

Summary of Financial Statements for Fiscal Year Ended April 2022

【Japan GAAP】 (Consolidated)

June 3, 2022

Name of listed company: **AIN HOLDINGS INC.**
Exchange listed on: Prime Market of Tokyo Stock Exchange and Sapporo Securities Exchange
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Date of the ordinary general meeting of shareholders: July 28, 2022
Date of scheduled payment of dividends: July 29, 2022
Date of filing securities report: July 29, 2022
Supplementary documents for this summary of financial statements: Yes (Supplementary materials are disclosed on the Company's website appropriately as the financial statements.)
Explanation meeting for financial results: Yes (for institutional investors and analysts)

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

1. Consolidated results for the fiscal year ended April 2022 (from May 1, 2021 to April 30, 2022)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended April 30, 2022	316,247	6.4	15,139	38.5	16,041	26.8	7,092	5.9
Year ended April 30, 2021	297,305	1.6	10,932	(32.0)	12,649	(24.8)	6,697	(27.0)

(Note) Comprehensive income: Year ended April 30, 2022: ¥7,126 million (+5.1%)
Year ended April 30, 2021: ¥6,783 million (-24.9%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended April 30, 2022	201.47	—	6.0	7.7	4.8
Year ended April 30, 2021	189.04	—	5.9	6.4	3.7

(Reference) Share of profit of entities accounted for using equity method: Year ended April 30, 2022: ¥2 million
Year ended April 30, 2021: ¥10 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of April 30, 2022	212,461	119,010	56.0	3,385.51
As of April 30, 2021	203,662	115,837	56.8	3,267.49

(Reference) Equity capital: As of April 30, 2022: ¥118,923 million As of April 30, 2021: ¥115,758 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended April 30, 2022	26,156	(13,943)	(7,753)	59,470
Year ended April 30, 2021	14,928	(9,493)	3,643	55,009

2. Dividends

	Dividends per share					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended April 30, 2021	—	0.00	—	55.00	55.00	1,948	29.1	1.7
Year ended April 30, 2022	—	0.00	—	55.00	55.00	1,932	27.3	1.7
Year ending April 30, 2023 (forecast)	—	0.00	—	60.00	60.00		19.2	

3. Consolidated financial forecast for the fiscal year ending April 30, 2023 (from May 1, 2022 to April 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	172,833	13.0	8,485	46.9	8,732	42.5	4,497	34.7	128.02
Full year	363,000	14.8	20,000	32.1	20,500	27.8	11,000	55.1	313.15

* Notes

(1) Major changes in subsidiaries during the fiscal year (changes in specified subsidiaries resulting in change in scope of consolidation): No

Newly consolidated: – Excluded: –

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

1) Changes in accounting principles as a result of revisions to accounting standards, etc.: Yes

2) Changes in accounting principles other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(3) Number of outstanding shares (common stock):

1) Number of outstanding shares (including treasury stock):	As of April 30, 2022	35,428,212 shares	As of April 30, 2021	35,428,212 shares
2) Number of shares held in treasury:	As of April 30, 2022	300,911 shares	As of April 30, 2021	891 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2022	35,202,302 shares	Fiscal year ended April 30, 2021	35,427,408 shares

*This Summary of Financial Statements is outside the scope of audit procedures.

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

(Caution concerning forward-looking statements)

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

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1. Operating Results and Other

(1) Overview of operating results for the current fiscal year

During the current fiscal year (May 1, 2021 to April 30, 2022), the Japanese economy continued to face challenging conditions due to the COVID-19 pandemic. Although there were signs of a pickup in consumer spending, the outlook remained uncertain.

In this economic environment, the AIN HOLDINGS Group (the Group) rigorously implemented measures to prevent the spread of COVID-19 and worked to provide healthcare and retail services, in line with its mission to “contribute to local healthcare” and “provide beauty and happiness” – two of the Group’s materiality issues. To help solve various social issues through its business activities, AIN HOLDINGS aims to be a company that “people welcome to their communities.”

In March 2022, the Group received certification as an Outstanding Health and Productivity Management Organization for 2022 (large enterprise category) under a program run jointly by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi that recognizes leading companies in health and productivity management. To “ensure a sound management base,” one of its other materiality issues, the Group is working to improve the health of employees to reduce the staff turnover rate and lift productivity by harnessing the performance of every employee.

Recognizing the importance of creating a sustainable society amid the growing impact of climate change, the Group is tackling another materiality issue, “protect the environment and reduce environmental impact.” In April 2022, the Group endorsed the recommendations of the TCFD* to improve information disclosure for all stakeholders. The Group also joined the TCFD Consortium, a group of domestic companies, financial institutions and other bodies that have endorsed and are working to implement the TCFD recommendations. Going forward, the Group will disclose appropriate information using the TCFD recommendations and explore the best approach for dialogue with stakeholders, aiming to increase corporate value while building mutual trust with stakeholders.

Through businesses that support human health and beauty, the Group will work to realize sustainability management in order to generate sustainable growth and create social, environmental and economic value.

For the fiscal year under review, net sales rose 6.4% year on year to ¥316,247 million, operating profit increased 38.5% to ¥15,139 million, ordinary profit increased 26.8% to ¥16,041 million and profit attributable to owners of parent increased 5.9% year on year to ¥7,092 million.

*Task Force on Climate-Related Financial Disclosures, established by the Financial Stability Board (FSB) at the request of the G20 finance ministers and central bank governors. The task force published its recommendations in its final report in 2017.

(Dispensing pharmacy business)

In February 2022, the Group launched its official Ain Group dispensing pharmacy app, “Anytime AIN Pharmacy.” With the app, users can video call or message primary care pharmacists for advice and access online pharmaceutical treatment guidance services (bookings, medication usage advice via video calls, pharmaceutical deliveries, credit card payments). By providing services to meet the increasingly diverse needs of patient, such as by responding to the start of the repeat prescription in April, the easing of regulations on online pharmaceutical treatment guidance, and the expected start of digital prescriptions, we aim to create an environment that allows every patient to easily access pharmaceutical treatments in their local community.

In business development, the Group is targeting further business expansion through a strategy of actively opening large pharmacies and using M&A deals that emphasize investment returns, while also improving pharmacy operating efficiency.

The business continues to be impacted by the COVID-19 pandemic, but sales and profits both increased year on year, supported by a recovery in the number of prescriptions and steady growth in sales at dispensing pharmacies opened in the previous fiscal year.

As a result, for the fiscal year under review, the dispensing pharmacy business reported sales of ¥283,111 million, up 7.6% year on year, and segment income of ¥25,082 million, up 19.7%.

During the fiscal year, the Group opened a total of 49 dispensing pharmacies, including those acquired through M&A deals, and closed 10 dispensing pharmacies and sold 5, resulting in a total of 1,099.

(Cosmetic and drug store business)

The cosmetic and drug store business continued to face a challenging market environment due to the impact of the COVID-19 pandemic. The Group continued to create appealing retail displays by strengthening product lineups. Also, the Group pushed ahead with store openings in locations with good prospects for profitability and optimized costs.

The business opened its third store in the Fukuoka area in March 2022, AINZ & TULPE FUKUOKA TENJIN-NISHI DORI, and its fourth store in the same area the following month, AINZ & TULPE LaLaport FUKUOKA. The AINZ & TULPE FUKUOKA TENJIN-NISHI DORI store is steadily becoming the flagship store in the area, helping to raise the visibility of the AINZ & TULPE brand in Fukuoka.

However, the cosmetic and drug store business reported sales of ¥20,558 million, up 5.9% year on year, and a segment loss of ¥1,764 million, compared with a segment loss of ¥1,999 million in the previous fiscal year, which included an ongoing impact from the COVID-19 pandemic.

During the same period, the Group opened 12 AINZ & TULPE stores and closed three stores, resulting in a total of 78 cosmetic and drug stores at the end of the fiscal year.

(Other businesses)

Net sales from other businesses declined 14.9% year on year to ¥12,677 million and the segment loss narrowed to ¥146 million from ¥721 million in the previous fiscal year, mainly reflecting efficiency improvements in store operations at retail stores acquired in March 2020.

(2) Overview of financial position for the current fiscal year

The balance of total assets at the end of the fiscal year increased ¥8,798 million from the end of the previous fiscal year to ¥212,461 million. This mainly reflected declines for notes and accounts receivable - trade and for goodwill, outweighed by increases for cash and deposits and for leasehold and guarantee deposits.

The balance of liabilities at the end of the fiscal year under review increased by ¥5,625 million to ¥93,450 million.

The balance of short- term and long-term debts decreased by ¥3,508 million to ¥8,458 million.

Total net assets increased by ¥3,173 million to ¥119,010 million and the shareholders' equity ratio decreased 0.8 percentage points to 56.0%.

(3) Overview of cash flows for the current fiscal year

In the fiscal year under review, cash on hand and in banks ("cash") increased ¥4,460 million year on year to ¥59,470 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥26,156 million, compared with net cash provided of ¥14,928 million in the previous fiscal year.

The main items that were positive for cash flow were income before income taxes of ¥13,125 million, as well as depreciation and amortization of ¥4,792 million and amortization of goodwill of ¥4,133 million related to

business expansion through new store openings and M&A.

The main item negative for cash flow was income taxes paid of ¥4,396 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥13,943 million, compared with net cash used of ¥9,493 million in the previous fiscal year.

This mainly reflected payments of ¥2,322 million for purchases of shares in subsidiaries resulting in change in scope of consolidation related to shares acquired in four companies through M&A deals, ¥5,880 million for purchases of property, plant and equipment related to the opening of new cosmetic and drug stores and dispensing pharmacies, ¥3,842 million for payments of leasehold and guarantee deposits and ¥3,186 million for increase in investments and other assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥7,753 million, compared with net cash provided in ¥3,643 million in the previous fiscal year.

The main items were net repayment of ¥3,548 million from short-term and long-term debt repayment and proceeds, ¥2,015 million of purchase of treasury shares, and ¥1,948 million for cash dividends paid.

Changes in the Group's cash flow indicators are shown below.

	Year ended April 30, 2019	Year ended April 30, 2020	Year ended April 30, 2021	Year ended April 30, 2022
Shareholders' equity ratio (%)	54.9	57.3	56.8	56.0
Equity ratio based on market value (%)	165.7	110.4	105.6	96.6
Debt redemption term (years)	0.8	0.4	0.8	0.3
Interest coverage ratio (times)	117.8	276.8	334.7	671.8

Notes: Shareholders' equity ratio = Equity capital / total assets

Equity ratio based on market value = market capitalization / total assets

Debt redemption term = interest-bearing debt / operating cash flows

Interest coverage ratio = operating cash flows / interest paid

*All indicators are calculated based on consolidated financial data.

*Interest-bearing debt includes all liabilities recorded on the balance sheet on which interest is being paid.

*Operating cash flows and interest paid are calculated using the cash flows from operating activities and the interest paid on the consolidated statements of cash flows.

(4) Future outlook

For the fiscal year ending April 30, 2023, we forecast net sales of ¥363,000 million (up 14.8% year on year), ordinary profit of ¥20,500 million (up 27.8%) and profit attributable to owners of parent of ¥11,000 million (up 55.1%).

In the dispensing pharmacy business, Pharmacy Holdings Co. Ltd. which operates a chain of around 100 dispensing pharmacies, became a subsidiary in 2022. With the acquisition of Pharmacy Holdings, which has a corporate philosophy of “providing support for health in the community to help more people lead healthier lives,” we will combine our mutual expertise to enhance patient services, increasing the Group’s corporate value as a key part of community healthcare provision throughout Japan.

In the cosmetic and drug store business, we will continue to create attractive retail displays by strengthening product lineups, improve the appeal of AINZ & TULPE stores, overhaul store opening strategies for each area to ensure stores are opened in locations with good prospects for profitability, and optimize costs. We will also continue to develop the business into a second key source of earnings after the dispensing pharmacy business.

In the fiscal year ending April 30, 2023, we anticipate a continued impact on earnings from the COVID-19 pandemic. However, at this stage, there are no clear indications of when the pandemic will be contained. If conditions change dramatically, the Group will revise its forecasts as necessary and disclose them in a timely manner.

2. Basic Stance on Selection of Accounting Standards

The Group has adopted Japanese accounting standards in order to facilitate comparison with other domestic companies in the same sector. The Group plans to appropriately address the adoption of International Financial Reporting Standards (IFRS) while taking into account trends in Japan and overseas.

3. Consolidated Financial Statements and Major Notes**(1) Consolidated balance sheet**

(Million yen)

	Previous fiscal year (As of April 30, 2021)	Current fiscal year (As of April 30, 2022)
Assets		
Current assets		
Cash and deposits	55,271	59,729
Notes and accounts receivable - trade	13,475	10,110
Merchandise	14,018	14,568
Supplies	266	222
Short-term loans receivable	144	306
Accounts receivable - other	9,284	11,832
Other	3,936	3,995
Total current assets	96,398	100,765
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,561	34,876
Accumulated depreciation	(16,290)	(17,364)
Buildings and structures, net	16,270	17,512
Land	10,390	8,581
Construction in progress	638	1,804
Other property, plant and equipment	10,017	10,000
Accumulated depreciation	(7,087)	(7,262)
Other, net	2,930	2,737
Total property, plant and equipment	30,229	30,636
Intangible assets		
Goodwill	39,057	36,352
Other	3,609	4,866
Total intangible assets	42,666	41,219
Investments and other assets		
Investment securities	2,697	2,503
Long-term loans	422	196
Deferred tax assets	4,415	5,319
Net defined benefit asset	60	20
Leasehold and guarantee deposits	20,319	22,785
Other	8,198	10,309
Allowance for doubtful accounts	(1,743)	(1,294)
Total investments and other assets	34,368	39,840
Total non-current assets	107,264	111,696
Total assets	203,662	212,461

(Million yen)

	Previous fiscal year (As of April 30, 2021)	Current fiscal year (As of April 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	46,758	50,756
Short-term borrowings	3,670	2,643
Income taxes payable	2,157	4,391
Deposits received	13,979	15,415
Provision for bonuses	2,594	2,713
Provision for bonuses for directors	16	18
Provision for point card certificates	461	–
Contract liabilities	–	544
Other	4,522	5,321
Total current liabilities	74,160	81,805
Non-current liabilities		
Long-term borrowings	8,297	5,815
Lease obligations	37	9
Retirement benefit liability	3,329	3,578
Other	2,000	2,242
Total non-current liabilities	13,664	11,645
Total liabilities	87,825	93,450
Net assets		
Shareholders' equity		
Share capital	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	73,506	78,661
Treasury shares	(3)	(2,018)
Total shareholders' equity	115,899	119,038
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	(12)	(39)
Remeasurements of defined benefit plans	(128)	(75)
Total accumulated other comprehensive loss	(141)	(114)
Non-controlling interests	78	86
Total net assets	115,837	119,010
Total liabilities and net assets	203,662	212,461

(2) Consolidated statement of income and comprehensive income**Consolidated statement of income**

(Million yen)

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Net sales	297,305	316,247
Cost of sales	251,150	266,275
Gross profit	46,155	49,971
Selling, general and administrative expenses		
Advertising expenses	1,998	1,875
Promotion expenses	1,103	595
Salaries, allowances and bonuses	7,693	7,457
Provision of allowance for doubtful accounts	33	-
Provision for bonuses to employees	902	972
Provision for bonuses to directors	16	18
Retirement benefit expenses	261	281
Provision for reward obligations	461	-
Legal and employee benefits expenses	2,397	2,626
Correspondence and transportation expenses	894	997
Lease expenses	91	70
Rent expenses	4,708	5,042
Depreciation expenses	1,178	1,234
Amortization of goodwill	4,245	4,133
Taxes	1,490	1,587
Other	7,746	7,938
Total selling, general and administrative expenses	35,222	34,832
Operating profit	10,932	15,139
Non-operating income		
Interest income	38	41
Dividend income	44	45
Share of profit of entities accounted for using equity method	10	2
Gains on investments in partnership	68	83
Commissions received	18	22
Real estate rental revenue	185	384
Gains on donations of fixed assets	28	18
Consignment income	193	172
Technical advisory fee	68	74
Subsidies for employment adjustment	1,182	173
Other non-operating income	472	303
Total non-operating income	2,308	1,323
Non-operating expenses		
Interest expenses	44	38
Loss on sales of receivables	79	87
Rental expenses on real estate	220	219
Provision of allowance for doubtful accounts	182	6
Other	64	69
Total non-operating expenses	590	421
Ordinary profit	12,649	16,041

(Million yen)

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Extraordinary income		
Gain on sales of non-current assets	19	200
Gain on sale of business	408	13
Surrender value of insurance	53	5
Gain on sales of shares of subsidiaries and associates	111	–
Gain on step acquisitions	–	131
Other extraordinary income	31	55
Total extraordinary income	624	406
Extraordinary losses		
Loss on sale and retirement of non-current assets	410	329
Impairment losses on fixed assets	804	2,302
Loss on valuation of investment securities	37	116
Loss on temporary store closures	52	–
Loss on cancellation of rental contracts	56	493
Other extraordinary losses	145	80
Total extraordinary losses	1,506	3,322
Income before income taxes	11,767	13,125
Income taxes – current	5,251	6,925
Income taxes – deferred	(172)	(899)
Total income taxes	5,079	6,025
Profit	6,687	7,100
Profit (loss) attributable to non-controlling interests	(9)	8
Profit attributable to owners of parent	6,697	7,092

Consolidated statement of comprehensive income

(Million yen)

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Profit	6,687	7,100
Other comprehensive income		
Unrealized holding gains (losses) on securities	64	(26)
Remeasurements of defined benefit plans, net of tax	31	52
Total other comprehensive gain	95	26
Total comprehensive income	6,783	7,126
Comprehensive income attributable to owners of parent	6,792	7,118
Comprehensive income attributable to non-controlling interests	(9)	8

(3) Consolidated statement of changes in net assets

Previous fiscal year (May 1, 2020 to April 30, 2021)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	21,894	20,500	68,758	(2)	111,151
Net changes during the year					
Cash dividends paid			(1,948)		(1,948)
Profit attributable to owners of parent			6,697		6,697
Acquisition of treasury stock				(1)	(1)
Net change in items other than shareholders' equity					
Total changes during the year	–	–	4,748	(1)	4,747
Balance at the end of current year	21,894	20,500	73,506	(3)	115,899

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	(77)	(159)	(236)	88	111,003
Net changes during the year					
Cash dividends paid					(1,948)
Profit attributable to owners of parent					6,697
Acquisition of treasury stock					(1)
Net change in items other than shareholders' equity	64	31	95	(9)	85
Total changes during the year	64	31	95	(9)	4,833
Balance at the end of current year	(12)	(128)	(141)	78	115,837

Current fiscal year (May 1, 2021 to April 30, 2022)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	21,894	20,500	73,506	(3)	115,899
Cumulative effect of accounting change			10		10
Balance at the beginning of current year reflecting changes in accounting policies	21,894	20,500	73,517	(3)	115,909
Net changes during the year					
Cash dividends paid			(1,948)		(1,948)
Profit attributable to owners of parent			7,092		7,092
Acquisition of treasury stock				(2,015)	(2,015)
Net change in items other than shareholders' equity					
Total changes during the year	-	-	5,143	(2,015)	3,128
Balance at the end of current year	21,894	20,500	78,661	(2,018)	119,038

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	(12)	(128)	(141)	78	115,837
Cumulative effect of accounting change					10
Balance at the beginning of current year reflecting changes in accounting policies	(12)	(128)	(141)	78	115,847
Net changes during the year					
Cash dividends paid					(1,948)
Profit attributable to owners of parent					7,092
Acquisition of treasury stock					(2,015)
Net change in items other than shareholders' equity	(26)	52	26	8	34
Total changes during the year	(26)	52	26	8	3,162
Balance at the end of current year	(39)	(75)	(114)	86	119,010

(4) Consolidated statement of cash flows

(Million yen)

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Cash flows from operating activities		
Profit before income taxes	11,767	13,125
Depreciation and amortization	4,243	4,792
Amortization of goodwill	4,436	4,133
(Gain) loss on sales of shares of subsidiaries and associates	(111)	-
Impairment losses on fixed assets	804	2,302
Increase (decrease) in allowance for doubtful accounts	210	(2)
Gain on step acquisitions	-	(131)
Decrease in provision for point card certificates	(1)	-
Increase in defined benefit liability	304	364
Increase in contract liabilities	-	105
Gain on transfer of business	(399)	(13)
Increase in allowance for bonuses to employees	249	109
Decrease in allowance for bonuses to directors	(0)	2
Interest and dividend income	(82)	(87)
Interest expenses	44	38
Share of profit of entities accounted for using equity method	(10)	(2)
Gains on investments in partnerships	(68)	(83)
Gains on donations of property, plant and equipment	(28)	(18)
Gains on sales of investments in securities	(9)	(34)
Loss on valuation of investment securities	37	116
Losses on disposal and sales of fixed assets	391	128
Decrease in accounts receivable	138	4,111
(Increase) decrease in inventories	1,172	(171)
Increase in other assets	(539)	(359)
Increase in other accounts receivable	(221)	(2,376)
Increase (decrease) in accounts payable	(844)	3,235
Increase (decrease) in other liabilities	(2)	1,217
Subtotal	21,482	30,502
Interest and dividends received	86	89
Interest paid	(44)	(38)
Income taxes paid	(6,595)	(4,396)
Net cash provided by operating activities	14,928	26,156

(Million yen)

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(3,930)	(5,880)
Proceeds from sales of property, plant and equipment	1,001	2,131
Payments for purchases of investments in securities	(557)	(905)
Proceeds from sales of investments in securities	293	819
Purchases of subsidiaries' shares resulting in obtaining controls	(997)	(2,322)
Payments for loans receivable	(20)	(53)
Proceeds from collections of loans receivable	680	340
Payments for investments in capital	(0)	(0)
Proceeds from returns of investments in capital	0	1
Payments for purchase of intangible fixed assets	(1,811)	(2,535)
Proceeds from sales of intangible assets	7	10
Payments of leasehold and guarantee deposits	(2,219)	(3,842)
Proceeds from refund of leasehold and guarantee deposits	1,070	1,442
Increase in other investments	(3,110)	(3,186)
Proceeds from withdrawal of time deposits	146	47
Payments for time deposits	(12)	(9)
Other, net	(34)	—
Net cash used in investing activities	(9,493)	(13,943)
Cash flows from financing activities		
Net decrease in short-term loans payable	(21)	(6)
Proceeds from long-term debts	12,625	300
Repayments of long-term debts	(6,792)	(3,842)
Redemption of bonds	—	(134)
Repayments of lease obligations	(218)	(107)
Payments for purchase of treasury stock	(1)	(2,015)
Cash dividends paid	(1,948)	(1,948)
Net cash provided by (used in) financing activities	3,643	(7,753)
Net increase (decrease) in cash and cash equivalents	9,078	4,460
Cash and cash equivalents at beginning of the year	45,931	55,009
Cash and cash equivalents at end of the year	55,009	59,470

(5) Notes to consolidated statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

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

The Company is repurchasing a total of 300,000 shares in accordance with a resolution approved by the Board of Directors at a meeting on June 7, 2021 (200,000 shares) and a resolution approved by the Board of Directors at a meeting on December 6, 2021 (100,000 shares). As a result of the repurchases, during the current fiscal year, the Company's treasury shares increased by ¥2,015 million, resulting in a balance of ¥2,018 million at the end of the period.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Standard"), etc. from the beginning of the fiscal year under review. Under the new standard, the Company recognizes revenue when promised goods or services are transferred to a customer, with the amount expected to be received upon exchange of the goods or services recognized as revenue.

The main changes arising from the application of the new accounting standard are as follows. With respect to reward points provided to customers at the time of sale through the customer loyalty program service, the Company previously booked the amount equivalent to the number of points expected to be redeemed in the future as allowance for point cards and allowance for point cards was recorded under selling, general and administrative expenses. Under the new accounting standard, the Company identifies points awarded as performance obligations and allocates the transaction price based on the stand-alone selling price calculated by taking into actual redemption rates and other factors. As a result of the change, some sales promotion expenses and other expenses are deducted from sales.

The application of the Revenue Recognition Standard is subject to the transitional treatment provided for in the supplementary provisions of Paragraph 84 of the Revenue Recognition Standard. If the new accounting policy is applied prior to the beginning of the current fiscal year, the cumulative effect of the retroactive application is added to or subtracted from retained earnings at the beginning of the current fiscal year and the new accounting policy is applied to balances at the beginning of said period.

As a result, in the fiscal year under review, the application of the accounting standard reduced sales by ¥1,150 million, reduced selling, general and administrative expenses by ¥1,160 million and increased operating profit, ordinary profit and profit before income taxes each by ¥9 million.

In the fiscal year under review, income before income taxes increased by ¥9 million on the consolidated statement of cash flow.

After reflecting the cumulative impact on net assets at the start of the fiscal year under review, the start-of-year balance for retained earnings on the consolidated statement of changes in net assets increased by ¥10 million.

The impact on per-share data is immaterial.

As a result of the application of the Revenue Recognition Standard, "provision for point card certificates"

included in “current liabilities” in the consolidated financial statements for the previous fiscal year has been included in “contract liabilities” from the current fiscal year. In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated to reflect the new presentation approach.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; “Fair Value Measurement Standard”), etc. from the beginning of the fiscal year under review. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies in the Fair Value Measurement Standard going forward. These changes have no impact on the Company’s quarterly consolidated financial statements.

(Changes in presentation of financial statements)

(Consolidated Statement of Income)

Due to an increase in financial materiality, “Loss on cancellation of rental contracts,” which was included under “Other extraordinary losses” in the previous fiscal year, has been presented as a separate item from the fiscal year under review. The consolidated financial statements for the previous fiscal year have been restated to reflect this change.

As a result, in the consolidated statement of income, “Other extraordinary losses” of ¥202 million in the previous fiscal year have been restated and shown separately as “Loss on cancellation of rental contracts” of ¥56 million and “Other extraordinary losses” of ¥145 million.

(Segment information, etc.)

Segment information

1. Description of the reportable segments

The Company's reportable segments consist of those of its components for which it is possible to obtain separate financial information that is examined by its Board of Directors on a regular basis for the purpose of deciding on the allocation of corporate resources and assessing business performance.

The Group's business comprises three units that together represent its main business units, namely, dispensing pharmacy business that consists of operation of dispensing pharmacies, selling of generic drugs, recruiting and consulting services, and cosmetic and drug store business that consists of the management of cosmetic and drug stores as well as other businesses, which includes a retail store business and a real-estate leasing business. The formulation and examination of business strategy is conducted individually for each business.

Based on the above, the Company has classified its business into three reportable segments – the dispensing pharmacy business, the cosmetic and drug store business, and other businesses.

2. Methods to determine the amounts of net sales, income or losses, assets, liabilities and other items by reportable segment

The methods used for accounting for the reportable business segments are generally similar to those described in the Basic Important Matters for Preparation of Consolidated Financial Statements.

The income figures for the reportable segments are expressed at the ordinary profit level. Intersegment sales and transfers are based on prevailing market prices.

As explained in "Changes in accounting policies," the accounting treatment for revenue recognition has changed due to the application of the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year under review. As a result, the calculation method for profit and loss in business segments has also changed.

Compared with the previous method, in the fiscal year under review, the new method reduced sales in the cosmetic and drug store business segment by ¥1,097 million and increased segment income by ¥9 million, and reduced sales in the other businesses segment by ¥53 million.

3. Sales, income (loss), assets, liabilities and other items for each reportable segment

I. Previous fiscal year (May 1, 2020 to April 30, 2021)

(Million yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
Sales to third parties	263,095	19,419	14,791	297,305	–	297,305
Intersegment sales	–	–	103	103	(103)	–
Total sales	263,095	19,419	14,894	297,408	(103)	297,305
Segment income (loss)	20,947	(1,999)	(721)	18,227	(5,577)	12,649
Segment assets	161,497	13,326	9,469	184,293	19,368	203,662
Other						
Depreciation and amortization	2,571	536	303	3,411	291	3,702
Amortization of goodwill	4,278	6	151	4,436	–	4,436
Impairment losses	516	288	–	804	–	804
Increase of tangible and intangible assets	3,299	1,218	352	4,871	1,031	5,903

Notes: 1. Segment income (loss) in “Adjustments” totaling (¥5,577 million) includes ¥6,684 million in corporate expenses, (¥1,278 million) in (income) losses that may not be allocated to the reporting segments, and ¥171 million in elimination due to intersegment transactions.

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

Segment assets in “Adjustments” totaling ¥19,368 million consist mainly of assets associated with the administrative divisions and the system logistics division of the parent company, which are not part of the reportable segments, and the difference in elimination of intersegment transactions.

2. Segment income (loss) is adjusted with the ordinary income of consolidated statements of income.

II. Current fiscal year (May 1, 2021 to April 30, 2022)

(Million yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
Sales to third parties	283,111	20,558	12,576	316,247	–	316,247
Intersegment sales	–	–	100	100	(100)	–
Total sales	283,111	20,558	12,677	316,347	(100)	316,247
Segment income (loss)	25,082	(1,764)	(146)	23,170	(7,128)	16,041
Segment assets	166,198	12,810	9,269	188,279	24,181	212,461
Other						
Depreciation and amortization	2,531	534	287	3,352	517	3,870
Amortization of goodwill	3,985	6	140	4,133	–	4,133
Impairment losses	1,121	1,021	127	2,270	32	2,302
Increase of tangible and intangible assets	6,162	1,028	435	7,626	1,287	8,913

Notes: 1. Segment income (loss) in “Adjustments” totaling (¥7,128 million) includes ¥8,170 million in corporate expenses, (¥1,164 million) in (income) losses that may not be allocated to the reporting segments, and ¥121 million in elimination due to intersegment transactions.

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

Segment assets in “Adjustments” totaling ¥24,181 million consist mainly of assets associated with the administrative divisions and the system logistics division of the parent company, which are not part of the reportable segments, and the difference in elimination of intersegment transactions.

2. Segment income (loss) is adjusted with the ordinary income of consolidated statements of income.

Related information

Previous fiscal year (May 1, 2020 to April 30, 2021)

1. Information by product and service

This disclosure has been omitted because the same information is disclosed under Segment Information.

2. Information by region

(1) Net sales

This disclosure has been omitted as the Group's sales to external customers in Japan accounted for more than 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

This disclosure has been omitted because the Group had no property, plant and equipment located outside Japan at the balance sheet date.

Current fiscal year (May 1, 2021 to April 30, 2022)

1. Information by product and service

This disclosure has been omitted because the same information is disclosed under Segment Information.

2. Information by region

(1) Net sales

This disclosure has been omitted as the Group's sales to external customers in Japan accounted for more than 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

This disclosure has been omitted because the Group had no property, plant and equipment located outside Japan at the balance sheet date.

Information regarding impairment losses of fixed assets for each reported segment

Previous fiscal year (May 1, 2020 to April 30, 2021)

This disclosure has been omitted because the same information is disclosed under Segment Information.

Current fiscal year (May 1, 2021 to April 30, 2022)

This disclosure has been omitted because the same information is disclosed under Segment Information.

Information about goodwill amortization amount and year-end balance for each reportable segment

Previous fiscal year (May 1, 2020 to April 30, 2021)

(Million yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	4,278	6	151	–	4,436
Balance at the end of current fiscal year	37,821	54	1,182	–	39,057

Current fiscal year (May 1, 2021 to April 30, 2022)

(Million yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	3,985	6	140	–	4,133
Balance at the end of current fiscal year	35,263	47	1,041	–	36,352

Information about gains on bargain purchase for each reported segment

Previous fiscal year (May 1, 2020 to April 30, 2021)

There are no applicable matters to be reported.

Current fiscal year (May 1, 2021 to April 30, 2022)

There are no applicable matters to be reported.

(Per-share information)

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Net assets per share	3,267.49 yen	3,385.51 yen
Earnings per share	189.04 yen	201.47 yen

Notes: 1. Diluted earnings per share is not mentioned since dilutive shares do not exist.

2. The basis of calculation of net assets per share and earnings per share is as follows.

	Previous fiscal year (May 1, 2020 to April 30, 2021)	Current fiscal year (May 1, 2021 to April 30, 2022)
Profit attributable to owners of parent (million yen)	6,697	7,092
Amount not attributable to ordinary shareholders (million yen)	–	–
Net income attributable to owners of the parent pertaining to common stock (million yen)	6,697	7,092
Average number of shares outstanding (shares)	35,427,408	35,202,302

(Material subsequent events)

(Business combination through acquisition)

At a meeting of the Board of Directors on May 9, 2022, the Company approved the acquisition of shares in Pharmacy Holdings Co. Ltd. (head office: Fukuyama City, Hiroshima Prefecture), making it a subsidiary. The shares were acquired on May 23, 2022.

(1) Overview of business combination

(i) Name and business of acquired company

Name: Pharmacy Holdings Co. Ltd.

Business: Ownership of shares, management and control of operating companies (mainly management of dispensing pharmacies), real estate leasing

(ii) Main reasons for business combination

Adding Pharmacy Holdings to the Group will further expand the AIN Group's chain of dispensing pharmacies and bring together mutual business expertise that enhances patient services, increasing the Group's corporate value as a key part of community healthcare provision.

(iii) Date of business combination

May 23, 2022

(iv) Legal form of business combination

Acquisition of shares

(v) Name of company after acquisition

No change

(vi) Share of voting rights acquired

100%

(vii) Main basis for determining company has been acquired

Cash payment for shares in the company

(2) Breakdown of acquisition price and payments

Information has not been disclosed, as the sellers are individuals and the share purchase contract stipulates confidentiality.