

FY4/20 2Q

IR PRESENTATION

AIN HOLDINGS INC.
December 2019

Results Overview



Consolidated P/L

Net sales increased 10.7% YoY and 1.3% against the plan due to 20 stores opened during first six months, including those acquired through M&A. Ordinary income up 24.9% YoY and 0.1% against the plan due to an increase in net sales as planned.

(¥ million)	FY4/19 2Q results	FY4/20 2Q plan	FY4/20 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	131,781	144,050	145,851	+14,070	+10.7	+1.3
Gross profit % of net sales	21,413 16.2	23,890 16.6	23,660 16.2	+2,247	+10.5	(1.0)
SG&A expenses % of net sales	14,681 11.1	15,390 10.7	15,305 10.5	+624	+4.3	(0.6)
Operating income % of net sales	6,731 5.1	8,500 5.9	8,354 5.7	+1,623	+24.1	(1.7)
Ordinary income % of net sales	7,018 5.3	8,750 6.1	8,762 6.0	+1,744	+24.9	+0.1
Profit attributable to owners of parent % of net sales	3,639 2.8	4,640 3.2	4,622 3.2	+983	+27.0	(0.4)
Earnings per share(¥)	102.73	130.97	130.47	+27.74	+27.0	(0.4)

► Figures in the table are rounded down



Dispensing Pharmacy Business (Consolidated)

Net sales increased 12.1% YoY and 2.2% against the plan due to the full contribution of stores opened in previous fiscal year and increasing of average prescription price. Segment income up 29.3% YoY and declined 0.7% against the plan due to the up-front expenditures.

(¥ million)	FY4/19 2Q results	FY4/20 2Q plan	FY4/20 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	116,376	127,690	130,499	+14,123	+12.1	+2.2
Gross profit % of net sales	15,036 12.9	17,330 13.6	17,390 13.3	+2,354	+15.7	+0.3
SG&A expenses % of net sales	7,419 6.4	7,290 5.7	7,487 5.7	+68	+0.9	+2.7
Operating income % of net sales	7,616 6.5	10,040 7.9	9,902 7.6	+2,286	+30.0	(1.4)
Segment income % of net sales	7,875 6.8	10,260 8.0	10,185 7.8	+2,310	+29.3	(0.7)
Number of pharmacies	1,081	1,136	1,106	+25	+2.3	(2.6)

▶ Figures in the table are rounded down

▶ Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income

▶ Prescription volume: +8.0% YoY

▶ Average prescription price: +3.9% YoY



Cosmetic and Drug Store Business (Consolidated)

Net sales increased 4.4% YoY and decreased 5.8% against the plan due to slow down in the inbound demand. Segment income decreased 19.9% YoY and 27.3% against the plan due to the cost in advance for new opening stores.

(¥ million)	FY4/19 2Q results	FY4/20 2Q plan	FY4/20 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	12,544	13,900	13,099	+555	+4.4	(5.8)
Gross profit	4,698	5,300	5,073	+375	+8.0	(4.3)
% of net sales	37.5	38.1	38.7			
SG&A expenses	4,191	4,700	4,649	+458	+10.9	(1.1)
% of net sales	33.4	33.8	35.5			
Operating income	506	600	423	(83)	(16.4)	(29.5)
% of net sales	4.0	4.3	3.2			
Segment income	552	608	442	(110)	(19.9)	(27.3)
% of net sales	4.4	4.4	3.4			
Number of stores	52	58	60	+8	+15.4	+3.4

- ▶ 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: +8.6% YoY ▶ Average spending per customer: (3.8)% YoY



Consolidated B/S

Net cash became ¥35,282million due to repayment of debts and shareholders' equity ratio became 56.7%. We are maintaining a sound financial structure.

(¥ million)

End-FY4/19			
Assets		Liabilities	
Current assets	85,446	Current liabilities	73,744
Cash on hand and in banks	48,091	Short-term debt	5,571
		Lease obligations	318
Fixed assets	103,515	Long-term liabilities	11,355
Goodwill	45,249	Long-term debt	5,985
		Lease obligations	401
Deferred assets	59	Total net assets	103,922
Total assets	189,021	Total liabilities and net assets	189,021

Net cash	35,814
Shareholders' equity ratio(%)	54.9

(¥ million)

End-FY4/20 2Q			
Assets		Liabilities	
Current assets	84,230	Current liabilities	71,885
Cash on hand and in banks	44,441	Short-term debt	4,555
		Lease obligations	254
Fixed assets	103,499	Long-term liabilities	9,301
Goodwill	43,119	Long-term debt	4,079
		Lease obligations	269
Deferred assets	37	Total net assets	106,580
Total assets	187,767	Total liabilities and net assets	187,767

Net cash	35,282
Shareholders' equity ratio(%)	56.7

▶ 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 decreased ¥1,254 million from the end of the previous fiscal year. Mainly reflected an decrease in cash on hand and in banks and goodwill.

(¥ million)	End-FY4/19 2Q	End-FY4/19	End-FY4/20 2Q	Change
Cash on hand and in banks	57,337	48,091	44,441	(3,650)
Notes and accounts receivable	10,835	12,771	14,932	+2,161
Inventories	12,088	12,898	14,439	+1,541
Total current assets	91,323	85,446	84,230	(1,216)
Buildings and structures,net	15,732	16,352	16,558	+206
Land	10,376	10,394	10,658	+264
Lease assets	762	571	415	(156)
Total property,plant and equipment	29,339	30,186	30,901	+715
Goodwill	40,993	45,249	43,119	(2,130)
Lease assets	11	7	6	(1)
Total intangible fixed assets	43,064	47,577	45,761	(1,816)
Investments in securities	2,254	1,795	2,096	+301
Deferred tax assets	3,915	4,284	4,260	(24)
Deposits and guarantees	11,540	15,133	15,401	+268
Total investments and other assets	20,755	25,751	26,836	+1,085
Total fixed assets	93,159	103,515	103,499	(16)
Total deferred assets	81	59	37	(22)
Total assets	184,564	189,021	187,767	(1,254)

- ▶ Figures in the table are rounded down
- ▶ Change:End-FY4/20 2Q compared with End-FY4/19
- ▶ Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥3,857 million



Liabilities and Net Assets

The balance of liabilities decreased ¥3,913 million from the end of the previous fiscal year due to the repayment of debts etc.

(¥ million)	End-FY4/19 2Q	End-FY4/19	End-FY4/20 2Q	Change
Accounts payable	42,131	44,794	45,639	+845
Short-term debt	8,143	5,571	4,555	(1,016)
Lease obligations	367	318	254	(64)
Total current liabilities	72,397	73,744	71,885	(1,859)
Long-term debt	8,660	5,985	4,079	(1,906)
Lease obligations	541	401	269	(132)
Total long-term liabilities	13,631	11,355	9,301	(2,054)
Total liabilities	86,028	85,099	81,186	(3,913)
Common stock	21,894	21,894	21,894	-
Capital surplus	20,500	20,500	20,500	-
Retained earnings	56,137	61,526	64,200	+2,674
Total shareholders' equity	98,530	103,920	106,594	+2,674
Total net assets	98,535	103,922	106,580	+2,658
Total liabilities and net assets	184,564	189,021	187,767	(1,254)

▶ Figures in the table are rounded down

▶ Change : End-FY4/20 2Q compared with End-FY4/19



Consolidated C/F

The change of Net cash used in investing activities became ¥4,361 million due to the store opening including M&A, etc.

(¥ million)	FY4/19 2Q	FY4/20 2Q	Change
Net cash provided by operating activities	4,402	6,024	+1,622
Profit before income taxes	6,668	8,439	+1,771
Depreciation and amortization	1,795	1,928	+133
Amortization of goodwill	2,007	2,182	+175
(Increase) decrease in accounts receivable	1,030	(2,104)	(3,134)
(Increase) decrease in inventories	(1,953)	(1,530)	+423
(Increase) decrease in other accounts receivable	(364)	336	+700
Increase (decrease) in accounts payable	994	765	(229)
Net cash used in investing activities	(5,860)	(4,361)	+1,499
Payments for purchases of property, plant and equipment and intangible fixed assets	(1,923)	(3,448)	(1,525)
Net cash provided by financing activities	(5,183)	(5,100)	+83
Net increase in cash and cash equivalents	(6,642)	(3,436)	+3,206
Cash and cash equivalents at end of the year	56,590	44,059	(12,531)

► Figures in the table are rounded down



Business Value Analysis

	FY4/19 2Q	FY4/19	FY4/20 2Q	Change
Shareholders' equity ratio (%)	53.4	54.9	56.7	+3.3
Market value equity ratio (%)	169.7	165.7	115.4	(54.3)
PER (times)	43.02	34.68	23.44	(19.58)
EPS (¥)	102.73	254.87	130.47	+27.74
PBR (times)	3.18	3.01	2.03	(1.15)
BPS (¥)	2,780.64	2,931.48	3,006.46	+225.82
ROA (%)	2.0	4.8	2.5	+0.5
ROE (%)	3.7	9.0	4.4	+0.7
EBITDA (¥ million)	10,534	24,154	12,466	+1,932
EV/EBITDA (times)	26.00	11.52	14.86	(11.14)
Net D/E ratio (times)	(0.40)	(0.34)	(0.33)	+0.07
Net cash (¥ million)	39,624	35,814	35,282	(4,342)
Shareholders' value (¥ million)	313,559	314,139	220,471	(93,088)
Market capitalization (¥ million)	313,178	313,178	219,650	(93,528)

- ▶ Figures in the table are rounded down ▶ Change : FY4/20 2Q compared with FY4/19 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-FY4/19 2Q ¥8,840 (End-Oct,2018), End-FY4/19 ¥8,840 (End-Apr,2019), End-FY4/20 2Q ¥6,200 (End-Oct,2019).
- ▶ Net cash = Cash on hand and in banks – Interest-bearing debt (Long and short-term debt + Lease obligations)



FY4/20 Plan (Consolidated)

The group forecasts net sales for the fiscal year ending April 30, 2020 of 300,330 million, increase 9.0% YoY and ordinary income increase 15.4% YoY.

(¥ million)	FY4/18 results	FY4/19 results	FY4/20 plan	YoY change	YoY change (%)
Net sales	268,385	275,596	300,330	+24,734	+9.0
Gross profit	47,993	45,363	50,540	+5,177	+11.4
% of net sales	17.9	16.5	16.8		
SG&A expenses	28,370	29,295	31,840	+2,545	+8.7
% of net sales	10.6	10.6	10.6		
Operating income	19,622	16,067	18,700	+2,633	+16.4
% of net sales	7.3	5.8	6.2		
Ordinary income	20,129	16,637	19,200	+2,563	+15.4
% of net sales	7.5	6.0	6.4		
Profit attributable to owners of parent	10,567	9,029	10,130	+1,101	+12.2
% of net sales	3.9	3.3	3.4		
Earnings per share(¥)	310.08	254.87	285.94	+31.07	+12.2
Annual dividend (¥)	50.00	55.00	55.00	-	0.0

► Figures in the table are rounded down ► YoY change :FY4/20 plan compared with FY4/19 results

2Q Review

Growth Strategy

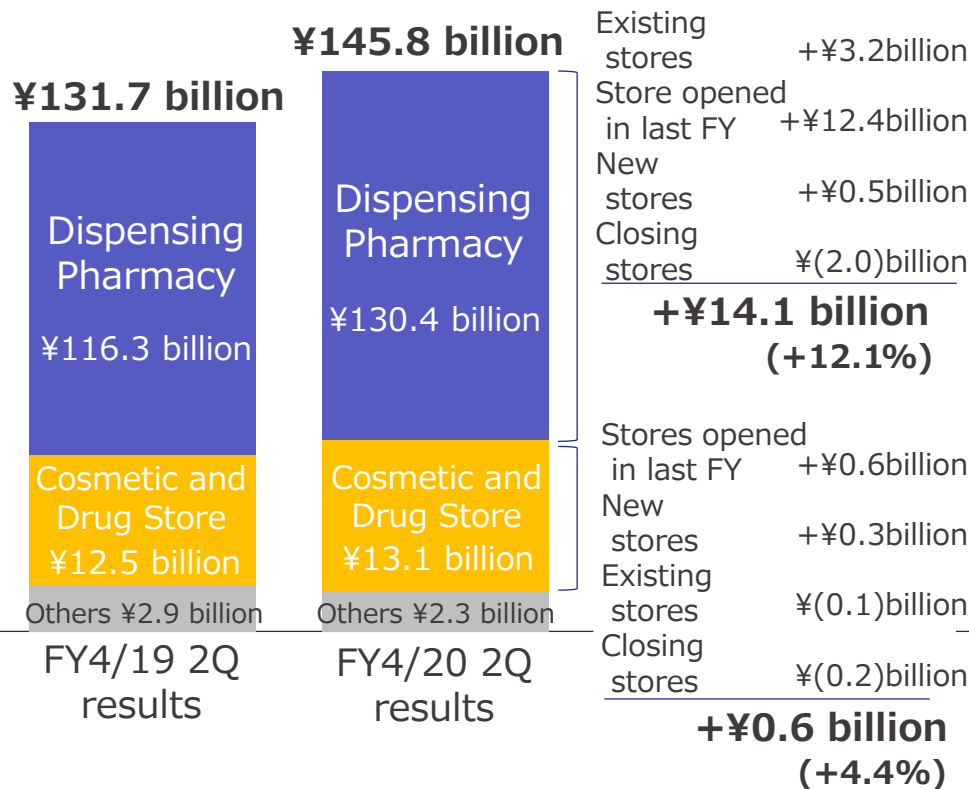
2Q Review



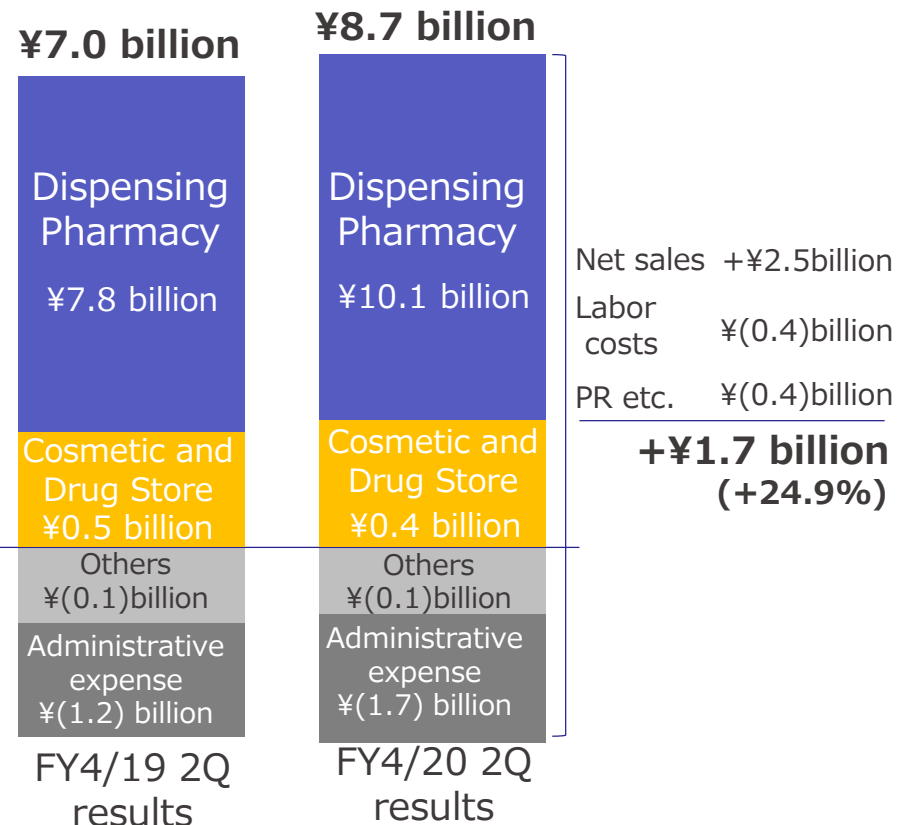
Review (YoY)

Net sales increased in both business due to the full contribution of stores opened in previous fiscal year and increasing of average prescription price. Ordinary income increased 1.7 billion YoY, reflecting the increasing of net sales.

Net sales



Ordinary income

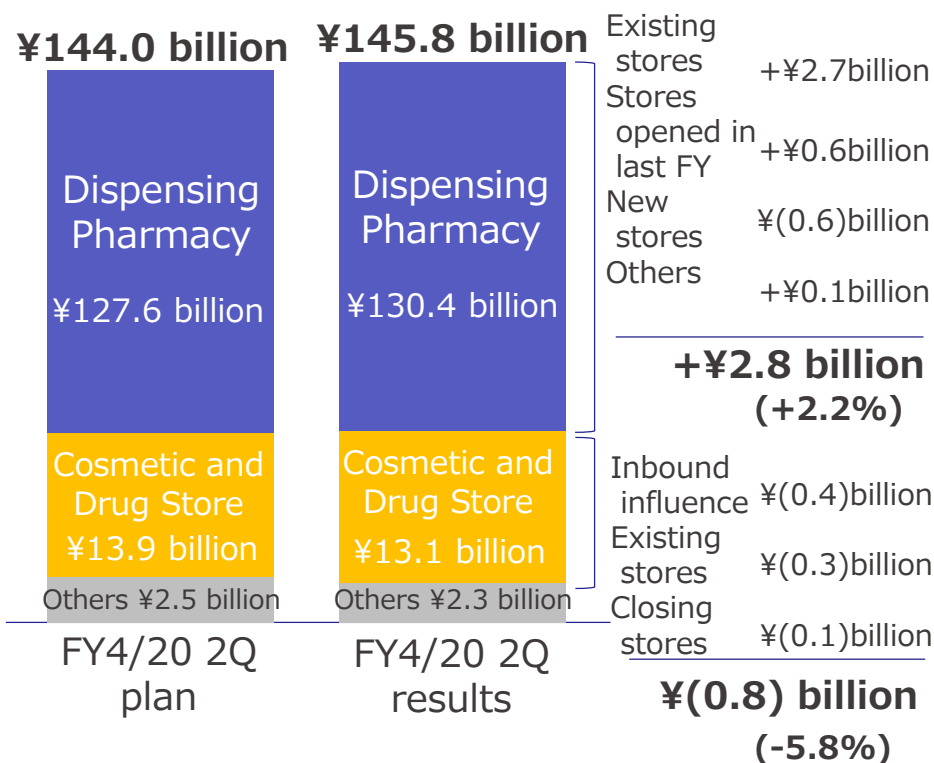




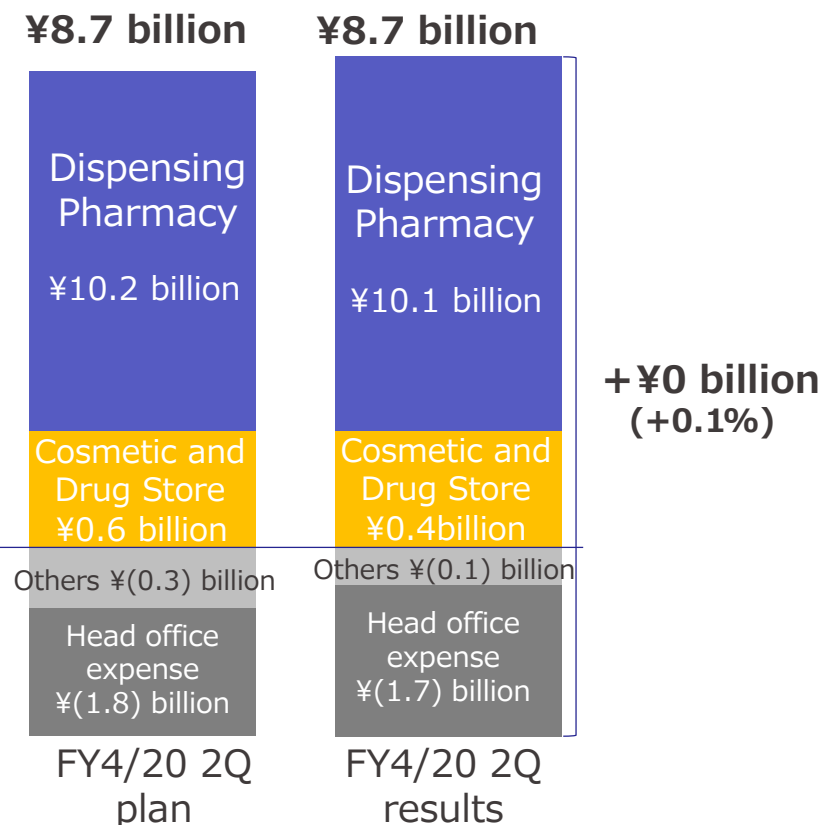
Review (Vs plan)

Net sales and ordinary income achieved the plan due to the contribution of existing stores net absorbed the influence of delay in new store opening, inclement weather and effect of inbound demand.

Net sales



Ordinary income



Growth Strategy



Growth Strategy

In anticipation of system reforms and deregulation in future, the group continues to open high potential stores and reinforcing the Group's business base.

■ Top-line

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



■ Reinforcing the Group's business base

To rebuild the Group's business base by improve the operational efficiency and logistics reform utilizing ICT and Group brand building.



■ Recruiting and training human resources, Strengthening the function of pharmacies

Recruiting activity and development of human resources with the energy of the entire company, and enhancing Primary Care and specialized functions.



■ Expansion of *ainz & tulpe*

Improve the ratio of original brands and margin by continuing to open *ainz & tulpe* in the major urban area and by implementing measures to raise brand visibility in urban markets





Top-line①

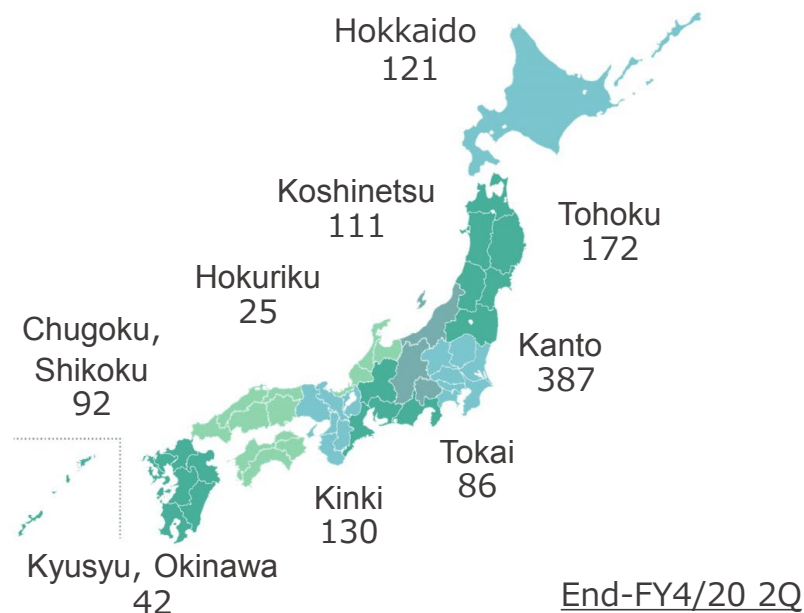
The group opened 20 stores and closed 40 stores at the end of the FY4/20 2Q.

■ Total number of stores

1,166(Dispensing pharmacy:1,106、Cosmetic and drug store:60)

■ Plan

		FY4/20 2Q		FY4/20
		Plan	Results	Plan
Opening	Dispensing Pharmacy	25	10	100
	Organic	7	5	25
	M&A	18	5	75
	Cosmetic and drug store	8	10	15 (17)
Total		33	20	115
Closed	Dispensing Pharmacy	21	36	-
	Cosmetic and drug store	4	4	5
	Total	25	40	-



▶ () is forecast of the full financial year

■ Transition of dispensing pharmacies

	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18	FY4/19	FY4/20 2Q
Organic	27	38	36	40	32	27	25	23	5
M&A	28	38	26	119	110	182	11	134	5
EV/EBITDA ratio	5.51	5.09	3.94	4.77	5.37	5.50	3.96	4.88	3.72
Closed	9	10	6	21	15	24	73	54	36
Sold	-	-	1	1	1	2	32	30	24
No. of total stores	494	560	616	754	881	1,066	1,029	1,132	1,106

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



Top-line②

During the period, we only acquired 5 stores through M&A and EV/EBITDA ratio was 3.72 due to the reason such as not meeting our criteria. Considering our M&A criteria, we will concentrate on more reliable and large-scale projects.

■ M&A criteria

	M&A criteria
Store size	Private pharmacy: Annual net sales more than ¥200 million Corporate pharmacy: Annual net sales more than ¥150 million
EV/EBITDA ratio	5 - 7 times
Profit	Contribute from next FY
Risk	Onsite pharmacy Compliance issues

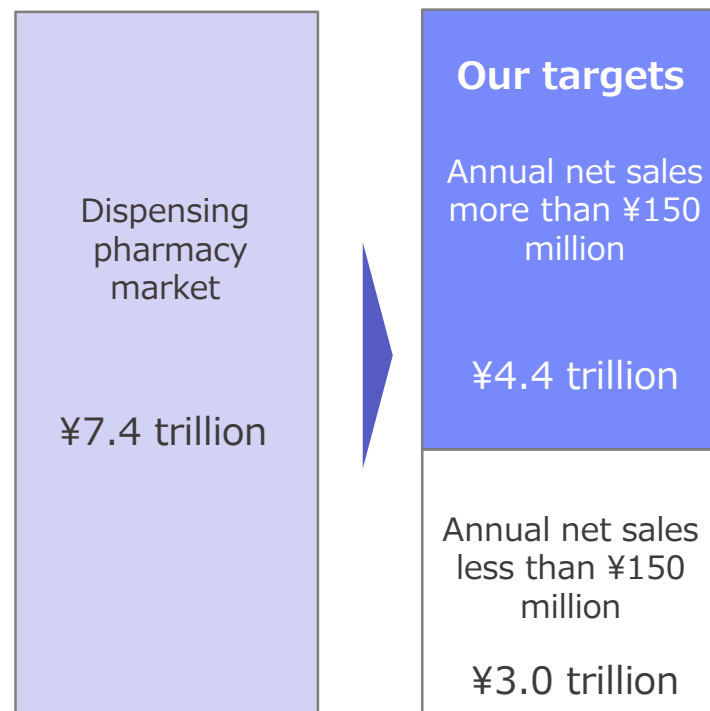
FY4/20 2Q

M&A 5 stores

Reason for decline

- Below our criteria
- Risk of onsite pharmacy

Concentrate to investments on more reliable and large-scale projects



▶ Estimated by Recent trend of national dispensing medical expenses(2018) from Ministry of Health, Labor and Welfare

▶ Estimated by DRUG magazine,2019,7



Reinforcing the Group's business base

The group established Information Technology division in July 2018 and Logistics department in May 2019. We aim to reinforcing the Group's business base by actively investing in ICT, logistics, and Group brand building that will support our future growth.

Investment projects	Subject
■ ICT・Logistics	
Securing specialized human resources	Proactively hiring people with expertise in IT and logistics
Collecting and utilizing data	Creating a company-wide database for accounting, KPI, human resources, store sales, etc. to achieve faster decision making
Raising the operating efficiency	<ul style="list-style-type: none">• Planning to launch 100 RPA robots, automation of routine work• Streamlining various inquiries and accumulating know-how by introducing ITSM
Network, Security	Rebuilding the network systems and strengthening security for preparing to future growth
Improving the customer services	<ul style="list-style-type: none">Utilizing ICT like app for improving customer satisfaction• Renewal of patient medication notebook app• Launching official <i>ainz</i> & <i>tulpe</i> app• Launch new EC website etc.
Logistic reform	<ul style="list-style-type: none">Building efficient and reliable logistics system according to group scale expanding• Running the Kasai logistic center of WSS• Launch logistics for retail business in the Kansai area
■ PR	
Enhancing Group brand	<ul style="list-style-type: none">Group branding building for stakeholders, recruiting and business development• Launch a nationwide TV advertising campaign, for both business• Rebrand store's signboards as "AIN Pharmacy"



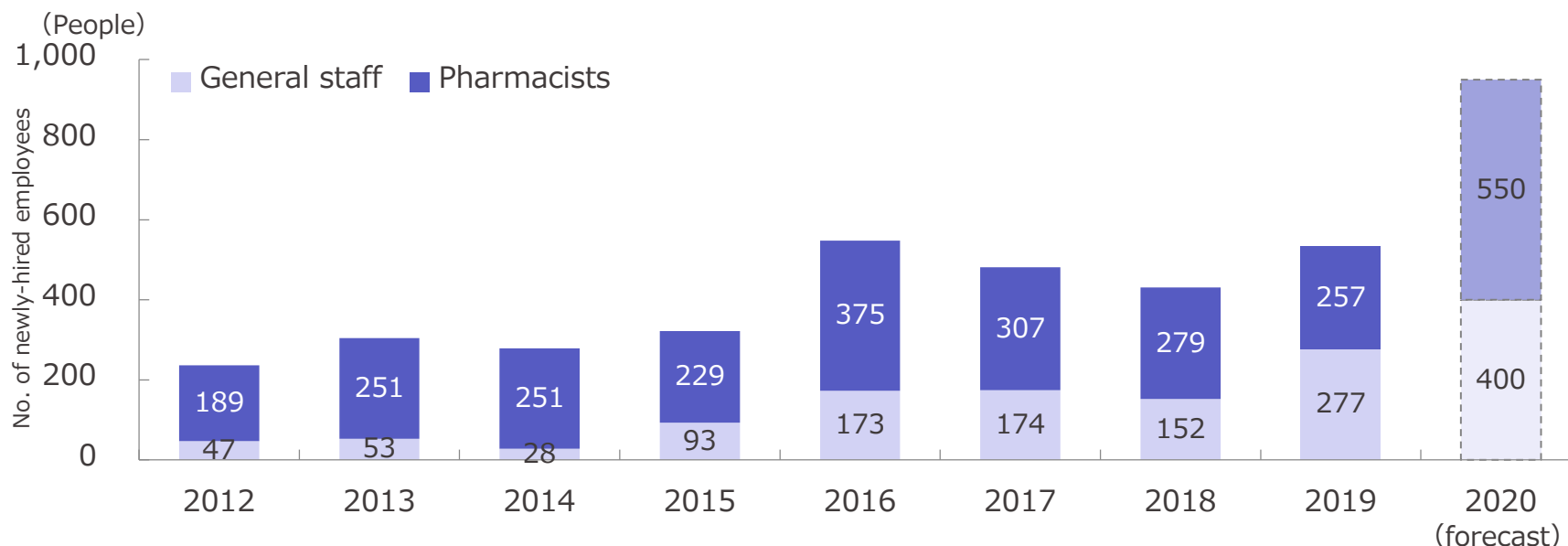
Recruiting of Pharmacists

In April 2019, new 534 employees (pharmacists 257, general staff 277) has joined our group. To prepare for store openings in future, 550 pharmacists and 400 general staff are appointed to join the group in April 2020 .

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

(People)	2012	2013	2014	2015	2016	2017	2018	2019	2020 (forecast)
No. of newly qualified pharmacists hired in AIN Group	189	251	251	229	375	307	279	257	550
No. of pharmacists' national examination passers (pass rate)	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%)	10,194 (70.9%)	-
Rate of newly qualified pharmacists hired in AIN Group	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% (8.0%)	2.5% (-)	-

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





Expansion of *ainz & tulpe*①

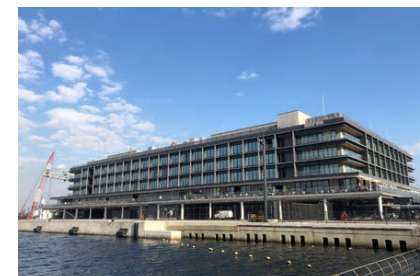
Despite the influence of the consumption tax raising, inclement weather and effect of inbound demand, gross profit margin has continued increasing due to the strengthen merchandise lineup and overhaul of procurement activities. Although the prior investment for the store openings and app development has increased, our latest stores tend to see a steep rise in profits in the second year of operation.

■ Results review

(¥ million)	FY4/19 2Q	FY4/20 2Q	YoY change	YoY change(%)
Net sales	12,544	13,099	+555	+4.4
Existing Stores	11,982	11,857	(125)	(1.0)
Gross profit margin (%)	37.5	38.7	+1.2	-

■ *ainz & tulpe* BEAUTY FACTORY YOKOHAMA HAMMERHEAD

Open	Oct 31, 2019
Sales floor	257m ²
S K U	7,000



■ *ainz & tulpe* LINKS UMEDA

Open	Nov 16, 2019
Sales floor	587m ²
S K U	14,000





Expansion of *ainz & tulpe*②

ainz & tulpe
new store opening in FY4/20
(forecast)

17 stores



LINKS UMEDA (16/11/19)

Pole Town 2 (5/9/19)



ASAKUSA ROX (21/6/19)

OMIYA ARCHE (25/10/19)

bono SAGAMIONO (30/5/19)

Kyoto
(Planning to open in April 2020)

Osaka
(Planning to open in April 2020)

Yamaguchi
(Planning to open in March 2020)

Fukuoka
(Planning to open in March 2020)

SAKAE Central Park (11/10/19)



BEAUTY FACTORY
YOKOHAMA HAMMERHEAD (31/10/19)



KAWASAKI ZERO GATE (8/8/19)

Ginza INZ (8/11/19)

PERIE Kaihimmakuhari (30/10/19)

PERIE Chiba (25/7/19)

KASHIWA Modi (13/9/19)

(Planning to open in March 2020)

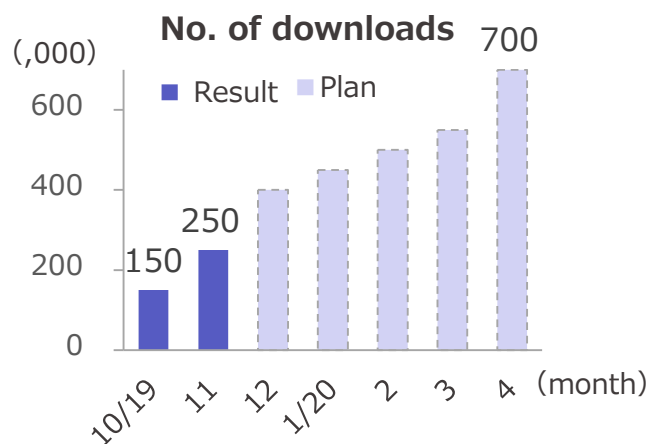
Miyagi



Expansion of *ainz & tulpe*③

The official *ainz & tulpe* app, released in October, has made good progress and reached about 250,000 downloads (end of Nov. 2019). On November 1, 2019, the group acquired the cosmetic brand “DAZZSHOP”, which develops high-trend make-up products including color contact lenses. It can enhance our brand value and make our store more appealing.

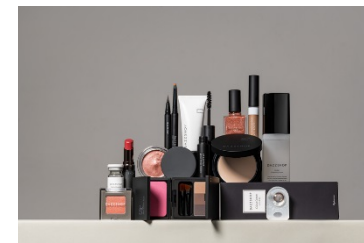
■ The official *ainz & tulpe* app



To improve customer satisfaction by **reducing sales opportunity loss** and **optimize store inventory** in conjunction with our new EC website which we plan to launch in April 2020

■ DAZZSHOP

DAZZSHOP is a cosmetic brand that focused on eye make-up, including color contact lenses. It has various sales channels such as Japan, Shanghai, Taiwan, Hong Kong.



area	Sales channels
Japan	Company store: 5 stores (Department stores and retail facilities) Semi-self store: 25 stores
Shanghai	EC Company store: 1 store
Taiwan	EC Semi-self store: 6 stores
Hong Kong	Semi-self store: 5 stores

▶ Semi-self store: mainly sold in “@cosme STORE”, “Amuse Beauté”, “Fruit GATHERING” stores.



FY4/20 Plan (Consolidated)

The group forecasts net sales for the fiscal year ending April 30, 2020 of 300,330 million, increase 9.0% YoY and ordinary income increase 15.4% YoY.

(¥ million)	FY4/18 results	FY4/19 results	FY4/20 plan	YoY change	YoY change (%)
Net sales	268,385	275,596	300,330	+24,734	+9.0
Gross profit	47,993	45,363	50,540	+5,177	+11.4
% of net sales	17.9	16.5	16.8		
SG&A expenses	28,370	29,295	31,840	+2,545	+8.7
% of net sales	10.6	10.6	10.6		
Operating income	19,622	16,067	18,700	+2,633	+16.4
% of net sales	7.3	5.8	6.2		
Ordinary income	20,129	16,637	19,200	+2,563	+15.4
% of net sales	7.5	6.0	6.4		
Profit attributable to owners of parent	10,567	9,029	10,130	+1,101	+12.2
% of net sales	3.9	3.3	3.4		
Earnings per share(¥)	310.08	254.87	285.94	+31.07	+12.2
Annual dividend (¥)	50.00	55.00	55.00	-	0.0

► Figures in the table are rounded down ► YoY change :FY4/20 plan compared with FY4/19 results

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AIN GROUP