

FY4/21 1Q
IR PRESENTATION

AIN HOLDINGS INC.
September 2020

Results Overview

Consolidated P/L

Net sales decreased 1.4% YoY and 0.6% against the plan due to the impact of the COVID-19 outbreak, despite the contribution of 6 stores opened(including M&A) in this fiscal year and store opened in previous year. Ordinary income declined 60.7% YoY due to net sales lower than forecast and up 47.7% against the plan due to reduction of administrative expense.

(¥ million)	FY4/20 1Q results	FY4/21 1Q plan	FY4/21 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	72,461	71,900	71,463	(998)	(1.4)	(0.6)
Gross profit	11,490	10,032	9,819	(1,671)	(14.5)	(2.1)
% of net sales	15.9	14.0	13.7			
SG&A expenses	7,568	9,012	8,655	+1,087	+14.4	(4.0)
% of net sales	10.4	12.5	12.1			
Operating income	3,921	1,020	1,164	(2,757)	(70.3)	+14.1
% of net sales	5.4	1.4	1.6			
Ordinary income	4,212	1,120	1,654	(2,558)	(60.7)	+47.7
% of net sales	5.8	1.6	2.3			
Profit attributable to owners of parent	2,240	571	846	(1,394)	(62.2)	+48.2
% of net sales	3.1	0.8	1.2			
Earnings per share(¥)	63.24	16.12	23.90	(39.34)	(62.2)	+48.3

▶ Figures in the table are rounded down

Dispensing Pharmacy Business (Consolidated)

Net sales decreased 3.0% YoY and 0.7% against the plan due to the impact of the COVID-19 outbreak. Segment income declined 28.0% YoY due to decrease of net sales and up 2.6% against the plan due to reduction of administrative expense.

(¥ million)	FY4/20 1Q results	FY4/21 1Q plan	FY4/21 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	64,800	63,320	62,888	(1,912)	(3.0)	(0.7)
Gross profit	8,409	6,890	6,661	(1,748)	(20.8)	(3.3)
% of net sales	13.0	10.9	10.6			
SG&A expenses	3,738	3,622	3,537	(201)	(5.4)	(2.3)
% of net sales	5.8	5.7	5.6			
Operating income	4,671	3,268	3,124	(1,547)	(33.1)	(4.4)
% of net sales	7.2	5.2	5.0			
Segment income	4,804	3,372	3,458	(1,346)	(28.0)	+2.6
% of net sales	7.4	5.3	5.5			
Number of pharmacies	1,120	1,083	1,081	(39)	(3.5)	(0.2)

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the consolidated statements of income
- ▶ Prescription volume: (14.0)% YoY
- ▶ Average prescription price: +12.6% YoY

Cosmetic and Drug Store Business (Consolidated)

Net sales declined 34.5% YoY and up 2.3% against the plan due to temporarily closed or shorted opening hours at many stores, despite the group has opened 3 stores in this fiscal year. Segment loss was ¥292 million due to net sales declined.

(¥ million)	FY4/20 1Q results	FY4/21 1Q plan	FY4/21 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	6,560	4,200	4,296	(2,264)	(34.5)	+2.3
Gross profit	2,495	1,612	1,589	(906)	(36.3)	(1.4)
% of net sales	38.0	38.4	37.0			
SG&A expenses	2,277	2,072	2,014	(263)	(11.6)	(2.8)
% of net sales	34.7	49.3	46.9			
Operating income	217	(460)	(425)	(642)	-	-
% of net sales	3.3	-	-			
Segment income	230	(460)	(292)	(522)	-	-
% of net sales	3.5	-	-			
Number of stores	55	64	64	+9	+16.4	0.0

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the consolidated statements of income
- ▶ Number of customers: (31.7)% YoY
- ▶ Average spending per customer: (4.1)% YoY

Consolidated B/S

Net cash became ¥36,719 million and shareholders' equity ratio became 58.4%. We are maintaining a sound financial structure even during the COVID-19 outbreak.

(¥ million)

End-FY4/20			
Assets		Liabilities	
Current assets	87,802	Current liabilities	74,700
Cash on hand and in banks	46,321	Short-term debt	3,642
		Lease obligations	193
Fixed assets	105,632	Long-term liabilities	7,747
Goodwill	42,123	Long-term debt	2,432
		Lease obligations	154
Deferred assets	15	Total net assets	111,003
Total assets	193,451	Total liabilities and net assets	193,451

(¥ million)

End-FY4/21 1Q			
Assets		Liabilities	
Current assets	82,815	Current liabilities	70,999
Cash on hand and in banks	42,128	Short-term debt	3,171
		Lease obligations	165
Fixed assets	105,405	Long-term liabilities	7,318
Goodwill	41,303	Long-term debt	1,961
		Lease obligations	111
Deferred assets	4	Total net assets	109,907
Total assets	188,225	Total liabilities and net assets	188,225

Net cash 39,899

Shareholders' equity ratio(%) 57.3

Net cash 36,719

Shareholders' equity ratio(%) 58.4

▶ Figures in the table are rounded down

▶ Net cash = Cash on hand and in banks - Interest-bearing debt (Long-and short-term debt + Lease obligations)

Assets

The balance of total assets decreased ¥5,226 million from the end of the previous fiscal year due to decrease of cash on hand and in banks and accounts receivable.

(¥ million)	End-FY4/20 1Q	End-FY4/20	End-FY4/21 1Q	Change
Cash on hand and in banks	40,753	46,321	42,128	(4,193)
Notes and accounts receivable	15,940	13,653	12,204	(1,449)
Inventories	13,897	15,322	15,588	+266
Total current assets	83,311	87,802	82,815	(4,987)
Buildings and structures,net	16,355	16,609	16,521	(88)
Land	10,484	10,960	10,868	(92)
Lease assets	487	272	208	(64)
Total property,plant and equipment	30,216	30,874	30,808	(66)
Goodwill	44,216	42,123	41,303	(820)
Lease assets	6	5	4	(1)
Total intangible fixed assets	46,630	44,916	44,299	(617)
Investments in securities	1,820	2,295	2,296	+1
Deferred tax assets	4,276	4,211	4,196	(15)
Deposits and guarantees	15,078	19,144	19,154	+10
Total investments and other assets	26,336	29,841	30,297	+456
Total fixed assets	103,184	105,632	105,405	(227)
Total deferred assets	48	15	4	(11)
Total assets	186,543	193,451	188,225	(5,226)

▶ Figures in the table are rounded down ▶ Change:End-FY4/21 1Q compared with End-FY4/20

▶ Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥1,351 million

Liabilities and Net Assets

The balance of liabilities decreased ¥4,129 million from the end of the previous fiscal year due to decrease of accounts payable.

(¥ million)	End-FY4/20 1Q	End-FY4/20	End-FY4/21 1Q	Change
Accounts payable	46,194	47,187	45,334	(1,853)
Short-term debt	5,045	3,642	3,171	(471)
Lease obligations	286	193	165	(28)
Total current liabilities	71,967	74,700	70,999	(3,701)
Long-term debt	5,014	2,432	1,961	(471)
Lease obligations	330	154	111	(43)
Total long-term liabilities	10,421	7,747	7,318	(429)
Total liabilities	82,389	82,447	78,318	(4,129)
Common stock	21,894	21,894	21,894	-
Capital surplus	20,500	20,500	20,500	-
Retained earnings	61,818	68,758	67,656	(1,102)
Total shareholders' equity	104,212	111,151	110,050	(1,101)
Total net assets	104,154	111,003	109,907	(1,096)
Total liabilities and net assets	186,543	193,451	188,225	(5,226)

- ▶ Figures in the table are rounded down
- ▶ Change : End-FY4/21 1Q compared with End-FY4/20

FY4/21 Plan (Consolidated)

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

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

▶ Figures in the table are rounded down

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

Review

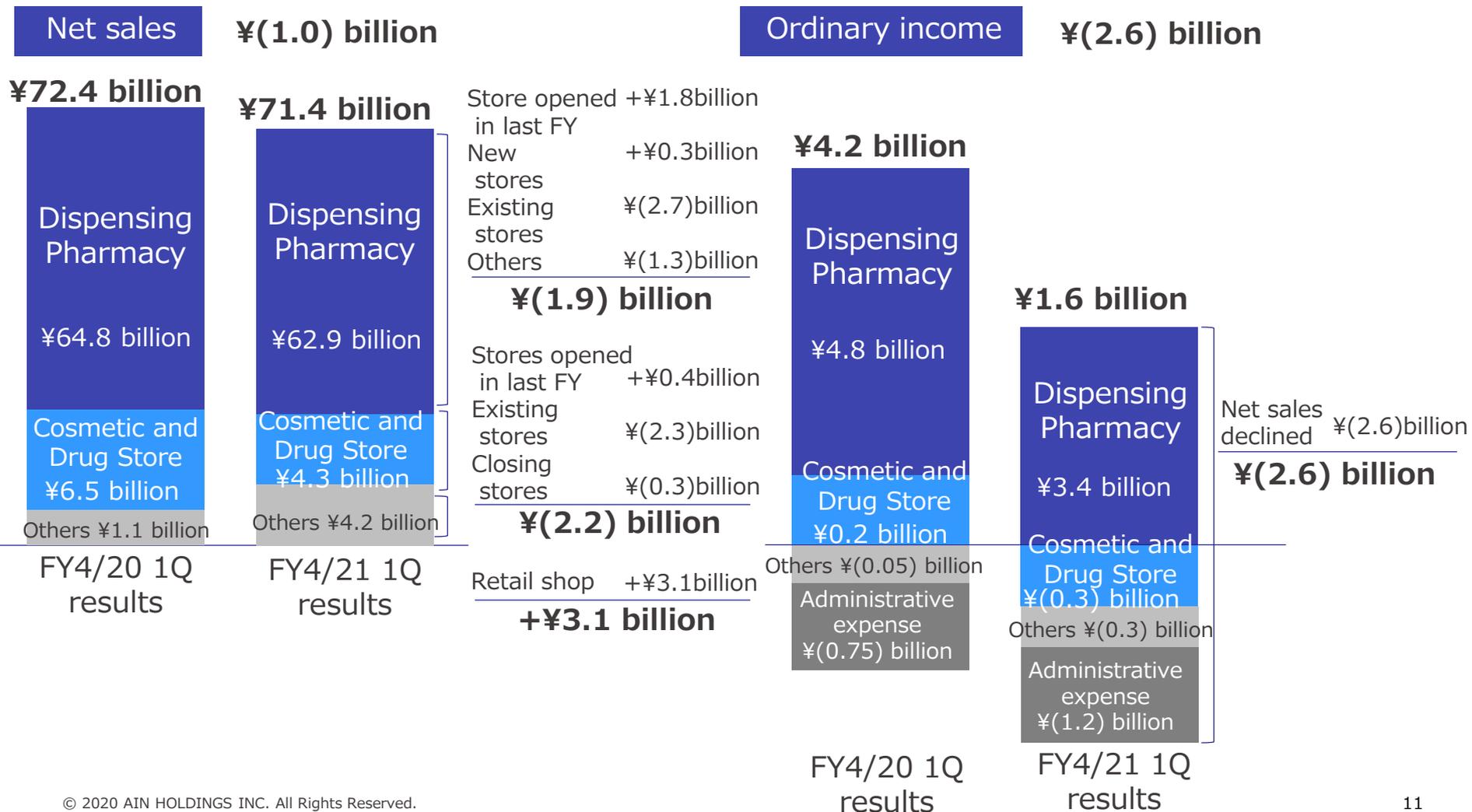
Revision of 2020

Growth strategy

Review

Review (YoY)

Net sales declined 1 billion and ordinary income decreased 2.6 billion due to the impact of the COVID-19 outbreak, despite the contribution of stores opened(including M&A) in previous year, but decline in the number of prescriptions and temporarily closed or shortened the opening hours of many cosmetic and drug stores.



Review (Vs plan)

Net sales fell 0.5 billion against the plan due to the impact of the COVID-19 outbreak, while ordinary income increased 0.5 billion against the plan due to cost reduction.

Net sales

¥(0.5) billion

Ordinary income

+¥0.5 billion

¥71.9 billion

¥71.4 billion



Existing stores ¥(0.4)billion

¥(0.4) billion

Existing stores +¥0.2billion
Store opened in last FY

¥(0.05)billion
Others ¥(0.05)billion

+¥0.1 billion

Retail shop Others ¥(0.2)billion

¥(0.2) billion

FY4/21 1Q plan

FY4/21 1Q results

¥1.1 billion

¥1.6 billion



Net sales ¥(0.05)billion
costs ¥(0.15)billion
SG&A +¥0.7billion
expenses

+¥0.5 billion

FY4/21 1Q plan

FY4/21 1Q results

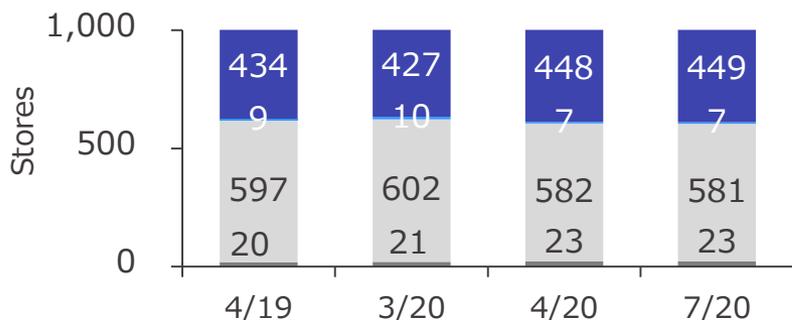
Revision of 2020

Responsive to revision of 2020

Object: 1,060 existing stores

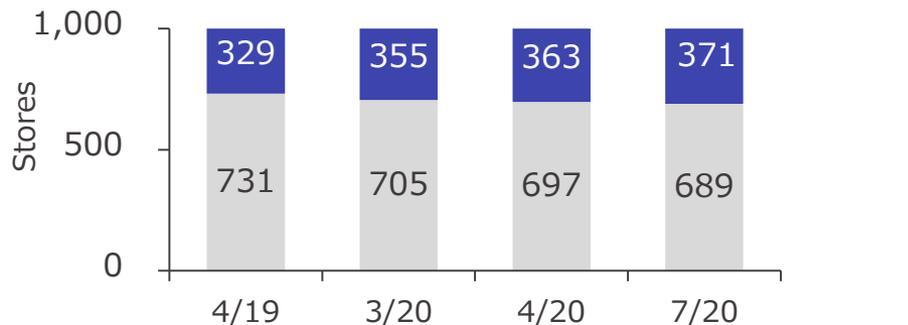
Basic dispensing fee

■ 1 (42pts) ■ 2 (26pts) ■ 3-II (16pts) ■ SP. (9pts)



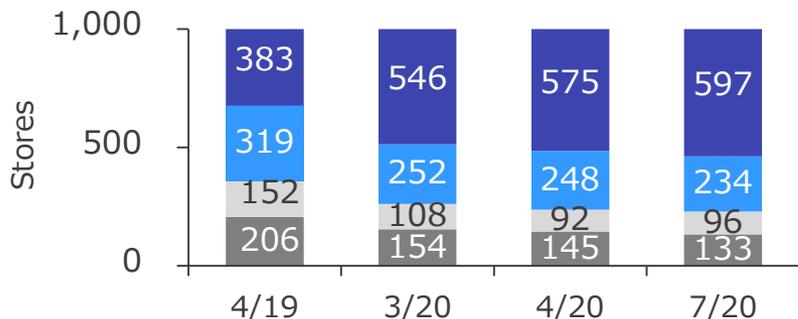
Community support system premiums

■ No Premiums ■ Community support system premiums(38pts)

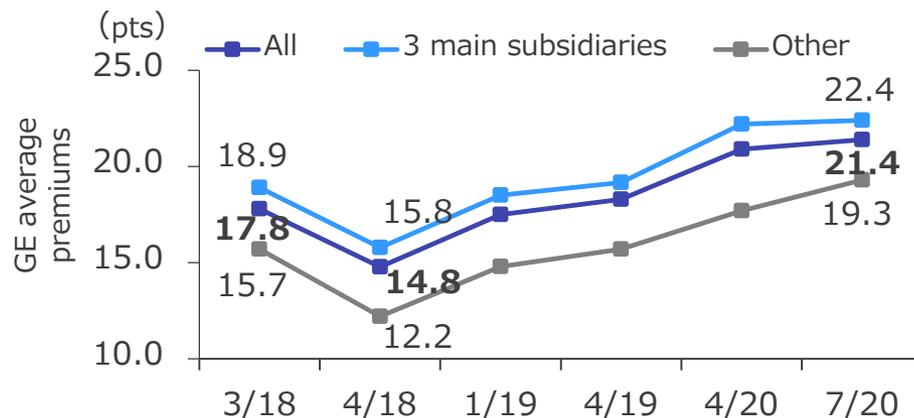


GE premiums

■ No Premiums ■ 1(15pts) ■ 2(22pts) ■ 3(28pts)



Transition of average of GE premiums



▶ Average of GE premiums per a reception

▶ GE drugs share (volume) : 82.4% (Av. of 5/20-7/20)

Growth strategy

Growth Strategy

Considering the institutional changes and deregulation in future, the Group continues to open high potential stores and reinforcing the Group's business base.

■ Top-line

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



■ Reinforcing the Group's business base

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



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

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



■ Expansion of *ainz & tulpe*

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



Top-line

The group opened 6 stores including M&A, and closed 12 stores during the FY4/21 1Q.

- Total number of stores

1,145 (Dispensing pharmacy:1,081、Cosmetic and drug store:64)

- Plan

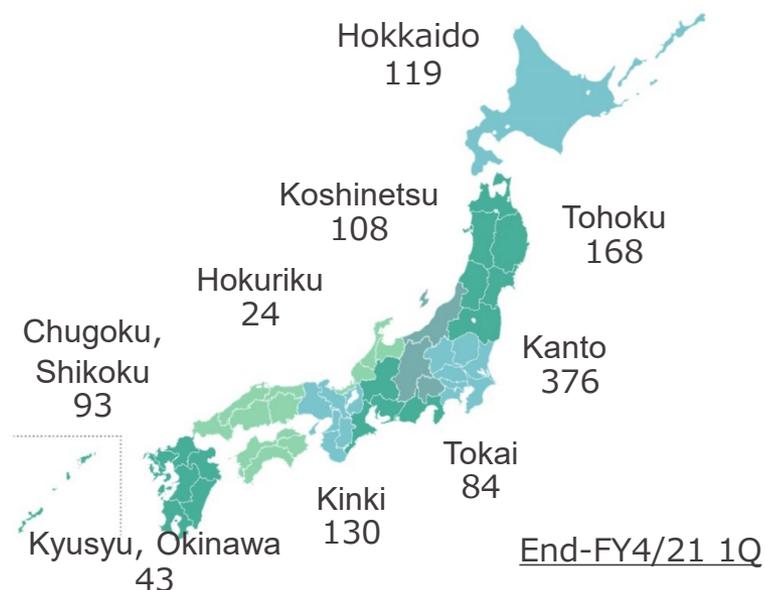
		FY4/21 1Q		FY4/21
		Plan	Results	Plan
Opening	Dispensing Pharmacy	4	3	50
	Organic	1	1	28
	M&A	3	2	22
	Cosmetic and drug store	3	3	12
Total		7	6	62
Closed	Dispensing Pharmacy	9	10	18
	Cosmetic and drug store	2	2	2
	Total	11	12	20

▶ () initial plan

- Transition of dispensing pharmacies

	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18	FY4/19	FY4/20	FY4/21 1Q
Organic	38	36	40	32	27	25	23	14	1
M&A	38	26	119	110	182	11	134	6	2
EV/EBITDA ratio	5.09	3.94	4.77	5.37	5.50	3.96	4.88	3.71	3.45
Closed	10	6	21	15	24	73	54	64	10
Sold	-	1	1	1	2	32	30	42	8
No. of total stores	560	616	754	881	1,066	1,029	1,132	1,088	1,081

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

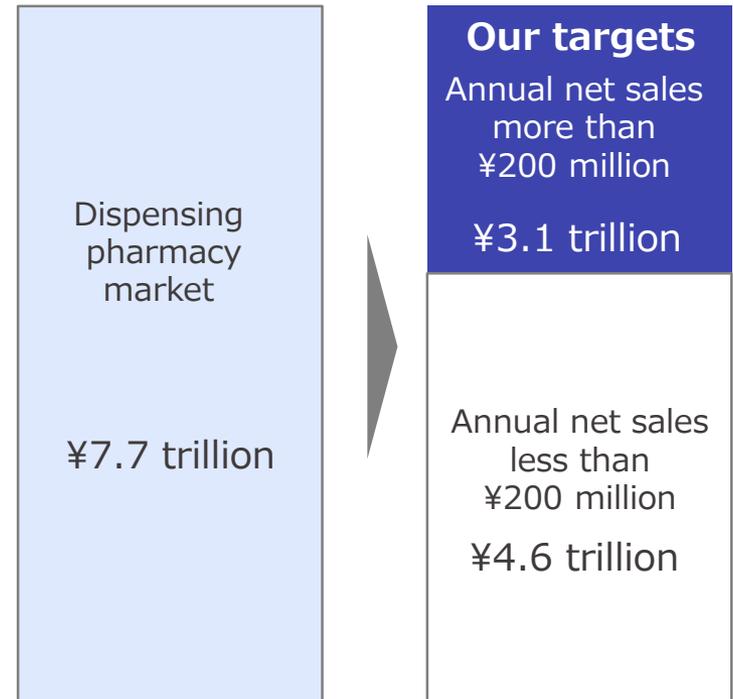


M&A

The Group have only acquired 2 dispensing pharmacies during the period, as we continue to focus on investing in better deals from previous fiscal year, but we are actively collecting information.

■ M&A criteria

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



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

Reinforcing the Group's business base

We aim to reinforcing the Group's business base by actively investing in ICT, logistics, and Group brand building that will support our future growth.

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

Recruiting

In April 2020, new 560 pharmacists has joined our group. For Strengthening the function of pharmacies such as home-based healthcare and the primary care services, and for large scale new opening, securing a pharmacist through recruiting and training human resources is a major strength for the Group. We aim to hire roughly the same number in fiscal 2021 to prepare for new store openings including M&A.

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

(People)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021(Plan)
No. of newly qualified pharmacists hired in AIN Group	189	251	251	229	375	307	279	257	560	550
No. of pharmacists' national examination passers (pass rate)	8,641 (88.3%)	8,929 (79.1%)	7,312 (60.8%)	9,044 (63.2%)	11,488 (76.9%)	9,479 (71.6%)	9,584 (70.6%)	10,194 (70.9%)	9,958 (69.6%)	-
Rate of newly qualified pharmacists hired in AIN Group	2.2% (5.7%)	2.8% (7.0%)	3.4% (8.0%)	2.5% (8.0%)	3.3% (11.7%)	3.2% (10.0%)	2.9% (8.0%)	2.5% (5.8%)	5.6% (-)	-

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



The function of pharmacies

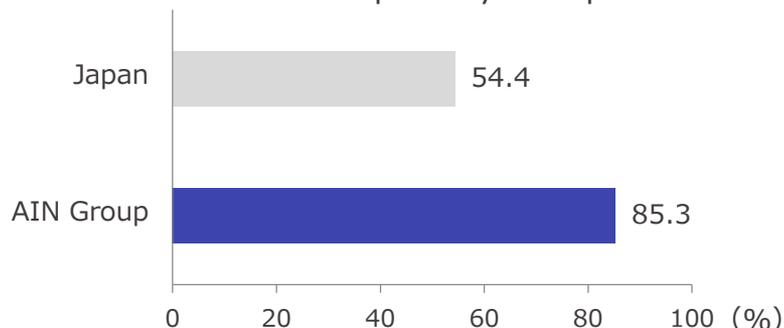
In terms of functions such as promotion of GE use, home-based health care and primary care services, which have been demanded by the country and patients, we have accumulated high achievements compared with pharmacies nationwide.

■ Comparison of results (As of March 2020)

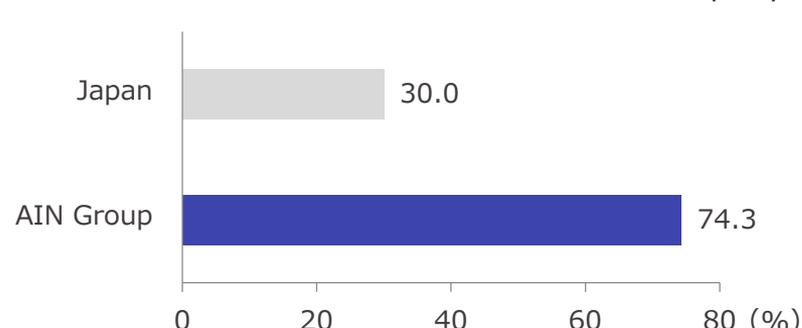
	No. of stores	Basic dispensing fee			Community support system premiums (38)	GE drugs share		No. of notification of primary care pharmacists	No. of Home-based health care Over 10 times per year
		1 (42)	2 (26)	Others		Under 80%	Over 80%		
Japan	58,995	49,210	1,673	8,112	17,338	25,558	33,437	32,082	17,712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

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

Notification of primary care pharmacists



Home-based health care Over 10 times per year



Revised Pharmaceuticals and Medical Devices Act

Pharmaceuticals and Medical Devices Act has been revised on September 1, 2020. The group continues Strengthening the function of pharmacies.

	Content	Date of implementation
Required to follow-up during medication period	Pharmacists will be required as necessary to ascertain drug treatment and provide guidance at times other than the point of prescription. Required to provide patient's drug information to other medical institutions.	Sep.1, 2020
Online drug guidance	Exceptions to face-to-face drug guidance will be allowed if the proper use of drug can be ensured via video phone or other. Specific rules will be defined in the ministerial ordinance.	
Pharmacy function certification system by prefectural governors	"Community liaison pharmacy", "specialized medical institutions pharmacy" will be certified and renewed every year.	
Ensuring governance	Clarify the officers responsible for pharmaceutical Affairs Law, required to establish a system for legal compliance, including the appointment of a supervising pharmacist with the necessary skills and experience.	Aug.1, 2021
Digitization of medical package insert	Eliminate the inclusion of medical package insert, provide information electronically in principle.	

▶ Excerpted by the Group

Online drug guidance

Online drug guidance became available nationwide on September 1. Since special measures (0410 government announcement) for preventing the spread of COVID-19 are still effective, it have to explain carefully to those who wish to use this service.

History of online drug guidance

5/7/18	30/9/19	19/12/19	28/2/20	10/4/20	1/9/20
<u>AIN Group</u> first case in Japan (Aichi) to provide online drug guidance	Partial revision of the National Strategic Special Zones Act	<u>AIN Group</u> Apply for registration as online drug guidance provider in the NSSZ(Chiba)	Special measures that enable drug guidance using telephones and information communication devices	Ease requirement for Special measures (0410 GA.)	Revised PMD Act, Online drug guidance became available nationwide

Difference between special measures (0410 GA.) and online drug guidance

	Special measures (0410 GA.)	Online drug guidance
Medical examination	<ul style="list-style-type: none"> Available from first medical examination Via telephone is allowed 	<ul style="list-style-type: none"> Not allowed for first medical examination Must use video phone
Prescription	<ul style="list-style-type: none"> Copy(FAX) of prescription is also allowed Medical institution is allowed to send can original script to pharmacy at a later date 	<ul style="list-style-type: none"> Should bring the original script (FAX are not allowed) Medical institution is allowed to send can original script to pharmacy
Drug-guidance Target Other	<ul style="list-style-type: none"> Drug guidance can be provide via telephone or video phone 	<ul style="list-style-type: none"> Must use video phone Only the pharmacist who has provided drug guidance and same drug face-to-face Patient's consent for frequency of face-to-face visiting and type of drug is required through make a schedule in advance

▶ Excerpted by the Group

Expansion of ainz & tulpe①

ainz & tulpe

new store opening in FY4/21

12 Stores

※Other 3 stores are under planning



Tokyu plaza totsuka
(Scheduled to open in Sep 18, 2020)

Daimaru Kyoto
(5/6/2020)

Daimaru Umeda
(5/6/2020)

Sanste okayama
(Scheduled to open in Sep 16, 2020)



Tohoku ※Planning

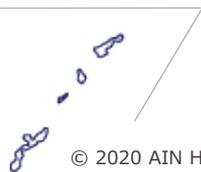
Hibiya chanter (10/7/2020)

Tokyo ※Planning



Sapporo ※Planning

Kyushu ※Planning



Expansion of ainz & tulpe②

The group launched the official *ainz & tulpe* app which can also manage points in October 2019 and an EC website in May 2020. In this August, official app and EC website were linked to improved customer satisfaction by reducing sales opportunity loss and optimized store inventory.

■ The official *ainz & tulpe* app



- point card functions
- coupons
- shop list
- purchase history
- new product information
- advertising space etc.

Not only for improve convenience for customers but also to **increase net sales by running the app.**

■ The official EC website "*ainz & tulpe* WEBSTORE"



- Original brand page
- new opening store information
- Point and purchase history etc. can link to app

Due to the impact of COVID-19, demand is increasing on EC website and the Group **aims to increase net sales by connectivity the app and EC.**

FY4/21 Plan (Consolidated)

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

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SG&A expenses	29,295	30,793	36,470	+5,677	+18.4
% of net sales	10.6	10.5	11.7		
Operating income	16,067	16,068	14,600	(1,468)	(9.1)
% of net sales	5.8	5.5	4.7		
Ordinary income	16,637	16,822	15,000	(1,822)	(10.8)
% of net sales	6.0	5.7	4.8		
Profit attributable to owners of parent	9,029	9,179	8,200	(979)	(10.7)
% of net sales	3.3	3.1	2.6		
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Annual dividend (¥)	55.00	55.00	55.00	-	0.0

▶ Figures in the table are rounded down

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

Inquiries related to this presentation should be addressed to

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