AIN HOLDINGS

Summary of Financial Statements for the First Quarter of Fiscal Year Ending April 2022

[Japan GAAP] (Consolidated)

September 2, 2021

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 filing quarterly securities report: September 14, 2021
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: No

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

1. Consolidated results for the first quarter of fiscal year ending April 30, 2022 (May 1, 2021 to July 31, 2021)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended July 31, 2021	75,011	5.0	2,611	124.3	2,864	73.1	1,309	54.6
Three months ended July 31, 2020	71,463	(1.4)	1,164	(70.3)	1,654	(60.7)	846	(62.2)

(Note) Comprehensive income: Three months ended July 31, 2021: ¥1,274 million (+49.5%)
Three months ended July 31, 2020: ¥852 million (-60.9%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended July 31, 2021	37.10	–
Three months ended July 31, 2020	23.90	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of July 31, 2021	203,552	113,773	55.9
As of April 30, 2021	203,662	115,837	56.8

(Reference) Shareholders' equity: As of July 31, 2021: ¥113,699 million As of April 30, 2021: ¥115,758 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, 2021	–	0.00	–	55.00	55.00
Year ending April 30, 2022	–				
Year ending April 30, 2022 (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, 2022 (May 1, 2021 to April 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	147,900	1.8	5,300	35.0	5,600	24.0	2,780	5.7	78.47
Full year	315,000	6.0	15,000	37.2	15,500	22.5	8,300	23.9	234.28

(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: Yes
(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
1) Changes in accounting principles as a result of revisions to accounting standards, etc.: Yes
2) Changes in accounting principles other than 1): No
3) Changes in accounting estimates: No
4) Restatement of revisions: No

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of July 31, 2021	35,428,212 shares	As of April 30, 2021	35,428,212 shares
2) Number of shares held in treasury:	As of July 31, 2021	200,911 shares	As of April 30, 2021	891 shares
3) Average number of shares outstanding:	Three months ended July 31, 2021	35,293,974 shares	Three months ended July 31, 2020	35,427,458 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.

Contents of the Attachment

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, 2021 to July 31, 2021), the Japanese economy continued to face challenging conditions due to measures to control the COVID-19 pandemic, including state of emergencies in Tokyo and other regions and quasi-emergency measures throughout Japan.

In this economic environment, the Group put priority on ensuring the safety of patients, customers and employees by taking rigorous steps to prevent infection in pharmacies and stores. The Group also made concerted efforts to ensure the continued provision of healthcare and retail services, including vaccinating employees against COVID-19 through a workplace vaccination program.

In addition, in May 2021, the Group set key performance indicators (KPIs) and fiscal 2026 targets for important issues that should be addressed by the Group, which were identified through a materiality assessment process in December 2020. Going forward, the Group will continue its efforts to realize sustainability management to support sustained growth and to create social, environmental and economic value.

In the first three months of the fiscal year, net sales increased 5.0% year on year to ¥75,011 million, operating profit increased 124.3% to ¥2,611 million, ordinary profit increased 73.1% to ¥2,864 million, and profit attributable to owners of parent increased 54.6% to ¥1,309 million.

Financial results by business segment are as follows.

(Dispensing pharmacy business)

The Group is working to leverage the primary care capabilities of its pharmacists and dispensing pharmacies to help patients access medical services in their local community with peace of mind. Specifically, the Group is reinforcing pharmaceutical management and guidance and home-based healthcare, backed by integrated and continuous monitoring of patient medication data through cooperation with local medical service providers and the use of patient medication notebooks and other means. In addition, the pandemic and other trends have led to a growing need for different ways of receiving medicines and for contactless payments. To address these needs, the Group launched an additional trial in May this year that allows patients to pick up prescription medicines from convenience store lockers and cashless payments were introduced from June.

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

For the first three months of the fiscal year, the dispensing pharmacy business reported higher sales and profits compared with the same period a year earlier, supported by an increase in the number of prescriptions at existing pharmacies and a strong performance by pharmacies opened in the previous fiscal year. Sales increased 6.3% to ¥66,828 million and segment profit rose 41.1% to ¥4,879 million.

During the period under review, the Group opened 12 new dispensing pharmacies, including those acquired through M&A deals, and closed three pharmacies, resulting in a total of 1,074.

(Cosmetic and drug store business)

The cosmetic and drug store business continued to face a challenging market environment due to a renewed increase in COVID-19 infections. The Group continued to strategically develop retail displays tailored to the characteristics of each store and worked to improve convenience and service levels for customers using the official AINZ & TULPE WEBSTORE e-commerce site launched in May 2020.

As a result, for the first three months of the fiscal year, the cosmetic and drug store business reported sales of ¥5,063 million, up 17.9% year on year and segment loss of ¥503 million compared with the loss of ¥292 million a year earlier.

During the same period, the Group opened one AINZ & TULPE store, resulting in a total of 70 cosmetic and drug stores at the end of the period.

(Other businesses)

Net sales from other businesses decreased 27.0% year on year to ¥3,143 million and segment profit was ¥13 million, compared with segment loss of ¥296 million in the same period a year earlier.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter. For more details, please refer to “2. Quarterly consolidated financial statements and major notes, (3) Notes on quarterly consolidated financial statements, (Changes in accounting policies) and (Segment information, etc.).

(2) Consolidated financial position

The balance of total assets at the end of the first quarter decreased by ¥110 million from the end of the previous fiscal year to ¥203,552 million. That mainly reflected declines for cash and deposits and accounts receivable - trade.

The balance of liabilities increased ¥1,953 million to ¥89,778 million. The main factors were increases in accounts payable - trade and deposits received, outweighing declines for accrued income taxes and outstanding borrowings.

The balance of short- and long-term borrowings decreased by ¥1,105 million to ¥10,861 million.

Total net assets decreased by ¥2,063 million to ¥113,773 million and the shareholders' equity ratio decreased 0.9 percentage points to 55.9%.

(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, 2022, which were released on June 4, 2021.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended April 30, 2021 (As of April 30, 2021)	Three months ended July 31, 2021 (As of July 31, 2021)
Assets		
Current assets		
Cash and deposits	55,271	53,576
Notes and accounts receivable - trade	13,475	12,338
Merchandise	14,018	14,924
Supplies	266	256
Short-term loans receivable	144	373
Accounts receivable - other	9,284	9,047
Other	3,936	4,312
Total current assets	96,398	94,829
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,270	16,345
Land	10,390	9,976
Other, net	3,568	3,795
Total property, plant and equipment	30,229	30,117
Intangible assets		
Goodwill	39,057	39,079
Other	3,609	3,708
Total intangible assets	42,666	42,788
Investments and other assets		
Investment securities	2,697	2,638
Deferred tax assets	4,415	4,633
Leasehold and guarantee deposits	20,319	21,313
Other	8,680	8,981
Allowance for doubtful accounts	(1,743)	(1,749)
Total investments and other assets	34,368	35,817
Total non-current assets	107,264	108,722
Total assets	203,662	203,552

(Million yen)

	Fiscal year ended April 30, 2021 (As of April 30, 2021)	Three months ended July 31, 2021 (As of July 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	46,758	49,094
Short-term borrowings	3,670	3,354
Income taxes payable	2,157	1,593
Deposits received	13,979	15,969
Provision for bonuses	2,594	1,964
Provision for bonuses for directors	16	9
Provision for point card certificates	461	–
Contract liabilities	–	437
Other	4,522	4,394
Total current liabilities	74,160	76,816
Non-current liabilities		
Long-term borrowings	8,297	7,507
Retirement benefit liability	3,329	3,415
Other	2,037	2,038
Total non-current liabilities	13,664	12,962
Total liabilities	87,825	89,778
Net assets		
Shareholders’ equity		
Share capital	21,894	21,894
Capital surplus	20,500	20,500
Retained earnings	73,506	72,878
Treasury shares	(3)	(1,403)
Total shareholders’ equity	115,899	113,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(53)
Remeasurements of defined benefit plans	(128)	(117)
Total accumulated other comprehensive income	(141)	(171)
Non-controlling interests	78	73
Total net assets	115,837	113,773
Total liabilities and net assets	203,662	203,552

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Million yen)

	Three months ended July 31, 2020 (May 1, 2020 to July 31, 2020)	Three months ended July 31, 2021 (May 1, 2021 to July 31, 2021)
Net sales	71,463	75,011
Cost of sales	61,644	63,950
Gross profit	9,819	11,060
Selling, general and administrative expenses	8,655	8,448
Operating profit	1,164	2,611
Non-operating income		
Interest income	11	10
Dividend income	26	16
Commission income	4	2
Rental income from real estate	40	231
Outsourcing service income	46	43
Subsidy income	231	13
Insurance claim income	138	–
Share of profit of entities accounted for using equity method	–	2
Other	96	107
Total non-operating income	596	426
Non-operating expenses		
Interest expenses	11	11
Loss on sale of receivables	18	19
Rental expenses on real estate	44	101
Other	31	41
Total non-operating expenses	105	174
Ordinary profit	1,654	2,864
Extraordinary income		
Gain on sales of non-current assets	12	26
Gain on sale of businesses	37	0
Other	2	–
Total extraordinary income	52	27
Extraordinary losses		
Loss on sale and retirement of non-current assets	101	30
Loss on temporary store closures	52	–
Loss on cancellation of rental contracts	–	118
Other	68	37
Total extraordinary losses	222	186
Profit before income taxes	1,484	2,704
Income taxes	649	1,400
Profit	835	1,304
Loss attributable to non-controlling interests	(11)	(4)
Profit attributable to owners of parent	846	1,309

Quarterly consolidated statement of comprehensive income

(Million yen)

	Three months ended July 31, 2020 (May 1, 2020 to July 31, 2020)	Three months ended July 31, 2021 (May 1, 2021 to July 31, 2021)
Profit	835	1,304
Other comprehensive income:		
Valuation difference on available-for-sale securities	4	(40)
Remeasurements of defined benefit plans, net of tax	12	10
Total other comprehensive income	17	(30)
Comprehensive income	852	1,274
Comprehensive income attributable to owners of parent	864	1,279
Comprehensive income attributable to non-controlling interests	(11)	(4)

(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)

The Company is repurchasing 200,000 shares in accordance with a resolution approved by the Board of Directors at a meeting on June 7, 2021. As a result of the repurchase, the Company's treasury shares increased by ¥1,400 million during the first quarter, resulting in a balance of ¥1,403 million at the end of the period.

(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.

(Changes in accounting policies)

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

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; “Revenue Recognition Standard”), etc. from the beginning of the first quarter of the fiscal year ending April 30, 2022. Under the new standard, the Company recognizes revenue when promised goods or services are transferred to a customer, with the amount expected to be received upon exchange of the goods or services recognized as revenue.

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

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

As a result, in the first quarter, the application of the accounting standard reduced sales by ¥247 million, reduced selling, general and administrative expenses by ¥248 million and increased operating profit, ordinary profit and income before income taxes each by ¥1 million. In addition, the balance of retained earnings at the start of the fiscal year increased by ¥10 million.

As a result of the application of the Revenue Recognition Standard, “provision for point card certificates” included in “current liabilities” in the consolidated financial statements for the previous fiscal year has been included in “contract liabilities” from the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated to reflect the new presentation approach. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first quarter of the previous fiscal year is not shown.

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

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

(Segment information, etc.)

I 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 profit (loss)	3,458	(292)	(296)	2,869	(1,214)	1,654

Notes: 1. The adjustment of ¥(1,214) million to segment profit (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, which are not part of the reportable segments.
2. Segment profit (loss) is adjusted with the ordinary profit 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.

I Three months ended July 31, 2021 (May 1, 2021 to July 31, 2021)

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	66,828	5,063	3,119	75,011	—	75,011
(2) Intersegment sales	—	—	23	23	(23)	—
Total sales	66,828	5,063	3,143	75,034	(23)	75,011
Segment profit (loss)	4,879	(503)	13	4,389	(1,524)	2,864

Notes: 1. The adjustment of ¥(1,524) million to segment profit (loss) includes ¥1,792 million in corporate expenses, ¥(347) million in (income) loss that is not allocated to reportable segments, and ¥79 million in eliminations due to intersegment transactions.
Corporate expenses consist mainly of expenses associated with the administrative divisions and the system logistics division, which are not part of the reportable segments.
2. Segment profit (loss) is adjusted with the ordinary profit 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.

3. Changes in reportable segments

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

Compared with the previous method, in the first quarter, the new method reduced sales in the cosmetic and drug store business segment by ¥231 million and increased segment profit by ¥1 million, and reduced sales in the other businesses segment by ¥16 million.