

## Summary of Financial Statements for Fiscal Year Ended April 2019

June 4 2019

Name of listed company: **AIN HOLDINGS INC.**  
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange  
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Date of the ordinary general meeting of shareholders: July 30, 2019  
Date of scheduled payment of dividends: July 31, 2019  
Date of filing securities report: July 31, 2019  
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 2019 (from May 1, 2018 to April 30, 2019)

#### (1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended April 30, 2019	275,596	2.7	16,067	(18.1)	16,637	(17.3)	9,029	(14.6)
Year ended April 30, 2018	268,385	8.2	19,622	34.7	20,129	33.5	10,567	32.9

(Note) Comprehensive income: Year ended April 30, 2019: ¥8,960 million (-13.6%)  
Year ended April 30, 2018: ¥10,376 million (+27.7%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended April 30, 2019	254.87	—	9.0	8.9	5.8
Year ended April 30, 2018	310.08	—	13.5	11.9	7.3

(Reference) Equity in earnings of affiliates: Year ended April 30, 2019: ¥ – million, Year ended April 30, 2018: ¥ – 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, 2019	189,021	103,922	54.9	2,931.48
As of April 30, 2018	183,380	96,733	52.7	2,729.44

(Reference) Equity capital: As of April 30, 2019: ¥103,855 million As of April 30, 2018: ¥96,697 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, 2019	14,788	(19,985)	(10,681)	47,495
Year ended April 30, 2018	21,656	(5,281)	17,623	63,233

### 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, 2018	—	0.00	—	50.00	50.00	1,771	16.1	2.2
Year ended April 30, 2019	—	0.00	—	55.00	55.00	1,948	21.6	1.9
Year ending April 30, 2020 (forecast)	—	0.00	—	55.00	55.00		19.2	

3. Consolidated financial forecast for the fiscal year ending April 30, 2020 (from May 1, 2019 to April 30, 2020)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	144,050	9.3	8,500	26.3	8,750	24.7	4,640	27.5	130.97
Full year	300,330	9.0	18,700	16.4	19,200	15.4	10,130	12.2	285.94

\* Notes

(1) Major changes in subsidiaries during the fiscal year (changes in specified subsidiaries resulting in changes 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.: No

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, 2019	35,428,212 shares	As of April 30, 2018	35,428,212 shares
2) Number of shares held in treasury:	As of April 30, 2019	728 shares	As of April 30, 2018	688 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2019	35,427,497 shares	Fiscal year ended April 30, 2018	34,079,508 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.

(Change in monetary unit)

Amounts for items listed in the consolidated financial statements and for other items in the statements have been shown using thousand yen units. However, effective from the fiscal year under review, thousand yen units have been replaced with million yen units.

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## 1. Operating Results and Other

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

During the fiscal year ended April 30, 2019, the Japanese economy improved at a moderate pace amid signs of a pickup in consumer spending and improving corporate earnings and employment conditions.

In this economic environment, the AIN HOLDINGS Group (the Group) worked to expand its business and increase earnings. Specifically, the Group opened new dispensing pharmacies and used M&A to expand the business. It also developed its cosmetic and drug store business.

In addition, as part of promoting work style reforms, the Group has decided to implement a new system that allows employees to select their prescribed working hours. The new system, which will come into effect from April 2020, is designed to create working environments better suited to the lifestyles of each employee. Going forward, the Group will continue to put in place systems that promote work style reforms in line with the increasingly diverse lifestyles and values of employees, not only their parenting and nursing care commitments.

For the fiscal year under review, net sales rose 2.7% year on year to ¥275,596 million, operating income decreased 18.1% to ¥16,067 million, ordinary income declined 17.3% to ¥16,637 million and profit attributable to owners of parent decreased 14.6% year on year to ¥9,029 million.

#### (Dispensing pharmacy business)

In drug price and dispensing fee revisions in April 2018, the role of pharmacies located near hospitals and pharmacies located in the same premises was reviewed, with primary care dispensing pharmacies and pharmacists receiving a higher evaluation as part of government efforts to drive a structural shift from dispensing focused only on dispensing drugs to dispensing focused on services that contribute to local healthcare services.

To ensure our pharmacists and dispensing pharmacies fulfill their primary care role, the Group continues to build links with local medical service providers, strengthen pharmaceutical management and guidance based on the integrated and continuous management of drug information using patient medication notebooks and other means, and promote wider use of generic drugs.

The shortage of pharmacists in the healthcare sector is becoming more serious. To address this issue, the Group is working to attract new graduates, with 257 new pharmacist graduates joining the Group in April 2019. The Group is also upgrading pharmacist training programs to enhance their capabilities so that they can fill their role as pharmacists at the heart of the community.

In business development, the Group continued to overhaul dispensing pharmacy operations and push ahead with business expansion by opening new dispensing pharmacies and using M&A deals, including making two companies subsidiaries of the Group, KOM MEDICAL INC. (Sanjo, Niigata Prefecture) and TSUCHIYA YAKUHIN INC. (Nagano, Nagano Prefecture).

During the fiscal year under review, the dispensing pharmacy business reported sales of ¥245,003 million, up 2.7% year on year, and segment income of ¥18,331 million, down 19.1%.

During the same period, the Group opened 157 new dispensing pharmacies, including those acquired through M&A deals, and closed 54 pharmacies, resulting in a total of 1,132.

#### (Cosmetic and drug store business)

In the cosmetic and drug store business, the market environment remained challenging due to a narrowing competitive gap between companies in the sector and the emergence of new competitors from sector consolidation and realignment that also extends to other business sectors.

Against that backdrop, the Group continued to open *ainz & tulpe* cosmetic and drug stores in the Tokyo metropolitan area and resumed its store opening program in the Kansai area. In addition, the Group worked to make stores more appealing by refurbishing existing stores and strengthening merchandise lineups, particularly cosmetic and drug products. As a result, sales from existing stores increased year on year, while

sales from stores opened in the previous fiscal year made a significant contribution to sales. Earnings also improved, supported by active efforts to develop *LIPS and HIPS*, *cocodecica* and other original brands and by an overhaul of procurement activities in the previous year.

As a result, for the fiscal year under review, the cosmetic and drug store business reported sales and profit growth with sales rising 4.5% year on year to ¥25,210 million and segment income increasing 48.0% to ¥972 million.

During the same period, the Group opened *ainz & tulpe* stores: *ainz & tulpe* HIGASHI IKEBUKURO (Toshima Ward, Tokyo), *ainz & tulpe* olinas KINSHICHO (Sumida Ward, Tokyo), *ainz & tulpe* SHIBUYA KOEN DORI (Shibuya Ward, Tokyo), *ainz & tulpe* SOKA VARIE (Soka, Saitama Prefecture), *ainz & tulpe* FUCHU FORIS (Fuchu, Tokyo), *ainz & tulpe* ABENO Hoop (Abeno Ward, Osaka) and *ainz & tulpe* UMEDA HEP FIVE (Kita Ward, Osaka) and closed one store, resulting in a total of 54 cosmetic and drug stores at the end of the fiscal year.

(Other businesses)

Net sales from other businesses decreased 4.3% year on year to ¥5,382 million and segment loss was ¥165 million compared with the loss of ¥1,164 million a year earlier.

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

The balance of total assets at the end of the fiscal year increased by ¥5,641 million from the end of the previous fiscal year to ¥189,021 million. That mainly reflected a decline in cash on hand and in banks due to the repayment of loans and income taxes paid, which outweighed an increase in fixed assets such as inventories, land and buildings, as well as goodwill, due to new store openings and M&A.

The balance of liabilities at the end of the fiscal year under review decreased by ¥1,547 million to ¥85,099 million.

The balance of short- term and long-term debts decreased by ¥6,671 million to ¥11,556 million.

Total net assets increased by ¥7,188 million to ¥103,922 million and the shareholders' equity ratio increased 2.2 percentage points to 54.9%.

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

In the fiscal year under review, cash on hand and in banks ("cash") decreased ¥15,737 million year on year to ¥47,495 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 ¥14,788 million, compared with net cash provided of ¥21,656 million in the previous fiscal year.

The main items that were positive for cash flow were income before income taxes of ¥15,624 million, as well as depreciation and amortization of ¥3,903 million and amortization of goodwill of ¥4,183 million related to business expansion through new store openings and M&A.

The main item negative for cash flow was income taxes paid of ¥9,341 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥19,985 million, compared with net cash used of ¥5,281 million in the previous fiscal year.

This mainly reflected payments of ¥13,246 million for purchases of shares in subsidiaries due to changes in

the scope of consolidation related to shares acquired in 12 companies through M&A deals, ¥3,761 million for purchases of property, plant and equipment related to the opening of new cosmetic and drug stores and dispensing pharmacies, and ¥4,469 million for payments of leasehold and guarantee deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥10,681 million, compared with net cash provided of ¥17,623 million in the previous fiscal year.

The main cash outflows were net repayment of ¥8,369 million from short-term and long-term debt repayment and proceeds, and ¥1,771 million for cash dividends paid.

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

	Year ended April 30, 2016	Year ended April 30, 2017	Year ended April 30, 2018	Year ended April 30, 2019
Shareholders' equity ratio (%)	38.1	38.4	52.7	54.9
Equity ratio based on market value (%)	121.0	156.6	141.0	165.7
Debt redemption term (years)	1.0	1.5	0.9	0.8
Interest coverage ratio (times)	226.6	128.0	184.5	117.8

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

In the fiscal year ending April 30, 2020, the dispensing pharmacy business will continue to develop new dispensing pharmacies and actively seek M&A opportunities. In addition, the cosmetic and drug store business will work to expand its operations by continuing to open *ainz & tulpe* cosmetic and drug stores in the Tokyo metropolitan area and by implementing measures to raise brand visibility in urban markets.

Based on these initiatives, the Group forecasts net sales for the fiscal year ending April 30, 2020 of ¥300,330 million, up 9.0% year on year, ordinary income of ¥19,200 million, up 15.4%, and profit attributable to owners of parent of ¥10,130 million, up 12.2%.

## 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.

**3. Consolidated Financial Statements****(1) Consolidated balance sheet**

(Million yen)

	Previous fiscal year (As of April 30, 2018)	Current fiscal year (As of April 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	63,779	48,091
Notes and accounts receivable	10,466	12,771
Merchandise	9,372	12,673
Supplies	208	225
Short-term loans	641	236
Other accounts receivable	7,751	8,438
Other current assets	2,470	3,012
Allowance for doubtful accounts	(131)	(2)
Total current assets	94,557	85,446
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	28,310	31,676
Accumulated depreciation	(13,376)	(15,323)
Buildings and structures, net	14,934	16,352
Land	10,041	10,394
Construction in progress	118	283
Other property, plant and equipment	10,493	11,911
Accumulated depreciation	(7,734)	(8,755)
Other property, plant and equipment, net	2,759	3,155
Total property, plant and equipment	27,853	30,186
<b>Intangible fixed assets</b>		
Goodwill	38,011	45,249
Other intangible fixed assets	2,121	2,327
Total intangible fixed assets	40,132	47,577
<b>Investments and other assets</b>		
Investments in securities	2,375	1,795
Long-term loans	789	1,351
Deferred tax assets	3,772	4,284
Net defined benefit asset	9	15
Deposits and guarantees	11,339	15,133
Other investments and other assets	2,985	4,853
Allowance for doubtful accounts	(540)	(1,683)
Total investments and other assets	20,732	25,751
Total fixed assets	88,718	103,515
<b>Deferred assets</b>		
Share issuance cost	103	59
Total deferred assets	103	59
Total assets	183,380	189,021

(Million yen)

	Previous fiscal year (As of April 30, 2018)	Current fiscal year (As of April 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	38,728	44,794
Short-term debt	6,717	5,571
Accrued income taxes	4,947	3,261
Deposits received	12,675	12,737
Allowance for bonuses to employees	1,911	2,139
Allowance for bonuses to directors	16	17
Reserve for reward obligations	420	450
Provision for sales returns	6	–
Other current liabilities	4,525	4,772
<b>Total current liabilities</b>	<b>69,950</b>	<b>73,744</b>
<b>Long-term liabilities</b>		
Long-term debt	11,511	5,985
Lease obligations	632	401
Net defined benefit liability	2,625	2,977
Other long-term liabilities	1,927	1,989
<b>Total long-term liabilities</b>	<b>16,696</b>	<b>11,355</b>
<b>Total liabilities</b>	<b>86,646</b>	<b>85,099</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	54,268	61,526
Treasury stock	(1)	(2)
<b>Total shareholders' equity</b>	<b>96,662</b>	<b>103,920</b>
<b>Accumulated other comprehensive income</b>		
Unrealized holding gains on securities	84	(6)
Remeasurement of defined benefit plans	(50)	(59)
<b>Total accumulated other comprehensive income</b>	<b>34</b>	<b>(65)</b>
<b>Non-controlling interests</b>	<b>36</b>	<b>67</b>
<b>Total net assets</b>	<b>96,733</b>	<b>103,922</b>
<b>Total liabilities and net assets</b>	<b>183,380</b>	<b>189,021</b>



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

(Million yen)

	Previous fiscal year (May 1, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Net sales	268,385	275,596
Cost of sales	220,392	230,233
Gross profit	47,993	45,363
Selling, general and administrative expenses		
Advertising expenses	2,719	2,330
Promotion expenses	1,019	1,044
Salaries, allowances and bonuses	5,267	5,212
Provision of allowance for doubtful accounts	132	1
Provision for bonuses to employees	554	584
Provision for bonuses to directors	16	17
Retirement benefit expenses	117	195
Provision for reward obligations	417	449
Legal and employee benefits expenses	1,854	1,946
Correspondence and transportation expenses	806	845
Lease expenses	85	78
Rent expenses	4,205	4,473
Depreciation expenses	646	702
Amortization of goodwill	3,898	4,106
Taxes	1,181	1,400
Other	5,448	5,904
Total selling, general and administrative expenses	28,370	29,295
Operating income	19,622	16,067
Non-operating income		
Interest income	65	70
Dividend income	36	39
Gains on investments in partnership	136	17
Commissions received	61	38
Real estate rental revenue	181	274
Gains on donations of fixed assets	19	48
Consignment income	201	158
Technical advisory fee	70	68
Other non-operating income	345	345
Total non-operating income	1,117	1,061
Non-operating expenses		
Interest expenses	117	125
Losses on sales of accounts receivables	71	71
Real estate rental expenses	88	95
Provision of allowance for doubtful accounts	200	24
Other non-operating expenses	131	173
Total non-operating expenses	610	490
Ordinary income	20,129	16,637

(Million yen)

	Previous fiscal year (May 1, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Extraordinary income		
Gains on sales of fixed assets	76	38
Gains on sales of investments in securities	8	7
Gain on transfer of business	59	312
Surrender value of insurance	31	23
Gain on step acquisitions	49	–
Gain on the sale of investments	–	550
Other extraordinary income	30	128
Total extraordinary income	255	1,061
Extraordinary losses		
Losses on disposal and sales of fixed assets	624	695
Impairment losses on fixed assets	1,175	766
Directors' retirement benefits	127	–
Loss on valuation of investments in capital	440	–
Other extraordinary losses	164	613
Total extraordinary losses	2,532	2,074
Income before income taxes	17,852	15,624
Income taxes – current	7,863	6,794
Income taxes – deferred	(540)	(230)
Total income taxes	7,322	6,564
Profit	10,530	9,060
Profit (loss) attributable to non-controlling interests	(37)	30
Profit attributable to owners of parent	10,567	9,029

**Consolidated statement of comprehensive income**

	(Million yen)	
	Previous fiscal year (May 1, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Profit	10,530	9,060
Other comprehensive income		
Unrealized holding gains (losses) on securities	(1)	(91)
Remeasurements of defined benefit plans, net of tax	(152)	(8)
Total other comprehensive income (loss)	(153)	(99)
Total comprehensive income	10,376	8,960
Comprehensive income attributable to owners of parent	10,413	8,929
Comprehensive income (loss) attributable to non-controlling interests	(37)	30

**(3) Consolidated statement of changes in net assets**

Previous fiscal year (May 1, 2017 to April 30, 2018)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	8,682	6,367	45,286	(419)	59,918
Net changes during the year					
Issuance of new shares	13,212	13,212			26,424
Cash dividends paid			(1,585)		(1,585)
Profit attributable to owners of parent			10,567		10,567
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		921		418	1,339
Net change in items other than shareholders' equity					
Total changes during the year	13,212	14,133	8,982	417	36,744
Balance at the end of current year	21,894	20,500	54,268	(1)	96,662

	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	86	101	187	73	60,178
Net changes during the year					
Issuance of new shares					26,424
Cash dividends paid					(1,585)
Profit attributable to owners of parent					10,567
Acquisition of treasury stock					(0)
Disposal of treasury stock					1,339
Net change in items other than shareholders' equity	(1)	(152)	(153)	(37)	(190)
Total changes during the year	(1)	(152)	(153)	(37)	36,554
Balance at the end of current year	84	(50)	34	36	96,733

Current fiscal year (May 1, 2018 to April 30, 2019)

(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	54,268	(1)	96,662
Net changes during the year					
Cash dividends paid			(1,771)		(1,771)
Profit attributable to owners of parent			9,029		9,029
Acquisition of treasury stock				(0)	(0)
Net change in items other than shareholders' equity					
Total changes during the year	-	-	7,257	(0)	7,257
Balance at the end of current year	21,894	20,500	61,526	(2)	103,920

	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	84	(50)	34	36	96,733
Net changes during the year					
Cash dividends paid					(1,771)
Profit attributable to owners of parent					9,029
Acquisition of treasury stock					(0)
Net change in items other than shareholders' equity	(91)	(8)	(99)	30	(68)
Total changes during the year	(91)	(8)	(99)	30	7,188
Balance at the end of current year	(6)	(59)	(65)	67	103,922

**(4) Consolidated statement of cash flows**

(Million yen)

	Previous fiscal year (May 1, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Cash flows from operating activities		
Profit before income taxes	17,852	15,624
Depreciation and amortization	3,596	3,903
Amortization of goodwill	3,937	4,183
Loss on sales of shares of subsidiaries and associates	–	149
Impairment losses on fixed assets	1,175	766
Loss on valuation of investments in capital	440	–
Gain on the sale of investments	–	(550)
Gain on step acquisitions	(49)	–
Increase (decrease) in allowance for doubtful accounts	313	(155)
Increase in reserve for reward obligations	10	29
Increase in defined benefit liability	157	186
Gain on transfer of business	(59)	(312)
Decrease in provision for sales returns	(7)	(6)
Increase in allowance for bonuses to employees	0	152
Increase in allowance for bonuses to directors	0	1
Interest and dividend income	(101)	(109)
Interest expenses	117	125
Gains on investments in partnerships	(135)	(17)
Gains on donations of property, plant and equipment	(19)	(48)
Gains on sales of investments in securities	(2)	0
Loss (gain) on valuation of investment securities	–	179
Losses on disposal and sales of fixed assets	548	656
(Increase) decrease in accounts receivable	(25)	843
Decrease in inventories	2,278	(2,054)
Decrease (increase) in other assets	64	335
Decrease (increase) in other accounts receivable	1,685	(407)
Decrease in accounts payable	(1,076)	1,685
(Decrease) increase in other liabilities	(3,544)	(942)
Other, net	–	(72)
Subtotal	27,157	24,146
Interest and dividends received	104	109
Interest paid	(117)	(125)
Income taxes paid	(5,487)	(9,341)
Net cash provided by operating activities	21,656	14,788

(Million yen)

	Previous fiscal year (May 1, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(3,134)	(3,761)
Proceeds from sales of property, plant and equipment	421	783
Payments for purchases of investments in securities	(50)	(28)
Proceeds from sales of investments in securities	84	21
Purchases of subsidiaries' shares resulting in obtaining controls	(1,310)	(13,246)
Payments for loans receivable	(404)	(118)
Proceeds from collections of loans receivable	482	626
Payments for investments in capital	(1)	(1)
Proceeds from returns of investments in capital	1	850
Payments for purchase of intangible fixed assets	(574)	(1,228)
Proceeds from sales of intangible assets	0	15
Payments of leasehold and guarantee deposits	(1,369)	(4,469)
Proceeds from refund of leasehold and guarantee deposits	718	808
Increase in other investments	(217)	(820)
Proceeds from withdrawal of time deposits	152	616
Payments for time deposits	(79)	(47)
Other, net	–	13
Net cash used in investing activities	(5,281)	(19,985)
Cash flows from financing activities		
Net decrease in short-term loans payable	(119)	(1,599)
Proceeds from long-term debts	–	0
Repayments of long-term debts	(7,656)	(6,771)
Repayments of lease obligations	(646)	(539)
Proceeds from issuance of common shares	26,292	–
Payments for purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	1,339	–
Cash dividends paid	(1,585)	(1,771)
Net cash provided by (used in) financing activities	17,623	(10,681)
Net increase (decrease) in cash and cash equivalents	33,998	(15,878)
Cash and cash equivalents at beginning of the year	29,234	63,233
Increase in cash and cash equivalents resulting from merger of consolidated subsidiaries	–	140
Cash and cash equivalents at end of the year	63,233	47,495

**(5) Notes to Consolidated statements**

**(Notes on the premise of a going concern)**

There are no applicable matters to be reported.

**(Changes in presentation of financial statements)**

(Changes related to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

Effective from the start of the consolidated fiscal year under review, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies “deferred tax assets” as “investments and other assets,” and “deferred tax liabilities” as “long-term liabilities.”

As a result, ¥1,611 million of “deferred tax assets” under “current assets” and ¥55 million of ¥4,810 million “other” under “current liabilities” on the consolidated balance sheet for the previous fiscal year have been included in ¥3,772 million of “deferred tax assets” under “investments and other assets.” Also ¥229 million of ¥4,810 million “other” under “current liabilities” has been included in ¥1,927 million of “other” under “long-term liabilities.” “Other” under “current liabilities” is presented ¥4,525 million.

Compared with the previous fiscal year, before the application of the new standard, total assets have declined by ¥55 million, as deferred tax assets and deferred tax liabilities arising from the same taxable entity have been offset on the balance sheets.

(Consolidated statement of cash flows)

“Payments of leasehold and guarantee deposits” and “proceeds from refund of leasehold and guarantee deposits” which were included in “decrease (increase) in other investments” under “cash flows from investing activities” in the previous fiscal year is now separately classified and stated since significance of the amount increased from the consolidated fiscal year under review.

As a result, a decrease of ¥868 million disclosed in “decrease (increase) in other investments” of “cash flows from investing activities” in the consolidated statement of cash flows for the previous fiscal year was reclassified into a decrease of ¥1,369million in “payments of leasehold and guarantee deposits”, an increase of ¥718 million in “proceeds from refund of leasehold and guarantee deposits”, and a decrease of ¥ 217 million in “decrease (increase) in other investments.”

**(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 that consist mainly of real-estate leasing services. The formulation and examination of business strategy is conducted individually for each business.



Accordingly, the reportable segments of the Group are composed of three units, namely, dispensing pharmacy business, 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 income level. Intersegment sales and transfers are based on prevailing market prices.

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

### I. Previous fiscal year (May 1, 2017 to April 30, 2018)

(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	238,645	24,117	5,623	268,385	–	268,385
Intersegment sales	–	–	278	278	(278)	–
Total sales	238,645	24,117	5,901	268,664	(278)	268,385
Segment income (loss)	22,668	657	(1,164)	22,161	(2,031)	20,129
Segment assets	155,516	9,943	10,016	175,476	7,903	183,380
Other						
Depreciation and amortization	2,229	334	387	2,951	191	3,143
Amortization of goodwill	3,910	–	27	3,937	–	3,937
Impairment losses	803	128	243	1,175	–	1,175
Increase of tangible and intangible assets	1,523	931	1,183	3,637	305	3,942

Notes: 1. Segment income (loss) in “Adjustments” totaling (¥2,031 million) includes ¥3,783 million in overall group expenses, (¥1,723 million) in (income) losses that may not be allocated to the reporting segments, and (¥28 million) in elimination due to intersegment transactions.

The overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.

Segment assets in “Adjustments” totaling ¥7,903 million consist mainly of assets associated with the administrative divisions of the parent company 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, 2018 to April 30, 2019)

(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	245,003	25,210	5,382	275,596	–	275,596
Intersegment sales	–	–	126	126	(126)	–
Total sales	245,003	25,210	5,508	275,722	(126)	275,596
Segment income (loss)	18,331	972	(165)	19,138	(2,500)	16,637
Segment assets	170,170	11,255	9,471	190,897	(1,875)	189,021
Other						
Depreciation and amortization	2,538	315	305	3,159	218	3,378
Amortization of goodwill	4,165	–	18	4,183	–	4,183
Impairment losses	431	334	–	766	–	766
Increase of tangible and intangible assets	3,137	1,709	238	5,085	363	5,449

Notes: 1. Segment income (loss) in "Adjustments" totaling (¥2,500 million) includes ¥4,280 million in overall group expenses, (¥1,787 million) in (income) losses that may not be allocated to the reporting segments, and ¥7 million in elimination due to intersegment transactions.

The overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.

Segment assets in "Adjustments" totaling (¥1,875 million) consist mainly of assets associated with the administrative divisions of the parent company 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, 2017 to April 30, 2018)

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, 2018 to April 30, 2019)

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, 2017 to April 30, 2018)

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

Current fiscal year (May 1, 2018 to April 30, 2019)

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, 2017 to April 30, 2018)

(Million yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	3,910	–	27	–	3,937
Balance at the end of current fiscal year	37,870	–	140	–	38,011

Current fiscal year (May 1, 2018 to April 30, 2019)

(Million yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	4,165	–	18	–	4,183
Balance at the end of current fiscal year	45,127	–	122	–	45,249

**Information about gains on bargain purchase for each reported segment**

Previous fiscal year (May 1, 2017 to April 30, 2018)

There are no applicable matters to be reported.

Current fiscal year (May 1, 2018 to April 30, 2019)

There are no applicable matters to be reported.

**(Per-share information)**

	Previous fiscal year (May 1, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Net assets per share	2,729.44 yen	2,931.48 yen
Earnings per share	310.08 yen	254.87 yen

Note: 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, 2017 to April 30, 2018)	Current fiscal year (May 1, 2018 to April 30, 2019)
Profit attributable to owners of parent (million yen)	10,567	9,029
Amount not attributable to ordinary shareholders (million yen)	–	–
Net income attributable to owners of the parent pertaining to common stock (million yen)	10,567	9,029
Average number of shares outstanding (shares)	34,079,508	35,427,497

**(Important subsequent events)**

There are no applicable matters to be reported.