

Briefing on Medium- and Long-term Vision

Ambitious Goals 2034

AIN HOLDINGS INC.

March 18, 2025

Today's Topic

1. Medium- and Long-term Vision

President and Representative Director
Kiichi Ohtani

2. Dispensing Pharmacy Business Strategy

Representative Senior Managing Director
Shoichi Shudo

3. Retail Business Strategy

Representative Senior Managing Director
Toshihide Mizushima

1. Medium- and Long-term Vision

AIN Group's Vision

Our Vision

Aiming to be a company that people welcome to their communities

Group Statement

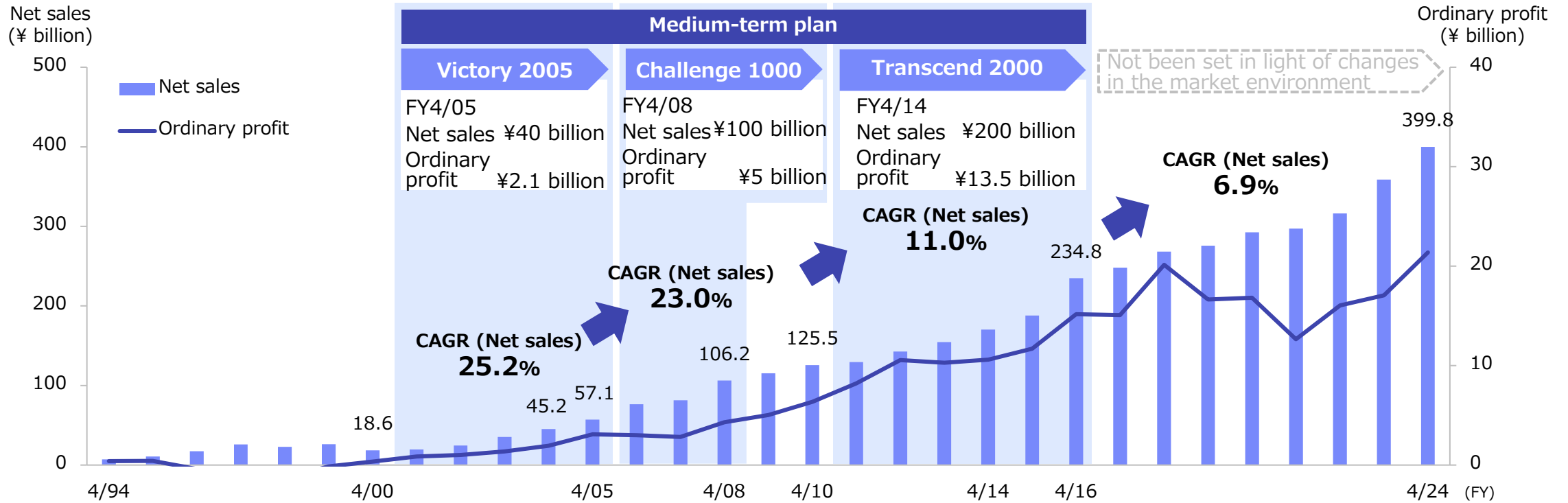
We are committed to ensuring our employees are happy and motivated.

We want the AIN Group to be a workplace where employees seek out new challenges to grow and develop, dedicating themselves to improving the health and happiness of customers.

Our goal is to be a leading corporate group that constantly embraces change.

Growth Trajectory

In the course of our growth, we have steadily expanded our businesses under a medium-term plan and business strategies tailored to changes in the market environment.



Number of pharmacies	50	193	130	397	616	881	1,231
Number of cosmetic stores	30	44	45	49	59	52	81
Total number of M&As	0	5	11	16	73	128	249

Medium- and Long-term Vision

Our Vision

Aiming to be a company that people welcome to their communities

**Medium- and
Long-term Vision**

Ambitious Goals 2034

**A decade to promote innovation and strive for
our challenging goal of a trillion yen in sales**

Vision by
business segment

Dispensing Pharmacy Business

Creating sustainable next-generation
pharmacies with scale and efficiency

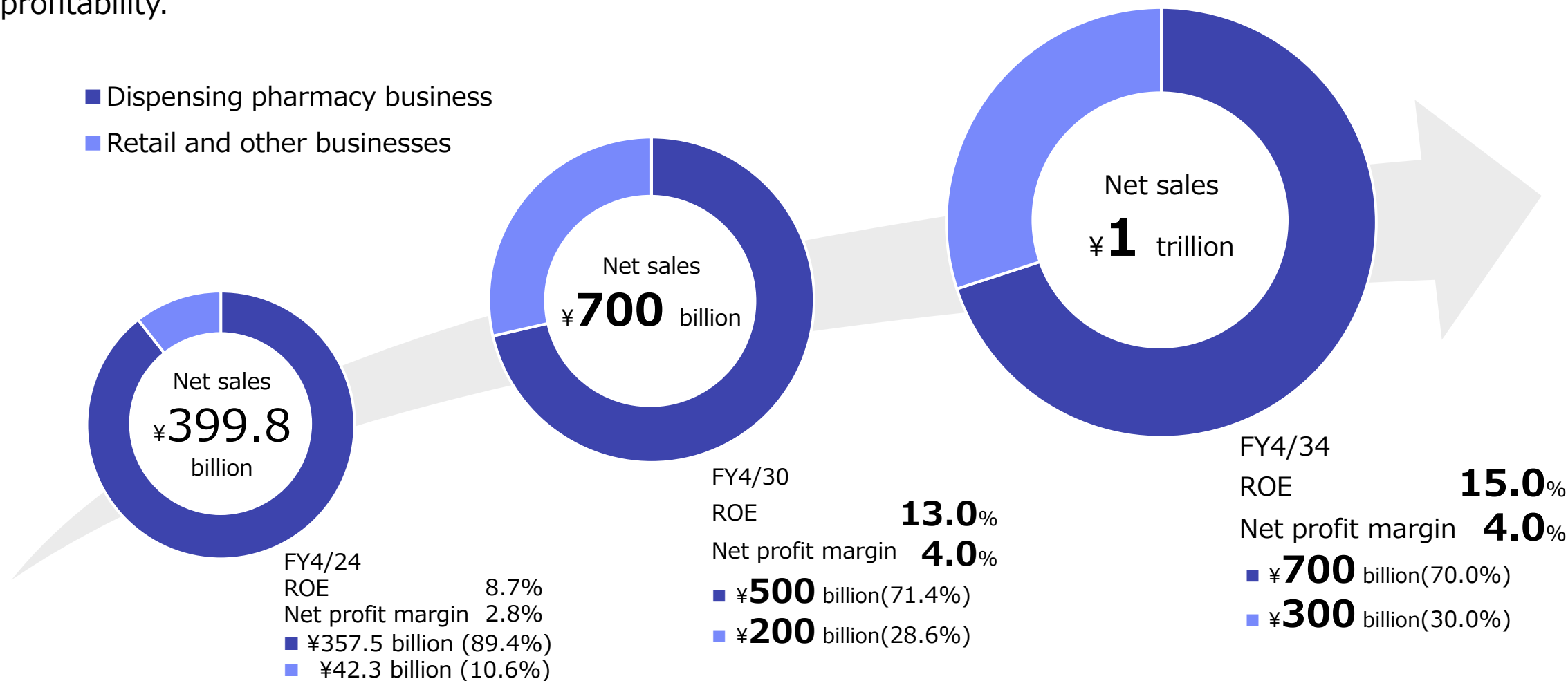
Retail Business

Pursuing concept stores sending
sophisticated value

Quantitative Targets

Our goal is to achieve sales of ¥1 trillion in FY4/34, driven by growth in both the dispensing pharmacy and retail businesses. At the same time, we will improve capital efficiency and strengthen/maintain profitability.

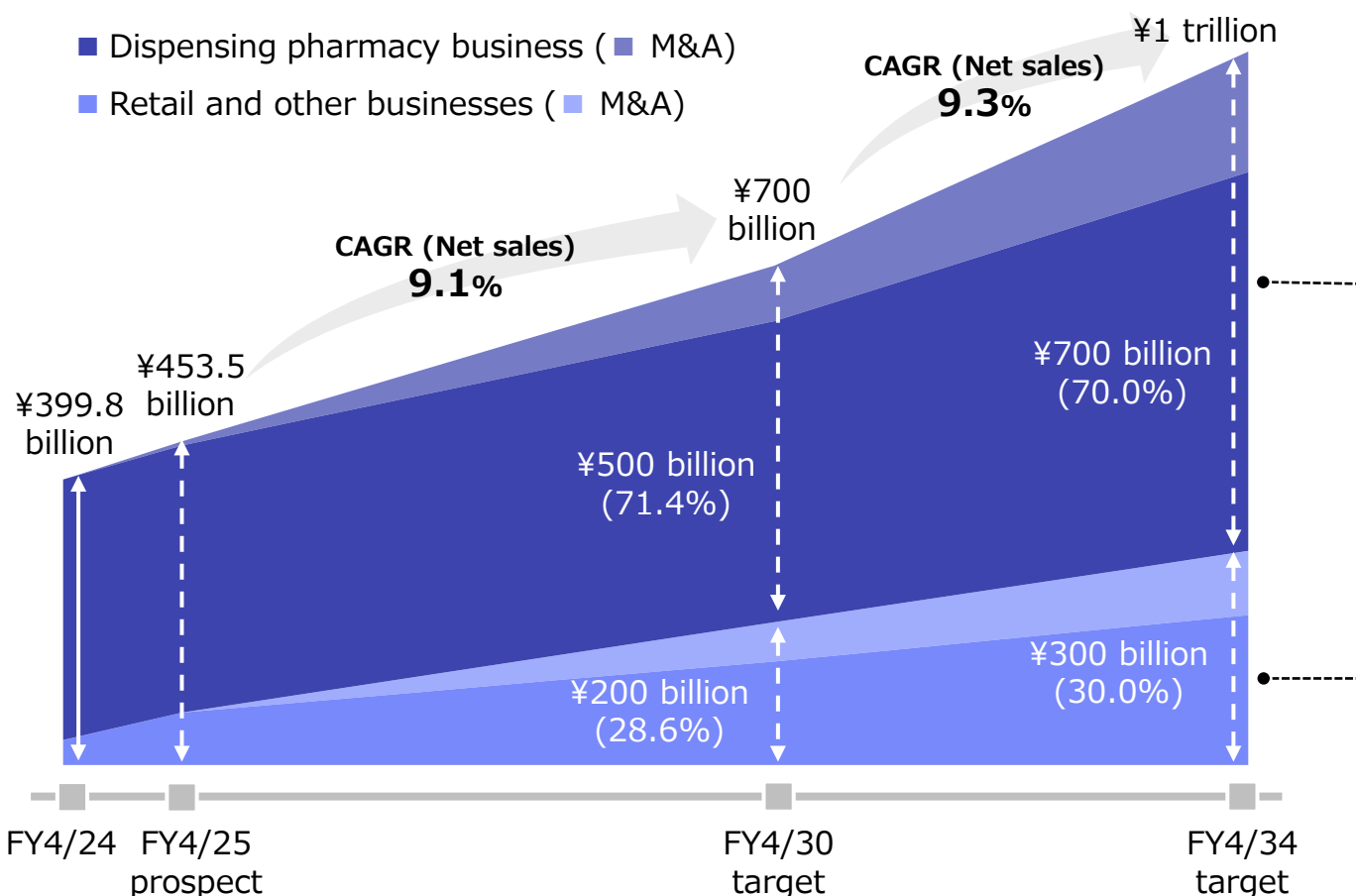
- Dispensing pharmacy business
- Retail and other businesses



Roadmap for Growth

In addition to growth driven by existing stores and organic store opening, we will leverage M&As to accelerate growth. By actively investing in each business, including related businesses, we will build an optimal business portfolio for our sustainable growth.

Breakdown of net sales by business segment



Initiatives through FY4/34

Dispensing Pharmacy Business

- Continued growth of existing stores as “the primary care pharmacy” of choice for patients, backed by proven expertise
- Organic store opening in locations near medical institutions where dispensing and prescribing drugs are not separated, and in medical malls, among others
- Maintain existing standards and promote M&A centered on projects that contribute to earnings

Retail and Other Businesses

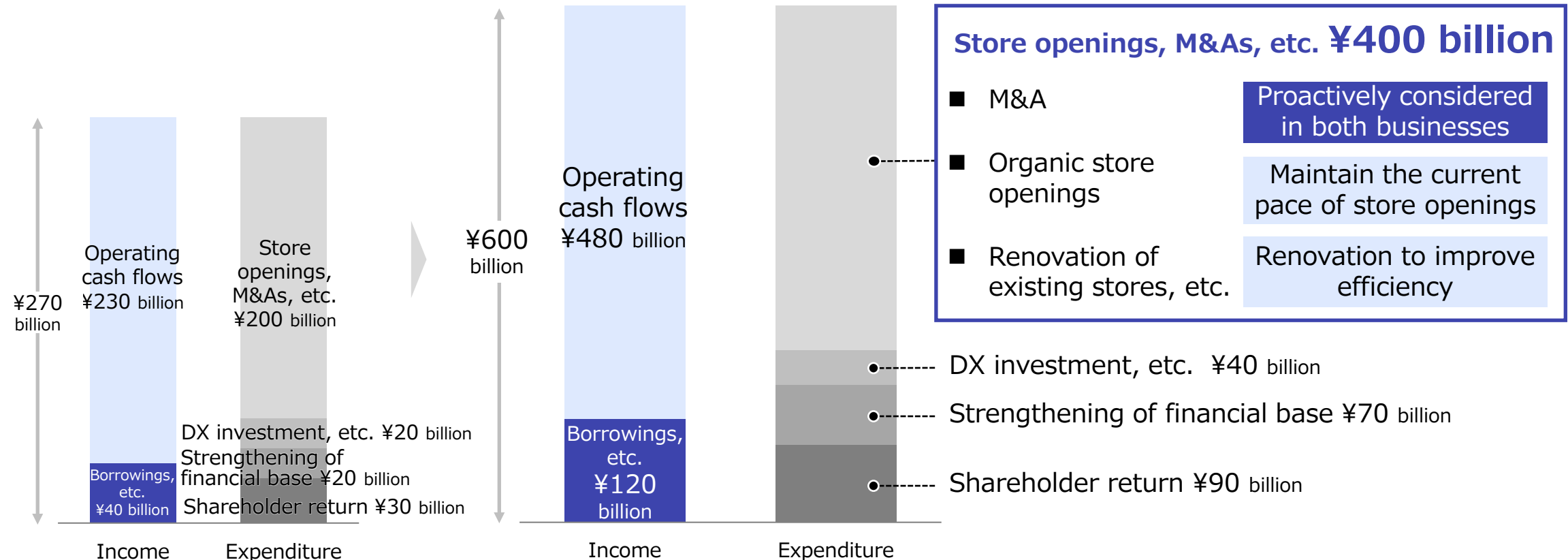
- Growth of both AINZ & TULPE and Francfranc, including collaboration with each brand
- Consideration of M&As in pursuit of relevance and similarity inside and outside the markets in which business is conducted

Cash Allocation

We proactively invest in store openings and M&As to expand the top line. As the Company grows, funds will be appropriately allocated to digital transformation (DX) investment (for establishing the foundation), strengthening the financial base, and shareholder return.

Cumulative total for
FY4/25 to FY4/30

Cumulative total for FY4/25 to FY4/34



ROE

Utilizing external funds among others, we will focus on expanding the top line and improving profitability with the medium-term target of ROE of 13% in FY4/30. In the long term, we will pursue further shareholder returns and capital efficiency, including share buybacks, with the target of ROE of 15% by FY4/34.

	FY4/24 Results	FY4/30 Target	FY4/34 Target	Measure to improve ROE
ROE	8.7 %	13.0 %	15.0 %	<ul style="list-style-type: none"> Business growth through capital efficiency improvement and strategic investments
Return on sales	2.8 %	4.0 %	4.0 %	<ul style="list-style-type: none"> Profit improvement through efficiency Reduction in the SG&A ratio through expansion of scale
Total asset turnover	1.6	1.6	1.6	<ul style="list-style-type: none"> Expand both businesses while maintaining total asset turnover
Financial leverage	1.8 ×	2.0 ×	2.3 ×	<ul style="list-style-type: none"> Implementation of shareholder returns Investment for growth through borrowing

▶ Before the application of new lease accounting (please refer to the supplementary materials for the assumed application of new lease accounting)

ROE Return on Sales

Along with a better top line, we will reduce costs and SG&A expenses in amounts that exceed the impact of inflation by improving operational efficiency. By FY4/30, we will establish an earnings base by improving profit margin, and maintain profitability even in an uncertain environment.



ROE Total Asset Turnover

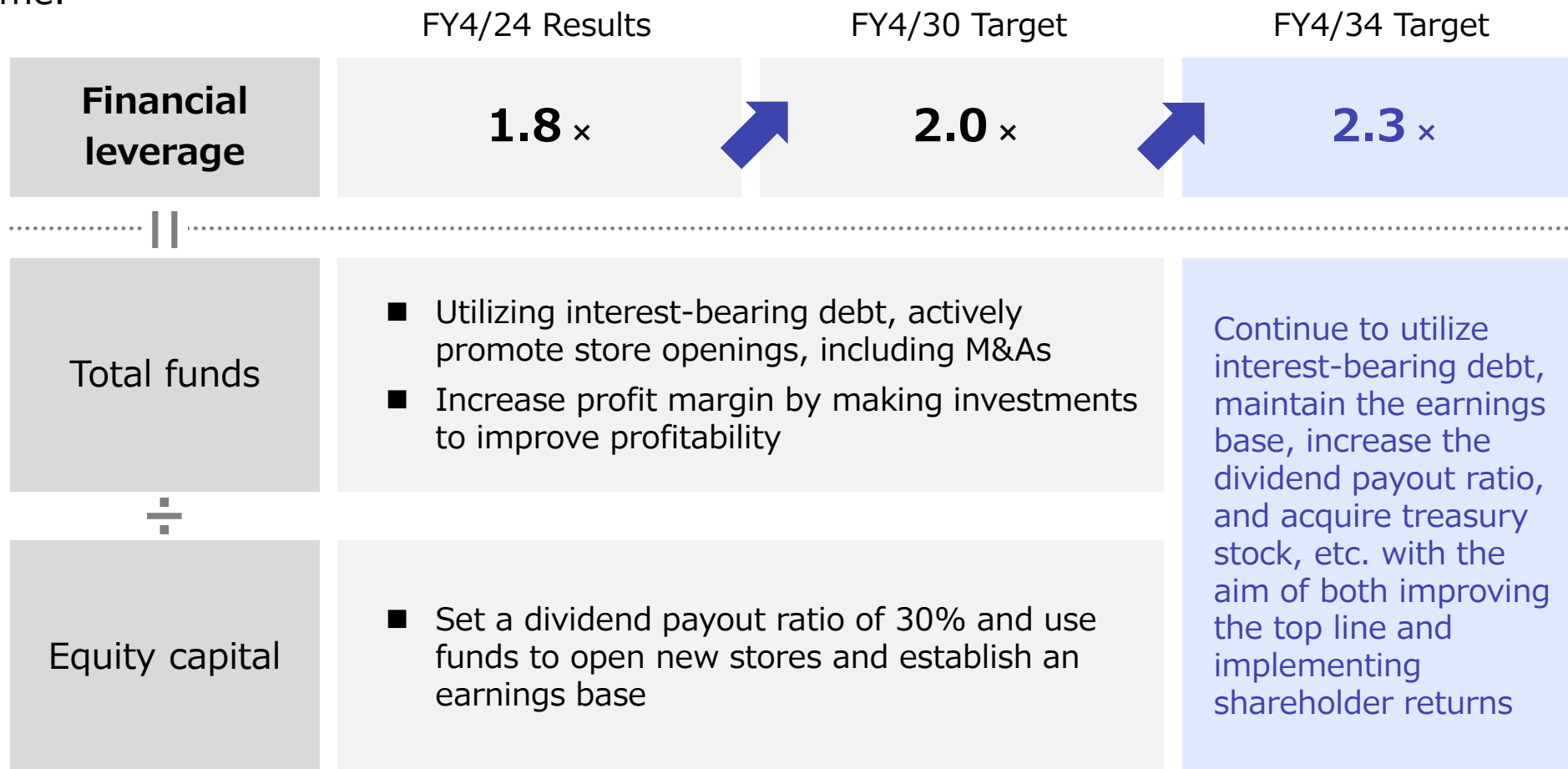
We will optimize capital investment and inventories to maintain the total asset turnover while taking into account a better top line and the effects of inflation. In the long run, additional measures may be implemented, if such measures are possible for further improvements.



▶ Before application of new lease accounting

ROE Financial Leverage

Utilizing interest-bearing debt among others, actively promote store openings, including M&As. At the same time, we will make investments to improve earnings, aiming to build a foundation for maximizing economies of scale. In the long term, we will expand our top line and return profits to shareholders at the same time.



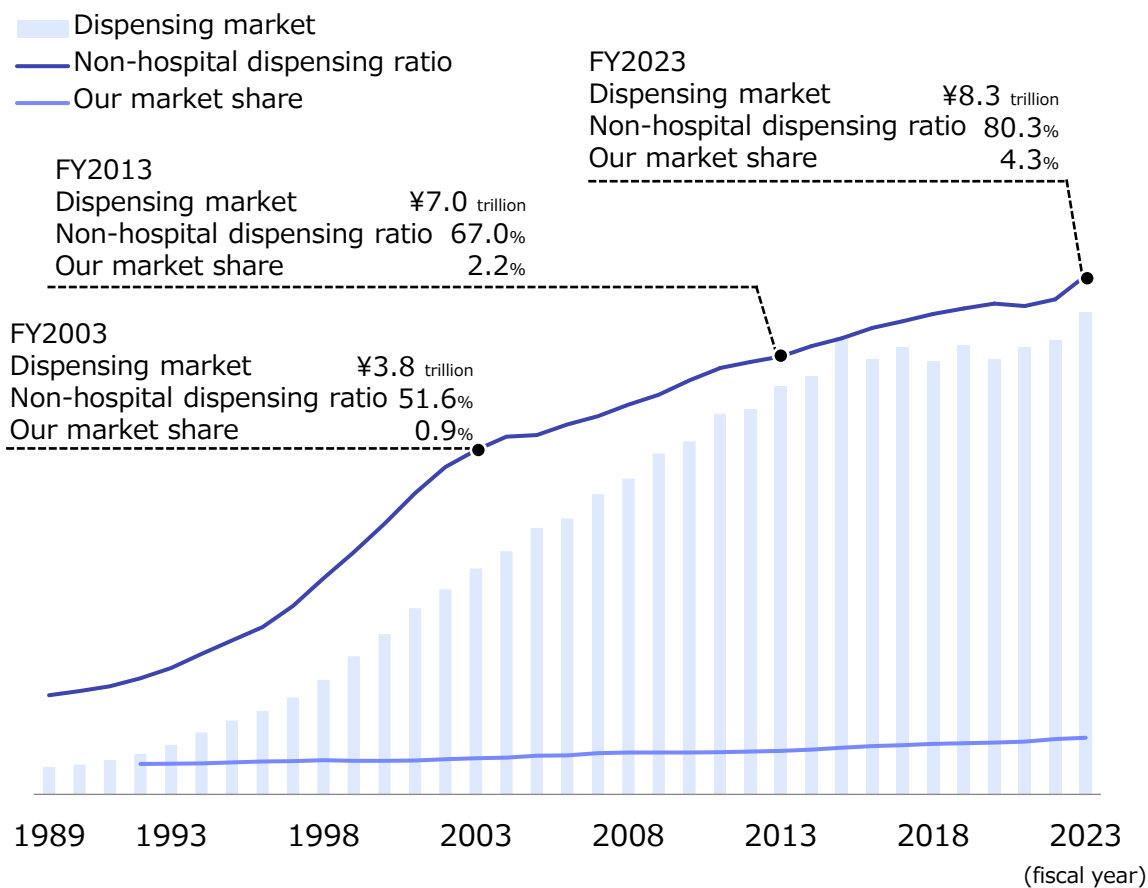
▶ Before application of new lease accounting

2. Dispensing Pharmacy Business Strategy

Dispensing Market

As the market scale expands driven by the separation of dispensing and prescribing drugs, the role of pharmacies has changed greatly: today, more cooperation with the community and specialization are required. We will continue to grow our dispensing pharmacy business while accurately capturing changes in the market environment.

Past changes in the market environment



Future forecasts for the market environment

- Positive**
 - Changes in non-hospital dispensing ratio and population dynamics**
 Increase in the need for advanced healthcare due to progress of non-hospital dispensing ratio and aging of the population
 - Expertise evaluation**
 Expansion of the evaluation for more specialized response such as cancer treatment and home-based healthcare
 - Diversification of services following deregulation**
 Online pharmaceutical guidance, use of Individual Number Card as health insurance card, refill prescriptions, and outsourcing of some dispensing services
 - Market oligopoly**
 Increase in withdrawal and M&As due to environmental changes, aging management, and lack of successors
- Negative**
 - Control of social welfare spending**
 Lower drug prices and dispensing fees due to dispensing fee revisions
 - Increase in costs**
 Increase in costs and SG&A expenses due to higher wages and higher prices
 - Market entry from other industries**
 Market entry from other industries such as platformers

Dispensing Pharmacy Business Strategy

In response to future changes in the market environment, we will make the necessary investments to achieve the vision of our dispensing pharmacy business and **improve the top line** and **implement structural reform of the pharmacies** as our dispensing pharmacy business strategies.

Medium- and Long-term Vision

Creating sustainable next-generation pharmacies with scale and efficiency

Business strategy

Top-line expansion

- Organic store openings and M&A

Structural reform of the pharmacies

- Drastic reform of pharmacy management including the promotion of digital transformation

Quantitative targets

Net sales

FY4/24 FY4/34
¥357.5 billion ¥**700** billion

Number of prescriptions processed

21/day **30**/day

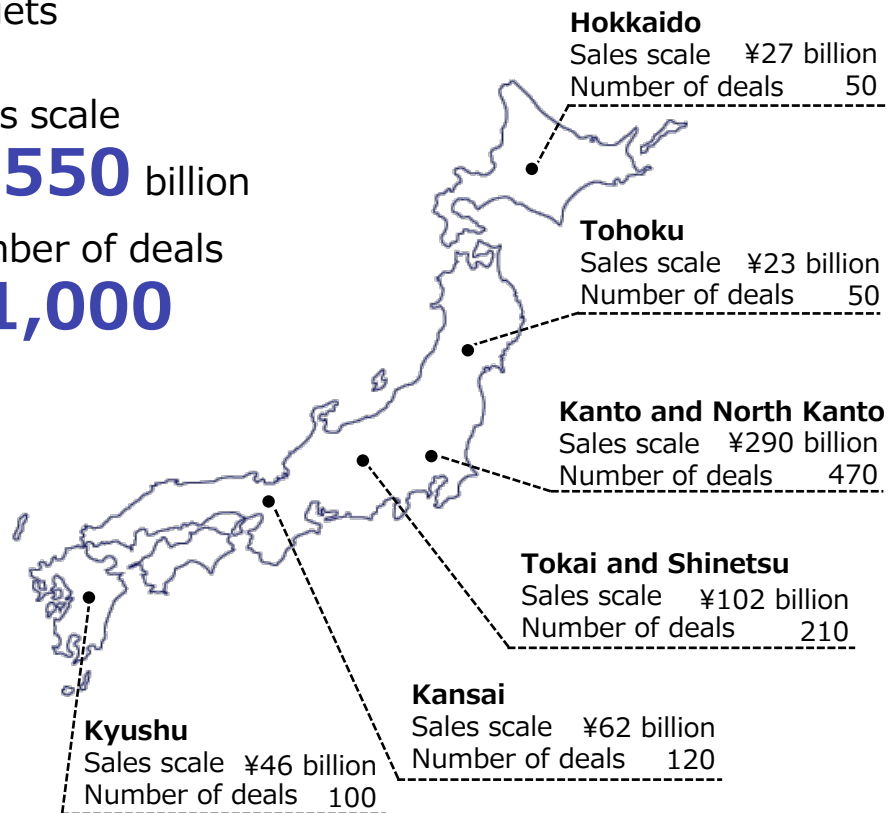
Top-line Expansion

Target sales scale for organic store openings and M&As is estimated to be worth approximately ¥4 trillion. Aiming to expand our top line, we will flexibly control the criteria of store opening and M&A based on an accurate understanding of changes in the market environment, and preferentially open stores for high-quality and large-scale projects that can secure revenues.

Organic

■ Targets

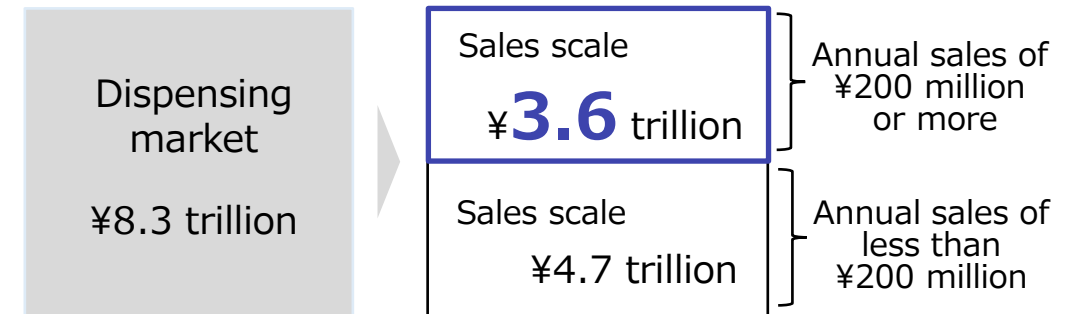
Sales scale
¥550 billion
 Number of deals
1,000



▶ Our total development targets for store opening near medical institutions and in medical malls

M&A

■ Targets



▶ Our estimate based on the recent Trends of Medical Prescription Fees (Computerized data) in FY2023 published by the Ministry of Health, Labour and Welfare of Japan

■ Criteria

Store size	Annual sales of ¥200 million or more
EV/EBITDA multiple	5-7×
Profit	Contribute from the following year
Risk	Operating conditions of medical institutions Compliance

Structural reform of the pharmacies

Promoting digital transformation and drastically reforming pharmacy management will lead to a higher productivity of pharmacists and medical support staff and expanded patient services. We will monitor the number of prescriptions processed as a KPI to achieve highly economically efficient pharmacy management.

Increasing the number of users of official apps

Utilizing the function of sending prescriptions helps to level the number of patients waiting in the pharmacy, thereby reducing the cumulative workload for staff



Use of next-generation medication history



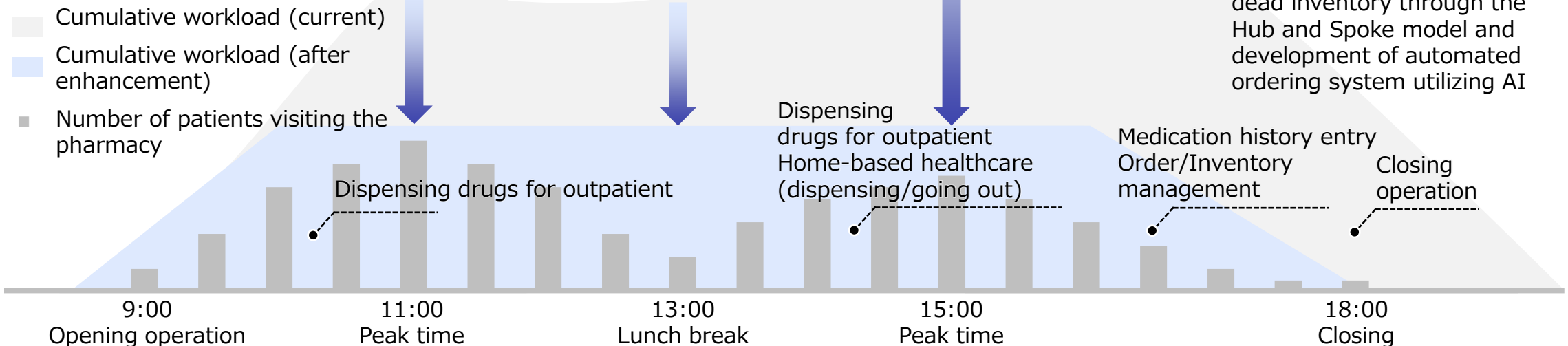
Utilizing AI in medication history entry to improve work efficiency of pharmaceutical guidance and medication history entry

Automating dispensing operations and part of dispensing work outsourced

Outsourcing the operation of packing drugs in unit-dose packages, which is a burden for outpatient and home-based work, and development of automated dispensing machines

Centralized management of dead inventory

Centralized management of dead inventory through the Hub and Spoke model and development of automated ordering system utilizing AI



▶ The cumulative workload and the number of patients visiting the pharmacy are conceptual images at general AIN Pharmacies

Human Capital Recruiting New Pharmacist Graduates

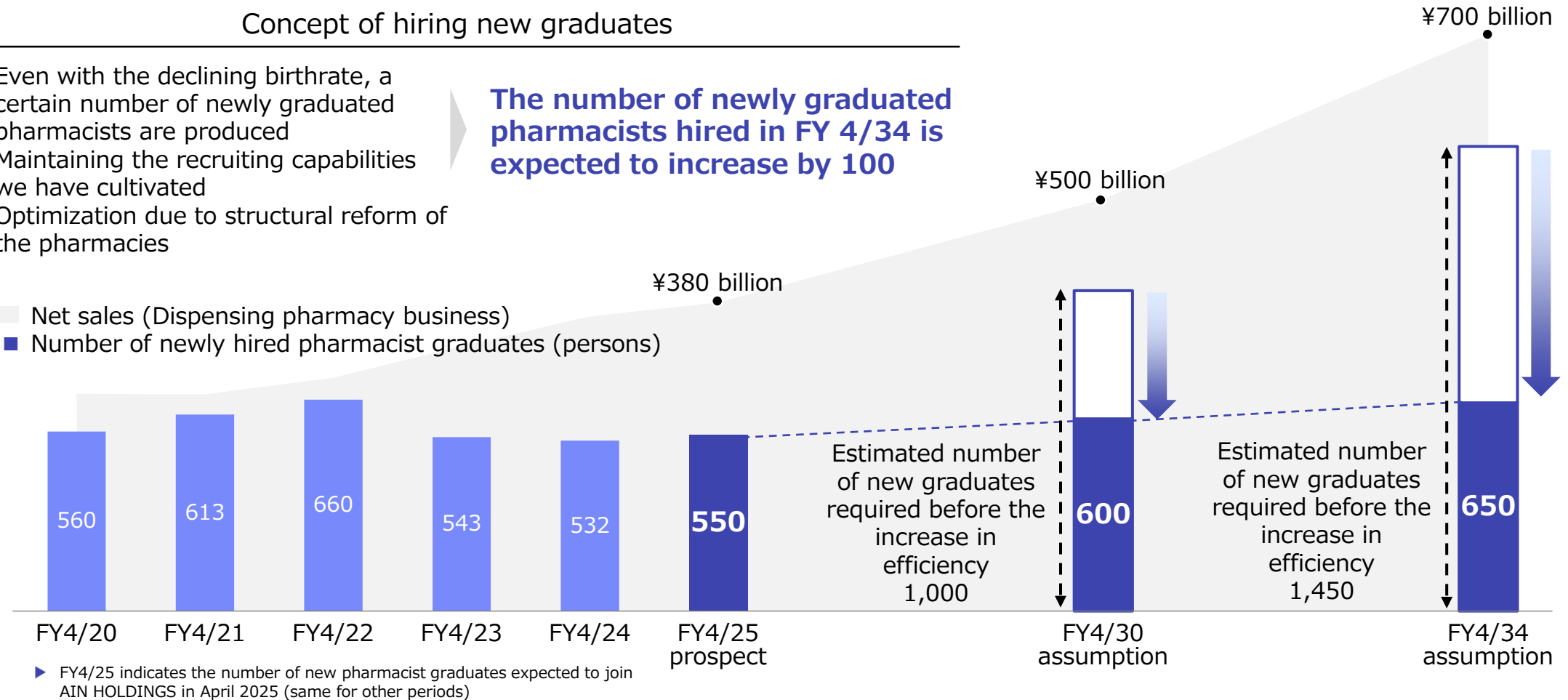
In an environment where a certain number of newly graduated pharmacists are produced, it is possible to continue to secure human resources flexibly, responding to sales grow to ¥700 billion, by our recruiting capabilities we have cultivated, and optimization due to structural reform of the pharmacies.

Concept of hiring new graduates

- Even with the declining birthrate, a certain number of newly graduated pharmacists are produced
- Maintaining the recruiting capabilities we have cultivated
- Optimization due to structural reform of the pharmacies

The number of newly graduated pharmacists hired in FY 4/34 is expected to increase by 100

■ Net sales (Dispensing pharmacy business)
 ■ Number of newly hired pharmacist graduates (persons)

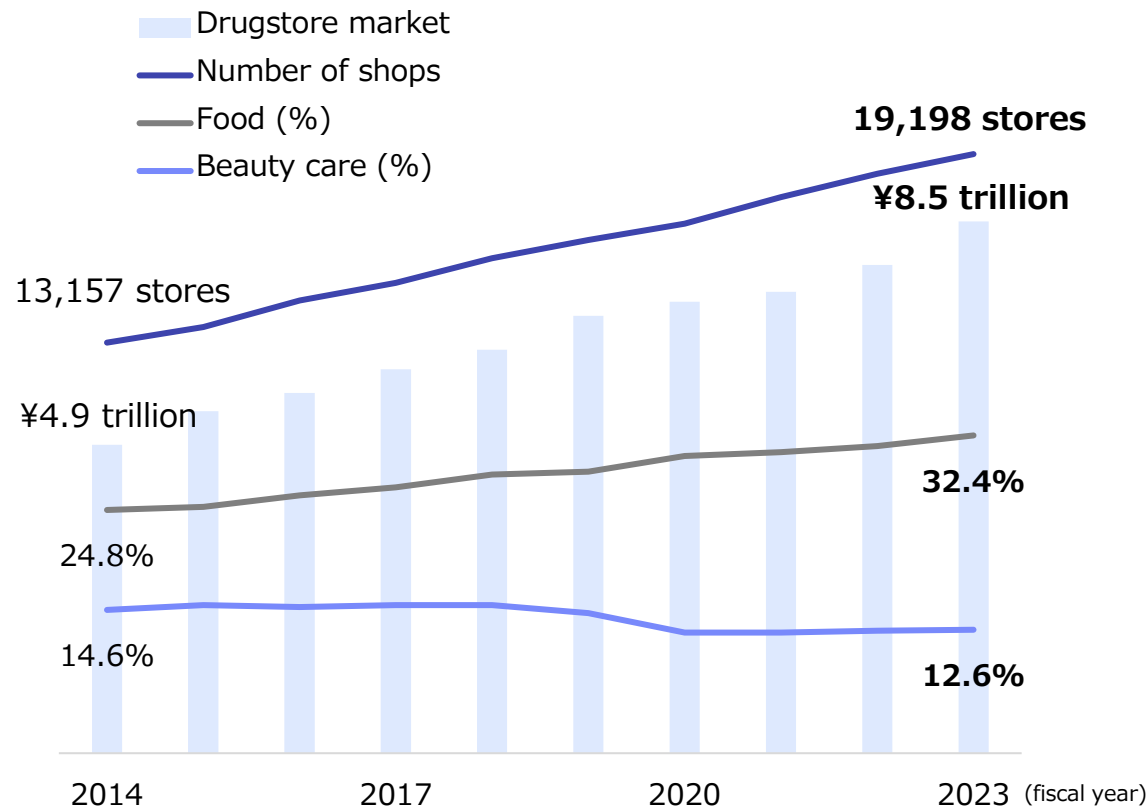


3. Retail Business Strategy

Drugstore Market

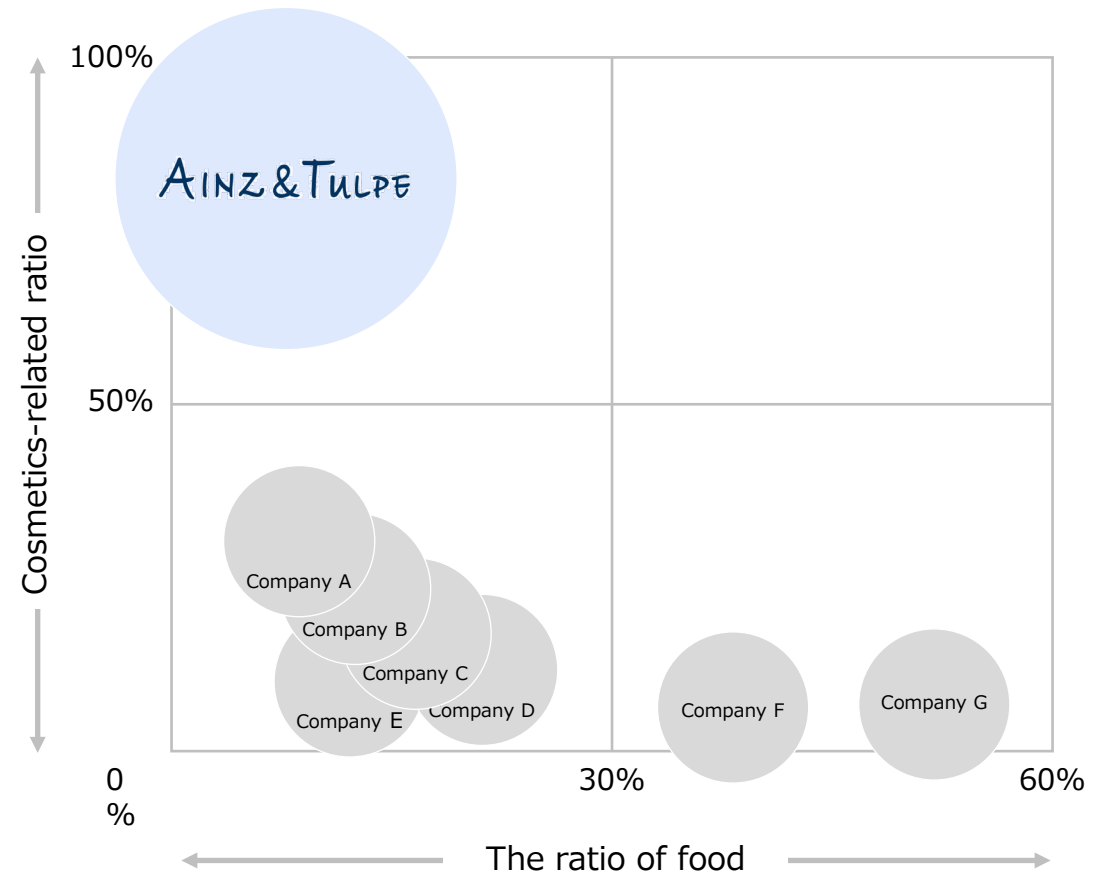
Although the drugstore market continues to expand, the ratio of beauty care is falling while the ratio of food is increasing. In this market environment, AINZ & TULPE has established a position specializing in cosmetics with a unique presence.

Drugstore market



▶ Compiled by AIN HOLDINGS from the Monthly Report on the Current Survey of Commerce published by Ministry of Economy, Trade and Industry of Japan

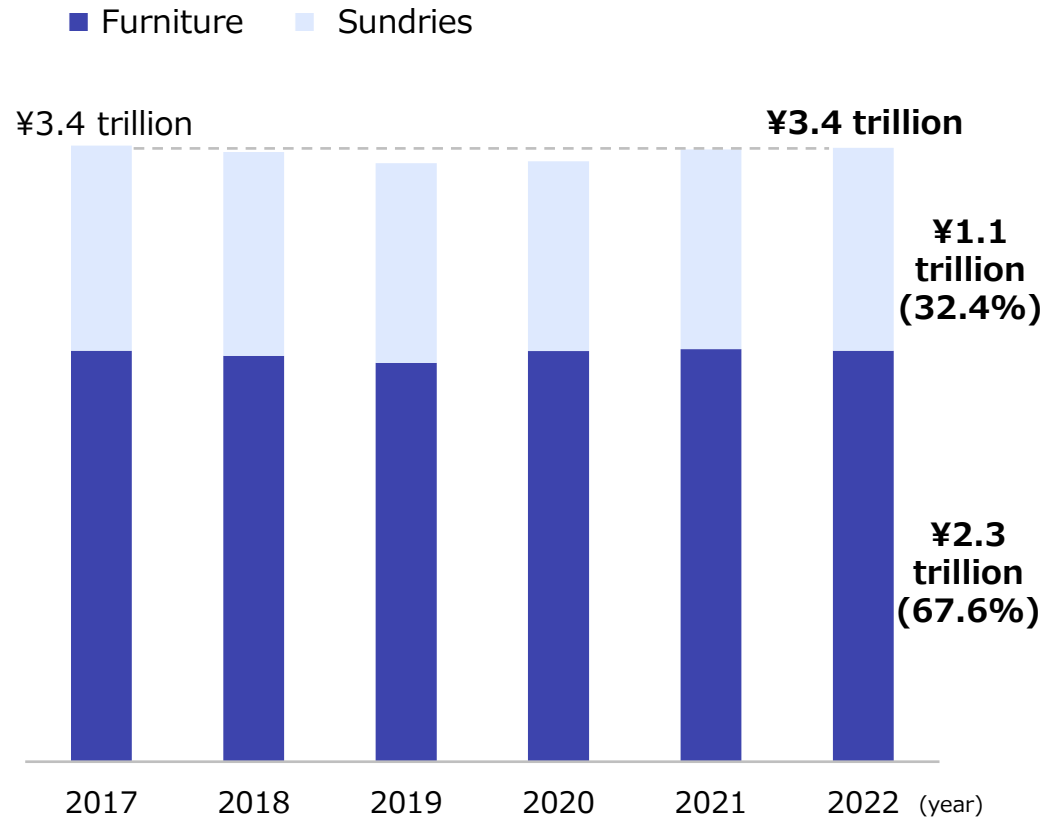
AINZ & TULPE's position



Furniture and Sundries Market

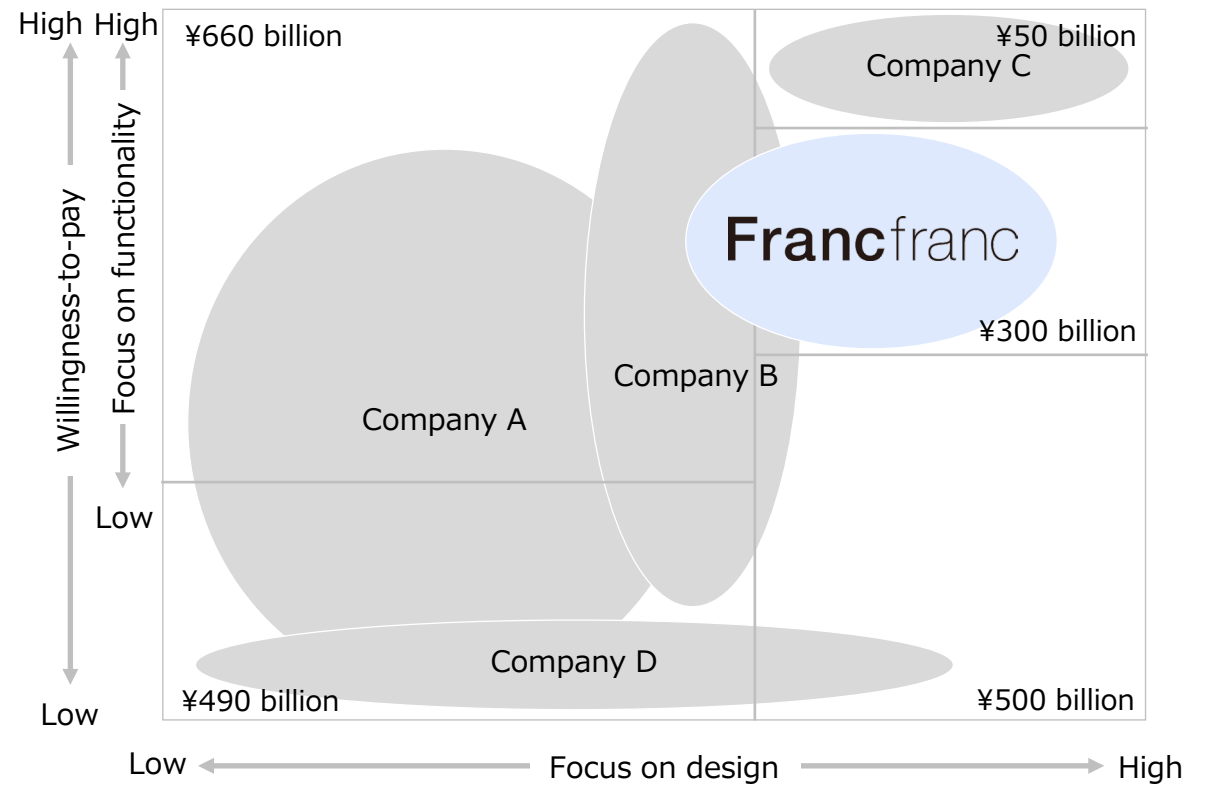
The furniture and sundries market has been stable for the past six years. In such an environment, Francfranc has positioned itself in a less competitive segment of the market where customers are limited to women, with a medium focus on functionality and a medium to high focus on design.

Furniture and sundries market



▶ Compiled by AIN HOLDINGS from survey company data

Francfranc's position



▶ Of the ¥3.4 trillion worth of the furniture and sundries market, the market limited to women customers is estimated to be ¥2.0 trillion based on demographic trends

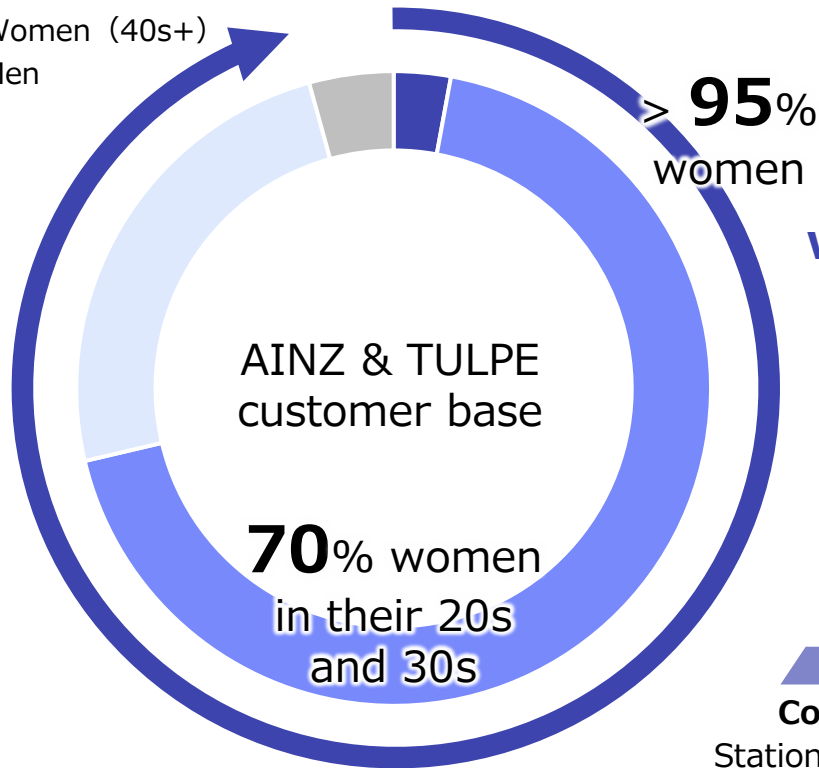
▶ Figures in the figure are estimated market size of each segment

High Affinity

AINZ & TULPE and Francfranc have a strong affinity with each other in terms of their main customers: mainly women in their 20s and 30s. In addition, their stores are opened in station buildings and commercial facilities in major cities where stores also have a high affinity with each other. Such location enables them to demonstrate synergies with their strength.

- Women (up to teens)
- Women (20s to 30s)
- Women (40s+)
- Men

- Women (up to teens)
- Women (20s to 30s)
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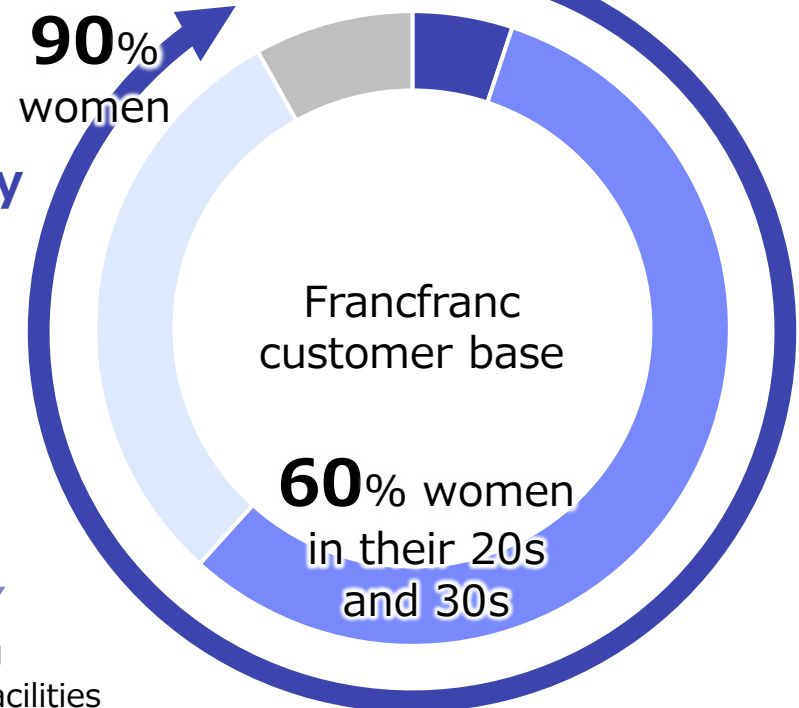


Customer base with a high affinity

×
Affinity between stores



Common areas for launching
Station buildings and commercial facilities
in major cities



Retail Business Strategy

In response to changes in the market environment and business conditions, we will leverage our strengths in the retail business to create an upward spiral of business. In order to achieve our vision, we are driving forward our second core business, the retail business, with the strategy of “Generating synergies within the business” and “Top-line expansion.”

Medium- and Long-term Vision

Pursuing concept stores sending sophisticated value

Business strategy

Generating synergies within the business

- Upward spiral using our strengths

Top-line expansion

- Organic growth of each brand
- M&As in pursuit of relevance and similarity

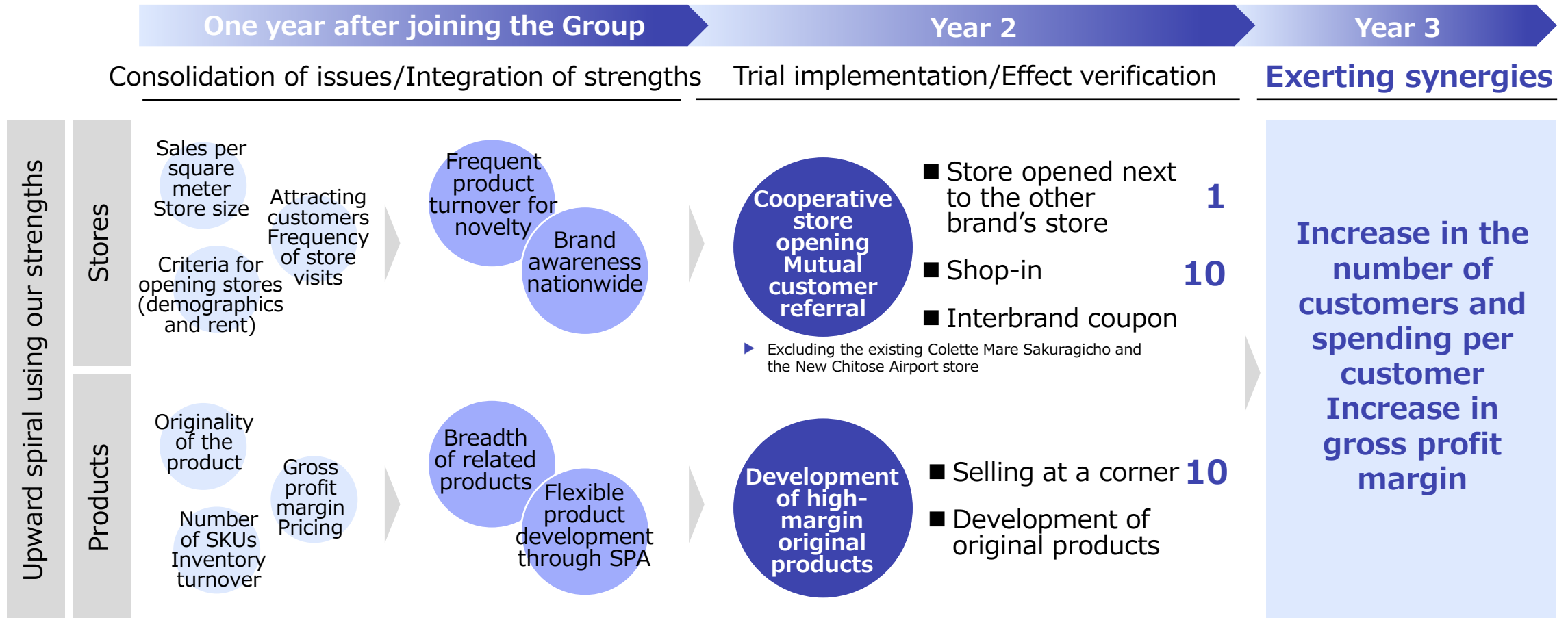
Quantitative targets (KPI)

	FY4/24	FY4/34
Net sales	¥42.3 billion	¥ 300 billion
Gross profit margin	37.6%	50.0%

▶ Retail and other businesses

Generating Synergies Within the Business

We are taking advantage of AINZ & TULPE's and Francfranc's strengths to create an upward spiral. Synergies will be demonstrated three years after Francfranc joined the Group. We check the progress using gross profit margin as a KPI, and expand their businesses in the medium term.



Top-line Expansion

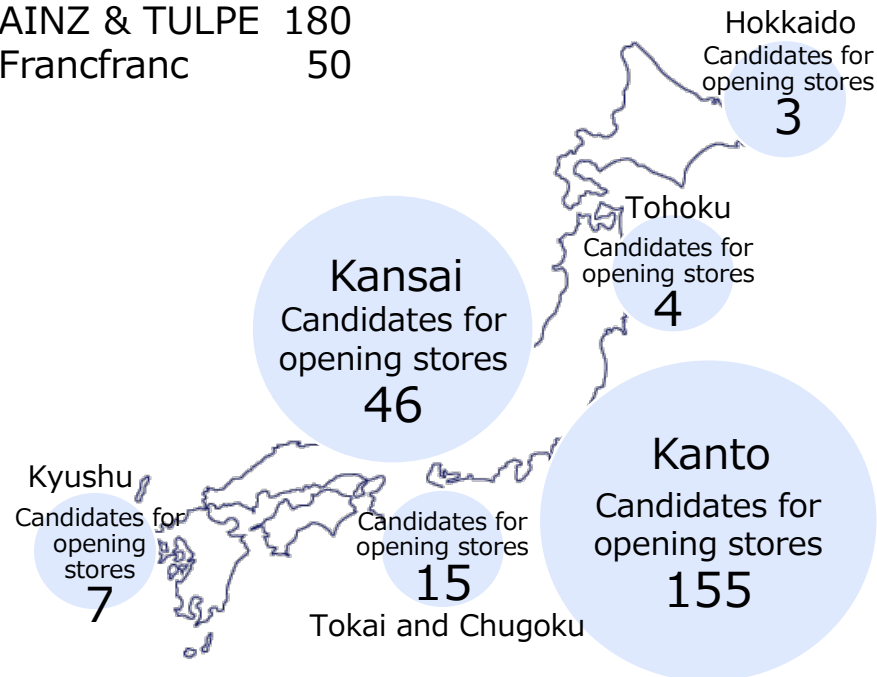
Accelerate the organic store opening by leveraging synergies within each division. We will also expand our top line by utilizing M&As that pursue relevance and similarity, including expansion into other markets.

Organic growth of each brand

- Number of candidates for opening stores

230

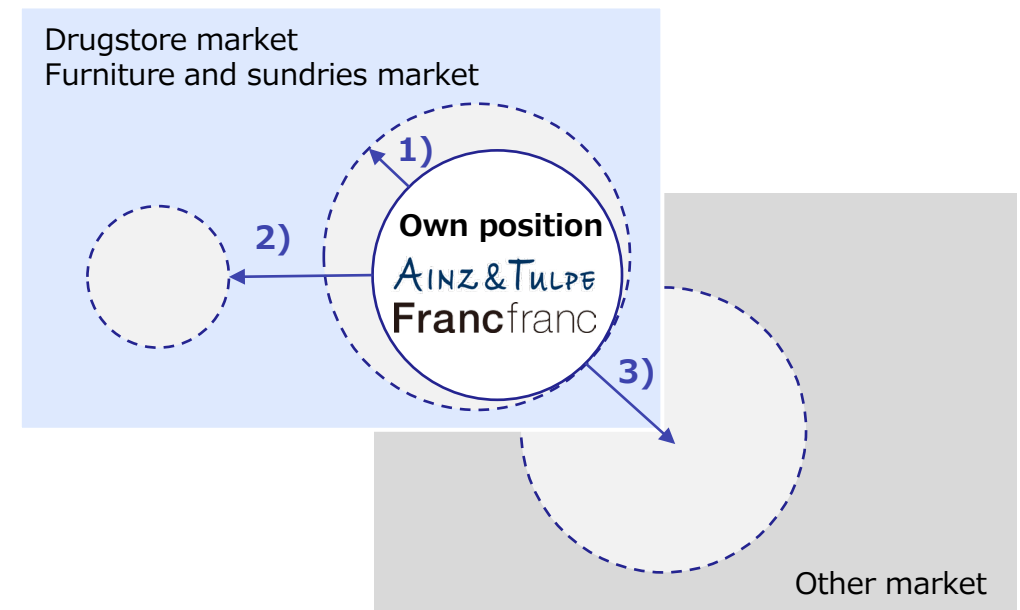
AINZ & TULPE 180
Francfranc 50



M&As in pursuit of relevance and similarity

- M&A targets

- 1) Expand the range of own positions
- 2) Create our new position in the same market
- 3) Pursue relevance and similarity in other markets



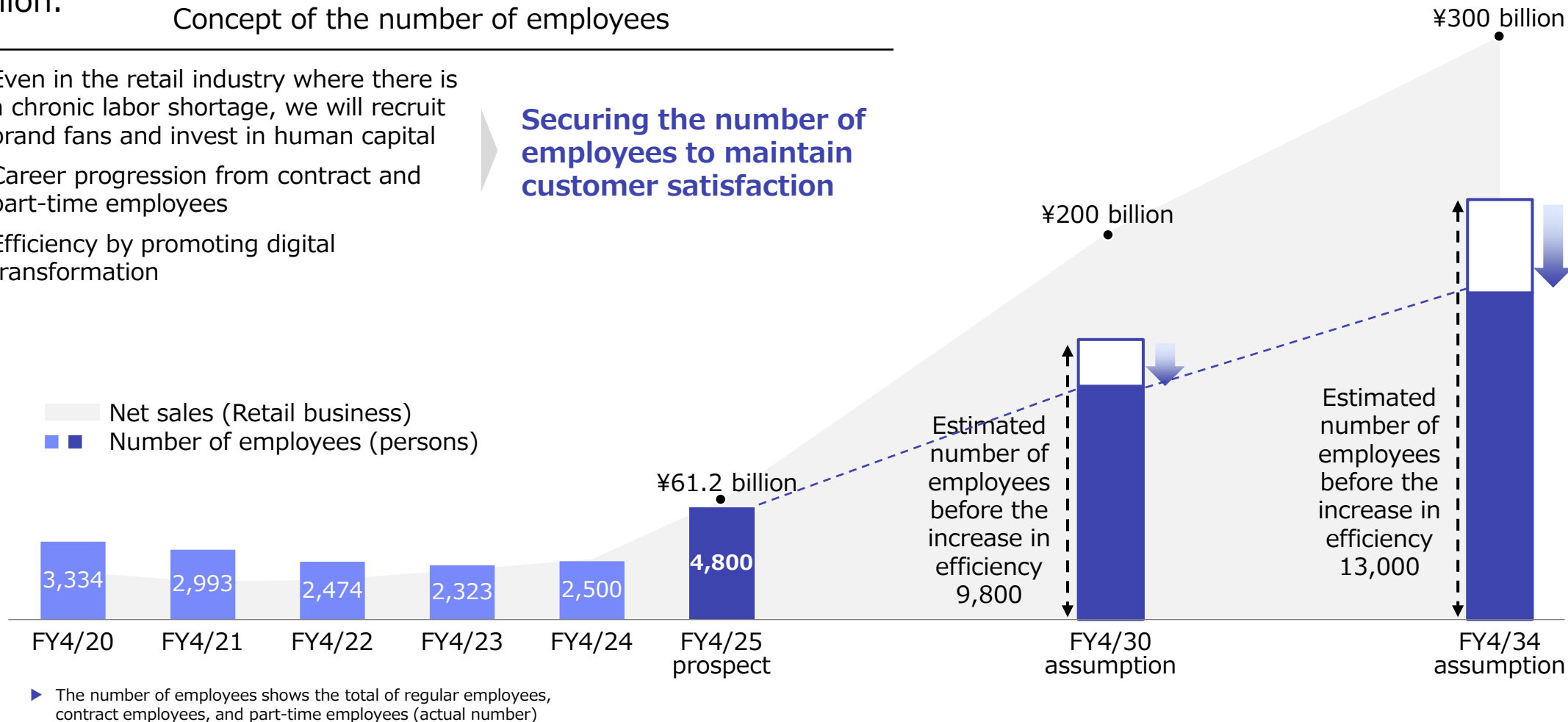
Human Capital Number of Employees

We will mainly recruit fans of each brand as staff members, invest in human capital and promote digital transformation to improve efficiency. We believe that, despite an industry environment where there is a chronic labor shortage, we will be able to secure sufficient human resources even if sales grow to ¥300 billion.

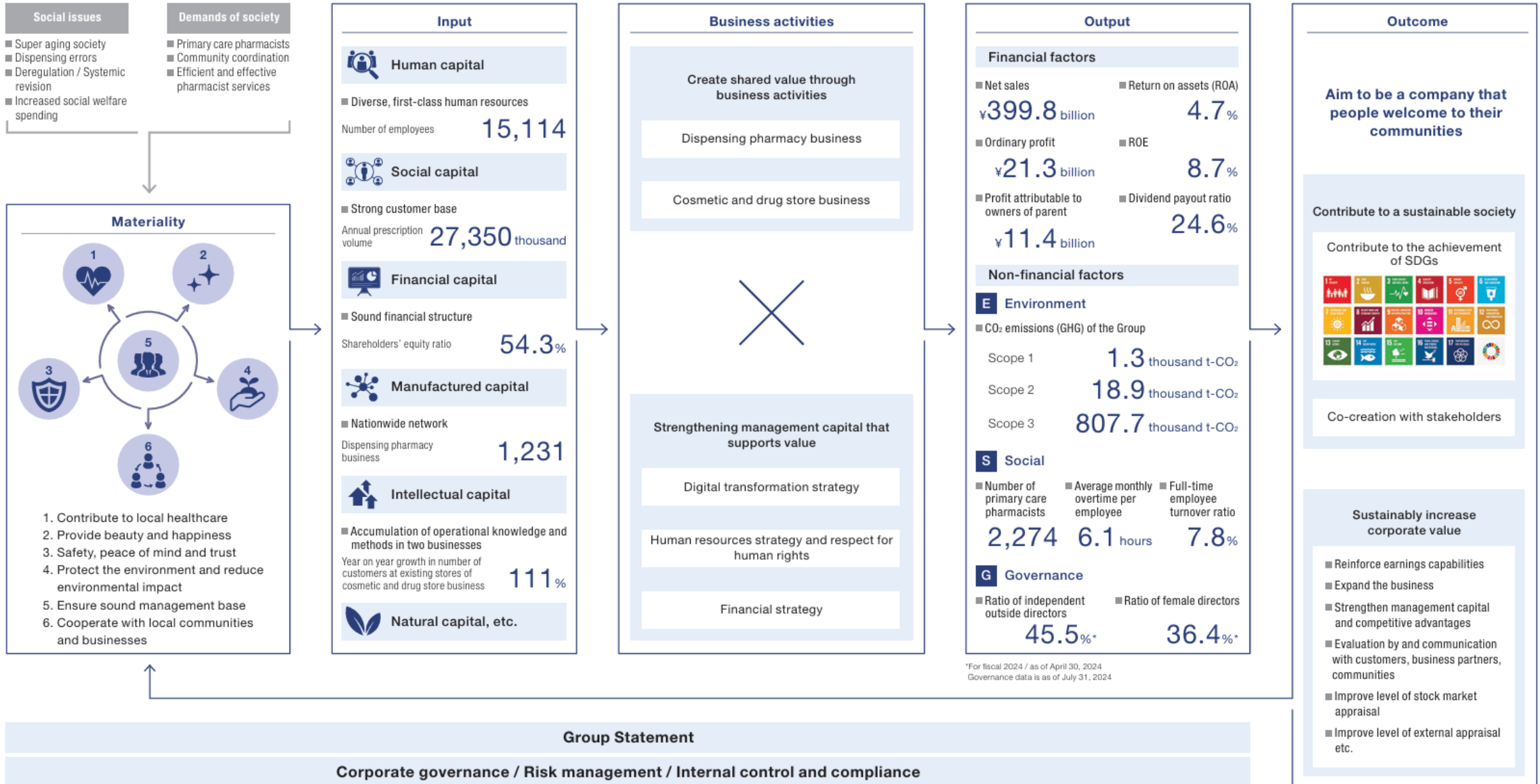
Concept of the number of employees

- Even in the retail industry where there is a chronic labor shortage, we will recruit brand fans and invest in human capital
- Career progression from contract and part-time employees
- Efficiency by promoting digital transformation

Securing the number of employees to maintain customer satisfaction



Supplementary Material



*For fiscal 2024 / as of April 30, 2024
Governance data is as of July 31, 2024



Setting six material issues, we will achieve sustainable corporate growth, create social, environmental, and economic value, and realize sustainable management by changing and acting on our own initiative, considering our customers and other diverse stakeholders.



ROE Assumed Application of New Lease Accounting

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▶ Assumed new lease accounting application (simple calculation based on rent × lease term of 5 years with discount rate of 0%)



AIN GROUP