AIN HOLDINGS

Summary of Financial Statements for the Third Quarter of Fiscal Year Ending April 2022
[Japan GAAP] (Consolidated)

March 4, 2022

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/
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Date of filing quarterly securities report: March 17, 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: No

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

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

(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	%
Nine months ended January 31, 2022	234,610	6.6	10,214	49.9	10,800	37.7	6,231	36.2
Nine months ended January 31, 2021	220,135	0.0	6,813	(45.3)	7,845	(39.7)	4,575	(35.7)

(Note) Comprehensive income: Nine months ended January 31, 2022: ¥6,229 million (+35.3%)
Nine months ended January 31, 2021: ¥4,603 million (-35.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended January 31, 2022	176.89	-
Nine months ended January 31, 2021	129.16	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of January 31, 2022	207,994	118,113	56.8
As of April 30, 2021	203,662	115,837	56.8

(Reference) Shareholders' equity: As of January 31, 2022: ¥118,051 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	-	0.00	-		
Year ending April 30, 2022 (forecast)				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 income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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 January 31, 2022	35,428,212 shares	As of April 30, 2021	35,428,212 shares
2) Number of shares held in treasury:	As of January 31, 2022	300,911 shares	As of April 30, 2021	891 shares
3) Average number of shares outstanding:	Nine months ended January 31, 2022	35,227,303 shares	Nine months ended January 31, 2021	35,427,426 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 nine months of the current fiscal year (May 1, 2021 to January 31, 2022), the Japanese economy continued to face challenging conditions due to the COVID-19 pandemic. Although there were signs of a pickup in consumer spending, the outlook remained uncertain.

In this economic environment, the Group put priority on ensuring the safety of patients, customers and employees and implemented measures to prevent the spread of infection in pharmacies and stores as part of concerted efforts to ensure the continued provision of healthcare and retail services. In the dispensing pharmacy business, we provided medical antigen test kits and took other active steps to prevent the spread of infection in the community. We have selected "contribute to local healthcare" as one of the important issues the Group should address (materiality). We aim to be a key part of local healthcare infrastructure for the whole community by continuing to provide pharmaceutical products and healthcare services, whatever the conditions.

In December 2021, we formulated the AIN Group Human Rights Policy as part of efforts to create a "sound management base," another of the Group's materiality issues. This policy reaffirms our strong belief that respect for human rights must underpin all our business activities in order to establish a "sound management base." Going forward, we will continue to conduct ourselves and implement measures in line with this policy.

Through businesses that contribute to human health and beauty, the Group will continue to strive to deliver sustainable growth, create social, environmental and economic value, and realize sustainability management in order to continue supporting the health and happiness of our customers.

In the first nine months of the fiscal year, net sales increased 6.6% to ¥234,610 million, operating income increased 49.9% to ¥10,214 million, ordinary income increased 37.7% to ¥10,800 million, and profit attributable to owners of parent increased 36.2% to ¥6,231 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, we are seeing a growing need for different ways of receiving medicines, spurred by the pandemic and other factors. In response, we are making preparations to ensure safe and secure delivery of medicines to patients. Specifically, in October 2021, we conducted Japan's first-ever trial of prescription drug deliveries using drones, in accordance with drone delivery guidelines formulated by the Cabinet Secretariat, the Ministry of Health, Labour and Welfare and the Ministry of Land, Infrastructure, Transport and Tourism in June 2021, and in January 2022 we expanded the trial area for same-day prescription medicine deliveries.

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.

As a result, for the first nine months of the fiscal year, the dispensing pharmacy business reported sales of ¥209,793 million, up 8.0% year on year, and segment income of ¥17,784 million, up 29.2%, due to recovery of prescription volume of existing dispensing pharmacies and steady growth of dispensing pharmacies opened last fiscal year.

During the same period, the Group opened a total of 40 dispensing pharmacies, including those acquired through M&A deals, and closed four dispensing pharmacies and transferred four, resulting in a total of 1,097.

(Cosmetic and drug store business)

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

The Group continued to create appealing retail displays by strengthening product lineups and worked to improve convenience and service levels for customers using the official AINZ & TULPE WEBSTORE e-commerce site. Also, targeting post-pandemic opportunities, the Group pushed ahead with store openings in locations with good prospects for profitability and optimized costs.

As a result, for the first nine months of the fiscal year, the cosmetic and drug store business reported an increase in sales of 6.3% year on year to ¥15,286 million, and segment loss was ¥1,474 million compared with the loss of ¥1,507 million a year earlier.

During the same period, the Group opened six AINZ & TULPE cosmetic and drug stores and closed one store, resulting in a total of 74 cosmetic and drug stores at the end of the third quarter.

(Other businesses)

Net sales from other businesses decreased 16.8% year on year to ¥9,601 million and segment loss was ¥108 million compared with the loss of ¥479 million 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 third quarter increased by ¥4,332 million from the end of the previous fiscal year to ¥207,994 million. This mainly reflected declines for notes and accounts receivable - trade and land, outweighed by increases for inventories and leasehold and guarantee deposits.

The balance of liabilities increased ¥2,055 million to ¥89,881 million.

The balance of short- term and long-term borrowings decreased by ¥3,121 million to ¥8,846 million.

Total net assets increased ¥2,276 million to ¥118,113 million and the shareholders’ equity ratio was 56.8%, unchanged from the end of the previous period.

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

The Group has not revised its earnings forecasts for the full fiscal year, announced 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)	Nine months ended January 31, 2022 (As of January 31, 2022)
Assets		
Current assets		
Cash and deposits	55,271	55,641
Notes and accounts receivable - trade	13,475	10,707
Merchandise	14,018	16,727
Supplies	266	245
Short-term loans receivable	144	399
Accounts receivable - other	9,284	8,270
Other	3,936	2,846
Total current assets	96,398	94,837
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,270	17,984
Land	10,390	8,745
Other, net	3,568	3,904
Total property, plant and equipment	30,229	30,634
Intangible assets		
Goodwill	39,057	38,172
Other	3,609	4,444
Total intangible assets	42,666	42,617
Investments and other assets		
Investment securities	2,697	3,204
Deferred tax assets	4,415	4,614
Leasehold and guarantee deposits	20,319	22,893
Other	8,680	10,490
Allowance for doubtful accounts	(1,743)	(1,298)
Total investments and other assets	34,368	39,904
Total non-current assets	107,264	113,157
Total assets	203,662	207,994

(Million yen)

	Fiscal year ended April 30, 2021 (As of April 30, 2021)	Nine months ended January 31, 2022 (As of January 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	46,758	52,276
Short-term borrowings	3,670	2,746
Income taxes payable	2,157	2,189
Deposits received	13,979	15,262
Provision for bonuses	2,594	1,378
Provision for bonuses for directors	16	8
Provision for point card certificates	461	–
Contract liabilities	–	526
Other	4,522	3,604
Total current liabilities	74,160	77,991
Non-current liabilities		
Long-term borrowings	8,297	6,100
Retirement benefit liability	3,329	3,568
Other	2,037	2,221
Total non-current liabilities	13,664	11,889
Total liabilities	87,825	89,881
Net assets		
Net assets		
Shareholders’ equity	21,894	21,894
Share capital	20,500	20,500
Capital surplus	73,506	77,800
Retained earnings	(3)	(2,018)
Treasury shares	115,899	118,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(28)
Remeasurements of defined benefit plans	(128)	(97)
Total accumulated other comprehensive loss	(141)	(126)
Non-controlling interests	78	61
Total net assets	115,837	118,113
Total liabilities and net assets	203,662	207,994

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

(Million yen)

	Nine months ended January 31, 2021 (May 1, 2020 to January 31, 2021)	Nine months ended January 31, 2022 (May 1, 2021 to January 31, 2022)
Net sales	220,135	234,610
Cost of sales	186,976	198,110
Gross profit	33,159	36,500
Selling, general and administrative expenses	26,346	26,286
Operating income	6,813	10,214
Non-operating income		
Interest income	33	31
Dividend income	43	35
Commissions received	15	11
Real estate rental revenue	134	334
Consignment income	141	132
Subsidy income	466	92
Share of profit of entities accounted for using equity method	–	2
Other	454	316
Total non-operating income	1,288	957
Non-operating expenses		
Interest expenses	37	34
Loss on sales of receivables	58	63
Rental expenses on real estate	113	215
Other	47	57
Total non-operating expenses	256	370
Ordinary profit	7,845	10,800
Extraordinary income		
Gain on sales of non-current assets	18	200
Gain on sale of businesses	383	13
Gain on sale of shares of subsidiaries and associates	111	–
Surrender value of insurance policies	11	4
Gain on step acquisitions	–	131
Other	30	16
Total extraordinary income	555	366
Extraordinary losses		
Loss on sale and retirement of non-current assets	216	194
Impairment losses	64	61
Loss on temporary store closures	52	–
Loss on cancellation of rental contracts	–	119
Other	163	54
Total extraordinary losses	497	429
Profit before income taxes	7,903	10,737
Income taxes	3,366	4,523
Profit	4,537	6,214
Loss attributable to non-controlling interests	(38)	(16)
Profit attributable to owners of parent	4,575	6,231

Quarterly consolidated statements of comprehensive income

(Million yen)

	Nine months ended January 31, 2021 (May 1, 2020 to January 31, 2021)	Nine months ended January 31, 2022 (May 1, 2021 to January 31, 2022)
Profit	4,537	6,214
Other comprehensive income		
Valuation difference on available-for-sale securities	27	(15)
Remeasurements of defined benefit plans, net of tax	38	30
Total other comprehensive income	65	15
Comprehensive income	4,603	6,229
Comprehensive income attributable to owners of parent	4,641	6,246
Comprehensive income (loss) attributable to non-controlling interests	(38)	(16)

(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 a total of 300,000 shares in accordance with a resolution approved by the Board of Directors at a meeting on June 7, 2021 (200,000 shares) and a resolution approved by the Board of Directors at a meeting on December 6, 2021 (100,000 shares). As a result of the repurchases, during the first three quarters of the current fiscal year, the Company's treasury shares increased by ¥2,015 million, resulting in a balance of ¥2,018 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 profit 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 profit 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 third quarter, the application of the accounting standard reduced sales by ¥902 million, reduced selling, general and administrative expenses by ¥912 million and increased operating profit, ordinary profit and profit before income taxes each by ¥9 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 third 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 Nine months ended January 31, 2021 (May 1, 2020 to January 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	194,284	14,386	11,464	220,135	-	220,135
(2) Intersegment sales	-	-	78	78	(78)	-
Total sales	194,284	14,386	11,542	220,213	(78)	220,135
Segment income (loss)	13,769	(1,507)	(479)	11,782	(3,936)	7,845

Notes: 1. The adjustment of ¥(3,936) million to segment income (loss) includes ¥4,764 million in corporate expenses, ¥(947) million in (income) loss that are not allocated to reportable segments, and ¥120 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 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 Nine months ended January 31, 2022 (May 1, 2021 to January 31, 2022)

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	209,793	15,286	9,530	234,610	-	234,610
(2) Intersegment sales	-	-	71	71	(71)	-
Total sales	209,793	15,286	9,601	234,681	(71)	234,610
Segment income (loss)	17,784	(1,474)	(108)	16,202	(5,401)	10,800

Notes: 1. The adjustment of ¥(5,401) million to segment income (loss) includes ¥6,195 million in corporate expenses, ¥(947) million in (income) loss that are not allocated to reportable segments, and ¥152 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 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.

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 third quarter, the new method reduced sales in the cosmetic and drug store business segment by ¥866 million and increased segment profit by ¥9 million, and reduced sales in the other businesses segment by ¥36 million.