolitan area.

■ Mid-term plan



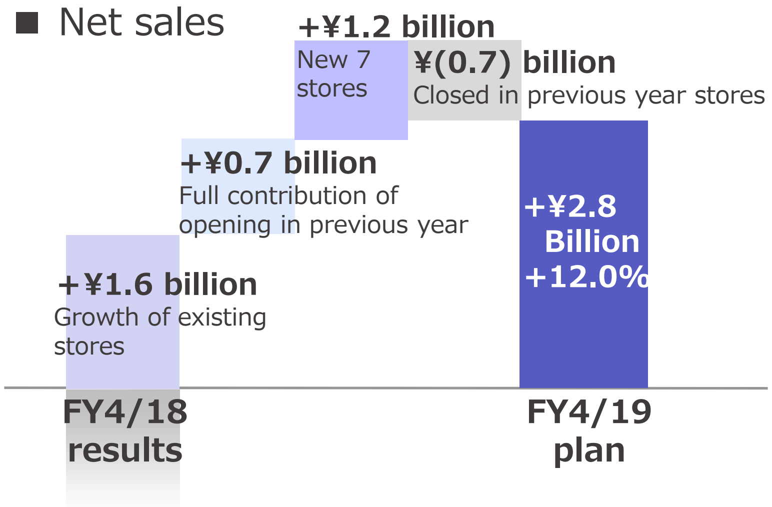
Net sales (billion)	13.6	14.8	15.3	16.7	17.9	17.8	20.8	21.3	24.1	27.0	32.0	40.0	50.0
No. of Store	49	53	56	61	59	56	52	52	48	55	65	80	100

FY4/19 Plan（Cosmetic and Drug Store Business）

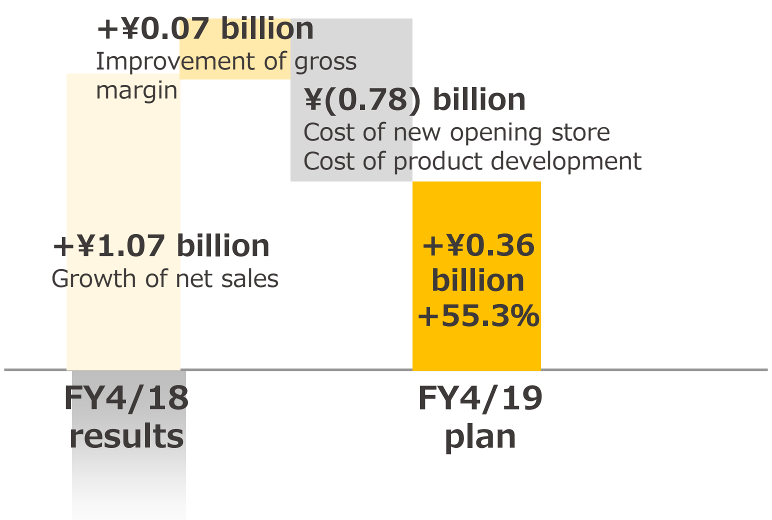
(¥ million)	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	24,117	27,000	+2,883	+12.0
Gross profit	8,925	10,060	+1,135	+12.7
% of net sales	**37.0**	**37.3**		
SG&A expenses	8,317	9,060	+743	+8.9
% of net sales	**34.5**	**33.6**		
Operating income	608	1,000	+392	+64.5
% of net sales	**2.5**	**3.7**		
Segment income	657	1,020	+363	+55.3
% of net sales	**2.7**	**3.8**		

Figures in the table are rounded down

■ Net sales



■ Segment income

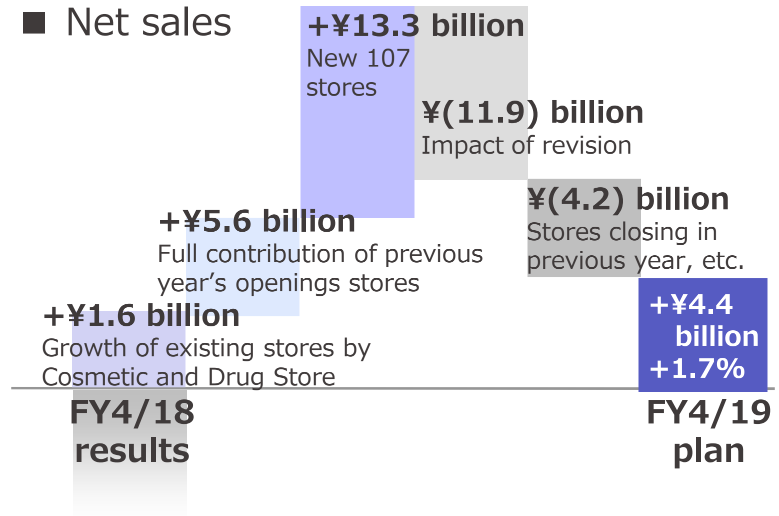


FY4/19 Plan（Consolidated）

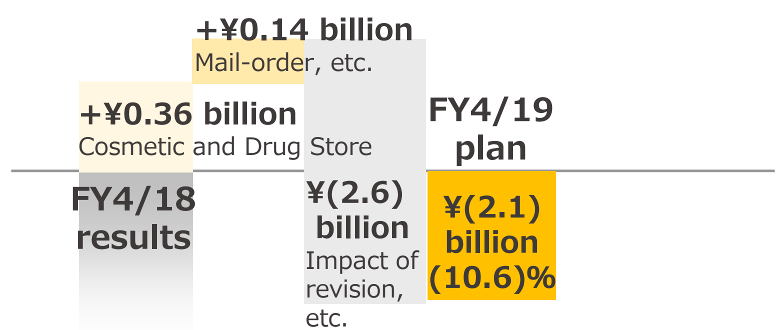
(¥ million)	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	268,385	272,870	+4,485	+1.7
Gross profit	47,993	48,040	+47	+0.1
% of net sales	**17.9**	**17.6**		
SG&A expenses	28,370	30,540	+2,170	+7.6
% of net sales	**10.6**	**11.2**		
Operating income	19,622	17,500	(2,122)	(10.8)
% of net sales	**7.3**	**6.4**		
Ordinary income	20,129	18,000	(2,129)	(10.6)
% of net sales	**7.5**	**6.6**		

▶ Figures in the table are rounded down

■ Net sales



■ Ordinary income

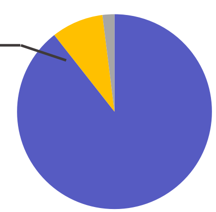


Supplementary Information

Company Profile

Trade name	AIN HOLDINGS INC
Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥265,003 million As of June 7, 2018
Net sales and operating income	Net sales: ¥268,385 million Operating income: ¥19,622 million As of April 30, 2018
Sales composition	Dispensing Pharmacy : ¥238,645 million, Cosmetic and Drug Store : ¥24,117 million, Others : ¥5,623 million As of April 30, 2018
Number of employees	9,603 (including pharmacists : 4,457) As of April 30, 2018
Group companies	《Dispensing pharmacy》 AIN PHARMACIEZ Inc. and other 65 companies. 《Staffing services》 《Consulting services》 MEDIWEL Corp., Medical Development Co., Ltd. etc. 《Generic drug wholesales》 WHOLESALE STARS Co., Ltd As of April 30, 2018
Number of stores	1,077 (1,029 dispensing pharmacies, 48 cosmetic and drug stores) As of April 30, 2018

Cosmetic and Drug Store 9.0%

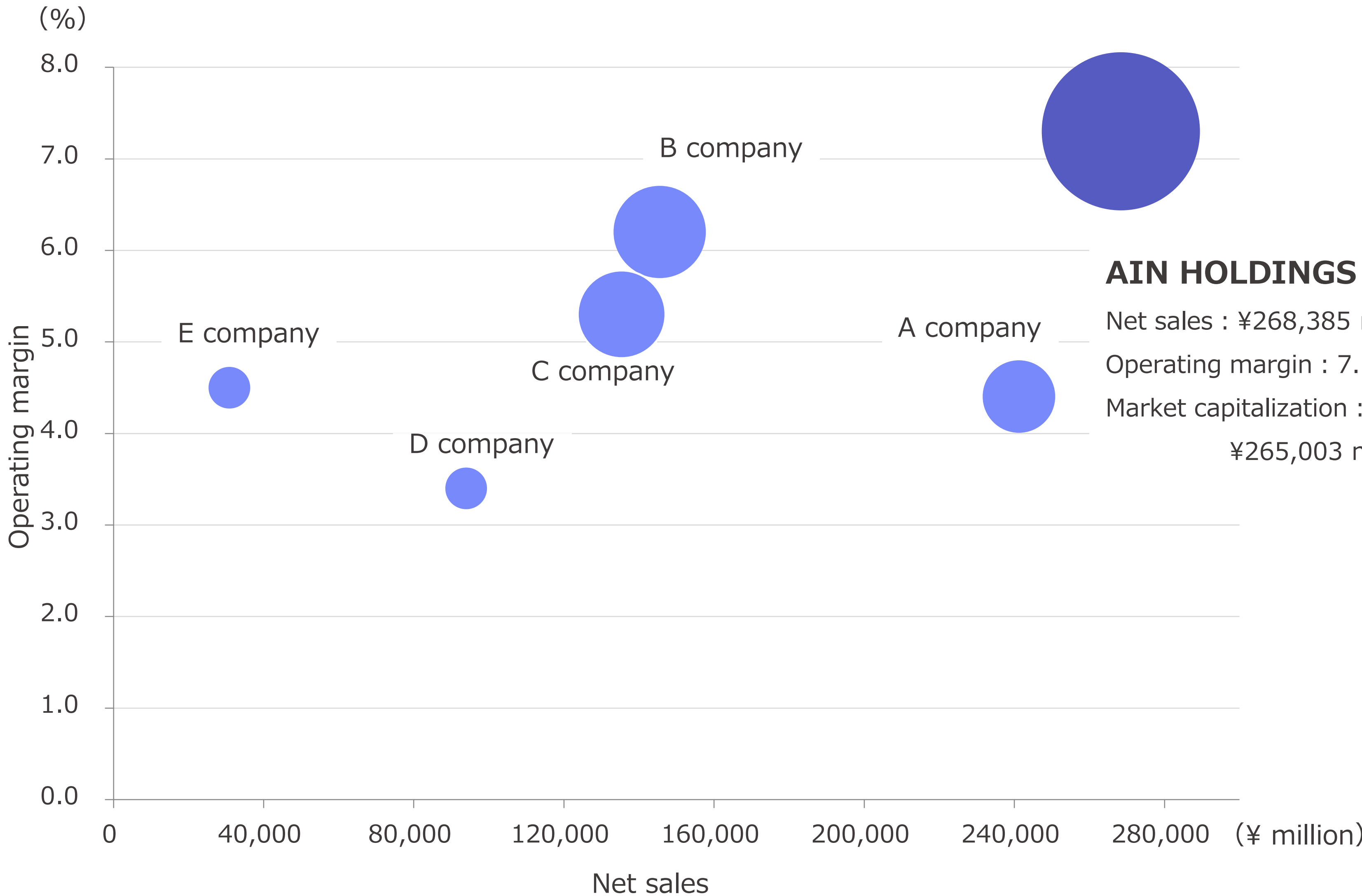


FY4/18 Consolidated net sales

¥268,385 million

Dispensing Pharmacy 88.9%

Comparison to Other Companies



AIN HOLDINGS

Net sales : ¥268,385 million

Operating margin : 7.3%

Market capitalization :

¥265,003 million

- Based on each company’s summary of financial statement for FY 3/18 (Ain HD: FY4/18)
- Size of circle is proportional to market capitalization on June 7, 2018

Inquiries related to this presentation should be addressed to

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AIN GROUP