

Summary of Financial Statements for the First Quarter of Fiscal Year Ending April 2021

[Japan GAAP] (Consolidated)

September 1, 2020

Name of listed company: **AIN HOLDINGS INC.**
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
Code number: 9627 URL: <https://www.ainj.co.jp/>
Representative: Kiichi Otani, President and Representative Director
Inquiries: Toshihide Mizushima, Representative Senior Managing Director
TEL: +81-11-814-1000

Date of filing quarterly securities report: September 14, 2020
Start of dividend payment: –
Supplementary documents for quarterly results: Yes (Supplementary materials for the quarterly results are disclosed on the Company's website appropriately as the financial statements.)
Quarterly results briefing: Yes (For institutional investors and analysts)

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

1. Consolidated results for the first quarter of fiscal year ending April 30, 2021 (May 1, 2020 to July 31, 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	%
Three months ended July 31, 2020	71,463	(1.4)	1,164	(70.3)	1,654	(60.7)	846	(62.2)
Three months ended July 31, 2019	72,461	11.5	3,921	13.6	4,212	16.7	2,240	21.0

(Note) Comprehensive income: Three months ended July 31, 2020: ¥852 million (-60.9%)
Three months ended July 31, 2019: ¥2,180 million (+17.6%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended July 31, 2020	23.90	–
Three months ended July 31, 2019	63.24	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of July 31, 2020	188,225	109,907	58.4
As of April 30, 2020	193,451	111,003	57.3

(Reference) Shareholders' equity: As of July 31, 2020: ¥109,830 million As of April 30, 2020: ¥110,915 million

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2020	–	0.00	–	55.00	55.00
Year ending April 30, 2021	–				
Year ending April 30, 2021 (forecast)		0.00	–	55.00	55.00

(Note) Revision to the most recently announced dividend forecasts: No

3. Consolidated financial forecasts for the fiscal year ending April 30, 2021 (May 1, 2020 to April 30, 2021)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	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

(Note) Revision to the most recently announced consolidated financial forecasts: No

*Notes

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No

Newly consolidated: – Excluded: –

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements: No

(Note) For detail, please refer to “2. Quarterly consolidated financial statements and major notes (3) Notes on quarterly consolidated financial statements” on page 8 of the Attachment.

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

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|---|----|
| 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 |

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of July 31, 2020	35,428,212 shares	As of April 30, 2020	35,428,212 shares
2) Number of shares held in treasury:	As of July 31, 2020	754 shares	As of April 30, 2020	728 shares
3) Average number of shares outstanding:	Three months ended July 31, 2020	35,427,458 shares	Three months ended July 31, 2019	35,427,484 shares

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

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

(Caution concerning forward-looking statements)

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

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1. Qualitative information on consolidated results for the period under review

(1) Consolidated operating results

During the first three months of the current fiscal year (May 1, 2020 to July 31, 2020), the Japanese economy continued to face challenging conditions due to the COVID-19 outbreak.

In this economic environment, the AIN HOLDINGS Group (the Group) worked to expand its business and increase earnings by opening new dispensing pharmacies and cosmetic and drug stores and by reviewing its cost structure.

In addition, the Group took thorough steps to prevent infection in pharmacies and stores to reassure patients and customers, and worked to ensure the continued provision of healthcare and retail services by implementing strict measures to protect employees from infection.

In the first three months of the fiscal year, net sales decreased 1.4% year on year to ¥71,463 million, operating income decreased 70.3% to ¥1,164 million, ordinary income decreased 60.7% to ¥1,654 million, and profit attributable to owners of parent decreased 62.2% to ¥846 million.

Financial results by business segment are as follows.

(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.

In addition, under partial revisions to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Revised Pharmaceuticals and Medical Devices Act), which is being implemented incrementally, dispensing pharmacists will be required as necessary from September 2020 to ascertain drug treatment and provide guidance at times other than the point of prescription, and online drug treatment guidance will be permitted nationwide in accordance with certain rules.

To ensure our pharmacists and dispensing pharmacies fulfill their primary care role, the Group will continue to implement pharmaceutical management based on the integrated and continuous management of drug-related information through cooperation with local medical service providers, the use of patient medication notebooks and other means. The Group will also enhance drug treatment guidance and create a system that enables all dispensing pharmacies to provide online drug guidance so that every patient can easily access medical services in their local community.

In July 2020, the Group conducted Japan's first-ever trial of prescription drug deliveries using drones, which were linked to online medical examination and online drug guidance systems. The trial is aimed at ensuring people in regional communities who have trouble visiting hospital have continued access to healthcare services in the future.

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 using its pharmacy opening strategy to withdraw from small-scale locations.

The number of prescriptions is now recovering after a decline caused by restrictions on outpatient visits amid the COVID-19 outbreak.

As a result, for the first three months of the fiscal year, the dispensing pharmacy business reported lower sales and profits compared with the same period a year earlier. Sales declined 2.9% to ¥62,888 million and segment income fell 28.0% to ¥3,458 million.

During the period under review, the Group opened three new dispensing pharmacies, including those acquired through M&A deals, and closed 10 pharmacies, resulting in a total of 1,081.

(Cosmetic and drug store business)

The cosmetic and drug store business continued to face a challenging market environment due to factors such as the impact of the COVID-19 outbreak.

Against that backdrop, the Group continued to open *ainz & tulpe* cosmetic and drug stores in major metropolitan areas and strategically developed retail displays tailored to the characteristics of each store. The Group also launched the official AINZ & TULPE WEBSTORE to improve convenience and service levels for customers.

As a result, for the first three months of the fiscal year, the cosmetic and drug store business reported sales of ¥4,296 million, down 34.5% year on year and segment loss of ¥292 million compared with the income of ¥230 million a year earlier.

During the same period, the Group opened three *ainz & tulpe* stores and closed two stores, resulting in a total of 64 cosmetic and drug stores at the end of the period.

(Other businesses)

Net sales from other businesses increased 281.4% year on year to ¥4,308 million, mainly reflecting the acquisition of retail shop business in March 2020, and segment loss was ¥296 million, compared with segment loss of ¥51 million in the same period a year earlier.

(2) Consolidated financial position

The balance of total assets at the end of the first quarter decreased by ¥5,225 million from the end of the previous fiscal year to ¥188,225 million. That mainly reflected declines for accounts receivable and cash on hand and in banks.

The balance of liabilities decreased ¥4,129 million to ¥78,318 million. The main factors were an increase in deposits received, outweighed by declines for accounts payable, accrued income taxes and outstanding debt.

The balance of short- and long-term debts decreased by ¥942 million to ¥5,132 million.

Total net assets decreased by ¥1,096 million to ¥109,907 million and the shareholders' equity ratio improved 1.1 percentage points to 58.4%.

(3) Forecast of consolidated financial results and other forward-looking information

There are no changes to the Group's consolidated financial forecasts for the first six months or the fiscal year ending April 30, 2021, which were released on June 4, 2020.

The Group currently expects the COVID-19 outbreak to impact its operations through July 2020. Specifically, the dispensing pharmacy business is seeing a decline in the number of prescriptions due to an increase in the duration of prescriptions, while the cosmetic and drug store business has been affected by weaker consumer confidence amid calls for people to stay at home. In addition, the Group does not expect inbound demand to recover during the current fiscal year. The Group will revise its forecasts as needed and disclose them in a timely manner in the event of a material change in conditions, such as the emergence of a COVID-19 second wave.

2. Quarterly consolidated financial statements and major notes**(1) Quarterly consolidated balance sheet**

(Million yen)

	Fiscal year ended April 30, 2020 (As of April 30, 2020)	Three months ended July 31, 2020 (As of July 31, 2020)
Assets		
Current assets		
Cash on hand and in banks	46,321	42,128
Notes and accounts receivable	13,653	12,204
Merchandise	15,035	15,296
Supplies	286	292
Short-term loans	208	135
Other accounts receivable	8,997	8,827
Other current assets	3,299	3,930
Allowance for doubtful accounts	(1)	(0)
Total current assets	87,802	82,815
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	16,609	16,521
Land	10,960	10,868
Other property, plant and equipment, net	3,304	3,418
Total property, plant and equipment	30,874	30,808
Intangible fixed assets		
Goodwill	42,123	41,303
Other intangible fixed assets	2,792	2,995
Total intangible fixed assets	44,916	44,299
Investments and other assets		
Investment securities	2,295	2,296
Deferred tax assets	4,211	4,196
Deposits and guarantees	19,144	19,154
Other investments and other assets	5,834	6,293
Allowance for doubtful accounts	(1,644)	(1,643)
Total investments and other assets	29,841	30,297
Total fixed assets	105,632	105,405
Deferred assets	15	4
Total assets	193,451	188,225

(Million yen)

	Fiscal year ended April 30, 2020 (As of April 30, 2020)	Three months ended July 31, 2020 (As of July 31, 2020)
Liabilities		
Current liabilities		
Accounts payable	47,187	45,334
Short-term debt	3,642	3,171
Accrued income taxes	3,356	633
Deposits received	13,094	15,364
Allowance for bonuses to employees	2,338	1,768
Allowance for bonuses to directors	16	8
Reserve for reward obligations	463	429
Other current liabilities	4,600	4,289
Total current liabilities	74,700	70,999
Long-term liabilities		
Long-term debt	2,432	1,961
Net defined benefit liability	3,124	3,189
Other long-term liabilities	2,189	2,167
Total long-term liabilities	7,747	7,318
Total liabilities	82,447	78,318
Net assets		
Shareholders' equity		
Common stock	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	68,758	67,656
Treasury stock	(2)	(2)
Total shareholders' equity	111,151	110,050
Accumulated other comprehensive income		
Unrealized holding gains on securities	(77)	(72)
Remeasurements of defined benefit plans	(159)	(146)
Total accumulated other comprehensive income	(236)	(219)
Non-controlling interests	88	76
Total net assets	111,003	109,907
Total liabilities and net assets	193,451	188,225

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statement of income

(Million yen)

	Three months ended July 31, 2019 (May 1, 2019 to July 31, 2019)	Three months ended July 31, 2020 (May 1, 2020 to July 31, 2020)
Net sales	72,461	71,463
Cost of sales	60,971	61,644
Gross profit	11,490	9,819
Selling, general and administrative expenses	7,568	8,655
Operating income	3,921	1,164
Non-operating income		
Interest income	14	11
Dividend income	19	26
Commissions received	5	4
Real estate rental revenue	211	40
Consignment income	43	46
Subsidies for employment adjustment	–	231
Insurance claim income	1	138
Other non-operating income	85	96
Total non-operating income	382	596
Non-operating expenses		
Interest expenses	19	11
Losses on sales of accounts receivables	15	18
Real estate rental expenses	33	44
Other non-operating expenses	22	31
Total non-operating expenses	91	105
Ordinary income	4,212	1,654
Extraordinary income		
Gain on sales of fixed assets	0	12
Gain on transfer of business	117	37
Other extraordinary income	0	2
Total extraordinary income	118	52
Extraordinary losses		
Losses on disposal and sales of fixed assets	216	101
Loss on temporary store closures	–	52
Other extraordinary losses	22	68
Total extraordinary losses	239	222
Profit before income taxes	4,092	1,484
Income taxes	1,856	649
Profit	2,236	835
Losses attributable to non-controlling interests	(4)	(11)
Profit attributable to owners of parent	2,240	846

Quarterly consolidated statement of comprehensive income

(Million yen)

	Three months ended July 31, 2019 (May 1, 2019 to July 31, 2019)	Three months ended July 31, 2020 (May 1, 2020 to July 31, 2020)
Profit	2,236	835
Other comprehensive income:		
Unrealized holding gains on securities	(60)	4
Remeasurements of defined benefit plans, net of tax	4	12
Total other comprehensive income	(55)	17
Comprehensive income	2,180	852
Comprehensive income attributable to owners of parent	2,184	864
Comprehensive income attributable to non-controlling interests	(4)	(11)

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.

(Application of specified accounting methods for the preparation of quarterly consolidated financial statements)

To calculate tax expenses, the effective tax rate on income before income taxes for the consolidated fiscal year after the application of tax effect accounting is reasonably estimated and the estimated rate is applied to income before income taxes for the quarterly period.

(Segment information, etc.)

I Three months ended July 31, 2019 (May 1, 2019 to July 31, 2019)

1. Net sales and income (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
(1) Sales to third parties	64,800	6,560	1,100	72,461	—	72,461
(2) Intersegment sales	—	—	28	28	(28)	—
Total sales	64,800	6,560	1,129	72,490	(28)	72,461
Segment income (loss)	4,804	230	(51)	4,982	(770)	4,212

Notes: 1. The adjustment of ¥(770) million to segment income (loss) includes ¥1,346 million in corporate expenses, ¥(599) million in (income) loss that is not allocated to reportable segments, and ¥24 million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting departments.

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

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.

II Three months ended July 31, 2020 (May 1, 2020 to July 31, 2020)

1. Net sales and income (loss) by reportable segment

(Million yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Total		
Sales						
(1) Sales to third parties	62,886	4,296	4,280	71,463	—	71,463
(2) Intersegment sales	1	—	27	29	(29)	—
Total sales	62,888	4,296	4,308	71,492	(29)	71,463
Segment income (loss)	3,458	(292)	(296)	2,869	(1,214)	1,654

Notes: 1. The adjustment of ¥(1,214) million to segment income (loss) includes ¥1,491 million in corporate expenses, ¥(299) million in (income) loss that is not allocated to reportable segments, and ¥22 million in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division of the parent company.

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

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.