

## Summary of Financial Statements for the First Half of Fiscal Year Ending April 2025

[Japan GAAP] (Consolidated)

December 6, 2024

Name of listed company: **AIN HOLDINGS INC.**  
Exchange listed on: Prime Market of Tokyo Stock Exchange and Sapporo Securities Exchange  
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Date of filing semi-annual securities report: December 13, 2024  
Start of dividend payment: –  
Supplementary documents for semi-annual results: Yes (Supplementary materials are disclosed on the Company's website appropriately as the financial statements.)  
Semi-annual results briefing: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

### 1. Consolidated results for the first half of fiscal year ending April 30, 2025 (May 1, 2024 to October 31, 2024)

#### (1) Consolidated operating results

(Percentage figures show year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended October 31, 2024	214,860	10.9	12,157	(12.3)	5,872	(32.9)	6,338	(32.1)	3,212	(38.9)
Six months ended October 31, 2023	193,727	13.2	13,855	20.8	8,749	28.9	9,338	28.2	5,257	38.2

(Note) Comprehensive income: Six months ended October 31, 2024: ¥3,343 million (-38.0%)

Six months ended October 31, 2023: ¥5,393 million (+43.1%)

(Note) EBITDA = operating profit + depreciation + amortization of goodwill

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended October 31, 2024	91.75	-
Six months ended October 31, 2023	149.66	-

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of October 31, 2024	296,001	136,142	46.0
As of April 30, 2024	249,409	135,411	54.3

(Reference) Shareholders' equity: As of October 31, 2024: ¥136,046 million As of April 30, 2024: ¥135,307 million

## 2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2024	-	0.00	-	80.00	80.00
Year ending April 30, 2025	-	0.00			
Year ending April 30, 2025 (forecast)			-	80.00	80.00

(Note) Revision to the most recently announced dividend forecasts: No

## 3. Consolidated financial forecasts for the fiscal year ending April 30, 2025 (May 1, 2024 to April 30, 2025)

(Percentage figures show year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	453,500	13.4	33,620	7.3	19,360	(5.2)	20,000	(6.4)	10,000	(12.3)	285.68

(Note) Revision to the most recently announced consolidated financial forecasts: No

### \*Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly consolidated: one (Francfranc Corporation) Excluded: –

(2) Application of specified accounting methods for the preparation of semi-annual consolidated financial statements: Yes

(Note) For detail, please refer to "2. Semi-annual consolidated financial statements and major notes (4) Notes on semi-annual consolidated financial statements" on page 10 of the Attachment.

(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions

- |   |     |
|---|-----|
| 1) Changes in accounting principles as a result of revisions to accounting standards, etc.: | Yes |
| 2) Changes in accounting principles other than 1):  | No  |
| 3) Changes in accounting estimates:   | No  |
| 4) Restatement of revisions:  | No  |

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of October 31, 2024	35,428,212 shares	As of April 30, 2024	35,428,212 shares
2) Number of shares held in treasury:	As of October 31, 2024	395,147 shares	As of April 30, 2024	433,891 shares
3) Average number of shares outstanding:	Six months ended October 31, 2024	35,016,037 shares	Six months ended October 31, 2023	35,130,844 shares

(Note) Number of shares held in treasury includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) (as of April 30, 2024: 333,800 shares, as of July 31, 2024: 297,600 shares). In addition, the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares deducted from the calculation of average number of shares outstanding during the period (six months ended October 31, 2023: - shares, six months ended October 31, 2024: 312,900 shares).

\*This Summary of Financial Statements is outside the scope of semi-annual review procedures.

\*Statement regarding the proper use of financial forecasts and other special remarks

(Caution concerning forward-looking statements)

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

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## 1. Overview of Operating Results, etc.

### (1) Overview of the first half operating results

During the first six months of the current fiscal year (May 1, 2024 to October 31, 2024), the Japanese economy recovered gradually along with an improvement in the employment and income environment. However, conditions remain uncertain due to the risk of downward pressure on the domestic economy from slowing conditions overseas, as well as rising prices and fluctuations in financial and capital markets.

Against this backdrop, the AIN HOLDINGS Group (the Group) worked to provide healthcare and retail services in line with its mission to “contribute to local healthcare” and “provide beauty and happiness” – two of the Group’s materiality issues. In addition, promoting diversity & inclusion is a key part of efforts to create a “sound management base,” another of the Group’s materiality issues. Specifically, the Group is actively promoting women’s participation in the workplace, including providing training to help female employees transform their thinking and build career pathways by harnessing their management capabilities, and stepping up measures to promote work-life balance, among other initiatives. These efforts have been recognized publicly, with AIN PHARMACIEZ INC., the Group’s core operating company, receiving “Platinum Eruboshi” certification from the Minister of Health, Labour and Welfare in June 2024. Together with these initiatives, the Group is reinforcing its human resources strategy. In July this year, the Company expanded the disclosure of KPIs and other information related to human capital management, an area of focus for the Group. In addition to these efforts, the Company was selected as a constituent company of the MSCI Japan ESG Select Leaders Index used by the Government Pension Investment Fund (GPIF), recognizing our initiatives to improve information disclosure and promote energy-saving and electricity-saving measures in line with the recommendations of the final report of the Task Force on Climate-Related Financial Disclosures (TCFD)\*, part of the Company’s broader efforts to address the materiality of “protecting the environment and reducing environmental impact.” The Company has also been selected as a component of the FTSE Blossom Japan Sector Relative Index, the MSCI Japan Empowering Women (WIN) Select Index, and the Morningstar Japan ex-REIT Gender Diversity Tilt Index.

Going forward, the Group will continue striving to be a company that “people welcome to their communities” by helping to solve various social issues through its business activities.

\*Established by the Financial Stability Board (FSB) at the request of the G20 finance ministers and central bank governors; in June 2017 the task force published its final report, the TCFD recommendations.

Results for six months ended October 31, 2024 (May 1, 2024 to October 31, 2024) are as follows.

(Million yen)	Six months ended October 31, 2023	Six months ended October 31, 2024	Change	Change (%)
Net sales	193,727	214,860	21,133	10.9
Operating profit	8,749	5,872	(2,876)	(32.9)
Ordinary profit	9,338	6,338	(2,999)	(32.1)
Profit attributable to owners of parent	5,257	3,212	(2,044)	(38.9)

Results by segment are as follows.

(Million yen)		Six months ended October 31, 2023	Six months ended October 31, 2024	Change	Change (%)
Dispensing pharmacy business	Sales	173,234	186,439	13,205	7.6
	Segment profit	12,492	9,648	(2,843)	(22.8)
Retail business*	Sales	14,832	22,885	8,053	54.3
	Segment profit	1,318	1,694	376	28.5
Other businesses	Sales	5,685	5,560	(125)	(2.2)
	Segment loss	(49)	(15)	33	-

(Note) Segment sales include intersegment transactions.

\* Effective from the period under review, the name of the cosmetic and drug store business, a reportable segment, has been changed to the retail business. This is a change in name only and does not affect segment information.

#### (Dispensing pharmacy business)

In the dispensing pharmacy business, the Group’s vision is to “become the primary care pharmacy of choice for local communities, backed by proven expertise.” To realize this vision, the Group is working to leverage the primary care capabilities of its pharmacists and dispensing pharmacies to help patients access medical services in their local community with peace of mind. Specifically, the Group is cooperating with medical institutions, using patient medication notebooks to ensure integrated and continuous monitoring of patient medication, and providing services for home-based healthcare.

The Group is also actively promoting digital transformation (DX) to improve convenience for patients. This includes making its prescriptions sending service more accessible for patients by enabling access through the official AIN Pharmacy app, Anytime AIN Pharmacy and the official AIN Pharmacy LINE account.

In addition to the above measures, in October 2024, as a member of the Pharmacy DX Promotion Consortium, we conducted Japan's first trial of "partial outsourcing of dispensing operations to other companies" in Osaka, Osaka Prefecture, a national strategic special zone. We plan to continue making preparations to promptly address expected deregulation in Japan's dispensing pharmacy sector and further strengthen the Group's competitiveness, including through this initiative.

During the first half of the fiscal year, the average prescription price rose due to an increase in high-cost prescriptions. The number of prescriptions also increased, reflecting higher service levels related to improvements in the capabilities of primary care pharmacists and pharmacies and reduced waiting times.

During the period under review, the Group opened 31 new dispensing pharmacies, including those acquired through M&A deals, closed four, and sold 10, resulting in a total of 1,248.

#### (Retail business)

In the retail business, the Group operates the chain of AINZ & TULPE cosmetics stores, which are clearly differentiated from other retailers with their unique product offerings centered on cosmetics and exclusive and advance sales of Asian cosmetics brands. In addition, Francfranc, a chain of interior stores, joined the Group in August 2024. Francfranc carries out all planning, manufacturing and sale of furniture and homeware products on an integrated basis to offer comfortable daily lifestyle proposals with diverse designs and casual styling.

In the first six months of the fiscal year, sales increased sharply, supported by the consolidation of Francfranc. In addition, the number of customers at existing AINZ & TULPE stores and stores opened in the previous fiscal year remained firm, and unit prices increased due to growth in sales of Asian cosmetics and high-priced cosmetics, maintaining the trend from the previous fiscal year. Going forward, we will leverage the strengths of both AINZ & TULPE and Francfranc to generate synergies, as well as reinforce merchandise lineups and create attractive sales displays while closely monitoring buying trends.

During the same period, the Group opened four AINZ & TULPE stores and closed two, resulting in a total of 83 stores. In addition, following the consolidation of 161 Francfranc stores, the Group closed one Francfranc store, resulting in 160 stores, with the number of stores in the retail business totaling 243 at the end of the period under review.

## (2) Overview of the first half financial position

The balance of total assets at the end of the first half increased ¥46,591 million from the end of the previous fiscal year to ¥296,001 million, mainly reflecting increases in goodwill and merchandise due to M&A deals, including the consolidation of Francfranc.

The balance of liabilities increased ¥45,860 million to ¥159,859 million. The main factors were an increase in accounts payable - trade due to the consolidation of Francfranc and funds procured from financial institutions for the acquisition of shares. The balance of short-term and long-term borrowings increased ¥29,627 million to ¥36,321 million.

Total net assets increased ¥730 million to ¥136,142 million and the shareholders' equity ratio declined 8.3 percentage points to 46.0%.

#### (Cash flows)

In the first six months of the fiscal year, cash and cash equivalents decreased by ¥21,182 million from the previous fiscal year end to ¥27,199 million.

Cash flows from each activity and their relevant factors are as follows.

During the first six months of the fiscal year, net cash provided by operating activities was ¥12,729 million, compared with ¥14,094 million provided in the same period a year earlier. The main cash inflows were profit before income taxes of ¥6,728 million, depreciation of ¥3,711 million, amortization of goodwill of ¥2,573 million and increase in trade payables of ¥5,920 million. The main cash outflows were increase in inventories of ¥3,085 million, increase in accounts receivable - other of ¥1,979 million and income taxes paid of ¥4,624 million.

Net cash used in investing activities amounted to ¥54,045 million, compared with ¥5,793 million used in the same period a year earlier. The main cash outflows were ¥46,471 million for purchase of shares of subsidiaries resulting in change in scope of consolidation and ¥6,334 million for purchases of property, plant and equipment and intangible assets.

Net cash provided by financing activities totaled ¥20,135 million, compared with ¥4,237 million used in the same period a year earlier. The main cash inflow was net funds procured of ¥22,808 million from short-term and long-term borrowings repayment and proceeds, while the main cash outflow was ¥2,826 million for dividends paid.

## (3) Forecast of consolidated financial results and other forward-looking information

The Group has not revised its earnings forecasts for the full fiscal year announced on September 4, 2024.

**2. Semi-annual consolidated financial statements and major notes**
**(1) Semi-annual consolidated balance sheet**

(Million yen)

	Fiscal year ended April 30, 2024 (As of April 30, 2024)	Six months ended October 31, 2024 (As of October 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	48,611	27,221
Accounts receivable - trade	15,852	16,947
Merchandise	24,299	34,256
Supplies	345	495
Short-term loans receivable	144	324
Accounts receivable - other	16,000	18,250
Other	5,490	4,348
Allowance for doubtful accounts	(1)	(1)
Total current assets	110,743	101,841
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,122	31,616
Land	10,207	10,164
Other, net	6,121	7,019
Total property, plant and equipment	43,450	48,800
Intangible assets		
Goodwill	44,066	83,692
Other	7,176	12,189
Total intangible assets	51,242	95,881
Investments and other assets		
Investment securities	3,345	3,093
Deferred tax assets	6,403	6,952
Leasehold and guarantee deposits	25,186	30,294
Other	9,315	9,394
Allowance for doubtful accounts	(276)	(257)
Total investments and other assets	43,973	49,477
Total non-current assets	138,666	194,159
Total assets	249,409	296,001

(Million yen)

	Fiscal year ended April 30, 2024 (As of April 30, 2024)	Six months ended October 31, 2024 (As of October 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	65,506	75,500
Short-term borrowings	3,467	7,526
Income taxes payable	4,532	3,197
Deposits received	19,063	20,389
Provision for bonuses	3,394	4,606
Provision for bonuses for directors	19	28
Contract liabilities	465	486
Other	6,784	7,927
Total current liabilities	103,232	119,661
Non-current liabilities		
Long-term borrowings	3,227	28,795
Retirement benefit liability	4,662	4,918
Lease liabilities	38	267
Asset retirement obligations	2,001	3,984
Other	835	2,230
Total non-current liabilities	10,765	40,197
Total liabilities	113,998	159,859
<b>Net assets</b>		
Shareholders' equity		
Share capital	21,894	21,894
Capital surplus	20,131	20,128
Retained earnings	95,257	95,643
Treasury shares	(2,436)	(2,219)
Total shareholders' equity	134,847	135,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	234	160
Deferred gains or losses on hedges	-	250
Foreign currency translation adjustment	-	(1)
Remeasurements of defined benefit plans	225	188
Total accumulated other comprehensive income	459	599
Non-controlling interests	104	95
Total net assets	135,411	136,142
Total liabilities and net assets	249,409	296,001

**(2) Semi-annual consolidated statements of income and comprehensive income**
**Semi-annual consolidated statements of income**

(Million yen)

	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)	Six months ended October 31, 2024 (May 1, 2024 to October 31, 2024)
Net sales	193,727	214,860
Cost of sales	165,960	184,763
Gross profit	27,767	30,097
Selling, general and administrative expenses	19,017	24,224
Operating profit	8,749	5,872
Non-operating income		
Interest income	20	12
Dividend income	26	22
Commission income	5	3
Rental income from real estate	149	153
Outsourcing service income	117	179
Subsidy income	192	74
Other	248	313
Total non-operating income	761	760
Non-operating expenses		
Interest expenses	17	84
Loss on sale of receivables	55	123
Rental expenses on real estate	61	46
Other	37	38
Total non-operating expenses	172	293
Ordinary profit	9,338	6,338
Extraordinary income		
Gain on sale of non-current assets	357	3
Gain on sale of businesses	2	527
Surrender value of insurance policies	0	-
Other	3	19
Total extraordinary income	363	550
Extraordinary losses		
Loss on sale and retirement of non-current assets	106	38
Impairment losses	153	72
Loss on valuation of investment securities	6	43
Other	7	5
Total extraordinary losses	274	160
Profit before income taxes	9,427	6,728
Income taxes	4,182	3,524
Profit	5,244	3,204
Loss attributable to non-controlling interests	(13)	(8)
Profit attributable to owners of parent	5,257	3,212



**Semi-annual consolidated statements of comprehensive income**

(Million yen)

	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)	Six months ended October 31, 2024 (May 1, 2024 to October 31, 2024)
Profit	5,244	3,204
Other comprehensive income		
Valuation difference on available-for-sale securities	164	(74)
Deferred gains or losses on hedges	-	250
Foreign currency translation adjustment	-	(1)
Remeasurements of defined benefit plans, net of tax	(15)	(36)
Total other comprehensive income (loss)	148	139
Comprehensive income	5,393	3,343
Comprehensive income attributable to owners of parent	5,406	3,352
Comprehensive income (loss) attributable to non-controlling interests	(13)	(8)

**(3) Semi-annual consolidated statements of cash flows**

(Million yen)

	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)	Six months ended October 31, 2024 (May 1, 2024 to October 31, 2024)
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,427	6,728
Depreciation	2,929	3,711
Share-based payment expenses	12	14
Amortization of goodwill	2,177	2,573
Impairment losses	153	72
Increase (decrease) in allowance for doubtful accounts	(0)	(20)
Increase (decrease) in contract liabilities	(76)	21
Increase (decrease) in retirement benefit liability	162	137
Loss (gain) on sale of businesses	(2)	(527)
Increase (decrease) in provision for bonuses	698	959
Increase (decrease) in provision for bonuses for directors	4	(2)
Interest and dividend income	(47)	(34)
Interest expenses	17	84
Loss (gain) on investments in investment partnerships	(28)	(6)
Gain on receipt of donated non-current assets	(2)	(8)
Loss (gain) on sale of investment securities	-	(18)
Loss (gain) on valuation of investment securities	6	43
Loss (gain) on sale and retirement of non-current assets	(250)	34
Decrease (increase) in trade receivables	(286)	2,094
Decrease (increase) in inventories	(3,232)	(3,085)
Decrease (increase) in other assets	918	529
Decrease (increase) in accounts receivable - other	(3,557)	(1,979)
Increase (decrease) in trade payables	7,759	5,920
Increase (decrease) in other liabilities	596	140
Subtotal	17,381	17,384
Interest and dividends received	47	34
Interest paid	(17)	(65)
Income taxes paid	(3,316)	(4,624)
Net cash provided by operating activities	14,094	12,729

(Million yen)

	Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)	Six months ended October 31, 2024 (May 1, 2024 to October 31, 2024)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,856)	(4,266)
Proceeds from sale of property, plant and equipment	847	621
Purchase of investment securities	-	(0)
Proceeds from sale of investment securities	20	301
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(295)	(46,471)
Payments for loans receivable	(0)	(103)
Proceeds from collection of loans receivable	138	16
Payments for investments in capital	-	(0)
Proceeds from divestments	0	3
Purchase of intangible assets	(1,463)	(2,068)
Proceeds from sale of intangible assets	0	545
Payments of leasehold and guarantee deposits	(1,261)	(2,789)
Proceeds from refund of leasehold and guarantee deposits	564	664
Decrease (increase) in investments and other assets	(883)	(649)
Proceeds from withdrawal of time deposits	402	229
Payments into time deposits	(6)	(0)
Other	-	(80)
Net cash used in investing activities	(5,793)	(54,045)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	-	(3)
Proceeds from long-term borrowings	-	32,000
Repayments of long-term borrowings	(2,121)	(9,187)
Repayments of lease liabilities	(8)	(46)
Purchase of treasury shares	-	(0)
Proceeds from sale of treasury shares	-	199
Dividends paid	(2,107)	(2,826)
Net cash used in financing activities	(4,237)	20,135
Effect of exchange rate change on cash and cash equivalents	-	(1)
Net increase (decrease) in cash and cash equivalents	4,063	(21,182)
Cash and cash equivalents at beginning of the period	46,217	48,381
Cash and cash equivalents at end of the period	50,280	27,199

#### (4) Notes on semi-annual consolidated financial statements

(Notes on changes in accounting policies)

(Application of Accounting Standard for Corporate Tax, Inhabitant Tax and Enterprise Tax, etc.)

The Company applied the “Accounting Standard for Corporate Tax, Inhabitant Tax and Enterprise Tax, etc.” (ASBJ Statement No. 27, October 28, 2022) from the beginning of the first half of the current fiscal year.

The application of the standard has no impact on the Company’s semi-annual consolidated financial statements.

(Notes on specified accounting methods for the preparation of semi-annual consolidated financial statements)

To calculate tax expenses, the effective tax rate on profit before income taxes for the consolidated fiscal year after the application of tax effect accounting is reasonably estimated and the estimated rate is applied to profit before income taxes for the first half period.

(Notes on significant changes in the amount of shareholders’ equity)

There are no applicable matters to be reported.

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

(Additional information)

(Transactions for delivering the Company’s own shares to employees etc. through trusts)

The Company conducts transactions to deliver its own shares through a trust to an employee stock ownership plan to enhance the welfare of employees and provide incentives to increase the Company’s corporate value.

##### 1. Transaction summary

The Company has introduced the “Stock-Based Benefit Trust (Employee Shareholders Association Purchase Type) (the Plan)” from April 2024.

With the introduction of the Plan, the Company, as the Trustor, entered into a Stock-Based Benefit Trust (Employee Shareholders Association Purchase Type) Agreement (the “Trust Agreement”; the trust established pursuant to the Trust Agreement is referred to as the “Trust”) with Mizuho Trust & Banking Co., Ltd. (the “Trustee”). Additionally, the Trustee entered into a re-trust agreement with Custody Bank of Japan, Ltd. regarding the management of securities and other trust assets by Custody Bank of Japan, Ltd. as the subtrustee.

Custody Bank of Japan, Ltd. will make a single collective acquisition of the Company’s shares in advance equivalent to the number of shares anticipated to be purchased by the AIN HOLDINGS Employee Shareholders Association (the “Shareholders Association”) over the next five years, transferring them to the Trust Account E, and sell the Company’s shares thereafter when purchases of the shares are made by the Shareholders Association. If an amount equivalent to the gains on sales of shares is accumulated in the trust assets of the Trust via the sale of the Company’s shares up until the time of the Trust’s termination, this cash shall be distributed as residual assets to the members of the Shareholders Association (employees) who satisfy the beneficiary eligibility requirements.

In addition, since the Company provides a guarantee when the Trustee takes out a loan in order for the Trust Account E to acquire the Company’s shares, in a case in which the Trustee has an outstanding loan balance equal to the loss on the sale of shares as of the time of Trust’s termination due to a drop in the Company’s share price or other reasons, the Company will pay off the outstanding loan balance pursuant to the guarantee agreements.

##### 2. Company’s shares held in the trust

The Company’s shares held in the trust are recorded as treasury shares under net assets at the acquisition cost (excluding the amount of incidental expenses). In the fiscal year ended April 30, 2024, the book value and number of these treasury shares amounted to ¥1,844 million and 333 thousand shares, respectively. And in the first half of the fiscal year ending April 30, 2025, the book value and number of these treasury shares amounted to ¥1,644 million and 297 thousand shares, respectively.

##### 3. Book value of loans recorded under the gross amount method

Fiscal year ended April 30, 2024 ¥1,845 million

First half of the fiscal year ending April 30, 2025: ¥1,736 million

(Changes in presentation of financial statements)

(Semi-annual consolidated balance sheet)

“Asset retirement obligations,” which was included in “Other” under “Non-current liabilities” in the previous fiscal year, has been presented as a separate item in the interim period under review due to an increase in financial materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect these changes.

As a result, in the consolidated balance sheet for the previous fiscal year, “Other” of ¥2,837 million under “Non-current liabilities” has been restated and shown as “Asset retirement obligations” of ¥2,001 million and “Other” of ¥835 million.

(Semi-annual consolidated statement of income)

“Losses on valuation of investment securities,” which was included in “Other” under “Extraordinary losses” in the first half period in the previous fiscal year, has been presented as a separate item in the first half period under review due to an increase in financial materiality. The consolidated financial statements for the previous first half period have been restated to reflect these changes.

As a result, in the semi-annual consolidated statement of income for the previous first half period, ¥13 million in “Other” under “Extraordinary losses” has been restated and shown as “Losses on valuation of investment securities” of ¥6 million and “Other” of ¥7 million.

(Segment information, etc.)

I Six months ended October 31, 2023 (May 1, 2023 to October 31, 2023)

1. Net sales and profit (loss) by reportable segment

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Retail business	Other businesses	Total		
Sales						
(1) Sales to third parties	173,234	14,832	5,660	193,727	-	193,727
(2) Intersegment sales	-	-	24	24	(24)	-
Total sales	173,234	14,832	5,685	193,752	(24)	193,727
Segment profit (loss)	12,492	1,318	(49)	13,761	(4,422)	9,338

Notes: 1. The adjustment of ¥(4,422) million to segment profit (loss) includes ¥5,051 million in corporate expenses, ¥(606) million in (income) loss that are not allocated to reportable segments, and ¥(22) million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division, which are not part of the reportable segments.

2. Segment profit (loss) is adjusted with the ordinary profit of semi-annual consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]

There are no applicable matters to be reported.

II Six months ended October 31, 2024 (May 1, 2024 to October 31, 2024)

1. Net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Retail business	Other businesses	Total		
Sales						
(1) Sales to third parties	186,439	22,885	5,535	214,860	-	214,860
(2) Intersegment sales	-	-	24	24	(24)	-
Total sales	186,439	22,885	5,560	214,885	(24)	214,860
Segment profit (loss)	9,648	1,694	(15)	11,326	(4,988)	6,338

Notes: 1. The adjustment of ¥(4,988) million to segment profit (loss) includes ¥5,478 million in corporate expenses, ¥(468) million in (income) loss that are not allocated to reportable segments, and ¥(21) million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division, which are not part of the reportable segments.

2. Segment profit (loss) is adjusted with the ordinary profit of semi-annual consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]

Following the acquisition of all the shares of Francfranc Corporation, Francfranc and its subsidiaries are included in the scope of consolidation in the retail business segment from the period under review. In the first six months of the fiscal year, the increase in goodwill related to these companies was ¥41,048 million.

(Business combinations, etc.)

(Business combination through acquisition)

At a meeting of the Board of Directors on July 3, 2024, the Company approved the acquisition of all the shares in Francfranc Corporation (head office: Minato-ku, Tokyo; "Francfranc") to make it a subsidiary. The acquisition of the shares was completed on August 20, 2024. In addition, on August 21, 2024, the Company concluded an absorption-type split agreement with an effective date of October 1, 2024. Under the agreement, the interior goods and sundries retail sales business of Francfranc, a wholly owned subsidiary of the Company, was split off and assumed by AIN PHARMACIEZ INC., also a wholly owned subsidiary of the Company.

(1) Overview of business combination

(i) Name and business of acquired company

Name: Francfranc Corporation

Business: Planning, development and sales of interior goods and sundries

(ii) Main reasons for business combination

The Group has two core businesses – the dispensing pharmacy business and the retail business – that seek to play a key role in regional communities. In the dispensing pharmacy business, the Company operates a nationwide chain of dispensing pharmacies. Together with Group companies, the Company is actively opening new dispensing pharmacies and utilizing M&A to expand the business. The Company is also working to provide community-focused healthcare services in all regions of Japan, such as through home-based dispensing and continuous monitoring of patient medication in partnership with medical institutions, and by enhancing the primary care capabilities of its pharmacists and dispensing pharmacies.

In the retail business, the Company operates the chain of AINZ & TULPE cosmetic and drug stores. AINZ & TULPE aims to be a unique and comprehensive beauty retailer that satisfies customer needs with an always-fresh lineup of cosmetic and beauty products through stores offering a fun shopping experience. The brand is targeting further growth and aims to clearly stand apart from other beauty retailers with a lineup of original products focused on cosmetics.

Francfranc became a subsidiary after the acquisition of all its shares by the Company. Since its establishment, Francfranc has operated a business selling interior goods and sundries aimed at a wide range of customers, mainly women in their 20s and 30s, centered on the Francfranc flagship brand. Through the operation of 160 stores or more in Japan and overseas and e-commerce sales, Francfranc offers urban and sophisticated lifestyle proposals.

AINZ & TULPE and Francfranc have stores in similar markets and target customer segments with similar values, but they are complementary in terms of product lineups and retail categories. The Company believes that Francfranc's addition to the Group will generate synergies by leveraging the strengths of both companies. The Company envisages the following synergies.

(a) Cross merchandising

With strengths in different product categories, AINZ & TULPE and Francfranc stores will be able to display their respective in-house products, offering a wider choice to customers, improving customer satisfaction and increasing sales per customer.

(b) Strategic store development

AINZ & TULPE and Francfranc stores are compatible, as they are located in station buildings and commercial facilities, primarily in major cities, and target similar customer segments. This offers further opportunities for business expansion through the opening of a wider range of different store formats, such as strategic joint stores in large commercial facilities.

(c) Development of appealing products using shared know-how

In line with their mission of offering lifestyle proposals, AINZ & TULPE and Francfranc have both focused on developing products that influence customers' values. By sharing product development know-how, both companies will be able to create products that offer even higher levels of satisfaction.

The Company believes that combining the complementary strengths of both companies in this way will improve customer service and enhance the corporate value of the Group.

(iii) Date of business combination

August 20, 2024

(iv) Legal form of business combination

Acquisition of shares

(v) Name of company after acquisition

No change

(vi) Share of voting rights acquired

100%

(vii) Main basis for determining company has been acquired

Cash payment for shares in the company

(2) Period of the acquired company's results included in the semi-annual consolidated statement of income

September 1, 2024 through October 31, 2024

(3) Breakdown of acquisition cost and payments

Consideration for acquisition	Cash	¥49,975 million
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Acquisition cost		¥49,975 million

(4) Details and amounts of significant acquisition-related expenses

Advisory fees, etc.      ¥149 million

(5) Amount and reasons for goodwill, amortization method and amortization period

(i) Amount for goodwill

¥41,048 million

(ii) Reason for recognition of goodwill

Future excess earning power expected from business development

(iii) Amortization method and period

Equal amortization over 20 years

(6) Amounts and breakdown of significant assets acquired and liabilities assumed on the date of business combination

Not finalized at this time

Current assets	¥15,019 million
Non-current assets	¥11,154 million
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Total assets	¥26,174 million
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Current liabilities	¥8,897 million
Non-current liabilities	¥8,349 million
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Total liabilities	¥17,246 million