Start date of measures for electronic provision: July 2, 2024

Informational Materials for the 55th Ordinary General Meeting of Shareholders

(The matters subject to measures for electronic provision that have not been stated in the paper-based documents for shareholders who have requested the delivery of paper-based documents pursuant to laws and regulations or the Articles of Incorporation)

- Business Report
  - Main business activities
  - Main offices
  - Status of employees
  - Status of main lenders
  - Other material matters regarding the current status of the Company Group
  - Status of accounting auditor
  - System for ensuring the appropriateness of business and the status of operation of said system
  - Basic policy regarding control of the Company
  - Policy regarding decision of dividends of surplus, etc.
- Consolidated Financial Statements
  - Consolidated statements of changes in shareholders' equity
  - Notes to consolidated financial statements
- Financial Statements
  - Balance sheet
  - Statement of income
  - Non-consolidated statements of changes in shareholders' equity
  - Notes to non-consolidated financial statements
- Audit Report
  - Accounting audit report on the consolidated financial statements
  - Accounting audit report on the non-consolidated financial statements
  - Audit Report by Board of Corporate Auditors

55th business term (From May 1, 2023 to April 30, 2024)

AIN HOLDINGS INC.

The paper-based documents being sent to shareholders who have requested the delivery of paper-based documents do not include the aforementioned matters in accordance with the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation.

It should be noted that for this General Meeting of Shareholders, all shareholders will be sent a paper-based document that states everything other than the aforementioned matters that have been excluded from the matters subject to measures for electronic provision, regardless of whether or not a request for the delivery of paper-based documents has been made.

Main business activities (As of April 30, 2024)

(i) Dispensing pharmacy business segment
Insurance pharmacy business that dispenses prescription drugs to patients with prescriptions issued by a medical facility

(ii) Cosmetic and drug store business segment
Cosmetics and drug store business that sells drugs, cosmetics, miscellaneous household items, etc. to general consumers

Main offices (As of April 30, 2024)

Company's headquarters 5-2-4-30, Higashisapporo, Shiroishi-ku, Sapporo

Company's Tokyo Office 2-1-5, Yoyogi, Shibuya-ku, Tokyo

Note that the status of distribution of Group stores (areas and number of stores) is as shown below.

By prefecture	Dispensing Pharmacy Business	Cosmetic and Drug Store Business	By prefecture	Dispensing Pharmacy Business	Cosmetic and Drug Store Business
Hokkaido	114	18	Mie	6	–
Aomori	12	–	Shiga	2	–
Iwate	17	–	Kyoto	34	1
Miyagi	48	1	Osaka	69	4
Akita	11	–	Hyogo	33	3
Yamagata	39	–	Nara	5	–
Fukushima	36	–	Wakayama	3	–
Ibaraki	69	–	Tottori	12	–
Tochigi	11	1	Shimane	18	–
Gunma	17	–	Okayama	19	1
Saitama	81	5	Hiroshima	46	–
Chiba	34	3	Yamaguchi	4	–
Tokyo	101	24	Tokushima	7	–
Kanagawa	46	11	Kagawa	31	–
Niigata	49	–	Ehime	9	–
Toyama	21	–	Kochi	10	–
Ishikawa	5	–	Fukuoka	18	4
Fukui	4	–	Nagasaki	6	–
Yamanashi	3	–	Kumamoto	4	1
Nagano	55	–	Oita	19	–
Gifu	7	–	Miyazaki	3	–
Shizuoka	46	–	Kagoshima	2	2
Aichi	28	2	Okinawa	17	–
			Total	1,231	81

Status of employees (As of April 30, 2024)

(i) Status of employees of Company Group

Segment by business type	Number of employees	Change from end of previous fiscal year
Dispensing Pharmacy Business	10,440 [1,167]	784 [-61]
Cosmetic and Drug Store Business	582 [1.074]	27 [70]
Companywide (Shared)	452 [81]	12 [19]
Total	11,474 [2,322]	823 [28]

Note: The number of employees denotes regular employees. Part-time and temporary employees are indicated in square brackets as the average number of said personnel for the full year and are not included in the number of employees.

(ii) Status of Company employees

Number of employees	Change from end of previous fiscal year	Average age	Average years of continuous service
162 [48]	1 [6]	43.2	11.3

Note: The number of employees denotes regular employees. Part-time and temporary employees are indicated in square brackets as the average number of said personnel for the full year and are not included in the number of employees.

Status of main lenders (As of April 30, 2024)

There are no main lenders.

Other material matters regarding the current status of the Company Group

No applicable matters are present.

Status of accounting auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of remuneration

	Amount paid
Amount of remuneration for the accounting auditor for the fiscal year under review	¥47 million
Total amount of cash and other property benefits that should be paid by the Company and its subsidiaries to the accounting auditor	¥56 million

Notes: 1. In audit agreements between the Company and the accounting auditor, amounts of audit remuneration for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not clearly categorized, nor can they be essentially categorized. As such, the total amount of said remuneration is stated in the amount of remuneration for the accounting auditor for the fiscal year under review.

2. After performing necessary verification to determine whether the content of the audit plans of the accounting auditor, the status of the execution of accounting audit duties, the basis of calculation for remuneration estimates, etc. are appropriate, the Board of Corporate Auditors granted consent under Article 399, paragraph (1) of the Companies Act with respect to the remuneration amount for the accounting auditor.

(iii) Decision policy for dismissal or non-reappointment of accounting auditor

In cases where the accounting auditor is found to apply to matters stipulated under each item of Article 340, paragraph (1) of the Companies Act, the Board of Corporate Auditors will dismiss the accounting auditor based on the consent of all Corporate Auditors.

Also, in addition to the above cases, in cases where the proper performance of audits is found to be difficult due to the occurrence of the likes of events that compromise the suitability and/or independence of the accounting auditor, the Board of Corporate Auditors will decide on the content of an agenda to submit to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the accounting auditor.

System for ensuring the appropriateness of business and the status of operation of said system

An overview of the nature of decisions and status of operation with respect to the system for ensuring that the performance of duties by Directors complies with relevant laws, regulations, and the Articles of Incorporation, as well as other systems for ensuring the appropriateness of the business of the Company is as follows.

(i) System for ensuring that the performance of duties by Directors and employees complies with relevant laws, regulations, and the Articles of Incorporation

・The Board of Directors, pursuant to the provisions of the relevant laws, regulations, the Articles of Incorporation, and the Rules of the Board of Directors, makes decisions on important matters relating to business execution and supervises the execution of duties by Directors.

・In order to maintain and enhance the Directors' supervisory function over the execution of duties, the Group separates the execution and supervisory functions by adopting the executive officer system and continuously appoints outside Directors, considering their independence.

・The officers and the employees of the Group (hereinafter referred to as the "Officers and Employees"), in accordance with the Group's Code of Conduct, strive for corporate activities with common sense and ethics, always recognizing that they are engaged in the business of people's health as well as complying with the relevant laws, regulations, the Articles of Incorporation, etc.

・For the purpose of executing the duties of the Group in accordance with the relevant laws, regulations, the Articles of Incorporation, and the Group's internal rules and enhancing compliance therewith, the Company has created the Compliance Committee to manage compliance throughout the Group.

・The Group has developed the Compliance Hotline, which enables direct notification to outside contractors, in order to detect and correct violations of the relevant laws and regulations and other compliance-related problems as early as possible.

・Based on the "Anti-insider Trading Rules," the Group conducts thorough management on undisclosed material facts, makes appropriate efforts to disclose information in a timely and appropriate manner, and develops a system to prevent insider trading.

・Corporate Auditors, as an independent organization, audit the execution of duties by Directors, including the construction and operational status of the internal control system.

・The Internal Audit Office, from a viewpoint independent from the business execution organizations, conducts audits on the status of compliance by the Officers and Employees of the Group with the relevant laws, regulations, the Article of Incorporation, etc.

・The Group has declared in the Group's Code of Conduct that it has no relationship with any anti-social forces and developed the "Rules for Dealing with Anti-social Forces," and strives as a whole organization to block involvement with anti-social forces in cooperation with the police, corporate lawyers, etc.

(ii) Systems related to the retention and management of information relating to the performance of duties by Directors

・The Company, in accordance with the "Document Handling Rules," has systems in place to retain and manage information relating to the performance of duties by Directors appropriately by recording such information in writing or in electromagnetic media in a manner that is accessible by Directors and Corporate Auditors as required.

(iii) Rules and other systems related to management of the risk of loss

・The Company has formulated the "Risk Management Rules" and the "Risk Management Guidelines," both of which stipulate risk management for the entire Group, and designates the departments in charge for each risk category and manages the risks for the entire Group exhaustively and comprehensively.

・The Company has created the Risk Management Office as a section that supervises the risk management status of all Group companies, and manages issues and countermeasures relating to the promotion of Group-wide risk management.

・The Internal Audit Office conducts field audits to inspect compliance by and effectiveness of the risk management system of the Group.

・The Company has formulated the Group's "Business Continuity Plan (BCP)" in order to ensure the continuity of the businesses of the Group in the event of a crisis, and ensures that all Officers and Employees of the Group are fully aware of it.

(iv) System for ensuring efficient execution of duties by Directors

・Each Director of the Group executes one's allocated area of duties at one's own responsibility pursuant to the "Rules for Segregation of Duties." The Internal Audit Office and the Board of Corporate Auditors check whether Directors follow the above appropriately.

・The Company develops the management plans of the Group, and, for the purpose of giving shape to such plans, sets management targets and allocates budget for the entire Group for each fiscal year.

(v) Systems to ensure the appropriateness of business in the Group and systems for reporting the Company on matters concerning the execution of the duties by subsidiary Directors

・In order to ensure the appropriateness of business activities as a corporate group, the Company applies the "Rules for Management of Affiliated Companies" to each of its subsidiaries, obliging them to give periodic reports on their important management matters requiring careful decision-making (including facts of occurrence).

・The Company holds regular group management meetings attended by Directors of the Company and its subsidiaries and obliges subsidiaries to report any significant events at such meetings.

(vi) Matters concerning employees if Corporate Auditors have requested that those employees be appointed to assist with their duties

・In the event that Corporate Auditors request to appoint employees who assist them in their duties, the Company appoints appropriate employees as assistants to them after consultation with those Corporate Auditors.

(vii) Matters concerning the independence of employees described in the preceding clause from Directors and matters concerning the ensuring of the effectiveness of instructions given to employees who should assist with the duties of Corporate Auditors

・In order to ensure the independence of employees described in the preceding clause from Directors, the Company informs Corporate Auditors of personnel changes or evaluations of such employees in advance and requests their opinions.

・The Company has specified in the "Corporate Audit Standards" the authority to give directions and instructions to employees who should assist Corporate Auditors.

(viii) The following systems and other systems relating to reporting to the Company’s Corporate Auditors

・System to require the Company’s Directors and employees to give reports to Corporate Auditors

In the event that Directors detect any facts that are likely to cause significant damage to the Company in the course of business execution, they report the matters relating to such facts to the Corporate Auditors.

The Internal Audit Office reports the execution of its business to the Corporate Auditors on a regular basis.

The Corporate Auditors request reports from Directors or employees if deemed necessary to fulfill their duties.

・System to report to the Corporate Auditors from the Directors, Corporate Auditors and employees of subsidiaries or from persons who received reports from such Directors, Corporate Auditors and employees

The Officers and Employees of the Group give appropriate reports promptly when they are requested by the Corporate Auditors of the Company to report on the matters concerning the execution of their duties.

In the event that Officers and Employees of the Group detect any facts that are likely to cause significant damage to the Company in the course of business execution, they report the matters relating to such facts to the Corporate Auditors.

The Internal Audit Office reports the execution of its business to the Corporate Auditors on a regular basis.

The Risk Management Office, which is in charge of the whistle-blowing system, reports the status of whistle-blowing from the Officers and Employees of the Group to the Corporate Auditors of the Company on a regular basis.

(ix) System to ensure that persons who have conducted the whistle-blowing set forth in the preceding clause will not be treated unfavorably on the basis of such whistle-blowing

・The Company prohibits treating Officers and Employees of the Group who conducted whistle-blowing to the Corporate Auditors of the Group unfavorably on the grounds of such whistle-blowing and ensures that all Officers and Employees of the Group are fully aware of it.

(x) Matters concerning the policy for expenses and debts arising from the execution of duties by the Corporate Auditors

・In the event that Corporate Auditors request to make an advance payment of expenses or settlement of debts that arise in connection with the execution of their duties, the Company promptly addresses such expenses and debts in accordance with the “Corporate Audit Standards.”

In the event that the Board of Corporate Auditors requests outside experts, such as attorneys and certified public accountants, to fulfill the duties of Corporate Auditors, the Company bears the cost thereof.

The Board of Corporate Auditors budgets in advance for expenses deemed necessary to fulfill their duties.

(xi) Other systems to ensure effective audits by Corporate Auditors

・In the event that Corporate Auditors determine it necessary to cooperate with outside experts, such as attorneys and certified public accountants, in order to fulfill their duties, the Company requests such cooperation.

(xii) Overview of status of operation of systems for ensuring the appropriateness of the business

A. Initiatives regarding compliance

The Company continuously conducts initiatives to comply with the relevant laws, regulations, and the Articles of Incorporation by administering training on compliance to employees through internal training and meeting bodies.

Additionally, through the ongoing operation of its "Compliance Hotline," which enables direct notification to outside contractors, the Company regularly makes reports to Corporate Auditors.

B. Initiatives regarding risk management

Based on its "Risk Management Rules" and the "Risk Management Guidelines," the Company manages the risks for the entire Group exhaustively and comprehensively, and inspects the status of operation of those rules and guidelines through field audits by the Internal Audit Office.

C. Execution of duties of Directors

In the fiscal year under review, 12 meetings of the Board of Directors were held to provide supervision in order to ensure that the execution of the duties of Directors and employees complied with relevant laws, regulations, and the Articles of Incorporation.

Additionally, the Board of Directors maintains its supervisory functions by continuously electing outside Directors.

D. Execution of duties of Corporate Auditors

In the fiscal year under review, 12 meetings of the Board of Corporate Auditors were held to audit the execution of the duties of Directors, including the construction and operational status of the internal control system.

Additionally, the Board of Corporate Auditors maintains the effectiveness of audits by verifying the status of execution of business by the Internal Audit Office and cooperating with certified public accountants and other outside experts.

Basic policy regarding control of the Company

The Company recognizes that it has to address purchases (or proposed acquisitions) intended to acquire large quantities of shares by carefully examining and determining the impact of said purchase acts (or proposed acquisitions) on the corporate value of the Company and common interests of shareholders based on the business activities, plans and past investment activity, etc. of the relevant purchaser.

This does not mean that concrete threats pertaining to the purchase of large quantities of the Company's shares have arisen at this time. Moreover, the Company does not predetermine concrete initiatives for cases where such purchasers appear (so-called "countermeasures against acquisitions").

Policy regarding decision of dividends of surplus, etc.

The Company considers the return of profits to shareholders as an important management issue. Its basic policy is to allocate profits proportionately to performance, and to maintain payments at stable levels. The Company's basic policy is to pay dividends of surplus once each year at the end of the fiscal year. The organs deciding dividends of surplus are the General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

Internal reserves are held to strengthen the corporate structure and in preparation for new store openings and future development of the business. The Company will make effective use of these funds to generate profits to be returned to shareholders in the future. Additionally, the Company will adequately conduct acquisitions of treasury shares while taking into consideration its financial position, stock price trends and other factors in order to improve its capital efficiency and execute flexible capital policies that accommodate changes in its operating environment.

Consolidated statements of changes in shareholders' equity (from May 1, 2023 to April 30, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance on May 1, 2023	21,894	20,504	85,963	(2,000)	126,362
Changes during the consolidated period					
Dividends of surplus			(2,107)		(2,107)
Profit attributable to owners of parent			11,401		11,401
Purchase of treasury shares				(2,436)	(2,436)
Disposal of treasury shares		(372)		1,999	1,627
Net changes in items other than shareholders' equity during the consolidated period					
Total changes during the consolidated period	–	(372)	9,293	(436)	8,484
Ending balance on April 30, 2024	21,894	20,131	95,257	(2,436)	134,847

	Total accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance on May 1, 2023	(7)	95	87	96	126,546
Changes during the consolidated period					
Dividends of surplus					(2,107)
Profit attributable to owners of parent					11,401
Purchase of treasury shares					(2,436)
Disposal of treasury shares					1,627
Net changes in items other than shareholders' equity during the consolidated period	242	129	372	7	380
Total changes during the consolidated period	242	129	372	7	8,865
Ending balance on April 30, 2024	234	225	459	104	135,411

Notes to consolidated financial statements

1. Significant Matters as Basis for Preparing Consolidated Financial Statements

(1) Scope of consolidation

(i) Status of consolidated subsidiaries

・Number of consolidated subsidiaries:	28
・Names of consolidated subsidiaries:	AIN PHARMACIEZ INC. DAICHIKU Co., Ltd. Asahi Pharmacy Co., Ltd. Kom Medical Co., Ltd. AIN SHINSHU Co., Ltd. Pharmacy Co., Ltd. WHOLESALE STARS Co., Ltd. MEDIWEL Corp. AYURA LABORATORIES Inc. 19 other dispensing pharmacy business companies

(ii) Status of unconsolidated subsidiaries

・Names of major unconsolidated subsidiaries	There are no major unconsolidated subsidiaries
・Reason for exclusion from scope of consolidation	Unconsolidated subsidiaries have been excluded from the scope of consolidation because they are of a small scale, have a minor impact on total assets, net sales, net profit or loss and retained earnings (the amount corresponding to the ownership interest), and are not of overall significance.

(2) Application of equity method

(i) Status of unconsolidated subsidiaries and associates accounted for using equity method

No applicable matters are present.

(ii) Status of unconsolidated subsidiaries and associates that are not accounted for using equity method

・Name of major company, etc.	There are no major unconsolidated subsidiaries and associates.
・Reason for the non-application of the equity method	Each company has been excluded from the application of the equity method because they are of a small scale, have a minor impact on consolidated net profit or loss and retained earnings (the amount corresponding to the ownership interest), and are not of overall significance.

(iii) Special matters concerning equity method application procedures

No applicable matters are present.

(3) Matters relating to changes in scope of consolidation and scope of equity method

(i) Changes in scope of consolidation

Eight dispensing pharmacy business companies that became consolidated subsidiaries through purchase of shares during the current consolidated fiscal year have been added to the scope of consolidation from the consolidated fiscal year under review.

In addition, seven dispensing pharmacy business companies have been extinguished by mergers between subsidiaries, and have been excluded from the scope of consolidation.

(ii) Change in scope of equity method

No applicable matters are present.

(4) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, the balance sheet date of AIN PHARMACIEZ INC., MEDIWEL Corp., and AYURA LABORATORIES Inc. is April 30. In addition, one dispensing pharmacy business company has a balance sheet date of the final day of February, one has a balance sheet date of June 30, and the balance sheet date of the other consolidated subsidiaries is March 31.

In the preparation of the consolidated financial statements, non-consolidated financial statements that are as of the balance sheet date or that have been provisionally prepared in accordance with regular balance sheet have been used; adjustments have been made as necessary for consolidation in relation to any significant transactions that occurred in the period until the consolidated balance sheet date.

(5) Accounting policies

(i) Valuation basis and methods for significant assets

A. Other securities

・Securities other than shares, etc., that do not have a market price	Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
・Shares, etc., that do not have a market price	Stated at cost determined by the moving average method

B. Valuation basis and methods for inventories

・Merchandise	Mainly stated at cost determined by the retail method (balance sheet values are calculated using the book value write-down method based on decreased profitability)
・Dispensing medicine	Mainly stated at cost determined by the weighted-average method (balance sheet values are calculated using the book value write-down method based on decreased profitability)
・Supplies	Last purchase cost method

(ii) Accounting methods for depreciation of significant depreciable assets

A. Property, plant and equipment (excluding leased assets)	The declining balance method (however, for buildings [excluding facilities attached to buildings] acquired on or after April 1, 1998, as well as facilities attached to buildings and structures that were acquired on or after April 1, 2016, the straight-line method is applied)
B. Intangible assets (excluding leased assets)	Straight-line method (software for internal use is amortized using the straight-line method over its useful life as internally determined (five years))
C. Leased assets	The straight-line method is applied assuming the lease period as the useful life without residual value.
D. Long-term prepaid expenses	The straight-line method

(iii) Accounting policy for significant provisions

A. Allowance for doubtful accounts	To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
B. Provision for bonuses	For appropriation for the payment of bonuses to employees, of the estimated amount of bonuses to be paid, the amount estimated to cover the consolidated fiscal year under review is provided.
C. Provision for bonuses for directors (and other officers)	In preparation for expenditure on bonuses for directors (and other officers), the amount is recorded based on the estimated amount of bonuses to be paid for the consolidated fiscal year under review.

(iv) Accounting policy for revenue and expenses

The Company and consolidated subsidiaries recognize revenue at the time control of the promised goods or services is transferred to the customer, and at the amount that is expected to be received in exchange for such goods or services.

A. Dispensing Pharmacy Business

The Dispensing Pharmacy Business primarily consists of dispensing pharmacies, and revenue is recognized at the time a drug is delivered to the customer.

B. Cosmetic and Drug Store Business

The Cosmetic and Drug Store Business primarily consists of cosmetics and drug stores, and revenue is recognized at the time a product is delivered to the customer.

However, in the provision of services under our customer loyalty program in which points are granted at the time of purchase, as our performance obligation will not be fulfilled for points granted by our company that do not end up being used by the customer, contract liabilities are recorded at the amount allocated to the transaction price based on the stand-alone selling price, which has been set in consideration of future expiration prospects and usage rates, etc., performance is considered satisfied when the points are used or expired, and revenue is then recognized accordingly.

(v) Other significant matters for preparing consolidated financial statements

A. Accounting policy for retirement benefit liability

To prepare for payment of retirement benefits for employees, projected retirement benefit obligations and plan assets at the end of the fiscal year are recorded based on deemed either accrued or realized amount as of the end of the fiscal year.

It should be noted that in the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the consolidated fiscal year under review on a benefit formula basis.

Past service cost is amortized using the straight-line method over a certain number of years (six years) within the average remaining service years of employees when incurred.

Actuarial gains and losses are amortized using the declining balance method over a certain number of years (six years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded, after adjusting for tax effects, in "Remeasurements of defined benefit plans" under accumulated other comprehensive income in net assets.

B. Accounting method and period for amortization of goodwill

The amortization of goodwill is performed in equal installments over a period of 5 to 20 years, upon having estimated the period during which the investment effect will be realized.

2. Notes on changes in accounting policies

No applicable matters are present.

3. Notes on changes in presentation

No applicable matters are present.

4. Notes on accounting estimates

(1) Impairment of goodwill (excluding store non-current assets)

(i) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

Item	Amount
Goodwill (excluding store non-current assets)	¥33,136 million
Impairment losses (relating to the goodwill above)	¥ - million

(ii) Information on the content of accounting estimates relating to identified items

A. Calculation method

The Group recognizes the excess earning power expected at the time of acquisition as goodwill for the respective target company, and groups assets by target company.

In cases where there are signs of impairment for each asset group, and the total of the non-discounted future cash flows corresponding to the remaining amortization period of the goodwill to be obtained from that asset group is less than the carrying amount, an impairment loss is recognized, the value in use is calculated using the discounted present value of the future cash flows, the book value is reduced to said value in use, and is recorded as an impairment loss.

B. Main assumptions

Estimations of future cash flows are made based on budgets that have been approved by the Board of Directors and planned figures that have been prepared based on operating profit forecasts at the time of acquisition, with the main assumptions for the Dispensing Pharmacy Business being the number of prescriptions and prescription prices.

C. Impact on the consolidated financial statements for the next consolidated fiscal year

The main assumptions related to estimating future cash flows are subject to a high level of uncertainty, and actual performance may differ from the forecast values. If a deviation from a forecast value occurs, an impairment loss may be incurred in the following consolidated fiscal year.

(2) Impairment of store non-current assets

(i) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

Item	Amount
Property, plant and equipment	¥36,405 million
Intangible assets	¥14,023 million
Investments and other assets (long-term prepaid expenses)	¥5,113 million
Impairment losses (relating to store non-current assets)	¥1,737 million

(ii) Information on the content of accounting estimates relating to identified items

A. Calculation method

The Group has made stores, which are business assets, its basic unit as the smallest unit that generates cash flow, and groups assets for lease and idle assets by property unit. Indications of impairment include stores for which profits from operating activities are consistently negative, stores at which changes have been made in the scope or method of use that significantly reduces the recoverable amount, and idle asset groups for which the fair value has declined significantly.

If there are signs of impairment for an asset or asset group, and the total of the non-discounted future cash flows to be derived from the asset or asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount and this reduction is recorded as an impairment loss.

B. Main assumptions

Estimations of future cash flows are made based on budgets that have been approved by the Board of Directors, with the main assumptions for the Dispensing Pharmacy Business being the number of prescriptions and prescription prices, and the main assumptions for the Cosmetic and Drug Store Business being the number of customers and average customer spend.

C. Impact on the consolidated financial statements for the next consolidated fiscal year

The main assumptions related to estimating future cash flows are subject to a high level of uncertainty, and actual performance may differ from the forecast values. If a deviation from a forecast value occurs, an impairment loss may be incurred in the following consolidated fiscal year.

5. Notes on changes to accounting estimates

(Changes to estimates for asset retirement obligations)

In the fiscal year under review, the estimated amounts of a part of the asset retirement obligations recorded as restoration obligations associated with building rental contracts have been changed in conjunction with the obtaining of new information concerning the restoration costs that will be required upon the vacation of the respective premises.

Due to such estimate changes, the balance of asset retirement obligations increased by ¥501 million.

6. Notes on consolidated balance sheet

Accumulated depreciation of property, plant and equipment ¥29,878 million

7. Notes to consolidated statements of changes in shareholders' equity

(1) Total number of issued shares

Class of shares	Number of shares at beginning of the consolidated fiscal year under review	Increase	Decrease	Number of shares at the end of the consolidated fiscal year under review
Common shares	35,428 thousand shares	- thousand shares	- thousand shares	35,428 thousand shares

(2) Number of treasury shares

Class of shares	Number of shares at beginning of the consolidated fiscal year under review	Increase	Decrease	Number of shares at the end of the consolidated fiscal year under review
Common shares	298 thousand shares	433 thousand shares	298 thousand shares	433 thousand shares

(Note) The increase of 433,000 shares of common shares in treasury shares was due to the acquisition of 100,000 shares of treasury shares based on a resolution of the Board of Directors, the acquisition of 333,000 shares of treasury shares through the introduction of a stock benefit trust (employee stock ownership plan disposal type), and the purchase of 0 thousand shares of less than one minimum trading unit. The decrease of 298,000 shares of common shares in treasury shares was due to the disposal of 2,000 shares by the grant of restricted stock compensation and the disposal of 295,000 shares by the introduction of a stock benefit trust (employee stock ownership plan disposal type). The number of treasury shares as of the end of the consolidated fiscal year under review includes the Company's shares (333,000 shares) held by Custody Bank of Japan, Ltd. (Trust Account E) related to the stock benefit trust (employee stock ownership plan disposal type).

(3) Dividends of surplus

(i) Dividends paid, etc.

Dividends resolved at the 54th Ordinary General Meeting of Shareholders held on July 28, 2023

・Total dividends	¥2,107 million
・Dividends per share	¥60
・Record date	April 30, 2023
・Effective date	July 31, 2023

(ii) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

The following will be submitted to the 55th Ordinary General Meeting of Shareholders that is to be held on July 30, 2024.

・Total dividends	¥2,826 million
・Dividends per share	¥80
・Record date	April 30, 2024
・Effective date	July 31, 2024

(Note) The total amount of dividends based on the resolution of the 55th Ordinary General Meeting of Shareholders held on July 30, 2024 includes a dividend of ¥26 million to Custody Bank of Japan, Ltd. (Trust Account E).

8. Notes on financial instruments

(1) Status of financial instruments

(i) Policy on financial instruments

The group is promoting business expansion through the opening of dispensing pharmacies and cosmetics and drug stores, as well as through M&A.

The funds required for opening new stores are primarily raised from operating cash flow, however, in order to secure extraordinary funds for M&A funds and other such purposes, we raise funds through bank borrowings and, where necessary, public offerings of new shares, and manage these funds with highly liquid financial assets.

(ii) Details of financial instruments and risks associated with such financial instruments

Almost all of the accounts receivable, which are trade receivables, are receivables from the National Health Insurance Organization and the Health Insurance Claims Review & Reimbursement Services in the form of dispensing fees, and in addition, almost all of the accounts receivable are collected within a short period of time, so there are no particular risks, etc.

Almost all of the investment securities are shares in companies with which the company has business relationships, and are exposed to the risk of fluctuations in market prices.

Leasehold and guarantee deposits are mainly segregated deposits entrusted to lessors of dispensing pharmacies and cosmetics & drug stores, and are exposed to the credit risk of the respective lessor.

Most accounts payable, which are trade payables, have a payment due date of within three months.

Lease liabilities related to finance lease transactions, which are included in other borrowings and liabilities, are mainly intended to raise funds for working capital and capital expenditure.

(iii) Risk management system for financial instruments

A. Management of credit risk (risk relating to contractual defaults, etc., by trading partners)

The main trade receivables of the company are held against the National Health Insurance Organization and the Health Insurance Claims Review & Reimbursement Services in the form of dispensing fees, and in addition, almost all of the accounts receivable are collected within a short period of time, so no particular management is performed for such risk.

When lending or holding bonds with the purpose of holding to maturity, the investment recipient and investment amount, etc., are carefully decided after internal review based on the Loan Investment Standards and Securities Investment Standards; in addition, after the start of investment, the investment target's situation is regularly monitored in order to identify and mitigate any concerns about recovery at an early stage.

For leasehold and guarantee deposits, credit management is performed through credit checks, etc., at the time of contracting and at regular intervals thereafter, and the risk of the non-performance of contracts, etc., is managed accordingly.

B. Management of market risk (risk of fluctuations in exchange rates and interest rates, etc.)

The Group mainly takes out long-term borrowings in order to reduce the risk of fluctuations in interest payments on borrowings.

In regard to investment securities, for unlisted issuing companies, their financial status, etc., is regularly assessed and for listed companies, our holdings are continuously reviewed taking into account market conditions and relationships with trading partner companies.

C. Management of liquidity risk related to fund raising (risk of not being able to make payments on payment due dates)

The Group manages liquidity risk by creating a cash flow plan based on the annual capital expenditure budget and updating the actual performance and plans on a monthly basis.

In addition, the Group aims to maintain a certain level of liquidity in order to be able to flexibly respond to extraordinary capital needs arising from M&A, etc.

(2) Fair values of financial instruments

Carrying amounts, fair values and the differences between them in the consolidated balance sheet on April 30, 2024 were as follows. It should be noted that shares, etc., that do not have a market price are not included in the table below. In addition, notes have been omitted for cash, and notes have been omitted for deposits, accounts receivable - trade, accounts receivable, accounts payable - trade, and deposits as they are settled within short periods and their fair values are approximate to their book values.

	Carrying amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Investment securities	956	957	0
(2) Leasehold and guarantee deposits	25,186		
Allowance for doubtful accounts(*)	(54)		
	25,132	23,384	(1,747)
Total assets	26,089	24,342	(1,746)
(1) Short-term borrowings (including current portion of long-term borrowings)	3,467	3,454	(12)
(2) Long-term borrowings	3,227	3,213	(13)
Total liabilities	6,694	6,667	(26)

(*) Excludes the allowance for doubtful accounts that is separately recorded in leasehold and guarantee deposits

(Note 1) Shares, etc., that do not have a market price

Category	Carrying amount (Million yen)
Unlisted shares	2,013

These are not included in "Assets (1) Investment securities" above.

In addition, investments in partnerships and other equivalent business entities in which the amount equivalent to the equity interest is recorded at net value are not included in shares, etc., that do not have a market price. The carrying amounts of such financial instruments recorded on the consolidated balance sheet are as follows.

Category	Carrying amount (Million yen)
Investments in limited liability investment partnerships	374

(Note 2) Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date

	Within 1 year (Million yen)	After 1 year through 5 years (Million yen)	After 5 years through 10 years (Million yen)	After 10 years (Million yen)
(1) Investment securities	–	–	–	–
(2) Leasehold and guarantee deposits	4,428	4,481	6,732	9,543

(Note 3) Repayment schedule of borrowings after the consolidated balance sheet date

	Within 1 year (Million yen)	After 1 year through 5 years (Million yen)	After 5 years through 10 years (Million yen)	After 10 years (Million yen)
(1) Short-term borrowings (including current portion of long-term borrowings)	3,467	–	–	–
(2) Long-term borrowings	–	3,167	60	–

(3) Breakdown, etc., of financial instruments by fair value level

The fair values of financial instruments are classified into the following three levels in accordance with observability and the significance of the inputs used to determine the fair values.

Level 1 fair value: Fair value calculated based on quoted (unadjusted) prices in active markets for the same assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

If multiple inputs that have a significant impact on the calculation of fair value are used, the fair value is classed as the level to which each of those inputs belongs that has the lowest priority level in the calculation of fair value.

(i) Financial assets and financial liabilities recorded on the consolidated balance sheet at carrying amount

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares	957	–	–	957
Total assets	957	–	–	957

(ii) Financial assets and financial liabilities not recorded on the consolidated balance sheet at carrying amount

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
(1) Investment securities	–	–	–	–
(2) Leasehold and guarantee deposits	–	23,384	–	23,384
Total assets	–	23,384	–	23,384
Short-term borrowings (including current portion of long-term borrowings)	–	3,454	–	3,454
Long-term borrowings	–	3,213	–	3,213
Total liabilities	–	6,667	–	6,667

Note: Explanation of valuation techniques and inputs used in the determination of fair value

Investment securities

Investment securities for which quoted prices in an active market can be used are classified as Level 1 fair value.

Leasehold and guarantee deposits

The fair values of leasehold and guarantee deposits are calculated based on the present value of the amounts to be repaid based on the contract period, discounted based on appropriate interest rates such as government bond yield rates, and are classified as Level 2 fair value.

Short-term borrowings, long-term borrowings

For short-term borrowings and long-term borrowings, fair value is calculated by discounting the total of principal and interest at an interest rate that would be charged for similar new loans, and such borrowings are classified as Level 2 fair value.

9. Notes on revenue recognition

(1) Information on revenue from contracts with customers

	Reportable segment (Million yen)			Amount (Million yen)
	Dispensing Pharmacy Business	Cosmetic and Drug Store Business	Other businesses	
Dispensing pharmacies	353,180	–	–	353,180
Cosmetics and drug stores	–	31,108	–	31,108
Retail store business	–	–	8,334	8,334
Other	4,390	3	1,938	6,332
Revenue from contracts with customers	357,571	31,111	10,273	398,955
Other revenue (Note)	–	–	868	868
Sales to third parties	357,571	31,111	11,141	399,824

Note: Other revenue includes lease revenue based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007).

(2) Information serving as basis for understanding revenue from contracts with customers

The information serving as basis for understanding revenue is described in “1. Significant Matters as Basis for Preparing Consolidated Financial Statements, (5) Accounting policies, (iv) Accounting policy for revenue and expenses” in the notes to consolidated financial statements.

(3) Information concerning the relationship between the fulfilling of performance obligations under contracts with customers and the cash flows arising from those contracts, as well as the amount and timing of revenue expected to be recognized in the next consolidated fiscal year and thereafter from contracts with customers that were in effect as of the end of the consolidated fiscal year under review

(i) Balance, etc., of contract liabilities

	Consolidated Fiscal Year Under Review (Million yen)	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	13,248	15,851
Contract liabilities	532	465

Receivables arising from contracts with customers are included in “Accounts receivable - trade” on the consolidated balance sheet.

Contract liabilities primarily relate to customer loyalty programs in which points are granted at the time of sale. Contract liabilities are recorded at the time the points are granted, and the performance obligation for these is deemed to have been met, and the contract liability is reversed, at the time the points are used or have expired.

The amount of revenue recognized during the consolidated fiscal year under review that was included in the contract liabilities balance as of the beginning of the fiscal year was ¥532 million.

(ii) Transaction price allocated to outstanding performance obligations

As the company and our consolidated subsidiaries have no significant transactions with contract periods that are initially expected to exceed one year, the practical expedient has been applied and the disclosure of information concerning outstanding performance obligations has been omitted.

In addition, there is no significant amount of consideration arising from contracts with customers that is not included in transaction price.

10. Notes on per share information

(1) Net assets per share	¥3,866.55
(2) Earnings per share	¥324.64

(Note) In calculating net assets per share, the Company's shares held by the Custody Bank of Japan, Ltd. (Trust Account E) have been included in treasury shares, which have been deducted from the total number of shares issued as of the end of the fiscal year (333,000 shares in the fiscal year under review). In addition, in earnings per share, the shares deducted from the calculation of the average number of shares during the period have been included in treasury shares (27,000 shares in the fiscal year under review).

11. Notes on significant subsequent events

No applicable matters are present.

12. Other notes

(Additional Information)

(Transactions in which shares of the company are issued to employees, etc., through a trust)

The company engages in transactions for the issuance of shares of the company to an employee stock ownership association through a trust with the objective of enhancing employee benefits and providing incentives for improving the corporate value of the company.

(1) Overview of transactions

The company introduced the "Stock-Based Benefit Trust (Employee Shareholders Association Purchase Type)" (hereinafter referred to as "the Plan") in April 2024.

At the time of the introduction of the Plan, the company entered into a Stock-Based Benefit Trust (Employee Shareholders Association Purchase Type) Agreement (the "Trust Agreement") with the company as the trustor and Mizuho Trust & Banking Co., Ltd. as the trustee (hereinafter referred to as the "Trustee") (the trust established based on the Trust Agreement is hereinafter referred to as "the Trust"). In addition, the Trustee has entered into an agreement with the Custody Bank of Japan, Ltd., to re-entrust the management of trust assets such as securities to the Custody Bank of Japan Ltd., as the sub-trustee.

The Custody Bank of Japan, Ltd., will acquire a lump sum of shares of the company in advance for Trust Account E equivalent to the number of the Company's shares that are expected to be purchased by the "AIN HOLDINGS Employee Shareholders Association" (the "Shareholders Association") over a period of five years from the establishment of the trust, and thereafter will sell the shares of the company at the time the Shareholders Association purchases shares. 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 E Account 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 the like, the Company will pay off the outstanding loan balance pursuant to the guarantee agreements.

(2) Shares of the company remaining in the trust

The shares of the company remaining in the trust are recorded as treasury shares in the net assets section at acquisition cost in the trust (incidental expenses are excluded). The carrying amount and number of such treasury shares for the consolidated fiscal year under review were ¥1,844 million and 333,000 shares, respectively.

(3) Carrying amount of borrowings recorded through the application of the gross method

Consolidated Fiscal Year Under Review ¥1,845 million

Balance sheet

(As of April 30, 2024)

(Million yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**47,792**	**Current liabilities**	**59,717**
Cash and deposits	33,975	Short-term borrowings	55,362
Prepaid expenses	1,024	Current portion of long-term borrowings	2,629
Short-term loans receivable	10,898	Accounts payable	1,065
Accounts receivable	1,893	Income taxes payable	121
Other current assets	0	Provision for bonuses	81
Non-current assets	**98,378**	Provision for bonuses for directors (and other officers)	16
Property, plant and equipment	**2,491**	Other current liabilities	441
Buildings and structures	1,349	**Non-current liabilities**	**2,936**
Tools, furniture and fixtures	73	Long-term borrowings	2,571
Land	730	Provision for retirement benefits	53
Other tangible fixed assets	337	Other noncurrent liabilities	312
Intangible assets	**4,419**	**Total liabilities**	**62,654**
Trademark right	72	**Net assets**	
Software	3,433	**Shareholders' equity**	**83,296**
Other intangible assets	913	**Share capital**	**21,894**
Investments and other assets	**91,468**	**Capital surplus**	**21,636**
Investment securities	2,524	Legal capital surplus	20,084
Shares of subsidiaries and associates	83,972	Other capital surplus	1,551
Deferred tax assets	1,114	**Retained earnings**	**42,201**
Leasehold and guarantee deposits	3,346	Other retained earnings	42,201
Other investments and other assets	510	General reserve	3,200
		Retained earnings brought forward	39,001
		Treasury shares	**(2,436)**
		Valuation and translation adjustments	**219**
		Valuation difference on available-for-sale securities	**219**
		Total net assets	**83,516**
Total assets	**146,171**	**Total liabilities and net assets**	**146,171**

Statement of income

(From May 1, 2023 to April 30, 2024)

(Million yen)

Item	Amount
Operating revenue	**14,121**
Gross profit	**14,121**
Selling, general and administrative expenses	**9,012**
Operating profit	**5,109**
Non-operating income	**1,142**
Non-operating expenses	**978**
Interest expenses	159
Other	818
Ordinary profit	**5,273**
Extraordinary income	**2**
Extraordinary losses	**134**
Loss on valuation of investment securities	134
Other	0
Profit before income taxes	**5,140**
Income taxes - current	216
Income taxes - deferred	(14)
Profit	**4,939**

Non-consolidated statements of changes in shareholders' equity (from May 1, 2023 to April 30, 2024)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Beginning balance on May 1, 2023	21,894	20,084	1,924	22,009	3,200	36,169	39,369	(2,000)	81,273
Change during the fiscal year									
Dividends of surplus						(2,107)	(2,107)		(2,107)
Profit						4,939	4,939		4,939
Purchase of treasury shares								(2,436)	(2,436)
Disposal of treasury shares			(372)	(372)				1,999	1,627
Net changes in items other than shareholders' equity during the fiscal year									
Total change during the fiscal year	–	–	(372)	(372)	–	2,831	2,831	(436)	2,023
Ending balance on April 30, 2024	21,894	20,084	1,551	21,636	3,200	39,001	42,201	(2,436)	83,296

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Beginning balance on May 1, 2023	(15)	(15)	81,258
Change during the fiscal year			
Dividends of surplus			(2,107)
Profit			4,939
Purchase of treasury shares			(2,436)
Disposal of treasury shares			1,627
Net changes in items other than shareholders' equity during the fiscal year	235	235	235
Total change during the fiscal year	235	235	2,258
Ending balance on April 30, 2024	219	219	83,516

Notes to non-consolidated financial statements

1. Important accounting policies

(1) Valuation basis and methods for assets

(i) Shares of subsidiaries and associates	Stated at cost determined by the moving average method
(ii) Other securities	
・Securities other than shares, etc., that do not have a market price	Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
・Shares, etc., that do not have a market price	Stated at cost determined by the moving average method
(iii) Valuation basis and methods for inventories	
・Supplies	Last purchase cost method

(2) Accounting method for depreciation of non-current assets

(i) Property, plant and equipment (excluding leased assets)	The declining balance method (however, for buildings [excluding facilities attached to buildings] acquired on or after April 1, 1998, as well as facilities attached to buildings and structures that were acquired on or after April 1, 2016, the straight-line method is applied)
(ii) Intangible assets (excluding leased assets)	Straight-line method (software for internal use is amortized using the straight-line method over its useful life as internally determined (five years))
(iii) Leased assets	The straight-line method is applied assuming the lease period as the useful life without residual value.
(iv) Long-term prepaid expenses	The straight-line method

(3) Accounting policy for provisions

(i) Allowance for doubtful accounts	To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
(ii) Provision for bonuses	For appropriation for the payment of bonuses to employees, of the estimated amount of bonuses to be paid, the amount estimated to cover the fiscal year under review is provided.
(iii) Provision for bonuses for directors (and other officers)	In preparation for expenditure on bonuses for directors (and other officers), the amount is recorded based on the estimated amount of bonuses to be paid for the fiscal year under review.
(iv) Provision for retirement benefits	In order to prepare for the payment of retirement benefits to employees, the company records an amount based on the estimated retirement benefit obligations and pension assets as of the final day of the fiscal year under review. It should be noted that in the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the fiscal year under review on a benefit formula basis. Past service cost is amortized using the straight-line method over a certain number of years (six years) within the average remaining service years of employees when incurred.

Actuarial gains and losses are amortized using the declining balance method over a fixed number of years within the average remaining service period (6 years) of employees at occurrence, from the following fiscal year.

The treatment of unrecognized actuarial gains and losses and unrecognized past service costs in the balance sheet differs from that used for the consolidated balance sheet.

(4) Accounting policy for revenue and expenses

Revenue from contracts with customers of the Company are mainly from the provision of services based on management advisory service contracts executed with consolidated subsidiaries, and are recognized monthly at the amount prescribed in the respective contract.

2. Notes on changes in accounting policies

No applicable matters are present.

3. Notes on changes in presentation

No applicable matters are present.

4. Notes on accounting estimates

Shares of subsidiaries and associates

(i) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Item	Amount
Shares of subsidiaries and associates	¥83,972 million

(ii) Information on the content of accounting estimates relating to identified items

A. Calculation method

The company acquires shares of subsidiaries and associates that do not have a market price at their net asset value, which reflects their respective excess earning power. For this reason, in the case of shares acquired at a price higher than the net assets per share obtained from the non-consolidated financial statements of the target company, if the initial excess earning power declines and the net asset value falls by around 50% or more compared to the acquisition cost, and if there is not sufficient evidence to support a possible recovery, the policy is to record an impairment loss down to the actual value.

It should be noted in regard to excess earning power that a decision is made as to whether or not the net asset value, which reflects the excess earning power initially anticipated, has declined significantly compared to the acquisition cost by ascertaining the achievement status, etc., of the planned values that were created based on the operating profit forecast at the time of the acquisition.

B. Main assumptions

The valuation of shares of subsidiaries and associates is based on the planned values that were prepared based on the operating profit forecasts at the time of acquisition, with the main assumptions for the planned values being the number of prescriptions and prescription prices for the Dispensing Pharmacy Business.

C. Impact on non-consolidated financial statements for the following fiscal year

Main assumptions are highly uncertain, and the occurrence of unexpected events or revisions to business plans, etc., may have a significant impact on the valuation of shares of subsidiaries and associates.

5. Notes on balance sheet

(1) Accumulated depreciation of property, plant and equipment ¥1,123 million

(2) Monetary claims and liabilities to subsidiaries and associates are as shown below.

(i) Short-term monetary claims ¥11,975 million

(ii) Short-term monetary liabilities ¥55,437 million

(iii) Long-term monetary liabilities ¥69 million

6. Notes on statement of income

Volume of trade with subsidiaries and associates

(i) Operating revenue ¥14,121 million

(ii) Selling, general and administrative expenses ¥2 million

(iii) Volume of trade other than business transactions ¥1,085 million

7. Notes to non-consolidated statements of changes in shareholders' equity

Number of treasury shares

Class of shares	Number of shares at the beginning of the fiscal year under review	Increase in number of shares of the fiscal year under review	Decrease in number of shares of the fiscal year under review	Number of shares at the ending of the fiscal year under review
Common shares	298 thousand shares	433 thousand shares	298 thousand shares	433 thousand shares

(Note) The increase of 433,000 shares of common shares in treasury shares was due to the acquisition of 100,000 shares of treasury shares based on a resolution of the Board of Directors, the acquisition of 333,000 shares of treasury shares through the introduction of a stock benefit trust (employee stock ownership plan disposal type), and the purchase of 0 thousand shares of less than one minimum trading unit. The decrease of 298,000 shares of common shares in treasury shares was due to the disposal of 2,000 shares by the grant of restricted stock compensation and the disposal of 295,000 shares by the introduction of a stock benefit trust (employee stock ownership plan disposal type). The number of treasury shares as of the end of the consolidated fiscal year under review includes the Company's shares (333,000 shares) held by Custody Bank of Japan, Ltd. (Trust Account E) related to the stock benefit trust (employee stock ownership plan disposal type).

8. Notes on tax-effect accounting

Major components of deferred tax assets and liabilities

(Deferred tax assets)

Impairment losses	¥263 million
Exceeded provision for bonuses	¥24 million
Exceeded provision for retirement benefits	¥16 million
Shares of subsidiaries and associates relating to corporate division	¥1,123 million
Other	¥164 million
Deferred tax assets subtotal	¥1,593 million
Valuation allowance	¥(379) million
Total deferred tax assets	¥1,213 million

(Deferred tax liabilities)

Removal cost assets	¥(3) million
Valuation difference on available-for-sale securities	¥(96) million
Total deferred tax liabilities	¥(99) million
Net: Net deferred tax assets	¥1,114 million

9. Notes on transactions with related parties

(1) Parent company and major corporate shareholders, etc.

No applicable matters are present.

(2) Directors (and other officers) and major individual shareholders, etc.

No applicable matters are present.

(3) Subsidiaries, etc.

Type	Name of company, etc.	Voting rights, etc., holding ratio (%)	Relationship with related party	Details of transactions	Transaction amount (Million yen)	Item	Ending balance (Million yen)
Subsidiary	AIN PHARMACIEZ INC.	100.0 direct	Management guidance contract has been executed Mutual use of funds Concurrently serving as directors (and other officers)	Consulting fee income (Note) 1.	6,481	–	–
				Rental income (Note) 1.	810	–	–
				Collection of funds (Note) 2., 3.	3,608	Short-term loans receivable	10,108
				Interest income (Note) 2., 3.	56	–	–
Subsidiary	Asahi Pharmacy Co., Ltd.	100.0 direct	Management guidance contract has been executed Mutual use of funds Concurrently serving as directors (and other officers)	Consulting fee income (Note) 1.	323	–	–
				Return of funds (Note) 2., 3.	563	Short-term borrowings	16,570
				Interest paid (Note) 2., 3.	43	–	–
Subsidiary	WHOLESALE STARS Co., Ltd.	100.0 direct	Management guidance contract has been executed Mutual use of funds Concurrently serving as directors (and other officers)	Consulting fee income (Note) 1.	1,806	–	–
				Borrowing of funds (Note) 2., 3.	2,788	Short-term borrowings	17,878
				Interest paid (Note) 2., 3.	49	–	–
Subsidiary	DAICHIKU Co., Ltd.	100.0 direct	Management guidance contract has been executed Mutual use of funds Concurrently serving as directors (and other officers)	Consulting fee income (Note) 1.	163	–	–
				Borrowing of funds (Note) 2., 3.	183	Short-term borrowings	5,890
Subsidiary	Pharmacy Co., Ltd.	100.0 direct	Management guidance contract has been executed Mutual use of funds Concurrently serving as directors (and other officers)	Consulting fee income (Note) 1.	346	–	–
				Borrowing of funds (Note) 2., 3.	1,248	Short-term borrowings	5,720
Subsidiary	AIN SHINSHU Co., Ltd.	100.0 direct	Management guidance contract has been executed Mutual use of funds Concurrently serving as directors (and other officers)	Consulting fee income (Note) 1.	125	–	–
				Borrowing of funds (Note) 2., 3.	69	Short-term borrowings	3,449

Transaction conditions and policy for determining transaction conditions, etc.

Notes:
1. The conditions, etc., of transactions, including consulting between groups, are determined in reference to market rates, etc.
2. For borrowing and lending within the Group, interest rates are determined in reference to market interest rates.
3. The amount of transactions relating to borrowing and lending within the Group is the net increase or decrease for the fiscal year under review.

10. Notes on revenue recognition

Information serving as basis for understanding revenue from contracts with customers

The information serving as basis for understanding revenue is as described in "1. Important accounting policies (4) Accounting policy for revenue and expenses" of the Notes to non-consolidated financial statements.

11. Notes on per share information

(1)	Net assets per share	¥2,386.57
(2)	Earnings per share	¥140.65

(Note) In calculating net assets per share, the Company's shares held by the Custody Bank of Japan, Ltd. (Trust Account E) have been included in treasury shares, which have been deducted from the total number of shares issued as of the end of the fiscal year (333,000 shares in the fiscal year under review). In addition, in earnings per share, the shares deducted from the calculation of the average number of shares during the period have been included in treasury shares (27,000 shares in the fiscal year under review).

12. Notes on significant subsequent events

No applicable matters are present.

13. Other notes

(Additional Information)

(Transactions in which shares of the company are issued to employees, etc., through a trust)

As the content is the same as stated in "12. Other notes (Additional information) (Transactions in which shares of the company are issued to employees, etc., through a trust)" of the Notes to consolidated financial statements, this note has been omitted.

(TRANSLATION)

Accounting audit report on the consolidated financial statements

Independent Auditor's Report (Translation)

June 25, 2024

AIN HOLDINGS INC.

Attn. Board of Directors

Ernst & Young ShinNihon LLC

Sapporo Office

Designated Engagement Partner	Certified Public Accountant	**Naohiko Kataoka**
Designated Engagement Partner	Certified Public Accountant	**Wataru Araki**

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statements of changes in shareholders' equity, and the notes to the consolidated financial statements of AIN HOLDINGS INC. (the "Company") applicable to the fiscal year from May 1, 2023 to April 30, 2024.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group comprising of AIN HOLDINGS INC. and its consolidated subsidiaries, and its corporate group, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other content of statements

The other content of statements is the Business Report and the supplementary schedules thereto. Management is responsible for the preparation and disclosure of such other content of statements. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the other content of statements reporting process.

Our audit opinion on the consolidated financial statements does not include any of the other content of statements, and we do not express any opinion on such other content of statements.

Our responsibility in auditing the consolidated financial statements is to read the other content of statements and, in the process of reading the other content of statements, to consider whether there are any material differences between the other content of statements and the consolidated financial statements or the knowledge we have gained over the course of our audit, and to pay attention as to whether or not there are any indications of material misstatements in the other content of statements other than such material differences.

Our audit firm, in the event of having determined there to be material misstatements in the other content of statements based on the work we have performed, is required to report this.

There are no matters that should be reported by our audit firm in relation to the other content of statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with corporate accounting standards that are generally accepted in Japan. This includes the establishment and operation of internal controls that management has determined to be necessary in order to prepare and fairly present consolidated financial statements that are free from material misstatements caused by fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement caused by fraud or error. In addition, we design and perform audit procedures responsive to the risks of material misstatements. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related measures taken to remove obstruction factors to independence or related safeguards in order to mitigate obstruction factors to a tolerable level.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

Accounting audit report on the non-consolidated financial statements

Independent Auditor's Report (Translation)

June 25, 2024

AIN HOLDINGS INC.

Attn. Board of Directors

Ernst & Young ShinNihon LLC

Sapporo Office

Designated Engagement Partner	Certified Public Accountant	**Naohiko Kataoka**
Designated Engagement Partner	Certified Public Accountant	**Wataru Araki**

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statements of changes in shareholders' equity, the notes to the Non-Consolidated Financial Statements and the related supplemental schedules (collectively, "non-consolidated financial statements, etc.") of AIN HOLDINGS INC. (the "Company") applicable to the 55th fiscal year from May 1, 2023 to April 30, 2024.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other content of statements

The other content of statements is the Business Report and the supplementary schedules thereto. Management is responsible for the preparation and disclosure of such other content of statements. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the other content of statements reporting process.

Our audit opinion on the non-consolidated financial statements, etc., does not include any of the other content of statements, and we do not express any opinion on such other content of statements.

Our responsibility in auditing the non-consolidated financial statements, etc., is to read the other content and, in the process of reading the other content of statements, to consider whether there are any material differences between the other content of statements and the non-consolidated financial statements, etc., or the knowledge we have gained over the course of our audit, and to pay attention as to whether or not there are any indications of material misstatements in the other content of statements other than such material differences.

Our audit firm, in the event of having determined there to be material misstatements in the other content of statements based on the work we have performed, is required to report this.

There are no matters that should be reported by our audit firm in relation to the other content of statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of non-consolidated financial statements, etc., in accordance with corporate accounting standards that are generally accepted in Japan. This includes the establishment and operation of internal controls that management has determined to be necessary in order to prepare and fairly present non-consolidated financial statements, etc., that are free from material misstatements caused by fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Auditors are responsible for obtaining reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement caused by fraud or error. In addition, we design and perform audit procedures responsive to the risks of material misstatements. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related measures taken to remove obstruction factors to independence or related safeguards in order to mitigate obstruction factors to a tolerable level.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

Audit Report by Board of Corporate Auditors

Audit Report

The Board of Corporate Auditors reports the below having prepared this Audit Report following deliberation based on the audit reports prepared by each Corporate Auditor with respect to the execution of duties by the Directors in the 55th business term from May 1, 2023 to April 30, 2024.

1. Methods of audit by Corporate Auditors and the Board of Corporate Auditors and content thereof

(1) In addition to setting forth audit policies, the division of duties, etc. and receiving reports on the status of implementation of audits and results thereof from each Corporate Auditor, the Board of Corporate Auditors received reports on the status of execution of duties of Directors, etc. and the accounting auditor therefrom, and requested explanations as necessary.

(2) In conformance with the corporate audit standards set forth by the Board of Corporate Auditors, each Corporate Auditor endeavored to communicate with Directors, the internal audit department, other employees, etc. to gather information and put an audit environment in place in accordance with audit policies, the division of duties, etc. Simultaneously, each Corporate Auditor performed audits using the below methods.

(i) Corporate Auditors attended meetings of the Board of Directors and other key meetings, received reports from Directors, employees, etc. regarding the status of the execution of their duties, requested explanations as necessary, reviewed important final approval documents, etc., and investigated the status of business and property at the headquarters and primary offices. Additionally, in regard to subsidiaries, Corporate Auditors endeavored to communicate and exchange information with subsidiary Directors, Corporate Auditors, etc. and received business reports from subsidiaries as necessary.

(ii) With regard to the content of Board of Directors resolutions concerning the development of the system for ensuring that the performance of duties by Directors complies with relevant laws, regulations, and the Articles of Incorporation as stated in the Business Report and other systems set forth in Article 100, paragraphs (1) and (3) of the Regulations for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of the business of the Company Group consisting of the stock company and its subsidiaries, as well as systems developed in accordance with said resolutions (internal control systems), Corporate Auditors regularly received reports on the status of construction and operation thereof from Directors, employees, etc., requested explanations as necessary, and stated their opinions.

(iii) In addition to monitoring and verifying that the accounting auditor maintains an independent position and performs proper audits, Corporate Auditors received reports from the accounting auditor on the status of execution of the duties thereof and requested explanations as necessary. Additionally, Corporate Auditors received notification from the accounting auditor that “systems for ensuring that the execution of duties is carried out properly” (matters listed in each item of Article 131 of the Regulations on Corporate Accounting) have been developed in accordance with the Quality Control Standards for Audits (Business Accounting Council), etc. and requested explanations as necessary.

In accordance with the above methods, the Board of Corporate Auditors examined the Business Report and supplementary schedules thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statements of changes in shareholders' equity and notes to non-consolidated financial statements) and supplementary schedules thereto and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in shareholders' equity and notes to consolidated financial statements) for the fiscal year under review.

2. Audit results

(1) Results of audit of Business Report, etc.

(i) We find the Business Report and supplementary schedules thereto to correctly present the status of the Company in accordance with relevant laws, regulations, and the Articles of Incorporation.

(ii) With regard to the execution of duties by Directors, as described in the Business Report, it was discovered that two former directors of the Company and its group companies had engaged in the obstruction of auctions related to public contracts. The Audit & Supervisory Board will continue to closely monitor the status of the implementation of recurrence prevention measures, taking into account investigation reports and recommendations on recurrence prevention measures of an investigative team composed of external experts. With the exception of the above, no acts of impropriety regarding the execution of duties of Directors or material facts in violation of relevant laws, regulations or the Articles of Incorporation have been found.

(iii) We find the content of resolutions of the Board of Directors regarding internal control systems to be appropriate. Additionally, there were no findings to point out with respect to the content of statements in the Business Report regarding said internal control systems or the execution of related duties by Directors.

(2) Results of audit of non-consolidated financial statements and supplementary schedules thereto

We find the audit methods and results by Ernst & Young ShinNihon LLC, the accounting auditor, to be reasonable.

(3) Results of audit of consolidated financial statements

We find the audit methods and results by Ernst & Young ShinNihon LLC, the accounting auditor, to be reasonable.

June 26, 2024

AIN HOLDINGS INC. Board of Corporate Auditors

Standing Auditor	Corporate	Koichi Kawamura	[SEAL]
Outside Auditor	Corporate	Akira Ibayashi	[SEAL]
Outside Auditor	Corporate	Osamu Muramatsu	[SEAL]