

FY4/20

IR PRESENTATION

AIN HOLDINGS INC.
June 2020

Results Overview

Consolidated P/L

Net sales increased 6.2% YoY and decreased 0.2% against the plan due to the impact of the COVID-19 outbreak, despite the contribution of 35 stores opened(including M&A) in this fiscal year and store opened in previous year. Ordinary income up 1.1% YoY and declined 2.2% against the plan due to net sales lower than forecast.

| (¥ million) | FY4/19 results | FY4/20 plan | FY4/20 results | YoY change | YoY change(%) | Vs plan (%) |
|--|-------------------|----------------|-------------------|---------------|------------------|----------------|
| Net sales | 275,596 | 293,230 | 292,615 | +17,019 | +6.2 | (0.2) |
| Gross profit | 45,363 | 47,680 | 46,861 | +1,498 | +3.3 | (1.7) |
| % of net sales | 16.5 | 16.3 | 16.0 | | | |
| SG&A expenses | 29,295 | 31,180 | 30,793 | +1,498 | +5.1 | (1.2) |
| % of net sales | 10.6 | 10.6 | 10.5 | | | |
| Operating income | 16,067 | 16,500 | 16,068 | +1 | +0.0 | (2.6) |
| % of net sales | 5.8 | 5.6 | 5.5 | | | |
| Ordinary income | 16,637 | 17,200 | 16,822 | +185 | +1.1 | (2.2) |
| % of net sales | 6.0 | 5.9 | 5.7 | | | |
| Profit attributable to owners of parent | 9,029 | 9,250 | 9,179 | +150 | +1.7 | (0.8) |
| % of net sales | 3.3 | 3.2 | 3.1 | | | |
| Earnings per share(¥) | 254.87 | 261.10 | 259.11 | +4.24 | +1.7 | (0.8) |

► Figures in the table are rounded down

Dispensing Pharmacy Business (Consolidated)

Net sales increased 7.7% YoY and 0.0% against the plan due to the full contribution of stores opened in previous year and increase in average prescription price. Segment income up 13.7% YoY and declined 1.9% against the plan due to the impact of the COVID-19 outbreak.

| (¥ million) | FY4/19 results | FY4/20 plan | FY4/20 results | YoY change | YoY change(%) | Vs plan (%) |
|-------------------------|-------------------|----------------|-------------------|---------------|------------------|----------------|
| Net sales | 245,003 | 263,760 | 263,750 | +18,747 | +7.7 | (0.0) |
| Gross profit | 32,741 | 35,640 | 34,960 | +2,219 | +6.8 | (1.9) |
| % of net sales | 13.4 | 13.5 | 13.3 | | | |
| SG&A expenses | 14,882 | 14,940 | 14,664 | (218) | (1.5) | (1.8) |
| % of net sales | 6.1 | 5.7 | 5.6 | | | |
| Operating income | 17,859 | 20,700 | 20,295 | +2,436 | +13.6 | (2.0) |
| % of net sales | 7.3 | 7.8 | 7.7 | | | |
| Segment income | 18,331 | 21,250 | 20,850 | +2,519 | +13.7 | (1.9) |
| % of net sales | 7.5 | 8.1 | 7.9 | | | |
| Number of pharmacies | 1,132 | 1,089 | 1,088 | (44) | (3.9) | (0.1) |

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the consolidated statements of income
- ▶ Prescription volume: +1.7% YoY
- ▶ Average prescription price: +5.8% YoY

Cosmetic and Drug Store Business (Consolidated)

Net sales declining 2.0% YoY and 2.8% against the plan due to temporarily closed or shorted opening hours at many stores, despite the group has opened 15 stores in this fiscal year. Segment income decreased 73.0% YoY and 12.7% against the plan due to net sales lower than plan.

| (¥ million) | FY4/19 results | FY4/20 plan | FY4/20 results | YoY change | YoY change(%) | Vs plan (%) |
|------------------|-------------------|----------------|-------------------|---------------|------------------|----------------|
| Net sales | 25,210 | 25,400 | 24,701 | (509) | (2.0) | (2.8) |
| Gross profit | 9,535 | 9,980 | 9,753 | +218 | +2.3 | (2.3) |
| % of net sales | 37.8 | 39.3 | 39.5 | | | |
| SG&A expenses | 8,632 | 9,730 | 9,596 | +964 | +11.2 | (1.4) |
| % of net sales | 34.2 | 38.3 | 38.8 | | | |
| Operating income | 903 | 250 | 157 | (746) | (82.6) | (37.2) |
| % of net sales | 3.6 | 1.0 | 0.6 | | | |
| Segment income | 972 | 300 | 262 | (710) | (73.0) | (12.7) |
| % of net sales | 3.9 | 1.2 | 1.1 | | | |
| Number of stores | 54 | 66 | 63 | +9 | +16.7 | (4.5) |

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the consolidated statements of income
- ▶ Number of customers: +3.1% YoY
- ▶ Average spending per customer: (4.7)% YoY

Consolidated B/S

Net cash became ¥39,899million due to repayment of debts and shareholders' equity ratio became 57.3%. 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 | | | |
|---------------------------|---------|----------------------------------|---------|
| Assets | | Liabilities | |
| Current assets | 87,802 | Current liabilities | 74,700 |
| Cash on hand and in banks | 46,321 | Short-term debt | 3,642 |
| | | Lease obligations | 193 |
| Fixed assets | 105,632 | Long-term liabilities | 7,747 |
| Goodwill | 42,123 | Long-term debt | 2,432 |
| | | Lease obligations | 154 |
| Deferred assets | 15 | Total net assets | 111,003 |
| Total assets | 193,451 | Total liabilities and net assets | 193,451 |

| | |
|-------------------------------|--------|
| Net cash | 39,899 |
| Shareholders' equity ratio(%) | 57.3 |

▶ 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 ¥4,430 million from the end of the previous fiscal year due to new store openings and M&A.

| (¥ million) | End-FY4/18 | End-FY4/19 | End-FY4/20 | Change | |
|--|----------------|----------------|----------------|----------------|------------------------------|
| Cash on hand and in banks | 63,779 | 48,091 | 46,321 | (1,770) | M&A New store openings |
| Notes and accounts receivable | 10,466 | 12,771 | 13,653 | +882 | |
| Inventories | 9,580 | 12,898 | 15,322 | +2,424 | |
| Total current assets | 94,557 | 85,446 | 87,802 | +2,356 | |
| Buildings and structures, net | 14,934 | 16,352 | 16,609 | +257 | |
| Land | 10,041 | 10,394 | 10,960 | +566 | |
| Lease assets | 824 | 571 | 272 | (299) | |
| Total property, plant and equipment | 27,853 | 30,186 | 30,874 | +688 | |
| Goodwill | 38,011 | 45,249 | 42,123 | (3,126) | |
| Lease assets | 11 | 7 | 5 | (2) | |
| Total intangible fixed assets | 40,132 | 47,577 | 44,916 | (2,661) | |
| Investments in securities | 2,375 | 1,795 | 2,295 | +500 | |
| Deferred tax assets | 3,772 | 4,284 | 4,211 | (73) | |
| Deposits and guarantees | 11,339 | 15,133 | 19,144 | +4,011 | |
| Total investments and other assets | 20,732 | 25,751 | 29,841 | +4,090 | |
| Total fixed assets | 88,718 | 103,515 | 105,632 | +2,117 | |
| Total deferred assets | 103 | 59 | 15 | (44) | |
| Total assets | 183,380 | 189,021 | 193,451 | +4,430 | |

► Figures in the table are rounded down ► Change: End-FY4/20 compared with End-FY4/19

► Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥10,536 million

Liabilities and Net Assets

The balance of liabilities decreased ¥2,652 million from the end of the previous fiscal year due to the repayment of debts etc.

| (¥ million) | End-FY4/18 | End-FY4/19 | End-FY4/20 | Change |
|---|----------------|----------------|----------------|----------------|
| Accounts payable | 38,728 | 44,794 | 47,187 | +2,393 |
| Short-term debt | 6,717 | 5,571 | 3,642 | (1,929) |
| Lease obligations | 443 | 318 | 193 | (125) |
| Total current liabilities | 69,950 | 73,744 | 74,700 | +956 |
| Long-term debt | 11,511 | 5,985 | 2,432 | (3,553) |
| Lease obligations | 632 | 401 | 154 | (247) |
| Total long-term liabilities | 16,696 | 11,355 | 7,747 | (3,608) |
| Total liabilities | 86,646 | 85,099 | 82,447 | (2,652) |
| Common stock | 21,894 | 21,894 | 21,894 | - |
| Capital surplus | 20,500 | 20,500 | 20,500 | - |
| Retained earnings | 54,268 | 61,526 | 68,758 | +7,232 |
| Total shareholders' equity | 96,662 | 103,920 | 111,151 | +7,231 |
| Total net assets | 96,733 | 103,922 | 111,003 | +7,081 |
| Total liabilities and net assets | 183,380 | 189,021 | 193,451 | +4,430 |

Repayment
of debts

- ▶ Figures in the table are rounded down
- ▶ Change : End-FY4/20 compared with End-FY4/19

Consolidated C/F

Operating activities was ¥17,747 million due to the promotion of new store opening especially focus on large-scale store.

(¥ million)

| | FY4/19 | FY4/20 | Change |
|---|-----------------|-----------------|----------------|
| Net cash provided by operating activities | 14,788 | 17,747 | +2,959 |
| Profit before income taxes | 15,624 | 15,930 | +306 |
| Depreciation and amortization | 3,903 | 4,087 | +184 |
| Amortization of goodwill | 4,183 | 4,357 | +174 |
| (Increase) decrease in accounts receivable | 843 | (429) | (1,272) |
| Increase (decrease) in inventories | (2,054) | (1,939) | +115 |
| (Increase) decrease in other accounts receivable | (407) | (530) | (123) |
| Increase (decrease) in accounts payable | 1,685 | 1,793 | +108 |
| Net cash used in investing activities | (19,985) | (11,474) | +8,511 |
| Payments for purchases of property, plant and equipment and intangible fixed assets | (4,990) | (6,378) | (1,388) |
| Purchase of subsidiaries' shares resulting in obtaining controls | (13,246) | (1,442) | +11,804 |
| Net cash provided by financing activities | (10,681) | (7,837) | +2,844 |
| Net increase in cash and cash equivalents | (15,878) | (1,564) | +14,314 |
| Cash and cash equivalents at end of the year | 47,495 | 45,931 | (1,564) |

► Figures in the table are rounded down

Business Value Analysis

| | FY4/18 | FY4/19 | FY4/20 | Change |
|-----------------------------------|----------|----------|----------|----------|
| Shareholders' equity ratio (%) | 52.7 | 54.9 | 57.3 | +2.4 |
| Market value equity ratio (%) | 141.0 | 165.7 | 110.4 | (55.3) |
| PER (times) | 23.54 | 34.68 | 23.27 | (11.41) |
| EPS (¥) | 310.08 | 254.87 | 259.11 | +4.24 |
| PBR (times) | 2.67 | 3.01 | 1.92 | (1.09) |
| BPS (¥) | 2,729.44 | 2,931.48 | 3,130.77 | +199.29 |
| ROA (%) | 6.2 | 4.8 | 4.8 | 0.0 |
| ROE (%) | 13.5 | 9.0 | 8.5 | (0.5) |
| EBITDA (¥ million) | 27,156 | 24,154 | 24,513 | +359 |
| EV/EBITDA (times) | 7.90 | 11.52 | 7.11 | (4.41) |
| Net D/E ratio (times) | (0.46) | (0.34) | (0.36) | (0.02) |
| Net cash (¥ million) | 44,474 | 35,814 | 39,899 | +4,085 |
| Shareholders' value (¥ million) | 258,928 | 314,139 | 214,258 | (99,881) |
| Market capitalization (¥ million) | 258,620 | 313,178 | 213,627 | (99,551) |

- ▶ Figures in the table are rounded down ▶ Change : FY4/20 compared with FY4/19
- ▶ 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-FY4/18 ¥7,300 (End-Apr,2018), End-FY4/19 ¥8,840 (End-Apr,2019), End-FY4/20 ¥6,030 (End-Apr,2020).
- ▶ Net cash = Cash on hand and in banks – Interest-bearing debt (Long-and short-term debt + Lease obligations)

FY4/21 Plan (Consolidated)

The group forecasts net sales for the fiscal year ending April 30, 2021 increase 6.3% and ordinary income decrease 10.8% YoY by open new stores (50 dispensing pharmacies and 12 cosmetic and drug stores).

| (¥ million) | FY4/19 results | FY4/20 results | FY4/21 plan | YoY change | YoY change (%) |
|--|-------------------|-------------------|----------------|---------------|-------------------|
| Net sales | 275,596 | 292,615 | 311,000 | +18,385 | +6.3 |
| Gross profit % of net sales | 45,363 16.5 | 46,861 16.0 | 51,070 16.4 | +4,209 | +9.0 |
| SG&A expenses % of net sales | 29,295 10.6 | 30,793 10.5 | 36,470 11.7 | +5,677 | +18.4 |
| Operating income % of net sales | 16,067 5.8 | 16,068 5.5 | 14,600 4.7 | (1,468) | (9.1) |
| Ordinary income % of net sales | 16,637 6.0 | 16,822 5.7 | 15,000 4.8 | (1,822) | (10.8) |
| Profit attributable to owners of parent % of net sales | 9,029 3.3 | 9,179 3.1 | 8,200 2.6 | (979) | (10.7) |
| Earnings per share(¥) | 254.87 | 259.11 | 231.46 | (27.65) | (10.7) |
| Annual dividend (¥) | 55.00 | 55.00 | 55.00 | - | 0.0 |

►Figures in the table are rounded down

►YoY change :FY4/21 plan compared with FY4/20 results

Review

Revision of 2020

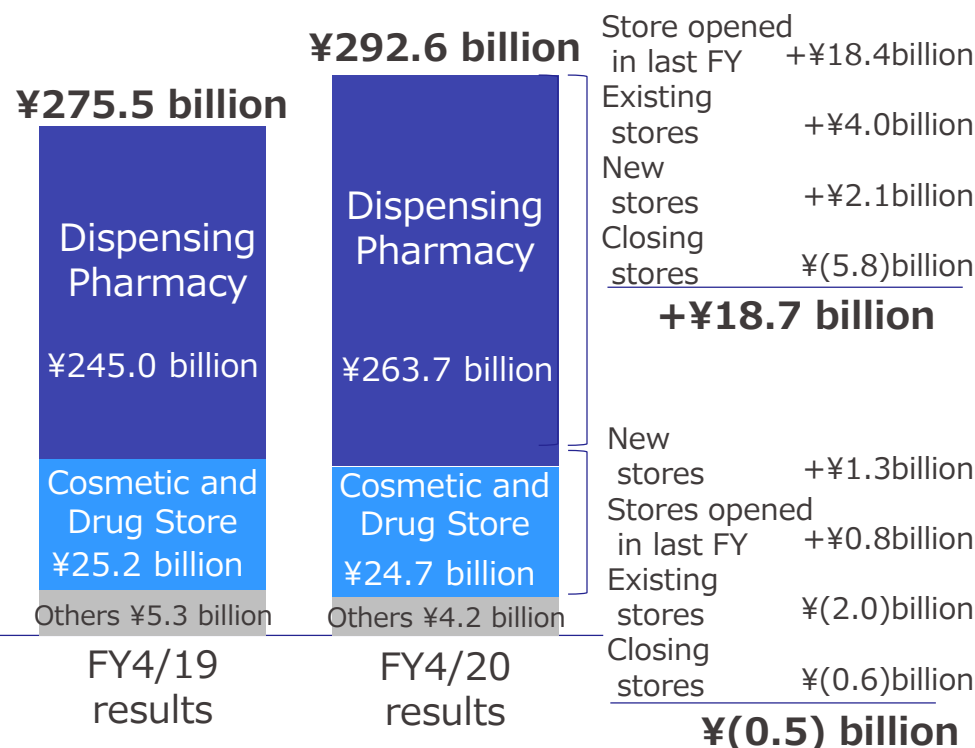
Growth strategy

Review

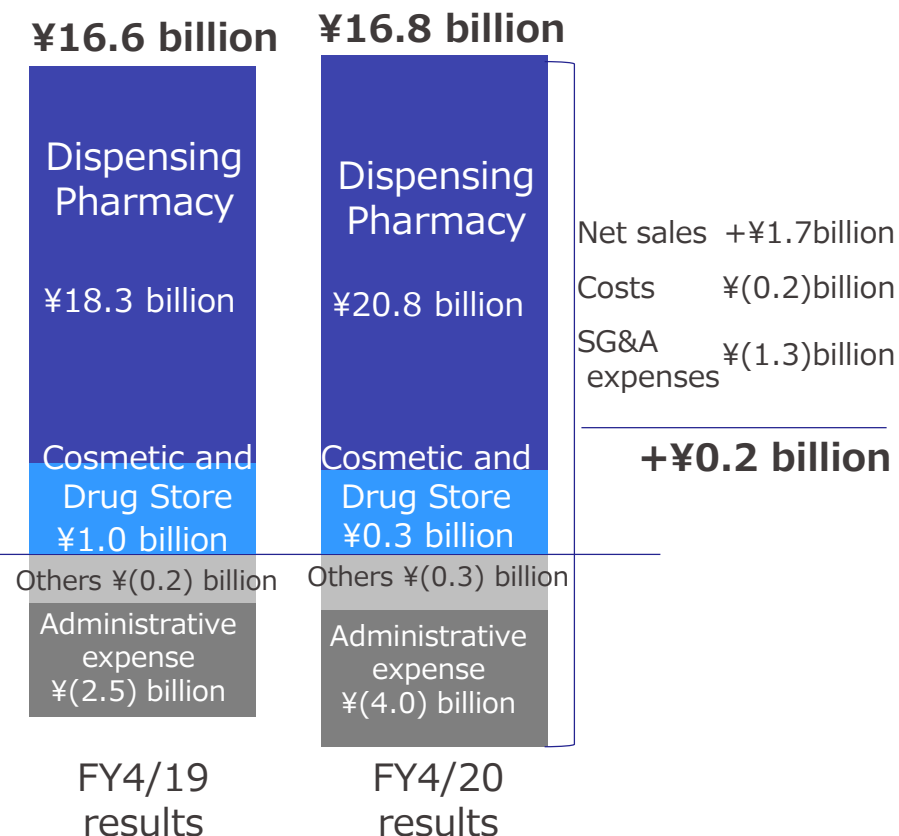
Review (YoY)

Although the net sales increased due to the full contribution of stores opened in previous fiscal year and new store openings, ordinary income increased 1.1% YoY, reflecting the impact of COVID-19.

Net sales



Ordinary income

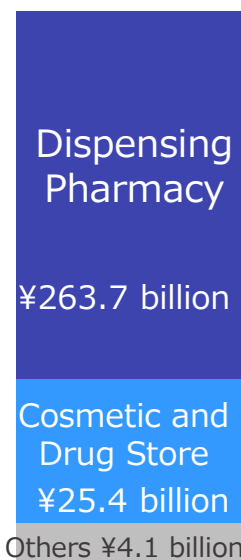


Review (Vs plan)

Net sales and ordinary income not achieving the plan due to the impact of COVID-19 outbreak.

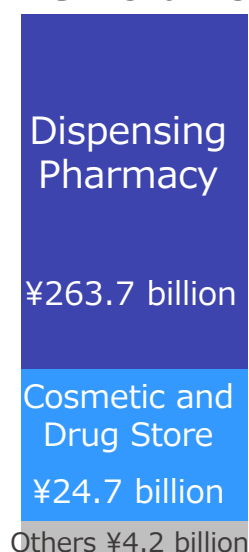
Net sales

¥293.2 billion



FY4/20
plan

¥292.6 billion



FY4/20
results

Store opened
in last FY +¥0.1billion
Existing
stores ¥(0.1)billion

±¥0 billion

New
stores ¥(0.5)billion
Existing
stores ¥(0.3)billion
Store
opened
in last FY +¥0.1billion

¥(0.7) billion

Ordinary income

¥17.2 billion



Administrative
expense
¥(4.0) billion

FY4/20
plan

¥16.8 billion



Administrative
expense
¥(4.0) billion

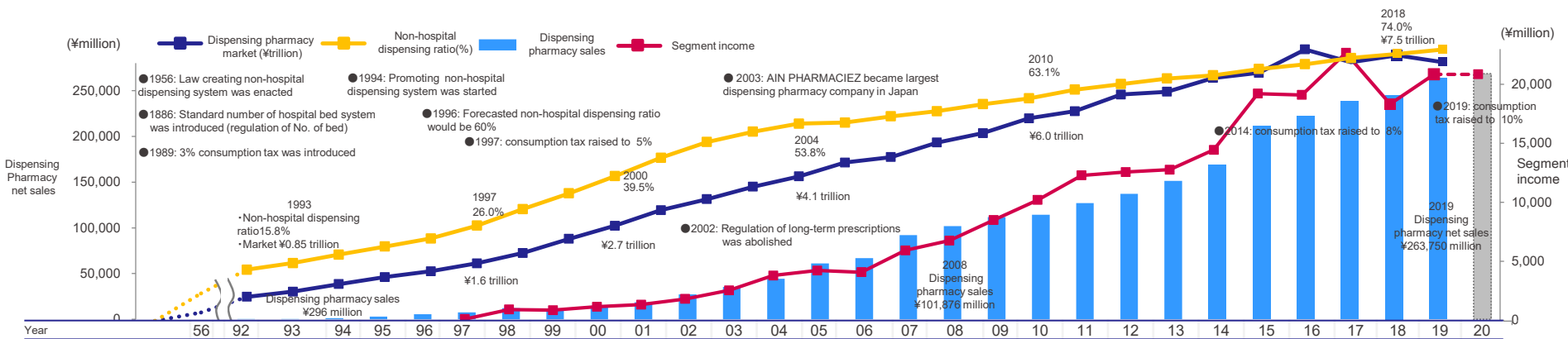
FY4/20
results

Net sales ¥(0.2)billion
costs ¥(0.6)billion
SG&A
expenses +¥0.4billion

¥(0.4) billion

Revision of 2020

Transition of dispensing fee revision



| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------|------|------|----|------|-------------------|------|----|------|----|------|-----|------|-----|-------|-------|-------|-----|-------|-----|--------------------|-----|--------------------|-----|--------------------|--------------------|-------|-------|------|
| No. of pharmacies | - | - | 1 | 11 | 29 | 34 | 39 | 48 | 58 | 75 | 92 | 148 | 148 | 193 | 218 | 247 | 356 | 375 | 397 | 448 | 494 | 560 | 616 | 754 | 881 | 1,066 | 1,029 | 1,132 | 1,088 | Plan |
| Revision ratio on medical treatment fees (%) | | +5.0 | +3.3 | +1.5 | | +3.4 | +1.25 | +1.5 | | +1.9 | | ▲1.3 | | ±0 | | ▲1.36 | +0.38 | +1.55 | | +1.38 | | +0.73 | | +0.49 | | +0.55 | +0.41 | +0.55 | | |
| Revision ratio on dispensing fees (%) | | +1.9 | +2.0 | +0.1 | | +1.3 | +1.15 | +0.7 | | +0.8 | | ▲1.3 | | ±0 | | ▲0.6 | +0.17 | +0.52 | | +0.46 | | +0.22 ₂ | | +0.17 ₄ | | +0.19 ₄ | +0.12 ₅ | +0.16 | | |
| Revision ratio on drug prices (%) (Drug prices base) | | ▲8.1 | ▲6.6 | - | | ▲6.8 | ▲3.0 ₁ | ▲9.7 | | ▲7.0 | | ▲6.3 | | ▲4.2 | | ▲6.7 | ▲5.2 | ▲5.75 | | ▲6.0 | | ▲2.65 ₃ | | ▲7.77 | | ▲7.48 | ▲2.40 ₅ | ▲4.38 | | |

| | | | | | | | | | | | | | |
|-----------------------------|--------------------|------------|--|---|------|---|---|------|------|------|--|--|--|
| Basic dispensing fee | 1972(New) 8 points | 1990 31pts | 1994 (2 divisions) 40 pts : 5,000 times or less 33 pts : Over 5,000 times | 1996 (4 divisions) 45 → 46 → 49 pts : 4,000 times or less and 70% or less 40 → 41 → 44 pts : Over 4,000 times and 70% or less 35 → 36 → 39 pts : 4,000 times or less and over 70% 20 → 20 → 21 pts : Over 4,000 times and over 70% | 1998 | 2004 (3 divisions) 49 pts : 4,000 times or less and 70% or less 39 pts : Over 4,000 times and over 70% | 2006 (2 divisions) 42 → 40 → 40 pts : 4,000 times or less 70% or less 19 → 18 → 24 pts : over 4,000 times and over 70% | 2008 | 2010 | 2014 | 2016 (Additional division) 41pts: Except following 25pts: Over 4,000 times and over 70% or over 2,000 times and over 90% or over 4,000 times from specific hospital 20pts: Same group over 40,000 times per month and over 95% or lease contract with medical institution | 2018 (Additional division) 41pts: Except following 25pts: Over 4,000 times and over 70% or over 2,000 times and over 95% or over 4,000 times from specific hospital (Medical mail-Same HP) 20pts: Same group over 40,000 times per month and over 85% or lease contract with medical institution 15pts: Same group over 400,000 times per month and over 85% or lease contract with medical institution 10pts: Same premises and over 95% | 2020(Additional division) 42pts: Except following 26pts: Over 4,000 times and over 70% or over 1,800 times and over 95% or over 2,000 times and over 85% or over 4,000 times from specific hospital (Medical mail-Same HP) 21pts: Same group over 35,000 times per month and over 95% or Same group over 40,000 times per month and over 85% or lease contract with medical institution 16pts: Same group over 400,000 times per month and over 85% or lease contract with medical institution 9pts: Same premises and over 70% |
|-----------------------------|--------------------|------------|--|---|------|---|---|------|------|------|--|--|--|

| | | | | | | | | | | | |
|---|--------------------|-------------|-------------|---|------|--|------|------|--|------|--|
| Standards for dispensing system premiums | 1990(New) 9 points | 1992 12 pts | 1994 14 pts | 1996(Additional condition) 20 pts Concentration ratio: 70% or less License to sell narcotic drugs Services for after-hours (Multiple pharmacies approved) | 1998 | 2002 (2 divisions) 10 pts: Stock 500 items 30 pts: Stock 700 items Conduct of training | 2012 | 2014 | 2016(1 division) 32pts Basic dispensing fee 41pts & 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 | 2018 | 2020 38pts Basic dispensing fee 1 : 4 out of 5 items considerable achievements Other than ① : 8 out of 9 items considerable achievements /pharmacist |
|---|--------------------|-------------|-------------|---|------|--|------|------|--|------|--|

| | | | | | | | | | | | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|-------------------------|-------------|--|---|--|---|
| Drug use history management and guidance fee (Instruction fee) | 1986(New) 5 points | 1990 11 pts | 1992 15 pts | 1994 21 pts | 1996 30 pts | 1997 32 pts | 2000 22 pts | 2002 17 pts | 2006 22 pts | 2008(2 divisions) 30 pts 35 pts: For the elderly aged over 75 | 2010(1 division) 30 pts | 2012 41 pts | 2014(2 divisions) 41 pts 34 pts: No notebooks | 2016 38 pts: Basic dispensing fee 41 pts, handing over medication notebook, patients' visiting within 6 month 50 pts: Except the above | 2018(3 divisions) 41 pts 53 pts: Handing over medication notebook ratio 50% or less | 2020 43 pts: Handing over medication notebook patients' visiting within 3 month 57 pts 13 pts |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|-------------------------|-------------|--|---|--|---|

| | | | | | | | | | |
|--------------------------------------|--|---|---|---|-------------------------------|---|---|--|------------|
| Pharmaceutical management fee | 1994(New) 550 points (Up to once a month) | 1996 550 pts (Up to 2 times a month) | 2002 500 pts: Up to once a month 300 pts: After 2 times to 4 times | 2008 350 pts: Resident in same facility / house 500 pts: Except the above (Up to 4 times a month) | 2012 Within 16km in principle | 2014 300 pts 650 pts (Up to 5 times a day per a pharmacist) | 2016 300 pts 650 pts (Up to 40 times a week per a pharmacist) | 2018 290pts: Except following 320pts: Single building 2-9person 650pts: Single building 1person | 2020 76pts |
|--------------------------------------|--|---|---|---|-------------------------------|---|---|--|------------|

| | | | | | | | | | |
|---|--|---|--|---|---|---|---|--|------------------------------------|
| Drug management instruction fee for home medical care patients | 1994(New) 550 points (Up to once a month) | 1996 550 pts (Up to 2 times a month) | 2002 500 pts: Up to once a month 300 pts: After 2 times to 4 times | 2008 350 pts: Resident in same facility / house 500 pts: Except the above (Up to 4 times a month) | 2012 Within 16km in principle | 2014 300 pts 650 pts (Up to 5 times a day per a pharmacist) | 2016 300 pts 650 pts (Up to 40 times a week per a pharmacist) | 2018 290pts: Except following 320pts: Single building 2-9person 650pts: Single building 1person | 2020 76pts |
| Drug information provision fee (for patient medication notebook) | 2000(New) 15 points: Issue of notebooks 10 points: Provision of drug information (once a month) | 2004 17 pts 10 pts | 2006(1 division) 15 pts Drug information is integrated into instruction fee | 2008(2 divisions) 15 pts (Excluding the elderly aged over 75) | 2010(1 division) 15 pts (including the elderly aged over 75) | 2012 Integrated into instruction fee | 2016 Integrated into instruction fee | 2018(2 division) 125 pts 100 pts | 2020(2 division) 10 pts 100 pts |
| Premiums for special instruction | 2000(New) 20 points | 2002 30 pts | 2004 28 pts | 2006 22 pts | 2008 Integrated into instruction fee | 2010 (New) 4 points | 2016 10 pts | 2018 10 pts | 2020(2 division) 10 pts 100 pts |
| Premiums for specific drug management instruction | 2000(New) 20 points | 2002 30 pts | 2004 28 pts | 2006 22 pts | 2008 Integrated into instruction fee | 2010 (New) 4 points | 2016 10 pts | 2018 10 pts | 2020(2 division) 10 pts 100 pts |

- ▶ No. of basic dispensing fee is equal to No. of monthly average receptions of prescriptions
- ▶ Premiums by revisions are excerpted from Japan Pharmaceutical Association
- ▶ The income before FY 2008 is operating income
- ▶ Including the correspondence to consumption tax (※1:1.4%, ※2: +0.18%, ※3: +2.99%)
- ▶ ※4: Except the adjustment for the role of pharmacies located near hospitals
- ▶ ※5: Drug price revision along with consumption tax raising in October 2019

Dispensing Fee Revision of 2020

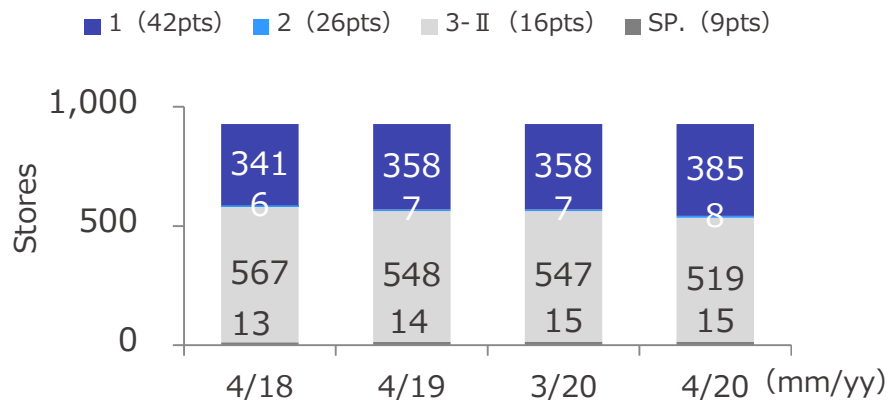
| | revision of 2018 | Pts |
|--|--|-----|
| Basic dispensing fee | BDF 1 Except following or Regions with limited medical resources | 41 |
| | BDF 2 Over 4,000 times & Over 70% or Over 2,000 times & Over 85% or Over 4,000 times from specific hospital | 25 |
| | BDF 3 – I Same group over 40,000 times / month & Over 85% or lease contract with medical institution | 20 |
| | BDF 3 – II Same group over 400,000 times / month & Over 85% or lease contract with medical institution | 15 |
| | Special Same premises (lease contract) & Over 95% | 10 |
| Community support system premiums | BDF 1 Narcotic drug & Home healthcare services 1 times & Primary care pharmacists | |
| | Other than BDF 1 (Per pharmacists per year) Night · Holiday addition 400 times & Duplicate medication 40 times & Medication adjustment support addition 1 times & Homecare services 12 times & Medication information providing fee 60 times & Narcotic drug guidance addition 10 times & Primary care pharmacists instruction fee 40 times & Outpatient medication support fee 12 times | 35 |
| GE premiums | 75-80% | 18 |
| | 80-85% | 22 |
| | Over 85% | 26 |
| Internal medicine dispensing fee | Less than 14 days (less than 7 days; per day) | 5 |
| | Less than 14 days (more than 8 days; per day) | 4 |
| | 15~21 days | 67 |
| | 22~30 days | 78 |
| | More than 31 days | 86 |
| Drug use history management and guidance fee | BDF 1 & handing over medication notebook & visiting within 6 months | 41 |
| | Except above | 53 |
| | Primary care pharmacists instruction fee | 73 |

| | revision of 2020 | Pts |
|--|--|-----|
| | Except following or Regions with limited medical resources | 42 |
| | Over 4,000 times & Over 70% or Over 2,000 times & Over 85% or Over 1,800 times & Over 95% or Over 4,000 times from specific hospital | 26 |
| | Same group over 35,000 times / month & Over 95% or Same group over 40,000 times / month & Over 85% or lease contract with medical institution | 21 |
| | Same group over 400,000 times / month & Over 85% or lease contract with medical institution | 16 |
| | Same premises (lease contract) & Over 70% | 9 |
| | Narcotic drug & Home healthcare services 12 times & Primary care pharmacists & Medication information providing fee 12 times & Attending specialist Team meeting 1 times 4 out of 5 items | |
| | (Per pharmacists per year) Night · Holiday addition 400 times & Duplicate medication 40 times & Medication adjustment support addition 1 times & Homecare services 12 times & Medication information providing fee 60 times & Narcotic drug 10 times & Primary care pharmacists instruction fee 40 times & Outpatient medication support fee 12 times & Attending specialist Team meeting 5 times 9 out of 8 items | 38 |
| | 75-80% | 15 |
| | 80-85% | 22 |
| | Over 85% | 28 |
| | Less than 7 days | 28 |
| | 8~14 days | 55 |
| | 15~21 days | 64 |
| | 22~30 days | 77 |
| | More than 31 days | 86 |
| | Handing over medication notebook & visiting within 3 months | 43 |
| | Except above | 57 |
| | Primary care pharmacists instruction fee | 76 |
| | (New) Evaluation of the cancer treatment receive regimen from medical institutions & provide drug guidance & submit report and others to doctor | 100 |
| | (New) Evaluation of the dispensing focused on services Provide inhaled drugs guidance to asthmatic patients & provide feedback to medical institutions | 30 |
| | Suspension medication (only at the first time) | 100 |
| | Anti-diabetic drug guidance & provide feedback to medical institutions (link with the Community support system premiums) | 30 |

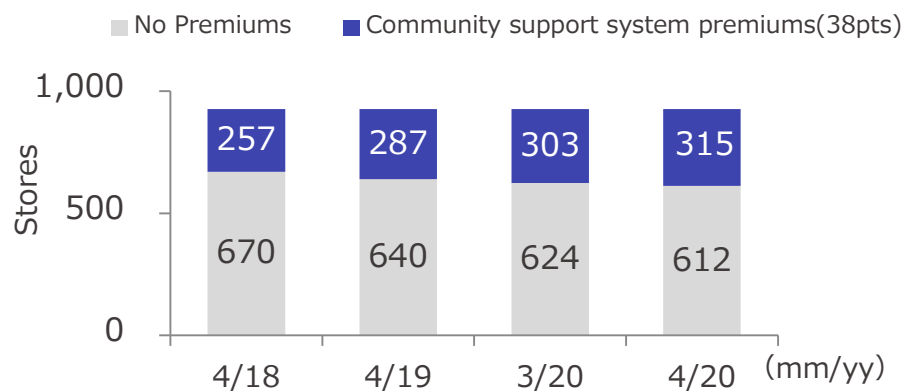
Responsive to revision of 2020

Object: 927 existing stores

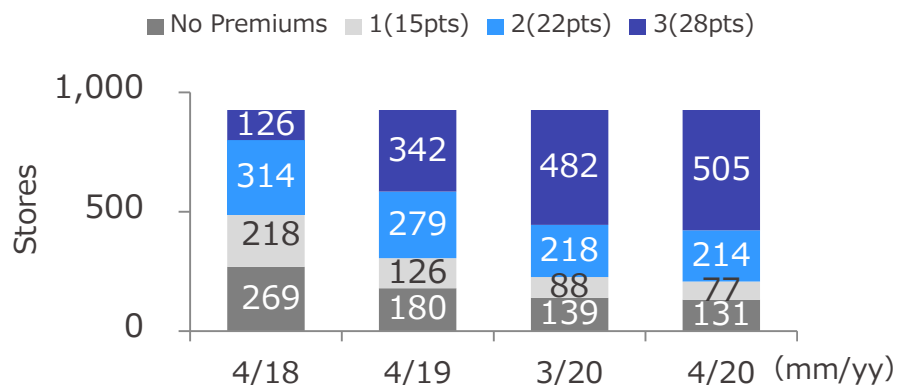
■ Basic dispensing fee



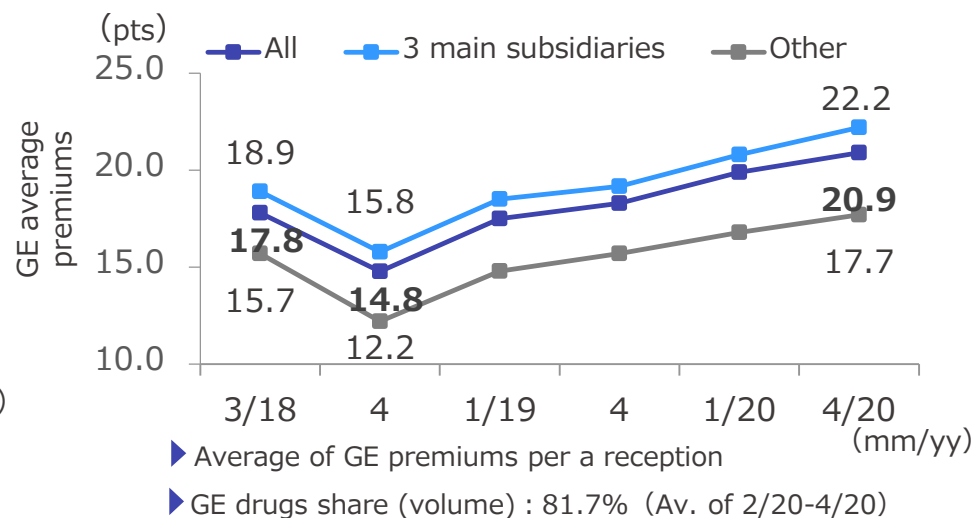
■ Community support system premiums



■ GE premiums



■ Transition of average of GE premiums



Growth strategy

Growth Strategy

Considering the institutional changes 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-line

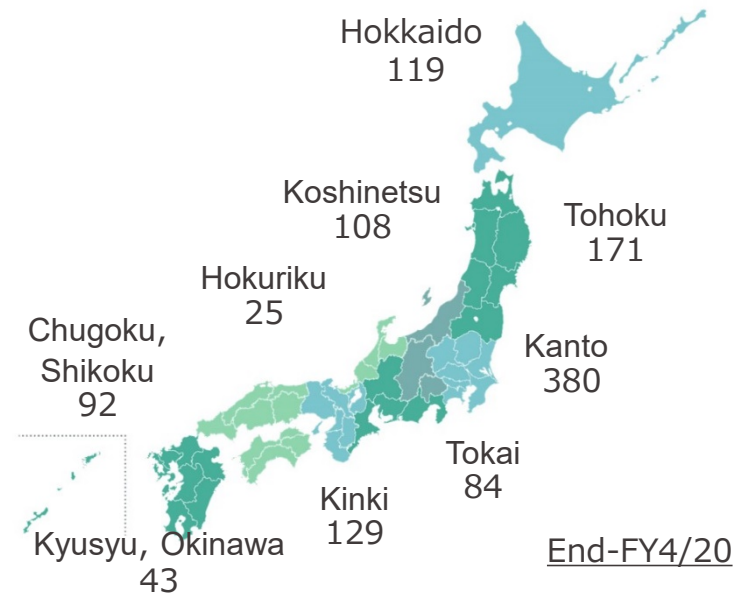
The group opened 35 stores including M&A, and closed 70 stores during the FY4/20.

■ Total number of stores

1,151 (Dispensing pharmacy:1,088、Cosmetic and drug store:63)

■ Plan

| | | FY4/20 | | FY4/21 |
|---------|-------------------------|----------------|-----------|-----------|
| | | Plan | Results | Plan |
| Opening | Dispensing Pharmacy | 20(100) | 20 | 50 |
| | Organic | 14(25) | 14 | 28 |
| | M&A | 6(75) | 6 | 22 |
| | Cosmetic and drug store | 17(15) | 15 | 12 |
| Total | | 37(115) | 35 | 62 |
| Closed | Dispensing Pharmacy | 63(30) | 64 | 18 |
| | Cosmetic and drug store | 5(5) | 6 | 2 |
| | Total | 68(35) | 70 | 20 |



▶ () initial plan

■ Transition of dispensing pharmacies

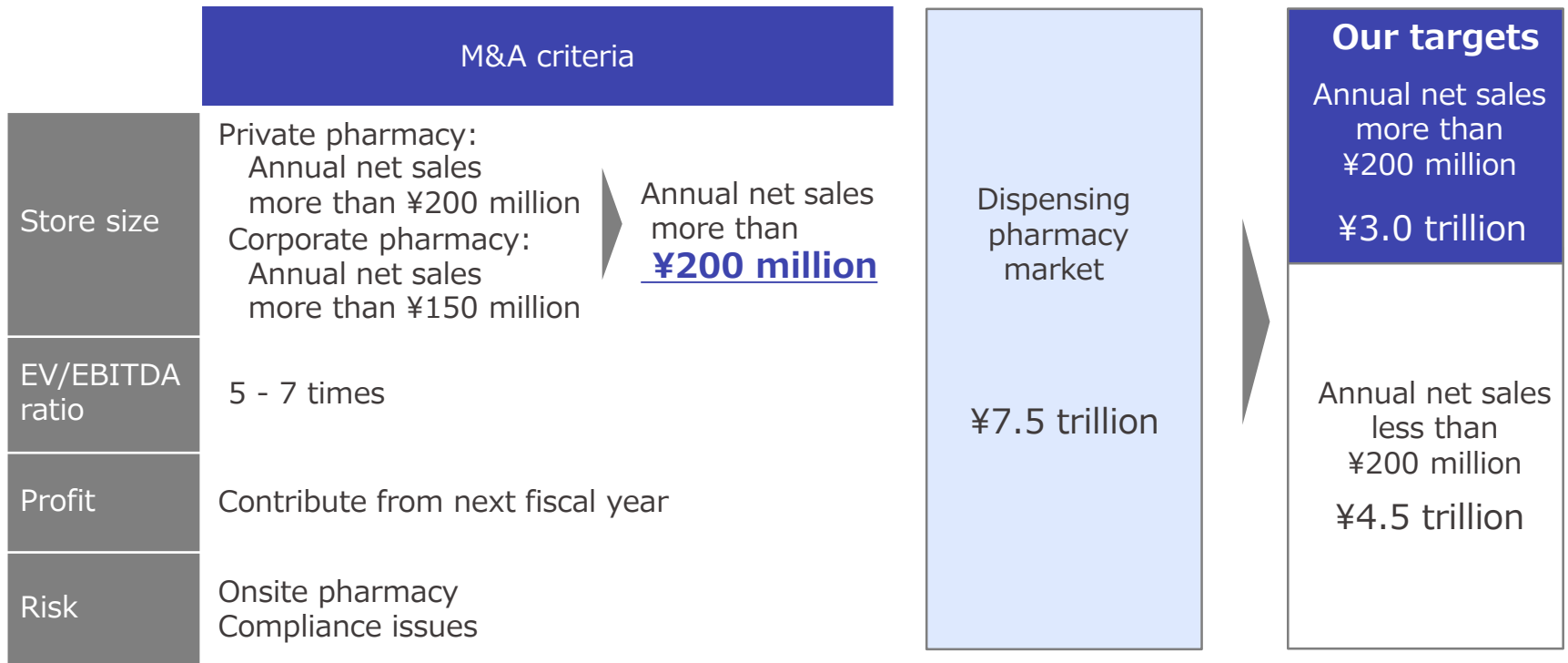
| | FY4/12 | FY4/13 | FY4/14 | FY4/15 | FY4/16 | FY4/17 | FY4/18 | FY4/19 | FY4/20 |
|---------------------|--------|--------|--------|--------|--------|--------|-----------|-----------|-----------|
| Organic | 27 | 38 | 36 | 40 | 32 | 27 | 25 | 23 | 14 |
| M&A | 28 | 38 | 26 | 119 | 110 | 182 | 11 | 134 | 6 |
| EV/EBITDA ratio | 5.51 | 5.09 | 3.94 | 4.77 | 5.37 | 5.50 | 3.96 | 4.88 | 3.71 |
| Closed | 9 | 10 | 6 | 21 | 15 | 24 | 73 | 54 | 64 |
| Sold | - | - | 1 | 1 | 1 | 2 | 32 | 30 | 42 |
| No. of total stores | 494 | 560 | 616 | 754 | 881 | 1,066 | 1,029 | 1,132 | 1,088 |

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

M&A

During the period, new store openings through M&A was only 6 dispensing pharmacies and EV/EBITDA ratio was 3.71 times due to the Group raised M&A criteria. Considering our M&A criteria, we will concentrate on more reliable and large-scale cases.

■ M&A criteria



▶ Estimated by Recent trend of national dispensing medical expenses(2019) from Ministry of Health, Labor and Welfare

Reinforcing the Group's business base

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">• Introduced 117 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 to prepare for future growth |
| Improving the customer services | Utilizing ICT like app for improving customer satisfaction <ul style="list-style-type: none">• Renewal of patient medication notebook app, etc.• Launched official <i>ainz & tulpe</i> app and EC website as well as expand merchandise lineup |
| Logistic reform | Building efficient and reliable logistics system according to group scale expanding <ul style="list-style-type: none">• Running the Kasai logistic center of WSS• Started operation logistics center for retail business in the Kansai and Kanto area |
| ■ PR | |
| Enhancing Group brand | Group branding building for stakeholders, recruiting and business development <ul style="list-style-type: none">• Launch a nationwide TV advertising campaign, for both business• Rebrand store's signboards as "AIN Pharmacy" |

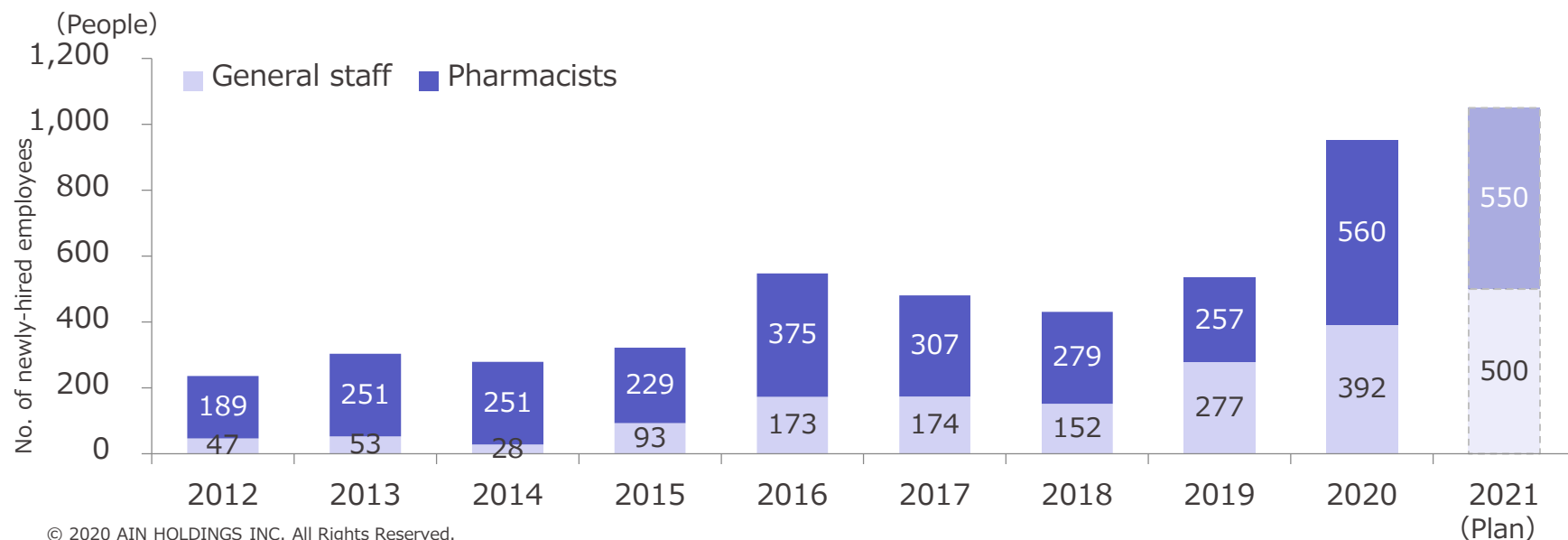
Recruiting of Pharmacists

In April 2020, new 560 pharmacists has joined our group. We aim to hire roughly the same number in fiscal 2021 to prepare for new store openings including M&A.

■ 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 | 2021 (Plan) |
|--|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|-------------|
| No. of newly qualified pharmacists hired in AIN Group | 189 | 251 | 251 | 229 | 375 | 307 | 279 | 257 | 560 | 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%) | 9,958 (69.6%) | - |
| 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% (-) | 5.6% (-) | - |

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



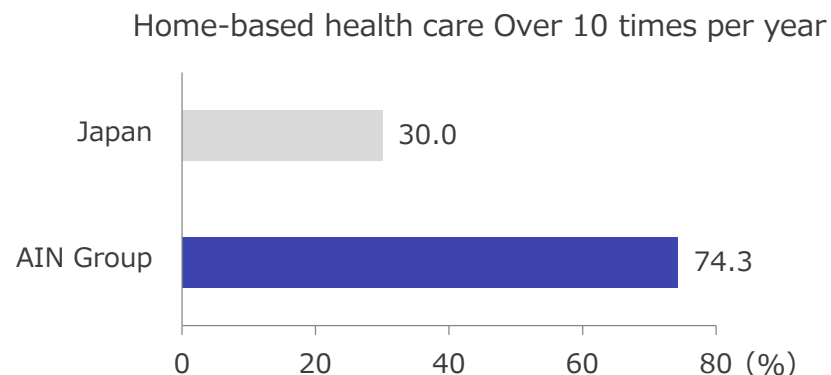
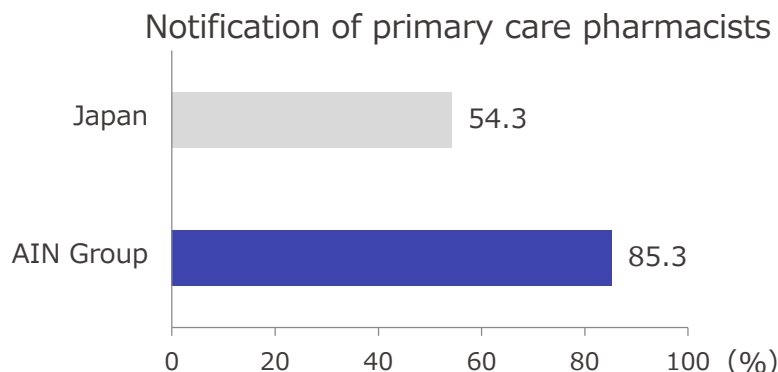
The function of pharmacies

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 pharmacies nationwide.

■ Comparison of results (As of March 2020)

| | No. of stores | Basic dispensing fee | | | Community support system premiums (38) | GE drugs share | | No. of notification of primary care pharmacists | No. of Home-based health care Over 10 times per year |
|-----------|---------------|----------------------|--------|--------|--|----------------|----------|---|--|
| | | 1 (42) | 2 (26) | Others | | Under 80% | Over 80% | | |
| Japan | 58,995 | 49,210 | 1,673 | 8,112 | 17,338 | 25,558 | 33,437 | 32,082 | 17,712 |
| | % | 83.4 | 2.8 | 13.8 | 35.2 | 43.3 | 56.7 | 54.4 | 30.0 |
| AIN Group | 1,086 | 438 | 9 | 639 | 354 | 269 | 817 | 926 | 807 |
| | % | 40.3 | 0.8 | 58.8 | 80.8 | 24.8 | 75.2 | 85.3 | 74.3 |

▶ The Group's own research. % of community support system premiums is from the No. of stores that applicable to BDF 1.



FY4/21 Plan (Dispensing Pharmacy Business)

The group forecasts net sales for the fiscal year ending April 30, 2021 of 268,400 million, up 1.8% year on year, Segment income of 20,860 million up 0.0% by open 50 pharmacies including M&A and close 18 pharmacies.

| (¥ million) | FY4/19 results | FY4/20 results | FY4/21 plan | YoY change | YoY change (%) |
|------------------------------------|-------------------|-------------------|----------------|---------------|-------------------|
| Net sales | 245,003 | 263,750 | 268,400 | +4,650 | +1.8 |
| Gross profit % of net sales | 32,741 13.4 | 34,960 13.3 | 34,860 13.0 | (100) | (0.3) |
| SG&A expenses % of net sales | 14,882 6.1 | 14,664 5.6 | 14,400 5.4 | (264) | (1.8) |
| Operating income % of net sales | 17,859 7.3 | 20,295 7.7 | 20,460 7.6 | +165 | +0.8 |
| Segment income % of net sales | 18,331 7.5 | 20,850 7.9 | 20,860 7.8 | +10 | +0.0 |
| Number of stores | 1,132 | 1,088 | 1,120 | +32 | +2.9 |

► Figures in the table are rounded down

► YoY change :FY4/21 plan compared with FY4/20 results

Expansion of ainz & tulpe①

ainz & tulpe

new store opening in FY4/20

15 Stores



Daimaru Shimonoseki (20/3/20)



HAKATA MARUI (20/3/20)



LINKS UMEDA (16/11/19)



ASAKUSA ROX (21/6/19)



BEAUTY FACTORY
YOKOHAMA HAMMERHEAD (31/10/19)



SENDAI PARCO 2 (10/4/20)



KAWASAKI ZERO GATE (8/8/19)

Pole Town 2 (5/9/19)

OMIYA ARCHE (25/10/19)

bono SAGAMIONO (30/5/19)

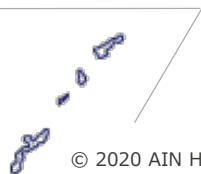
KASHIWA Modi (13/9/19)

PERIE Chiba (25/7/19)

PERIE Kaihimmakuhari (30/10/19)

Ginza INZ (8/11/19)

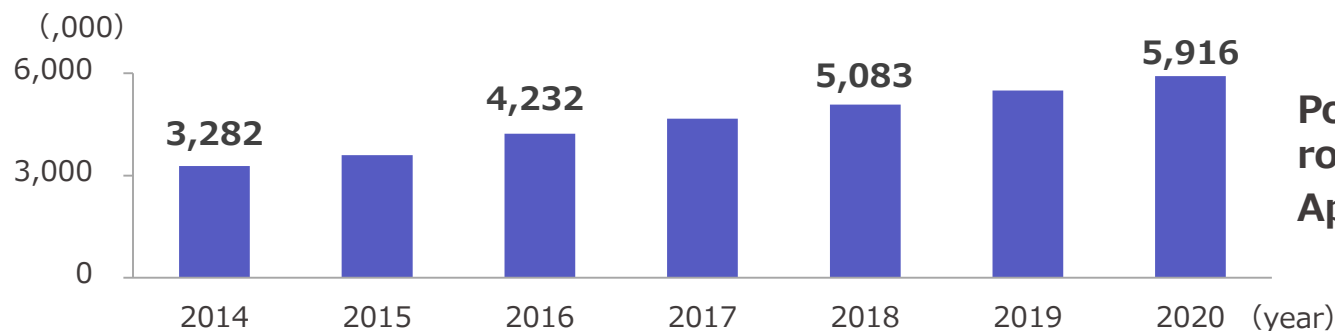
SAKAE Central Park (11/10/19)



Expansion of ainz & tulpe②

The number of *ainz & tulpe* point card has growing steadily. The group launched the official *ainz & tulpe* app, which can also manage points in October 2019 and an EC website in May 2020. We plan to upgrade the online site with new functionality such as connectivity with the official app to increase the sales scale by adding new sales channels, as well as synergistic effect with physical stores.

■ The transition of No. of *ainz & tulpe* point card holders



Point card holder reached roughly 6 million in April 2020.

■ The official *ainz & tulpe* app



- point card functions
- coupons etc.

■ The official EC website "*ainz & tulpe* WEB STORE"



- introducing original brand
- new opening store information etc.

To improve customer satisfaction by reducing sales opportunity loss and optimize store inventory due to connectivity official app and EC website.

FY4/21 Plan (Cosmetic and Drug Store Business)

The group forecasts net sales for the fiscal year ending April 30, 2021 of 25,000 million, increase 1.2% year on year and Segment income of 110 million, decrease 58.0% year on year by open 12 new stores.

| (¥ million) | FY4/19 results | FY4/20 results | FY4/21 plan | YoY change | YoY change (%) |
|------------------------------------|-------------------|-------------------|----------------|---------------|-------------------|
| Net sales | 25,210 | 24,701 | 25,000 | +299 | +1.2 |
| Gross profit % of net sales | 9,535 37.8 | 9,753 39.5 | 9,700 38.8 | (53) | (0.5) |
| SG&A expenses % of net sales | 8,632 34.2 | 9,596 38.8 | 9,600 38.4 | +4 | +0.0 |
| Operating income % of net sales | 903 3.6 | 157 0.6 | 100 0.4 | (57) | (36.3) |
| Segment income % of net sales | 972 3.9 | 262 1.1 | 110 0.4 | (152) | (58.0) |
| Number of stores | 54 | 63 | 73 | +10 | +15.9 |

► Figures in the table are rounded down

► YoY change :FY4/21 plan compared with FY4/20 results

FY4/21 Plan (Consolidated)

The group forecasts net sales for the fiscal year ending April 30, 2021 increase 6.3% and ordinary income decrease 10.8% YoY by open new stores (50 dispensing pharmacies and 12 cosmetic and drug stores).

| (¥ million) | FY4/19 results | FY4/20 results | FY4/21 plan | YoY change | YoY change (%) |
|--|-------------------|-------------------|----------------|---------------|-------------------|
| Net sales | 275,596 | 292,615 | 311,000 | +18,385 | +6.3 |
| Gross profit % of net sales | 45,363 16.5 | 46,861 16.0 | 51,070 16.4 | +4,209 | +9.0 |
| SG&A expenses % of net sales | 29,295 10.6 | 30,793 10.5 | 36,470 11.7 | +5,677 | +18.4 |
| Operating income % of net sales | 16,067 5.8 | 16,068 5.5 | 14,600 4.7 | (1,468) | (9.1) |
| Ordinary income % of net sales | 16,637 6.0 | 16,822 5.7 | 15,000 4.8 | (1,822) | (10.8) |
| Profit attributable to owners of parent % of net sales | 9,029 3.3 | 9,179 3.1 | 8,200 2.6 | (979) | (10.7) |
| Earnings per share(¥) | 254.87 | 259.11 | 231.46 | (27.65) | (10.7) |
| Annual dividend (¥) | 55.00 | 55.00 | 55.00 | - | 0.0 |

►Figures in the table are rounded down

►YoY change :FY4/21 plan compared with FY4/20 results

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