

Summary of Financial Statements for the Third Quarter of Fiscal Year Ending April 2024 [Japan GAAP] (Consolidated)

March 1, 2024

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: March 15, 2024
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, 2024 (May 1, 2023 to January 31, 2024)

(1) Consolidated operating results

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

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended January 31, 2024	296,360	12.3	22,187	17.5	14,305	22.4	15,050	21.7	8,730	31.7
Nine months ended January 31, 2023	263,906	12.5	18,877	13.5	11,685	14.4	12,367	14.5	6,628	6.4

(Note) Comprehensive income: Nine months ended January 31, 2024: ¥8,828 million (+32.9%)
Nine months ended January 31, 2023: ¥6,643 million (+6.7%)

(Note) EBITDA = (operating profit + depreciation + amortization of goodwill)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended January 31, 2024	248.51	-
Nine months ended January 31, 2023	188.70	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of January 31, 2024	243,688	133,278	54.7
As of April 30, 2023	231,750	126,546	54.6

(Reference) Shareholders' equity: As of January 31, 2024: ¥133,206 million As of April 30, 2023: ¥126,449 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, 2023	-	0.00	-	60.00	60.00
Year ending April 30, 2024	-	0.00	-		
Year ending April 30, 2024 (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, 2024 (May 1, 2023 to April 30, 2024)

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

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	390,263	8.8	29,000	12.2	18,450	15.3	19,340	13.3	10,000	8.3	284.64

(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

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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 January 31, 2024	35,428,212 shares	As of April 30, 2023	35,428,212 shares
2) Number of shares held in treasury:	As of January 31, 2024	295,764 shares	As of April 30, 2023	298,188 shares
3) Average number of shares outstanding:	Nine months ended January 31, 2024	35,131,383 shares	Nine months ended January 31, 2023	35,128,813 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 nine months of the current fiscal year (May 1, 2023 to January 31, 2024), the Japanese economy showed signs of a moderate pickup, supported by a recovery in mobility following the downgrade of COVID-19 to a category-5 infectious disease and the easing of mobility restrictions. However, the outlook remains uncertain due to rising prices and fluctuations in financial and capital markets.

The January 2024 Noto Peninsula Earthquake did not lead to casualties among the employees of the AIN HOLDINGS Group (the Group), but 29 pharmacies and stores in the Hokuriku three prefectures and Niigata prefecture were affected, including damage to pharmaceutical and product displays and damage to retail premises. As a result, two pharmacies were forced to close temporarily, but are operating again after efforts were made to rapidly resume the provision of medical care to affected areas. The Group has also decided to contribute to relief funds to help affected areas recover and rebuild as quickly as possible. The impact of the earthquake on the Group's business is likely to be modest.

During the period under review, the Group is working to provide healthcare and retail services, in line with its mission to "contribute to local healthcare" and "provide beauty and happiness" – two of the Group's materiality issues. In addition, diversity & inclusion is a key part of our efforts to create a "sound management base," one of the Group's materiality issues. Specifically, the Group is actively promoting diversity by creating working environments and organizations that are welcoming and motivating for all employees, among other initiatives. These efforts have been recognized, with AIN PHARMACIEZ INC., the Group's core operating company, receiving "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare in July 2023 for its efforts to help employees balance work and parenting commitments as a "parenting support company."

In October 2022, the Company established its CSR Procurement Policy and Guidelines. In July 2023, we held a briefing session for suppliers to implement CSR procurement across the Group's supply chain, and in August, we conducted a CSR survey to ascertain the status of implementation. In this way, we will assess and analyze supply chain risks and communicate with suppliers to ensure compliance with our CSR requirements, helping to strengthen the Group's collaborative CSR system with suppliers.

In February 2024, the Company received a B-score from CDP, an international environmental NGO that manages the world's most comprehensive dataset on environmental disclosure, for its efforts to address climate change and disclose environmental information. Going forward, the Company will continue to help create a sustainable global environment through its business activities by protecting the environment and minimizing its environmental impact, in line with one of the Group's materiality issues – "protect the environment and reduce environmental impact."

The AIN Group aims to be a company that "people welcome to their communities" by helping to solve various social issues through its business activities.

Results for nine months ended January 31, 2024 (May 1, 2023 to January 31, 2024) are as follows.

(Million yen)	Nine months ended January 31, 2023	Nine months ended January 31, 2024	Change	Change (%)
Net sales	263,906	296,360	32,454	12.3
Operating profit	11,685	14,305	2,620	22.4
Ordinary profit	12,367	15,050	2,682	21.7
Profit attributable to owners of parent	6,628	8,730	2,101	31.7

Results by segment are as follows.

(Million yen)		Nine months ended January 31, 2023	Nine months ended January 31, 2024	Change	Change (%)
Dispensing pharmacy business	Sales	236,396	265,019	28,623	12.1
	Segment profit	18,023	19,713	1,689	9.4
Cosmetic and drug store business	Sales	18,836	22,905	4,068	21.6
	Segment profit	737	2,246	1,509	204.7
Other businesses	Sales	8,716	8,472	(243)	(2.8)
	Segment profit (loss)	(2)	(80)	(78)	-

(Note) Segment sales include intersegment transactions.

(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 cooperating with medical institutions, using patient medication notebooks to ensure integrated and continuous monitoring of patient medication, and providing services for home-based healthcare.

The Group is also actively promoting digital transformation to improve convenience for patients. Specifically, in addition to the official AIN Pharmacy app, which was launched in 2022, the Group set up an official AIN Pharmacy LINE account in October 2023 to make its prescriptions sending service more accessible for customers.

During the first nine months of the current fiscal year, the average prescription price rose due to an increase in high-cost prescriptions, including COVID-19 treatments. The number of prescriptions also increased, reflecting the easing of restrictions on outpatient visits after COVID-19 was downgraded to a category-5 infectious disease and an increase in service levels related to improvements in the capabilities of primary care pharmacists and pharmacies and reduced waiting times.

During the first nine months of the fiscal year, the Group opened 25 new dispensing pharmacies, including those acquired through M&A deals, closed 11, and sold two, resulting in a total of 1,221.

(Cosmetic and drug store business)

In the cosmetic and drug store business, customer numbers were firm amid a recovery in mobility for both domestic shoppers and overseas visitors. There was also a change in customer buying habits from infection control products to cosmetics, one of the Company's strengths, lifting the average sales price. In particular, sales are increasing for Asian cosmetics – a category the Group is focusing on. The Group will continue to closely monitor buying trends, reinforce the merchandise lineup and create attractive retail displays.

During the first nine months of the fiscal year, the Group opened five stores and closed two, resulting in a total of 81 cosmetic and drug stores.

(2) Consolidated financial position

The balance of total assets at the end of the third quarter increased ¥11,937 million from the end of the previous fiscal year to ¥243,688 million. The main factor was an increase in merchandise such as drugs for COVID-19 treatments, and an increase in buildings and structures due to the opening of stores.

The balance of liabilities rose ¥5,205 million to ¥110,409 million. The main factor was an increase for accounts payable - trade.

The balance of short-term and long-term borrowings declined ¥3,141 million to ¥5,549 million. The main factor was a repayment of borrowings.

Total net assets increased ¥6,732 million to ¥133,278 million and the shareholders' equity ratio rose 0.1 of a percentage point to 54.7%.

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

There are no changes to the Group's full-year consolidated financial forecasts, which were announced on December 6, 2023.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended April 30, 2023 (As of April 30, 2023)	Nine months ended January 31, 2024 (As of January 31, 2024)
Assets		
Current assets		
Cash and deposits	46,796	50,057
Accounts receivable - trade	13,249	14,007
Merchandise	21,299	26,807
Supplies	286	286
Short-term loans receivable	355	143
Accounts receivable - other	11,969	11,519
Other	4,348	4,016
Allowance for doubtful accounts	-	(1)
Total current assets	98,305	106,837
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,407	27,010
Land	10,602	10,116
Other, net	7,449	5,619
Total property, plant and equipment	39,459	42,745
Intangible assets		
Goodwill	46,443	43,947
Other	5,900	6,716
Total intangible assets	52,343	50,664
Investments and other assets		
Investment securities	2,720	3,427
Deferred tax assets	5,990	6,287
Leasehold and guarantee deposits	24,507	24,713
Other	8,735	9,389
Allowance for doubtful accounts	(312)	(377)
Total investments and other assets	41,641	43,440
Total non-current assets	133,444	136,850
Total assets	231,750	243,688

(Million yen)

	Fiscal year ended April 30, 2023 (As of April 30, 2023)	Nine months ended January 31, 2024 (As of January 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	58,698	67,987
Short-term borrowings	3,670	3,183
Income taxes payable	3,328	3,144
Deposits received	18,232	19,772
Provision for bonuses	3,215	1,560
Provision for bonuses for directors	22	10
Contract liabilities	532	450
Other	5,284	4,739
Total current liabilities	92,986	100,847
Non-current liabilities		
Long-term borrowings	5,021	2,366
Retirement benefit liability	4,498	4,815
Other	2,697	2,378
Total non-current liabilities	12,218	9,561
Total liabilities	105,204	110,409
Net assets		
Shareholders' equity		
Share capital	21,894	21,894
Capital surplus	20,504	20,499
Retained earnings	85,963	92,586
Treasury shares	(2,000)	(1,983)
Total shareholders' equity	126,362	132,997
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	137
Remeasurements of defined benefit plans	95	72
Total accumulated other comprehensive income	87	209
Non-controlling interests	96	71
Total net assets	126,546	133,278
Total liabilities and net assets	231,750	243,688

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

(Million yen)

	Nine months ended January 31, 2023 (May 1, 2022 to January 31, 2023)	Nine months ended January 31, 2024 (May 1, 2023 to January 31, 2024)
Net sales	263,906	296,360
Cost of sales	224,213	253,147
Gross profit	39,692	43,213
Selling, general and administrative expenses	28,006	28,907
Operating profit	11,685	14,305
Non-operating income		
Interest income	36	31
Dividend income	62	41
Commission income	12	9
Rental income from real estate	151	220
Outsourcing service income	165	199
Subsidy income	169	227
Other	367	348
Total non-operating income	965	1,077
Non-operating expenses		
Interest expenses	40	26
Loss on sale of receivables	75	86
Rental expenses on real estate	92	75
Provision of allowance for doubtful accounts	30	96
Other	45	48
Total non-operating expenses	283	332
Ordinary profit	12,367	15,050
Extraordinary income		
Gain on sale of non-current assets	2	417
Gain on sale of businesses	73	7
Surrender value of insurance policies	35	11
Other	1	4
Total extraordinary income	113	439
Extraordinary losses		
Loss on sale and retirement of non-current assets	153	133
Impairment losses	183	219
Other	36	106
Total extraordinary losses	372	459
Profit before income taxes	12,108	15,031
Income taxes	5,497	6,325
Profit	6,611	8,705
Loss attributable to non-controlling interests	(17)	(24)
Profit attributable to owners of parent	6,628	8,730

Quarterly consolidated statements of comprehensive income

(Million yen)

	Nine months ended January 31, 2023 (May 1, 2022 to January 31, 2023)	Nine months ended January 31, 2024 (May 1, 2023 to January 31, 2024)
Profit	6,611	8,705
Other comprehensive income		
Valuation difference on available-for-sale securities	14	145
Remeasurements of defined benefit plans, net of tax	18	(22)
Total other comprehensive income	32	122
Comprehensive income	6,643	8,828
Comprehensive income attributable to owners of parent	6,661	8,852
Comprehensive income (loss) attributable to non-controlling interests	(17)	(24)

(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 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 presentation)

(Quarterly consolidated statements of income)

"Provision of allowance for doubtful accounts," which was included in "Other" under "Non-operating expenses" in the first nine months of the previous fiscal year, has been presented as a separate item from the first nine months of the current fiscal year due to an increase in financial materiality. The consolidated financial statements for the first nine months of the previous fiscal year have been restated to reflect this change.

As a result, in the consolidated statements of income for the first nine months of the previous fiscal year, "Other" of ¥75 million under "Non-operating expenses" has been restated and shown separately as "Provision of allowance for doubtful accounts" of ¥30 million and "Other" of ¥45 million.

(Segment information, etc.)

I Nine months ended January 31, 2023 (May 1, 2022 to January 31, 2023)

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	236,396	18,836	8,672	263,906	-	263,906
(2) Intersegment sales	-	-	43	43	(43)	-
Total sales	236,396	18,836	8,716	263,949	(43)	263,906
Segment profit (loss)	18,023	737	(2)	18,758	(6,390)	12,367

Notes: 1. The adjustment of ¥(6,390) million to segment profit (loss) includes ¥7,269 million in corporate expenses, ¥(916) million in (income) loss that are not allocated to reportable segments, and ¥37 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 nine months of the fiscal year, the increase in goodwill related to these companies was ¥13,026 million.

Pharmacy Holdings Co. Ltd. was dissolved on December 1, 2022 after it was merged into its wholly owned subsidiary PHARMACY Co. Ltd. (Fukuyama City, Hiroshima Prefecture), the surviving company.

In addition, the tentative calculation for goodwill applied in the first quarter of the fiscal year was finalized in the third quarter.

II Nine months ended January 31, 2024 (May 1, 2023 to January 31, 2024)

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	265,019	22,905	8,435	296,360	-	296,360
(2) Intersegment sales	-	-	37	37	(37)	-
Total sales	265,019	22,905	8,472	296,397	(37)	296,360
Segment profit (loss)	19,713	2,246	(80)	21,879	(6,829)	15,050

Notes: 1. The adjustment of ¥(6,829) million to segment profit (loss) includes ¥7,673 million in corporate expenses, ¥(812) million in (income) loss that are not allocated to reportable segments, and ¥(31) 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.