

**FY4/21 2Q**

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**IR PRESENTATION**

**AIN HOLDINGS INC.**  
**December 2020**

# Results Overview

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# Consolidated P/L

Net sales decreased 0.3% YoY and 0.9% against the plan due to the prolonged impact of the COVID-19, despite the contribution of 15 stores opened(including M&A) in this fiscal year and store opened in previous year. Ordinary income declined 48.4% YoY due to net sales lower than forecast and up 1.3% against the plan due to reduction of administrative expense.

(¥ million)	FY4/20 2Q results	FY4/21 2Q plan	FY4/21 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	145,851	146,630	145,352	(499)	(0.3)	(0.9)
Gross profit % of net sales	23,660 16.2	22,080 15.1	21,435 14.7	(2,225)	(9.4)	(2.9)
SG&A expenses % of net sales	15,305 10.5	17,800 12.1	17,508 12.0	+2,203	+14.4	(1.6)
Operating income % of net sales	8,354 5.7	4,280 2.9	3,927 2.7	(4,427)	(53.0)	(8.2)
Ordinary income % of net sales	8,762 6.0	4,460 3.0	4,517 3.1	(4,245)	(48.4)	+1.3
Profit attributable to owners of parent % of net sales	4,622 3.2	2,400 1.6	2,630 1.8	(1,992)	(43.1)	+9.6
Earnings per share(¥)	130.47	67.74	74.24	(56.23)	(43.1)	+9.6

▶ Figures in the table are rounded down

# Dispensing Pharmacy Business (Consolidated)

Net sales decreased 1.9% YoY and 0.3% against the plan due to the impact of the COVID-19 outbreak. Segment income declined 17.8% YoY due to decrease of net sales and up 0.6% against the plan due to reduction of administrative expense.

(¥ million)	FY4/20 2Q results	FY4/21 2Q plan	FY4/21 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	130,499	128,420	128,029	(2,470)	(1.9)	(0.3)
Gross profit	17,390	15,280	15,008	(2,382)	(13.7)	(1.8)
% of net sales	<b>13.3</b>	<b>11.9</b>	<b>11.7</b>			
SG&A expenses	7,487	7,160	7,109	(378)	(5.0)	(0.7)
% of net sales	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>			
Operating income	9,902	8,120	7,898	(2,004)	(20.2)	(2.7)
% of net sales	<b>7.6</b>	<b>6.3</b>	<b>6.2</b>			
Segment income	10,185	8,320	8,370	(1,815)	(17.8)	+0.6
% of net sales	<b>7.8</b>	<b>6.5</b>	<b>6.5</b>			
Number of pharmacies	1,106	1,087	1,070	(36)	(3.3)	(1.6)

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the consolidated statements of income
- ▶ Prescription volume: (11.0)% YoY
- ▶ Average prescription price: +10.2% YoY

# Cosmetic and Drug Store Business (Consolidated)

Net sales declined 28.3% YoY and 1.2% against the plan due to temporarily closed or shorted opening hours at many stores, despite the group has opened 5 stores in this fiscal year. Segment loss was ¥1,014 million due to net sales declined.

(¥ million)	FY4/20 2Q results	FY4/21 2Q plan	FY4/21 2Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	13,099	9,500	9,388	(3,711)	(28.3)	(1.2)
Gross profit	5,073	3,663	3,469	(1,604)	(31.6)	(5.3)
% of net sales	<b>38.7</b>	<b>38.6</b>	<b>37.0</b>			
SG&A expenses	4,649	4,423	4,596	(53)	(1.1)	+3.9
% of net sales	<b>35.5</b>	<b>46.6</b>	<b>49.0</b>			
Operating loss	423	(760)	(1,127)	(1,550)	-	-
% of net sales	<b>3.2</b>	-	-			
Segment loss	442	(759)	(1,014)	(1,456)	-	-
% of net sales	<b>3.4</b>	-	-			
Number of stores	60	66	63	+3	+5.0	(4.5)

- ▶ Figures in the table are rounded down
- ▶ Segment loss is adjusted to ordinary income shown on the consolidated statements of income
- ▶ Number of customers: (24.7)% YoY
- ▶ Average spending per customer: (4.8)% YoY

# Consolidated B/S

Net cash became ¥40,537 million and shareholders' equity ratio became 56.0%. 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
Net cash		39,899	
Shareholders' equity ratio(%)		57.3	

(¥ million)

End-FY4/21 2Q			
Assets		Liabilities	
Current assets	94,006	Current liabilities	73,275
Cash on hand and in banks	54,616	Short-term debt	4,694
		Lease obligations	137
Fixed assets	105,514	Long-term liabilities	14,526
Goodwill	40,563	Long-term debt	9,165
		Lease obligations	82
Deferred assets	-	Total net assets	111,719
Total assets	199,521	Total liabilities and net assets	199,521
Net cash		40,537	
Shareholders' equity ratio(%)		56.0	

▶ Figures in the table are rounded down

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

# Assets

The balance of total assets increased ¥6,070 million from the end of the previous fiscal year due to increase of cash on hand and in banks.

(¥ million)	End-FY4/20 2Q	End-FY4/20	End-FY4/21 2Q	Change
Cash on hand and in banks	44,441	46,321	54,616	+8,295
Notes and accounts receivable	14,932	13,653	11,953	(1,700)
Inventories	14,439	15,322	14,796	(526)
<b>Total current assets</b>	<b>84,230</b>	<b>87,802</b>	<b>94,006</b>	<b>+6,204</b>
Buildings and structures,net	16,558	16,609	16,225	(384)
Land	10,658	10,960	10,409	(551)
Lease assets	415	272	166	(106)
<b>Total property,plant and equipment</b>	<b>30,901</b>	<b>30,874</b>	<b>30,169</b>	<b>(705)</b>
Goodwill	43,119	42,123	40,563	(1,560)
Lease assets	6	5	3	(2)
<b>Total intangible fixed assets</b>	<b>45,761</b>	<b>44,916</b>	<b>43,715</b>	<b>(1,201)</b>
Investments in securities	2,096	2,295	2,335	+40
Deferred tax assets	4,260	4,211	4,315	+104
Deposits and guarantees	15,401	19,144	19,493	+349
<b>Total investments and other assets</b>	<b>26,836</b>	<b>29,841</b>	<b>31,629</b>	<b>+1,788</b>
<b>Total fixed assets</b>	<b>103,499</b>	<b>105,632</b>	<b>105,514</b>	<b>(118)</b>
<b>Total deferred assets</b>	<b>37</b>	<b>15</b>	<b>-</b>	<b>(15)</b>
<b>Total assets</b>	<b>187,767</b>	<b>193,451</b>	<b>199,521</b>	<b>+6,070</b>

▶ Figures in the table are rounded down ▶ Change:End-FY4/21 2Q compared with End-FY4/20

▶ Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥3,541 million

# Liabilities and Net Assets

The balance of liabilities increased ¥5,355 million from the end of the previous fiscal year due to increase of long-term debt for investment purpose.

(¥ million)	End-FY4/20 2Q	End-FY4/20	End-FY4/21 2Q	Change
Accounts payable	45,639	47,187	45,619	(1,568)
Short-term debt	4,555	3,642	4,694	+1,052
Lease obligations	254	193	137	(56)
<b>Total current liabilities</b>	<b>71,885</b>	<b>74,700</b>	<b>73,275</b>	<b>(1,425)</b>
Long-term debt	4,079	2,432	9,165	+6,733
Lease obligations	269	154	82	(72)
<b>Total long-term liabilities</b>	<b>9,301</b>	<b>7,747</b>	<b>14,526</b>	<b>+6,779</b>
<b>Total liabilities</b>	<b>81,186</b>	<b>82,447</b>	<b>87,802</b>	<b>+5,355</b>
Common stock	21,894	21,894	21,894	-
Capital surplus	20,500	20,500	20,500	-
Retained earnings	64,200	68,758	69,439	+681
<b>Total shareholders' equity</b>	<b>106,594</b>	<b>111,151</b>	<b>111,832</b>	<b>+681</b>
<b>Total net assets</b>	<b>106,580</b>	<b>111,003</b>	<b>111,719</b>	<b>+716</b>
<b>Total liabilities and net assets</b>	<b>187,767</b>	<b>193,451</b>	<b>199,521</b>	<b>+6,070</b>

- ▶ Figures in the table are rounded down
- ▶ Change : End-FY4/21 2Q compared with End-FY4/20

# Consolidated C/F

Operating activities was ¥6,441 million due to new store opening especially focus on large-scale store. Cash and cash equivalents at the end of the year were ample, up ¥10,257 million from the previous year, due to proceeds from debts.

(¥ million)

	FY4/20 2Q	FY4/21 2Q	Change
<b>Net cash provided by operating activities</b>	<b>6,024</b>	<b>6,441</b>	<b>+417</b>
Profit before income taxes	8,439	4,524	(3,915)
Depreciation and amortization	1,928	2,024	+96
Amortization of goodwill	2,182	2,225	+43
(Increase) decrease in accounts receivable	(2,104)	1,818	+3,922
(Increase) decrease in inventories	(1,530)	567	+2,097
(Increase) decrease in other accounts receivable	336	(992)	(1,328)
Increase (decrease) in accounts payable	765	(1,668)	(2,433)
<b>Net cash used in investing activities</b>	<b>(4,361)</b>	<b>(3,759)</b>	<b>+602</b>
Payments for purchases of property, plant and equipment and intangible fixed assets	(3,448)	(2,974)	+474
Purchase of subsidiaries' shares resulting in obtaining controls	(148)	(257)	(109)
<b>Net cash provided by financing activities</b>	<b>(5,100)</b>	<b>5,702</b>	<b>+10,802</b>
Net increase in cash and cash equivalents	(3,436)	8,385	+11,821
<b>Cash and cash equivalents at end of the year</b>	<b>44,059</b>	<b>54,316</b>	<b>+10,257</b>

▶ Figures in the table are rounded down

# Business Value Analysis

	FY4/20 2Q	FY4/20	FY4/21 2Q	Change
Shareholders' equity ratio (%)	56.7	57.3	56.0	(0.7)
Market value equity ratio (%)	117.0	110.4	129.6	+12.6
PER (times)	23.76	23.27	49.17	+25.41
EPS (¥)	130.47	259.11	74.24	(56.23)
PBR (times)	2.06	1.92	2.31	+0.25
BPS (¥)	3,006.46	3,130.77	3,151.54	+145.08
ROA (%)	2.5	4.8	1.3	(1.2)
ROE (%)	4.4	8.5	2.4	(2.0)
EBITDA (¥ million)	12,466	24,513	8,176	(4,290)
EV/EBITDA (times)	14.86	7.11	26.74	+11.88
Net D/E ratio (times)	(0.33)	(0.36)	(0.36)	(0.03)
Net cash (¥ million)	35,282	39,899	40,537	+5,255
Shareholders' value (¥ million)	220,471	214,258	259,191	+38,720
Market capitalization (¥ million)	219,650	213,627	258,619	+38,969

- ▶ Figures in the table are rounded down    ▶ Change : FY4/21-2Q compared with FY4/20-2Q
- ▶ Net D/E ratio = (Interest-bearing debt – Cash on hand and in banks) / Shareholders' equity
- ▶ Shareholders' value = EV – Net interest-bearing debt
- ▶ Market capitalization : Treasury stock is excepted
- ▶ Share prices used to calculate market capitalization:  
End-FY4/20 2Q ¥6,200 (End-Oct,2019), End-FY4/20 ¥6,030 (End-Apr,2020), End-FY4/21 2Q ¥7,300 (End-Oct,2020).
- ▶ Net cash = Cash on hand and in banks – Interest-bearing debt (Long-and short-term debt + Lease obligations )

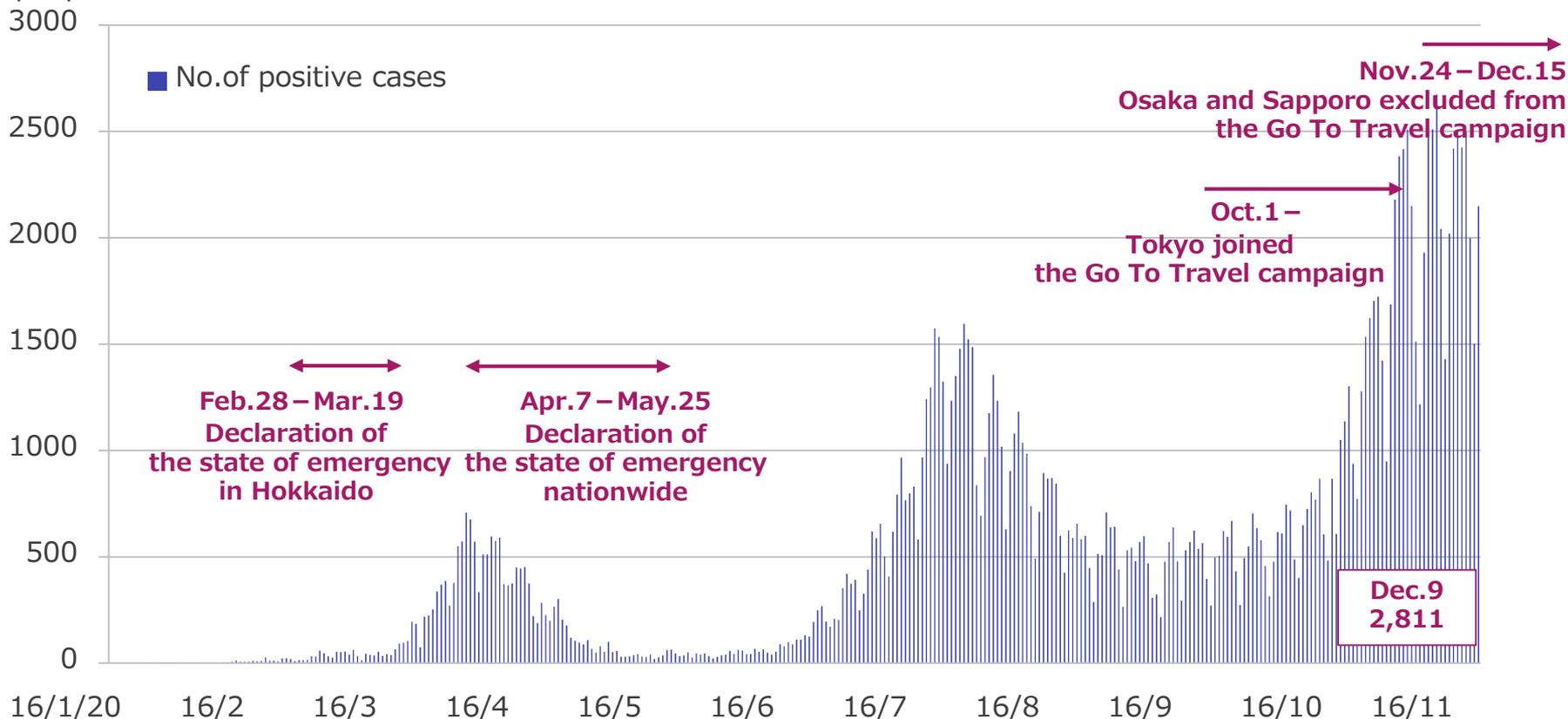
# Review

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# Daily new COVID-19 cases across Japan

As of December 8, the number of domestic cases of the COVID-19 infection and deaths was 165,410 and 2,419, respectively.

(people)



▶ the Ministry of Health, Labour and Welfare's Open Data on the COVID-19

# Review (YoY)

Ordinary income decreased 4.2 billion because declined net sales couldn't absorb store opening costs and labor costs for new employee.

Net sales

¥(0.5) billion

¥145.8 billion

¥145.3 billion



FY4/20 2Q results



FY4/21 2Q results

Dispensing Pharmacy  
¥(2.5) billion

Cosmetic and Drug Store  
¥(3.7) billion

Retail shop  
+¥5.7 billion

Ordinary income

¥(4.2) billion

¥8.7 billion



FY4/20 2Q results

¥4.5 billion



FY4/21 2Q results

Declined net sales  
Others  
¥(3.5) billion

Administrative expense  
¥(0.7) billion

# Revised Plan

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# FY4/21 Revised Plan (Dispensing Pharmacy Business)

The group has revised the forecast for the fiscal year ending April 30, 2021. Net sales increase 0.4% and segment income decrease 12.7% YoY due to the prolonged impact of the COVID-19.

(¥ million)	FY4/20 results	FY4/21 original plan	FY4/21 revised plan	YoY change(%)	Vs original plan (%)
Net sales	263,750	268,400	264,800	+0.4	(1.3)
Gross profit	34,960	34,860	32,400	(7.3)	(7.1)
% of net sales	<b>13.3</b>	<b>13.0</b>	<b>12.2</b>		
SG&A expenses	14,664	14,400	14,900	+1.6	+3.5
% of net sales	<b>5.6</b>	<b>5.4</b>	<b>5.6</b>		
Operating income	20,295	20,460	17,500	(13.8)	(14.5)
% of net sales	<b>7.7</b>	<b>7.6</b>	<b>6.6</b>		
Segment income	20,850	20,860	18,200	(12.7)	(12.8)
% of net sales	<b>7.9</b>	<b>7.8</b>	<b>6.9</b>		
Number of pharmacies	1,088	1,120	1,063	(2.3)	(5.1)

▶ Figures in the table are rounded down

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

# FY4/21 Revised Plan (Cosmetic and Drug Store Business)

The group has revised the forecast for the fiscal year ending April 30, 2021. Net sales decrease 19.0% and segment loss of ¥2,200 million due to the prolonged impact of the COVID-19.

(¥ million)	FY4/20 results	FY4/21 original plan	FY4/21 revised plan	YoY change(%)	Vs original plan (%)
Net sales	24,701	25,000	20,000	(19.0)	(20.0)
Gross profit	9,753	9,700	7,330	(24.8)	(24.4)
% of net sales	<b>39.5</b>	<b>38.8</b>	<b>36.7</b>		
SG&A expenses	9,596	9,600	9,680	+0.9	+0.8
% of net sales	<b>38.8</b>	<b>38.4</b>	<b>48.4</b>		
Operating loss	157	100	(2,350)	-	-
% of net sales	<b>0.6</b>	<b>0.4</b>	<b>-</b>		
Segment loss	262	110	(2,200)	-	-
% of net sales	<b>1.1</b>	<b>0.4</b>	<b>-</b>		
Number of stores	63	73	69	+9.5	(5.5)

- ▶ Figures in the table are rounded down
- ▶ Segment loss is adjusted to ordinary income shown on the consolidated statements of income

# FY4/21 Revised Plan (Consolidated)

The group has revised the forecast for the fiscal year ending April 30, 2021. Net sales increase 2.5% and ordinary income decrease 40.6% YoY due to the prolonged impact of the COVID-19.

(¥ million)	FY4/20 results	FY4/21 initial plan	FY4/21 revised plan	YoY change (%)	Vs original plan (%)
Net sales	292,615	311,000	300,000	+2.5	(3.5)
Gross profit	46,861	51,070	45,400	(3.1)	(11.1)
% of net sales	<b>16.0</b>	<b>16.4</b>	<b>15.1</b>		
SG&A expenses	30,793	36,470	36,200	+17.6	(0.7)
% of net sales	<b>10.5</b>	<b>11.7</b>	<b>12.1</b>		
Operating income	16,068	14,600	9,200	(42.7)	(37.0)
% of net sales	<b>5.5</b>	<b>4.7</b>	<b>3.1</b>		
Ordinary income	16,822	15,000	10,000	(40.6)	(33.3)
% of net sales	<b>5.7</b>	<b>4.8</b>	<b>3.3</b>		
Profit attributable to owners of parent	9,179	8,200	5,000	(45.5)	(39.0)
% of net sales	<b>3.1</b>	<b>2.6</b>	<b>1.7</b>		
Earnings per share(¥)	259.11	231.46	141.13	(45.5)	(39.0)
Annual dividend (¥)	55.00	55.00	55.00	0.0	0.0

▶ Figures in the table are rounded down

# Strategy

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# Strategy

## Expansion of Top-line

- Dispensing Pharmacy      plan to open **28 stores including M&A in 2H**  
(38 stores in FY4/21)
- Cosmetic and Drug Store      plan to open **6 stores in 2H**  
(11 stores in FY4/21)

## Proper staffing

- **Expecting to hire new 550 pharmacists** in FY4/22
- Assign personnel properly and strengthening recruitment of full-time employees who are willing to gain experiences, while discontinuing temporary and mid-career employees

## Reinforcing the Group's business base

- Promoting Sustainable Management
- Securing specialized human resources with expertise in IT and logistics
- Raising the operating efficiency by introducing RPA robots
- Improving the customer services by enhancing official app and EC website
- Logistic reform in anticipation of expansion of Top-line

# Expansion of Top-line

## Dispensing Pharmacy Business

- **Opening large pharmacies on top priority**
- Opening one-on-one pharmacies
- Development of medical malls
- M&A (EV/EBITDA ratio up to 7 times)

## Cosmetic and Drug Store Business

- **Continuing to expand *ainz & tulpe***  
Accelerate opening stores in satellite cities
- Enriching EC website

# Top-line

The group opened 15 stores including M&A, and closed 33 stores during the FY4/21 2Q.

- Total number of stores

**1,133** (Dispensing pharmacy:1,070、Cosmetic and drug store:63)

- Plan

		FY4/21 2Q		FY4/21	
		Plan	Results	Original plan	Revised plan
Opening	Dispensing Pharmacy	12	10	50	38
	Organic	5	4	28	16
	M&A	7	6	22	22
	Cosmetic and drug store	5	5	12	11
Total		<b>17</b>	<b>15</b>	<b>62</b>	<b>49</b>
Closed	Dispensing Pharmacy	13	28	18	47
	Cosmetic and drug store	2	5	2	5
	Total	<b>15</b>	<b>33</b>	<b>20</b>	<b>52</b>

- Transition of dispensing pharmacies

	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18	FY4/19	FY4/20	FY4/21 2Q
Organic	38	36	40	32	27	25	23	14	4
M&A	38	26	119	110	182	11	134	6	6
EV/EBITDA ratio	5.09	3.94	4.77	5.37	5.50	3.96	4.88	3.71	3.63
Closed	10	6	21	15	24	73	54	64	28
Sold	-	1	1	1	2	<b>32</b>	<b>30</b>	<b>42</b>	<b>22</b>
No. of total stores	560	616	754	881	1,066	1,029	1,132	1,088	1,070

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

# Expansion of ainz & tulpe

ainz & tulpe

new store opening in FY4/21

# 11 stores



AMU PLAZA Kumamoto  
(Scheduled to open in April 2021)

# Promoting Sustainable Management

The group established sustainability management department in FY 4/21, and sustainability committee, chaired by the President and Representative Director, in this November. We will work on promoting sustainable management.

## ■ Promotion system for sustainable management

The committee consists of the president as chairperson, senior managing director as vice-chairperson, presidents of key group companies and managers of each division as member. We will further strengthen our CSR and ESG activities under the commitment of top management by formulating the Group's sustainability promotion policies and measures, building and developing a promotion system, and monitoring key indicators.



Promotion system

## ■ Strengthening Public Relations

In order to inform our stakeholders about our sustainable management initiatives, we will work on strengthening public relations, such as enhancing the information on our website and preparing an integrated report.



Enhancing corporate website

**Inquiries related to this presentation should be addressed to**

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