

Summary of Financial Statements for the Second Quarter of Fiscal Year Ending April 2023

[Japan GAAP] (Consolidated)

December 2, 2022

Name of listed company: **AIN HOLDINGS INC.**
Exchange listed on: Prime Market of Tokyo Stock Exchange and Sapporo Securities Exchange
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Date of filing quarterly securities report: December 15, 2022
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 second quarter of fiscal year ending April 30, 2023 (May 1, 2022 to October 31, 2022)

(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	%
Six months ended October 31, 2022	171,204	11.9	6,784	17.5	7,283	18.9	3,804	14.0
Six months ended October 31, 2021	152,972	5.2	5,776	47.1	6,127	35.6	3,338	26.9

(Note) Comprehensive income: Six months ended October 31, 2022: ¥3,769 million (+13.8%)
Six months ended October 31, 2021: ¥3,311 million (+24.3%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended October 31, 2022	108.30	-
Six months ended October 31, 2021	94.68	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of October 31, 2022	231,141	120,869	52.3
As of April 30, 2022	212,461	119,010	56.0

(Reference) Shareholders' equity: As of October 31, 2022: ¥120,790 million As of April 30, 2022: ¥118,923 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, 2022	-	0.00	-	55.00	55.00
Year ending April 30, 2023	-	0.00			
Year ending April 30, 2023 (forecast)			-	60.00	60.00

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

3. Consolidated financial forecasts for the fiscal year ending April 30, 2023 (May 1, 2022 to April 30, 2023)

(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
Full year	363,000	14.8	20,000	32.1	20,500	27.8	11,000	55.1	313.15

(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 (4) Notes on quarterly consolidated financial statements” on page 10 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 October 31, 2022	35,428,212 shares	As of April 30, 2022	35,428,212 shares
2) Number of shares held in treasury:	As of October 31, 2022	298,188 shares	As of April 30, 2022	300,911 shares
3) Average number of shares outstanding:	Six months ended October 31, 2022	35,128,208 shares	Six months ended October 31, 2021	35,260,638 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 six months of the current fiscal year (May 1, 2022 to October 31, 2022), there were signs of a moderate recovery in the Japanese economy, but the outlook remained uncertain due to factors such as the impact of the COVID-19 pandemic, rising prices, and fluctuations in capital and financial markets.

In this economic environment, the AIN HOLDINGS Group (the Group) made concerted efforts to ensure the continued provision of healthcare and retail services by taking rigorous steps to prevent infection at dispensing pharmacies and stores. The Group also played its part in preventing the spread of infection in communities by providing medical antigen test kits at approximately 1,100 pharmacies and by offering free antigen and PCR testing at around 800 pharmacies.

In September 2022, the Group published its Integrated Report 2022 as part of efforts to strengthen communication with stakeholders. The report provides information on the Group's concrete initiatives to address key areas of materiality, as well as its human resources strategy, DX strategy and other measures to enhance value over the medium and long term. Going forward, we will implement various initiatives to realize sustainability management that supports the Group's continued growth and creates social, environmental and economic value.

In the first six months of the fiscal year, net sales increased 11.9% year on year to ¥171,204 million, operating profit increased 17.5% to ¥6,784 million, ordinary profit increased 18.9% to ¥7,283 million, and profit attributable to owners of parent increased 14.0% to ¥3,804 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 medical institutions and the use of patient medication notebooks and other means.

We have also put in place systems for patients to continuously receive prescription medication with even greater peace of mind, backed by our official dispensing pharmacy app, Anytime AIN Pharmacy. Released in February 2022, the app gives patients access to online pharmaceutical guidance services, advice from primary care pharmacists and pharmacies, and a range of other services.

In business development, we continue to target further business expansion through a strategy of actively opening large pharmacies and pursuing M&A deals that emphasize investment returns, while also improving pharmacy operating efficiency.

For the first six months of the fiscal year, the dispensing pharmacy business reported higher sales and profits compared with the same period a year earlier due to a recovery in the number of prescriptions at existing pharmacies and a strong performance by pharmacies opened in the previous fiscal year. Sales increased 11.9% to ¥153,248 million and segment profit rose 2.6% to ¥10,769 million.

During the first six months of the fiscal year, the Group opened a total of 124 dispensing pharmacies, including those acquired through M&A deals, closed eight dispensing pharmacies and sold six, resulting in a total of 1,209.

(Cosmetic and drug store business)

In the cosmetic and drug store business, COVID-19 continued to impact performance, but we reviewed and overhauled our portfolio of original brands as part of ongoing efforts and also create appealing sales areas that are unique to the AIN Group. As a result, for the first six months of the fiscal year, the cosmetic and drug store business reported net sales of ¥12,205 million, up 24.3% year on year, and segment profit of ¥349 million, compared with a segment loss of ¥1,125 million in the same period a year earlier, supported by changes to the product mix and store opening criteria.

During the same period, the Group opened four AINZ & TULPE cosmetic and drug stores and closed four stores, resulting in a total of 78 cosmetic and drug stores at the end of the second quarter.

(Other businesses)

Net sales from other businesses decreased 8.2% year on year to ¥5,781 million and segment loss was ¥18 million compared with the loss of ¥121 million a year earlier.

(2) Consolidated financial position

The balance of total assets at the end of the second quarter increased by ¥18,680 million from the end of the previous fiscal year to ¥231,141 million. This mainly reflected increases for goodwill and merchandise, etc. due to the opening of new stores and dispensing pharmacies, including sites acquired through M&A.

The balance of liabilities increased ¥16,821 million to ¥110,272 million. The main factors were increases for accounts payable and borrowings.

The balance of short- term and long-term borrowings increased by ¥5,356 million to ¥13,814 million. The main factor was the subsidiary newly included in the scope of consolidation from the first quarter of the current fiscal year.

Total net assets increased by ¥1,858 million to ¥120,869 million and the shareholders' equity ratio decreased 3.7 percentage points to 52.3%.

(Cash flows)

In the first six months of the fiscal year, cash and cash equivalents ("cash") decreased by ¥15,955 million from the previous fiscal year end to ¥43,514 million.

Cash flows from each activity and their relevant factors are as follows.

During the first six months of the fiscal year, net cash provided by operating activities was ¥8,456 million, compared with ¥17,314 million provided in the same period a year earlier. The main cash inflows were profit before income taxes of ¥7,165 million, depreciation and amortization of ¥2,567 million and amortization of goodwill of ¥2,115 million. The main cash outflows were increase in inventories of ¥4,890 million and income taxes paid of ¥4,458 million.

Net cash used in investing activities amounted to ¥18,617 million, compared with ¥8,261 million used in the same period a year earlier. The main cash outflows were ¥14,602 million for purchase of shares of subsidiaries resulting in change in scope of consolidation and ¥5,680 million for purchases of property, plant and equipment and intangible fixed assets.

Net cash used in financing activities totaled ¥5,793 million, compared with ¥5,630 million used in the same period a year earlier. The main cash outflows were net repayment of ¥3,605 million from short-term and long-term debt repayment and proceeds, and ¥1,932 million for cash dividends paid.

(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, 2023, which were released on June 3, 2022.

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

(Million yen)

	Fiscal year ended April 30, 2022 (As of April 30, 2022)	Six months ended October 31, 2022 (As of October 31, 2022)
Assets		
Current assets		
Cash and deposits	59,729	46,723
Notes and accounts receivable - trade	10,110	12,147
Merchandise	14,568	21,231
Supplies	222	208
Short-term loans receivable	306	230
Accounts receivable - other	11,832	14,635
Other	3,995	3,111
Total current assets	100,765	98,288
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,512	19,983
Land	8,581	10,585
Other, net	4,542	6,334
Total property, plant and equipment	30,636	36,903
Intangible assets		
Goodwill	36,352	48,388
Other	4,866	5,328
Total intangible assets	41,219	53,717
Investments and other assets		
Investment securities	2,503	2,811
Deferred tax assets	5,319	6,069
Leasehold and guarantee deposits	22,785	23,070
Other	10,526	11,604
Allowance for doubtful accounts	(1,294)	(1,322)
Total investments and other assets	39,840	42,232
Total non-current assets	111,696	132,853
Total assets	212,461	231,141

(Million yen)

	Fiscal year ended April 30, 2022 (As of April 30, 2022)	Six months ended October 31, 2022 (As of October 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	50,756	60,719
Short-term borrowings	2,643	3,776
Income taxes payable	4,391	3,506
Deposits received	15,415	16,540
Provision for bonuses	2,713	3,851
Provision for bonuses for directors	18	31
Contract liabilities	544	598
Other	5,321	4,284
Total current liabilities	81,805	93,308
Non-current liabilities		
Long-term borrowings	5,815	10,038
Retirement benefit liability	3,578	4,360
Other	2,252	2,564
Total non-current liabilities	11,645	16,964
Total liabilities	93,450	110,272
Net assets		
Shareholders' equity		
Share capital	21,894	21,894
Capital surplus	20,500	20,504
Retained earnings	78,661	80,533
Treasury shares	(2,018)	(2,000)
Total shareholders' equity	119,038	120,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(39)	(78)
Remeasurements of defined benefit plans	(75)	(63)
Total accumulated other comprehensive income	(114)	(141)
Non-controlling interests	86	78
Total net assets	119,010	120,869
Total liabilities and net assets	212,461	231,141

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

(Million yen)

	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)
Net sales	152,972	171,204
Cost of sales	130,133	146,217
Gross profit	22,838	24,986
Selling, general and administrative expenses	17,062	18,202
Operating profit	5,776	6,784
Non-operating income		
Interest income	21	23
Dividend income	21	31
Commission income	4	10
Rental income from real estate	281	97
Outsourcing service income	73	106
Subsidy income	47	96
Share of profit of entities accounted for using equity method	2	—
Other	208	320
Total non-operating income	660	686
Non-operating expenses		
Interest expenses	22	27
Loss on sale of receivables	41	48
Rental expenses on real estate	199	42
Other	46	68
Total non-operating expenses	309	187
Ordinary profit	6,127	7,283
Extraordinary income		
Gain on sales of non-current assets	26	2
Gain on sale of businesses	5	46
Surrender value of insurance policies	—	35
Gain on step acquisitions	131	—
Other	3	1
Total extraordinary income	167	86
Extraordinary losses		
Loss on sale and retirement of non-current assets	54	118
Impairment losses	6	63
Loss on cancellation of rental contracts	118	—
Other	50	23
Total extraordinary losses	230	204
Profit before income taxes	6,064	7,165
Income taxes	2,736	3,368
Profit	3,328	3,796
Loss attributable to non-controlling interests	(10)	(8)
Profit attributable to owners of parent	3,338	3,804

Quarterly consolidated statements of comprehensive income

(Million yen)

	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)
Profit	3,328	3,796
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	(39)
Remeasurements of defined benefit plans, net of tax	20	12
Total other comprehensive income (loss)	(16)	(26)
Comprehensive income	3,311	3,769
Comprehensive income attributable to owners of parent	3,321	3,777
Comprehensive income (loss) attributable to non-controlling interests	(10)	(8)

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)
Cash flows from operating activities		
Profit before income taxes	6,064	7,165
Depreciation	2,117	2,567
Share-based payment expenses	—	21
Amortization of goodwill	2,055	2,115
Impairment losses	6	63
Loss (gain) on step acquisitions	(131)	—
Increase (decrease) in allowance for doubtful accounts	3	(9)
Increase (decrease) in contract liabilities	65	53
Increase (decrease) in retirement benefit liability	193	(606)
Loss (gain) on sale of businesses	(5)	(46)
Increase (decrease) in provision for bonuses	859	676
Increase (decrease) in provision for bonuses for directors	6	12
Interest and dividend income	(43)	(55)
Interest expenses	22	27
Share of loss (profit) of entities accounted for using equity method	(2)	—
Loss (gain) on investments in investment partnerships	(13)	(34)
Gain on receipt of donated non-current assets	(10)	(27)
Loss (gain) on sales of investment securities	0	0
Loss (gain) on sale and retirement of non-current assets	27	115
Decrease (increase) in trade receivables	4,245	1,694
Decrease (increase) in inventories	(1,707)	(4,890)
Decrease (increase) in other assets	1,236	1,025
Decrease (increase) in accounts receivable - other	(1,316)	(1,659)
Increase (decrease) in trade payables	3,983	5,255
Increase (decrease) in other liabilities	1,544	(584)
Subtotal	19,203	12,881
Interest and dividends received	42	61
Interest paid	(22)	(27)
Income taxes paid	(1,907)	(4,458)
Net cash provided by operating activities	17,314	8,456

(Million yen)

	Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)	Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,663)	(4,313)
Proceeds from sale of property, plant and equipment	626	1,380
Purchase of investment securities	(105)	(397)
Proceeds from sale of investment securities	184	344
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,223)	(14,602)
Loan advances	(23)	(110)
Proceeds from collection of loans receivable	231	274
Payments for investments in capital	(0)	(0)
Proceeds from divestments	0	0
Purchase of intangible assets	(927)	(1,367)
Proceeds from sale of intangible assets	10	0
Payments of leasehold and guarantee deposits	(3,104)	(444)
Proceeds from refund of leasehold and guarantee deposits	540	586
Decrease (increase) in investments and other assets	(833)	(123)
Proceeds from withdrawal of time deposits	32	362
Payments into time deposits	(6)	(206)
Net cash used in investing activities	(8,261)	(18,617)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2)	(123)
Proceeds from long-term borrowings	0	10
Repayments of long-term borrowings	(2,091)	(3,492)
Redemption of bonds	(124)	(240)
Repayments of lease obligations	(64)	(16)
Purchase of treasury shares	(1,400)	–
Dividends paid	(1,948)	(1,932)
Net cash used in financing activities	(5,630)	(5,793)
Net increase (decrease) in cash and cash equivalents	3,422	(15,955)
Cash and cash equivalents at beginning of the period	55,009	59,470
Cash and cash equivalents at end of the period	58,432	43,514

(4) 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.

(Changes in accounting policies)

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

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; "Fair Value Measurement Standard"), etc. from the beginning of the first quarter. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the "Fair Value Measurement Standard", 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 Six months ended October 31, 2021 (May 1, 2021 to October 31, 2021)

1. Net sales and profit (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	136,905	9,816	6,250	152,972	-	152,972
(2) Intersegment sales	-	-	47	47	(47)	-
Total sales	136,905	9,816	6,297	153,019	(47)	152,972
Segment profit (loss)	10,491	(1,125)	(121)	9,244	(3,117)	6,127

Notes: 1. The adjustment of ¥(3,117) million to segment profit (loss) includes ¥3,659 million in corporate expenses, ¥(702) million in (income) loss that are not allocated to reportable segments, and ¥159 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.

II Six months ended October 31, 2022 (May 1, 2022 to October 31, 2022)

1. Net sales and profit (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	153,248	12,205	5,750	171,204	-	171,204
(2) Intersegment sales	-	-	31	31	(31)	-
Total sales	153,248	12,205	5,781	171,235	(31)	171,204
Segment profit (loss)	10,769	349	(18)	11,099	(3,816)	7,283

Notes: 1. The adjustment of ¥(3,816) million to segment profit (loss) includes ¥4,419 million in corporate expenses, ¥(589) million in (income) loss that are not allocated to reportable segments, and ¥(13) 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]:

In the dispensing pharmacy business segment, Pharmacy Holdings Co. Ltd. and its subsidiaries were included in the scope of consolidation from the first quarter of the current fiscal year following the acquisition of all shares in Pharmacy Holdings Co. Ltd. In the first six months of the fiscal year, the increase in goodwill related to these companies was ¥12,921 million.

This goodwill amount is a tentative calculation, as the allocation of acquisition costs has not been completed.