

Summary of Financial Statements for Fiscal Year Ended April 2020

June 4, 2020

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, 2020
Date of scheduled payment of dividends: July 31, 2020
Date of filing securities report: July 31, 2020
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: No

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

1. Consolidated results for the fiscal year ended April 2020 (from May 1, 2019 to April 30, 2020)

(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, 2020	292,615	6.2	16,068	0.0	16,822	1.1	9,179	1.7
Year ended April 30, 2019	275,596	2.7	16,067	(18.1)	16,637	(17.3)	9,029	(14.6)

(Note) Comprehensive income: Year ended April 30, 2020: ¥9,030 million (+0.8%)
Year ended April 30, 2019: ¥8,960 million (-13.6%)

	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, 2020	259.11	—	8.5	8.8	5.5
Year ended April 30, 2019	254.87	—	9.0	8.9	5.8

(Reference) Equity in earnings of affiliates: Year ended April 30, 2020: ¥ – million, Year ended April 30, 2019: ¥ – 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, 2020	193,451	111,003	57.3	3,130.77
As of April 30, 2019	189,021	103,922	54.9	2,931.48

(Reference) Equity capital: As of April 30, 2020: ¥110,915 million As of April 30, 2019: ¥103,855 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, 2020	17,747	(11,474)	(7,837)	45,931
Year ended April 30, 2019	14,788	(19,985)	(10,681)	47,495

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, 2019	—	0.00	—	55.00	55.00	1,948	21.6	1.9
Year ended April 30, 2020	—	0.00	—	55.00	55.00	1,948	21.2	1.8
Year ending April 30, 2021 (forecast)	—	0.00	—	55.00	55.00		23.8	

3. Consolidated financial forecast for the fiscal year ending April 30, 2021 (from May 1, 2020 to April 30, 2021)
(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	146,630	0.5	4,280	(48.8)	4,460	(49.1)	2,400	(48.1)	67.74
Full year	311,000	6.3	14,600	(9.1)	15,000	(10.8)	8,200	(10.7)	231.46

* 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, 2020	35,428,212 shares	As of April 30, 2019	35,428,212 shares
2) Number of shares held in treasury:	As of April 30, 2020	728 shares	As of April 30, 2019	728 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2020	35,427,484 shares	Fiscal year ended April 30, 2019	35,427,497 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.

(Explanation meeting)

As part of efforts to prevent the spread of COVID-19, the Company will not hold an explanation meeting for institutional investors and analysts.

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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, 2020, the Japanese economy recovered at a moderate pace, supported by improving corporate earnings and employment conditions. However, the economy weakened considerably due to a rapid deterioration caused by the COVID-19 outbreak.

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.

For the fiscal year under review, net sales rose 6.2% year on year to ¥292,615 million, operating income increased 0.0% to ¥16,068 million, ordinary income increased 1.1% to ¥16,822 million and profit attributable to owners of parent increased 1.7% year on year to ¥9,179 million.

(Dispensing pharmacy business)

The dispensing fee revisions in April this year included adjustments that normalize a greater emphasis on appropriately evaluating the primary care functions of dispensing pharmacies in each community, as well as revisions aimed at spurring a structural shift from dispensing focused on products to dispensing focused on 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.

Also, in accordance with a government announcement from the Ministry of Health, Labour and Welfare (MHLW) on 10 April allowing patients to receive medical examinations and other health services via the internet or telephone for a limited period during the COVID-19 outbreak, the Group made preparations to accept prescriptions at all pharmacies in line with the special measures and started providing guidance for pharmaceutical use via telephone and other channels as part of measures to prevent the spread of infection.

In business development, the Group is pushing ahead with further business expansion and measures to improve the efficiency of pharmacy operations, including actively opening large pharmacies and tightening the criteria for M&A deals, as well as adjusting its pharmacy opening strategy to withdraw from small-scale pharmacies.

For the fiscal year under review, the dispensing pharmacy business reported higher sales and profits, with sales rising 7.7% year on year to ¥263,750 million and segment income increasing 13.7% to ¥20,850 million.

During the fiscal year, the Group opened a total of 20 dispensing pharmacies, including those acquired through M&A deals, and closed 22 dispensing pharmacies and sold 42 as part of an overhaul of pharmacy operations, resulting in a total of 1,088.

(Cosmetic and drug store business)

The cosmetic and drug store business continued to face a challenging market environment due to factors such as a pullback in demand after the hike to consumption tax and the impact of the COVID-19 outbreak.

Against that backdrop, the Group continued to open *ainz & tulpe* cosmetic and drug stores in the major urban area, as well as strategically develop sales areas at each store, based on the concept of creating stores where customers would be happy to browse for an hour. The Group also released the official *ainz & tulpe* app on October 1, 2019, creating an app version of its point card to improve convenience and service levels for customers.

However, as part of measures to prevent the spread of COVID-19, the Group temporarily closed or shorted opening hours at many stores, leading to a steep drop in sales from late February.

As a result, for the fiscal year under review, the cosmetic and drug store business reported lower sales and profits, with sales declining 2.0% year on year to ¥24,701 million and segment income falling 73.0% to ¥262 million.

During the same period, the Group opened 15 *ainz & tulpe* stores: *ainz & tulpe* bono SAGAMIONO (Sagamihara, Kanagawa Prefecture), *ainz & tulpe* ASAKUSA ROX (Taito Ward, Tokyo), *ainz & tulpe* PERIE Chiba (Chiba, Chiba Prefecture), *ainz & tulpe* KAWASAKI ZERO GATE (Kawasaki, Kanagawa Prefecture), *ainz & tulpe* Pole Town 2 (Sapporo, Hokkaido), *ainz & tulpe* KASHIWA Modi (Kashiwa, Chiba Prefecture), *ainz & tulpe* SAKAE Central Park (Nagoya, Aichi Prefecture), *ainz & tulpe* OMIYA ARCHE (Saitama, Saitama Prefecture), *ainz & tulpe* PERIE Kaihimmakuhari (Chiba, Chiba Prefecture), *ainz & tulpe* BEAUTY FACTORY YOKOHAMA HAMMERHEAD (Yokohama, Kanagawa Prefecture), *ainz & tulpe* GINZA INZ (Chuo Ward, Tokyo), *ainz & tulpe* LINKS UMEDA (Osaka, Osaka), *ainz & tulpe* HAKATA MARUI (Fukuoka, Fukuoka Prefecture), *ainz & tulpe* Daimaru Shimonoseki (Shimonoseki, Yamaguchi Prefecture), *ainz & tulpe* SENDAI PARCO 2 (Sendai, Miyagi Prefecture) and closed six stores, resulting in a total of 63 cosmetic and drug stores at the end of the fiscal year.

(Other businesses)

Net sales from other businesses decreased 22.6% year on year to ¥4,163 million and segment loss was ¥342 million compared with the loss of ¥165 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 ¥4,429 million from the end of the previous fiscal year to ¥193,451 million. That mainly reflected increases for merchandise and for deposits and guarantees, which outweighed declines for cash on hand and in banks and for goodwill.

The balance of liabilities at the end of the fiscal year under review decreased by ¥2,652 million to ¥82,447 million.

The balance of short- term and long-term debts decreased by ¥5,482 million to ¥6,074 million.

Total net assets increased by ¥7,081 million to ¥111,003 million and the shareholders' equity ratio increased 2.4 percentage points to 57.3%.

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

In the fiscal year under review, cash on hand and in banks ("cash") decreased ¥1,564 million year on year to ¥45,931 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 ¥17,747 million, compared with net cash provided of ¥14,788 million in the previous fiscal year.

The main items that were positive for cash flow were income before income taxes of ¥15,930 million, as well as depreciation and amortization of ¥4,087 million and amortization of goodwill of ¥4,357 million related to business expansion through new store openings and M&A.

The main item negative for cash flow was income taxes paid of ¥6,174 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥11,474 million, compared with net cash used of ¥19,985 million in the previous fiscal year.

This mainly reflected payments of ¥1,442 million for purchases of shares in subsidiaries due to changes in the scope of consolidation related to shares acquired in 4 companies through M&A deals, ¥4,913 million for purchases of property, plant and equipment related to the opening of new cosmetic and drug stores and dispensing pharmacies, and ¥4,710 million for payments of leasehold and guarantee deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥7,837 million, compared with net cash provided of ¥10,681 million in the previous fiscal year.

The main cash outflows were net repayment of ¥5,513 million from short-term and long-term debt repayment and proceeds, and ¥1,948 million for cash dividends paid.

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

	Year ended April 30, 2017	Year ended April 30, 2018	Year ended April 30, 2019	Year ended April 30, 2020
Shareholders' equity ratio (%)	38.4	52.7	54.9	57.3
Equity ratio based on market value (%)	156.6	141.0	165.7	110.4
Debt redemption term (years)	1.5	0.9	0.8	0.4
Interest coverage ratio (times)	128.0	184.5	117.8	276.8

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, 2021, 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 major urban area and by implementing measures to raise brand visibility in urban markets.

In terms of the impact of the COVID-19 outbreak, in the dispensing pharmacy business, the Group forecasts a decline in the number of prescriptions due to an increase in longer-term prescriptions, while in the cosmetic and drug store business, the Group expects weak consumer sentiment to persist until July amid calls for people to stay at home. In addition, inbound tourist demand is unlikely to recover in the current fiscal year.

Based on that outlook, the Group forecasts net sales for the fiscal year ending April 30, 2021 of ¥311,000 million, up 6.3% year on year, ordinary income of ¥15,000 million, down 10.8%, and profit attributable to owners of parent of ¥8,200 million, a decrease of 10.7%.

At this stage, there are no clear signs of when the COVID-19 outbreak will be contained. If conditions change dramatically due to a second wave of the outbreak or other developments, the Group will revise its forecasts as required and disclose them in a timely manner.

(5) Risk information related to the COVID-19 outbreak

Amid the widening COVID-19 outbreak, the duration of prescriptions in the dispensing pharmacy business has lengthened due to factors such as limits on medical consultations to prevent the spread of infection. As a result, the business is likely to see an increase in the average unit price per prescription but a decline in the number of prescriptions.

The cosmetic & drug store business has already been affected by a drop in customer footfall due to factors such as calls for people to stay at home, temporary store closures and shorter opening hours, and a contraction

in inbound tourist demand. We anticipate an impact on the Group's operating results if the current situation persists or escalates.

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, 2019)	Current fiscal year (As of April 30, 2020)
Assets		
Current assets		
Cash on hand and in banks	48,091	46,321
Notes and accounts receivable	12,771	13,653
Merchandise	12,673	15,035
Supplies	225	286
Short-term loans	236	208
Other accounts receivable	8,438	8,997
Other current assets	3,012	3,299
Allowance for doubtful accounts	(2)	(1)
Total current assets	85,446	87,802
Fixed assets		
Property, plant and equipment		
Buildings and structures	31,676	32,388
Accumulated depreciation	(15,323)	(15,779)
Buildings and structures, net	16,352	16,609
Land	10,394	10,960
Construction in progress	283	143
Other property, plant and equipment	11,911	10,260
Accumulated depreciation	(8,755)	(7,098)
Other property, plant and equipment, net	3,155	3,161
Total property, plant and equipment	30,186	30,874
Intangible fixed assets		
Goodwill	45,249	42,123
Other intangible fixed assets	2,327	2,792
Total intangible fixed assets	47,577	44,916
Investments and other assets		
Investments in securities	1,795	2,295
Long-term loans	1,351	554
Deferred tax assets	4,284	4,211
Net defined benefit asset	15	111
Deposits and guarantees	15,133	19,144
Other investments and other assets	4,853	5,168
Allowance for doubtful accounts	(1,683)	(1,644)
Total investments and other assets	25,751	29,841
Total fixed assets	103,515	105,632
Deferred assets		
Share issuance cost	59	15
Total deferred assets	59	15
Total assets	189,021	193,451

(Million yen)

	Previous fiscal year (As of April 30, 2019)	Current fiscal year (As of April 30, 2020)
Liabilities		
Current liabilities		
Accounts payable	44,794	47,187
Short-term debt	5,571	3,642
Accrued income taxes	3,261	3,356
Deposits received	12,737	13,094
Allowance for bonuses to employees	2,139	2,338
Allowance for bonuses to directors	17	16
Reserve for reward obligations	450	463
Other current liabilities	4,772	4,600
Total current liabilities	73,744	74,700
Long-term liabilities		
Long-term debt	5,985	2,432
Lease obligations	401	154
Net defined benefit liability	2,977	3,124
Other long-term liabilities	1,989	2,035
Total long-term liabilities	11,355	7,747
Total liabilities	85,099	82,447
Net assets		
Shareholders' equity		
Common stock	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	61,526	68,758
Treasury stock	(2)	(2)
Total shareholders' equity	103,920	111,151
Accumulated other comprehensive income		
Unrealized holding gains on securities	(6)	(77)
Remeasurement of defined benefit plans	(59)	(159)
Total accumulated other comprehensive income	(65)	(236)
Non-controlling interests	67	88
Total net assets	103,922	111,003
Total liabilities and net assets	189,021	193,451

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

(Million yen)

	Previous fiscal year (May 1, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Net sales	275,596	292,615
Cost of sales	230,233	245,753
Gross profit	45,363	46,861
Selling, general and administrative expenses		
Advertising expenses	2,330	2,004
Promotion expenses	1,044	1,260
Salaries, allowances and bonuses	5,212	5,560
Provision of allowance for doubtful accounts	1	–
Provision for bonuses to employees	584	668
Provision for bonuses to directors	17	16
Retirement benefit expenses	195	203
Provision for reward obligations	449	463
Legal and employee benefits expenses	1,946	2,046
Correspondence and transportation expenses	845	879
Lease expenses	78	81
Rent expenses	4,473	4,950
Depreciation expenses	702	766
Amortization of goodwill	4,106	4,242
Taxes	1,400	1,762
Other	5,904	5,885
Total selling, general and administrative expenses	29,295	30,793
Operating income	16,067	16,068
Non-operating income		
Interest income	70	55
Dividend income	39	37
Gains on investments in partnership	17	10
Commissions received	38	25
Real estate rental revenue	274	368
Gains on donations of fixed assets	48	48
Consignment income	158	184
Technical advisory fee	68	64
Subsidies for employment adjustment	–	138
Other non-operating income	345	292
Total non-operating income	1,061	1,226
Non-operating expenses		
Interest expenses	125	63
Losses on sales of accounts receivables	71	67
Real estate rental expenses	95	134
Provision of allowance for doubtful accounts	24	–
Other non-operating expenses	173	205
Total non-operating expenses	490	472
Ordinary income	16,637	16,822

(Million yen)

	Previous fiscal year (May 1, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Extraordinary income		
Gains on sales of fixed assets	38	36
Gains on sales of investments in securities	7	–
Gain on transfer of business	312	496
Surrender value of insurance	23	78
Gain on the sale of investments	550	–
Gain on contribution of securities to retirement benefit trust	–	223
Other extraordinary income	128	1
Total extraordinary income	1,061	835
Extraordinary losses		
Losses on disposal and sales of fixed assets	695	916
Impairment losses on fixed assets	766	263
Loss on valuation of investment securities	179	218
Loss on temporary store closures	–	97
Other extraordinary losses	433	231
Total extraordinary losses	2,074	1,727
Income before income taxes	15,624	15,930
Income taxes – current	6,794	6,648
Income taxes – deferred	(230)	81
Total income taxes	6,564	6,729
Profit	9,060	9,201
Profit attributable to non-controlling interests	30	21
Profit attributable to owners of parent	9,029	9,179

Consolidated statement of comprehensive income

(Million yen)

	Previous fiscal year (May 1, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Profit	9,060	9,201
Other comprehensive income		
Unrealized holding losses on securities	(91)	(71)
Remeasurements of defined benefit plans, net of tax	(8)	(99)
Total other comprehensive loss	(99)	(170)
Total comprehensive income	8,960	9,030
Comprehensive income attributable to owners of parent	8,929	9,008
Comprehensive income attributable to non-controlling interests	30	21

(3) Consolidated statement of changes in net assets

Previous 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

Current fiscal year (May 1, 2019 to April 30, 2020)

(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	61,526	(2)	103,920
Net changes during the year					
Cash dividends paid			(1,948)		(1,948)
Profit attributable to owners of parent			9,179		9,179
Acquisition of treasury stock					–
Net change in items other than shareholders' equity					
Total changes during the year	–	–	7,231	–	7,231
Balance at the end of current year	21,894	20,500	68,758	(2)	111,151

	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	(6)	(59)	(65)	67	103,922
Net changes during the year					
Cash dividends paid					(1,948)
Profit attributable to owners of parent					9,179
Acquisition of treasury stock					–
Net change in items other than shareholders' equity	(71)	(99)	(170)	21	(149)
Total changes during the year	(71)	(99)	(170)	21	7,081
Balance at the end of current year	(77)	(159)	(236)	88	111,003

(4) Consolidated statement of cash flows

(Million yen)

	Previous fiscal year (May 1, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Cash flows from operating activities		
Profit before income taxes	15,624	15,930
Depreciation and amortization	3,903	4,087
Amortization of goodwill	4,183	4,357
Loss on sales of shares of subsidiaries and associates	149	34
Impairment losses on fixed assets	766	263
Gain on the sale of investments	(550)	-
Increase (decrease) in allowance for doubtful accounts	(155)	(2)
Increase in reserve for reward obligations	29	13
Increase in defined benefit liability	186	256
Gain on transfer of business	(312)	(419)
Gain on contribution of securities to retirement benefit trust	-	(223)
Decrease in provision for sales returns	(6)	-
Increase in allowance for bonuses to employees	152	183
Increase in allowance for bonuses to directors	1	(1)
Interest and dividend income	(109)	(92)
Interest expenses	125	63
Gains on investments in partnerships	(17)	(10)
Gains on donations of property, plant and equipment	(48)	(48)
Gains on sales of investments in securities	0	-
Loss (gain) on valuation of investment securities	179	218
Losses on disposal and sales of fixed assets	656	880
(Increase) decrease in accounts receivable	843	(429)
(Increase) decrease in inventories	(2,054)	(1,939)
(Increase) decrease in other assets	335	(1,237)
Increase in other accounts receivable	(407)	(530)
Increase in accounts payable	1,685	1,793
Increase (decrease) in other liabilities	(942)	745
Other, net	(72)	-
Subtotal	24,146	23,893
Interest and dividends received	109	92
Interest paid	(125)	(64)
Income taxes paid	(9,341)	(6,174)
Net cash provided by operating activities	14,788	17,747

(Million yen)

	Previous fiscal year (May 1, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(3,761)	(4,913)
Proceeds from sales of property, plant and equipment	783	1,014
Payments for purchases of investments in securities	(28)	(874)
Proceeds from sales of investments in securities	21	39
Purchases of subsidiaries' shares resulting in obtaining controls	(13,246)	(1,442)
Payments for loans receivable	(118)	(189)
Proceeds from collections of loans receivable	626	939
Payments for investments in capital	(1)	(0)
Proceeds from returns of investments in capital	850	1
Payments for purchase of intangible fixed assets	(1,228)	(1,465)
Proceeds from sales of intangible assets	15	188
Payments of leasehold and guarantee deposits	(4,469)	(4,710)
Proceeds from refund of leasehold and guarantee deposits	808	662
Increase in other investments	(820)	(924)
Proceeds from withdrawal of time deposits	616	314
Payments for time deposits	(47)	(109)
Other, net	13	(4)
Net cash used in investing activities	(19,985)	(11,474)
Cash flows from financing activities		
Net decrease in short-term loans payable	(1,599)	(15)
Proceeds from long-term debts	0	100
Repayments of long-term debts	(6,771)	(5,598)
Repayments of lease obligations	(539)	(375)
Payments for purchase of treasury stock	(0)	—
Cash dividends paid	(1,771)	(1,948)
Net cash provided by (used in) financing activities	(10,681)	(7,837)
Net increase (decrease) in cash and cash equivalents	(15,878)	(1,564)
Cash and cash equivalents at beginning of the year	63,233	47,495
Increase in cash and cash equivalents resulting from merger of consolidated subsidiaries	140	—
Cash and cash equivalents at end of the year	47,495	45,931

(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)

(Consolidated statement of income)

Due to an increase in financial materiality, "Loss on valuation of investment securities," 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 ¥613 million in the previous fiscal year has been restated and shown separately as "Loss on valuation of investment securities" of ¥179 million and "Other extraordinary losses" of ¥433 million.

(Additional information)

(Accounting estimates related to the impact of the COVID-19 outbreak)

Accounting estimates for items such as impairment losses on fixed assets and the recoverability of deferred tax assets are based on information available at the time of preparation of the consolidated financial statements. Although the impact of the COVID-19 outbreak on the Group's operations differs between businesses in terms of the type and severity of the impact, accounting estimates have been formulated based on the assumption that businesses which have seen an impact, such as a decline in net sales, will continue to be affected until July, and inbound tourist demand will not recover during the current fiscal year

(Matters related to consolidated statement of income)

In response to requests from national and local governments, the Group has temporarily closed or shortened the opening hours of many cosmetic and drug stores to prevent the spread of COVID-19. Fixed expenses (personnel expenses, depreciation, rent and others) incurred by stores during the closures have been booked as "Losses on temporary store closures" under "Extraordinary losses."

(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, 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.

II. Current fiscal year (May 1, 2019 to April 30, 2020)

(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	263,750	24,701	4,163	292,615	–	292,615
Intersegment sales	–	–	114	114	(114)	–
Total sales	263,750	24,701	4,277	292,729	(114)	292,615
Segment income (loss)	20,850	262	(342)	20,771	(3,948)	16,822
Segment assets	173,748	12,771	11,869	198,389	(4,938)	193,451
Other						
Depreciation and amortization	2,676	391	279	3,347	199	3,547
Amortization of goodwill	4,336	3	18	4,357	–	4,357
Impairment losses	91	172	–	263	–	263
Increase of tangible and intangible assets	3,688	1,488	311	5,488	337	5,825

Notes: 1. Segment income (loss) in "Adjustments" totaling (¥3,948 million) includes ¥5,777 million in overall group expenses, (¥1,923 million) in (income) losses that may not be allocated to the reporting segments, and ¥94 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 (¥4,938 million) consist mainly of assets associated with the administrative divisions and the system logistics division 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, 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.

Current fiscal year (May 1, 2019 to April 30, 2020)

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, 2018 to April 30, 2019)

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

Current fiscal year (May 1, 2019 to April 30, 2020)

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, 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

Current fiscal year (May 1, 2019 to April 30, 2020)

(Million yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	4,336	3	18	–	4,357
Balance at the end of current fiscal year	40,699	60	1,363	–	42,123

Information about gains on bargain purchase for each reported segment

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

There are no applicable matters to be reported.

Current fiscal year (May 1, 2019 to April 30, 2020)

There are no applicable matters to be reported.

(Per-share information)

	Previous fiscal year (May 1, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Net assets per share	2,931.48 yen	3,130.77 yen
Earnings per share	254.87 yen	259.11 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, 2018 to April 30, 2019)	Current fiscal year (May 1, 2019 to April 30, 2020)
Profit attributable to owners of parent (million yen)	9,029	9,179
Amount not attributable to ordinary shareholders (million yen)	–	–
Net income attributable to owners of the parent pertaining to common stock (million yen)	9,029	9,179
Average number of shares outstanding (shares)	35,427,497	35,427,484

(Important subsequent events)

There are no applicable matters to be reported.