AIN HOLDINGS

Summary of Financial Statements for Fiscal Year Ended April 2018

June 5, 2018

Name of listed company: **AIN HOLDINGS INC.**
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
Code number: 9627 URL: http://www.ainj.co.jp/
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Date of the ordinary general meeting of shareholders: July 27, 2018
Date of scheduled payment of dividends: July 30, 2018
Date of filing securities report: July 31, 2018
Supplementary documents for this summary of financial statements: Yes
Explanation meeting for financial results: Yes (for institutional investors and analysts)
(Amounts are rounded down to the nearest million yen.)

1. Consolidated results for the fiscal year ended April 2018 (from May 1, 2017 to April 30, 2018)

(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	%
Year ended April 30, 2018	268,385	8.2	19,622	34.7	20,129	33.5	10,567	32.9
Year ended April 30, 2017	248,110	5.6	14,563	(0.4)	15,080	(0.5)	7,949	0.4

(Note) Comprehensive income: Year ended April 30, 2018: ¥10,376 million (+27.7%)
Year ended April 30, 2017: ¥8,122 million (+3.7%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended April 30, 2018	310.08	–	13.5	11.8	7.3
Year ended April 30, 2017	250.71	–	14.0	10.2	5.9

(Reference) Equity in earnings of affiliates: Year ended April 30, 2018: ¥ – million, Year ended April 30, 2017: ¥ – million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of April 30, 2018	183,435	96,733	52.7	2,729.44
As of April 30, 2017	156,323	60,178	38.4	1,895.63

(Reference) Equity capital: As of April 30, 2018: ¥96,697 million As of April 30, 2017: ¥60,105 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended April 30, 2018	21,656	(5,281)	17,623	63,233
Year ended April 30, 2017	18,409	(11,183)	116	29,234

2. Dividends

	Dividends per share					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended April 30, 2017	–	0.00	–	50.00	50.00	1,585	19.9	2.8
Year ended April 30, 2018	–	0.00	–	50.00	50.00	1,771	16.1	2.2
Year ending April 30, 2019 (forecast)	–	0.00	–	55.00	55.00		21.0	

3. Consolidated financial forecast for the fiscal year ending April 30, 2019 (from May 1, 2018 to April 30, 2019)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	132,350	0.0	7,040	(15.9)	7,290	(15.9)	3,740	(15.4)	105.57
Full year	272,870	1.7	17,500	(10.8)	18,000	(10.6)	9,260	(12.4)	261.38

* Notes

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

Newly consolidated: – Excluded: –

(2) 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.: No
2) Changes in accounting principles other than 1): No
3) Changes in accounting estimates: No
4) Restatement of revisions: No

(3) Number of outstanding shares (common stock):

1) Number of outstanding shares (including treasury stock):	As of April 30, 2018	35,428,212 shares	As of April 30, 2017	31,888,212 shares
2) Number of shares held in treasury:	As of April 30, 2018	688 shares	As of April 30, 2017	180,644 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2018	34,079,508 shares	Fiscal year ended April 30, 2017	31,707,568 shares

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

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

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. Operating Results and Other

(1) Overview of operating results for the current fiscal year

During the fiscal year ended April 30, 2018, the Japanese economy improved at a moderate pace amid signs of a pickup in consumer spending and improving corporate earnings and employment conditions.

In this economic environment, the AIN HOLDINGS Group (the Group) worked to expand its business and increase earnings. Specifically, the Group opened new dispensing pharmacies and used M&A to expand the business. It also developed its cosmetic and drug store business.

The Group is also actively working to create better working environments. AIN PHARMACIEZ INC., the Group's core operating company, has been awarded the highest “Eruboshi” certification by the Minister of Health, Labour and Welfare in recognition of its efforts to support women’s participation and career advancement in the workplace.

For the fiscal year under review, net sales rose 8.2% year on year to ¥268,385 million, operating income increased 34.7% to ¥19,622 million, ordinary income increased 33.5% to ¥20,129 million and profit attributable to owners of parent increased 32.9% year on year to ¥10,567 million.

Performance by business segment was as follows. Effective from the fiscal year under review, the Group has changed the name of the drug and cosmetic store business to the cosmetic and drug store business. This is a change in name only and does not affect segment information.

(Dispensing pharmacy business)

In drug price and dispensing fee revisions in April 2018, the role of pharmacies located near hospitals and pharmacies located in the same premises was reviewed, with primary care dispensing pharmacies and pharmacists receiving a higher evaluation as part of government efforts to drive a structural shift from dispensing focused only on dispensing drugs to dispensing focused on services that contribute to local healthcare services.

To ensure our pharmacists and dispensing pharmacies fulfill their primary care role, the Group continues to build links with local medical service providers, strengthen pharmaceutical management and guidance based on the integrated and continuous management of drug information using patient medication notebooks and other means, and promote wider use of generic drugs.

The shortage of pharmacists in the healthcare sector is becoming more serious. To address this issue, the Group is working to attract new graduates, with 279 new pharmacist graduates joining the Group in April 2018. The Group is also upgrading pharmacist training programs to enhance their capabilities so that they can fill their role as pharmacists at the heart of the community.

In business development, the Group pushed ahead with business expansion by opening new dispensing pharmacies and using M&A deals. Store operations are also being overhauled.

During the fiscal year under review, the dispensing pharmacy business reported sales and profit growth with sales rising 7.6% year on year to ¥238,645 million and segment income increasing 18.6% to ¥22,668 million.
During the same period, the Group opened 36 new dispensing pharmacies, including those acquired through M&A deals, and closed 73 pharmacies, resulting in a total of 1,029.

(Cosmetic and drug store business)

In the cosmetic and drug store business, the market environment remained challenging due to a narrowing competitive gap between companies in the sector and the emergence of new competitors from sector consolidation and realignment that also extends to other business sectors.

Against this backdrop, the Group continued to open *ainz & tulpe* cosmetic and drug stores in Tokyo metropolitan area and worked to make stores more appealing by refurbishing existing stores and strengthening merchandise lineups, particularly cosmetics and drug products. Earnings also improved, supported by lower

costs due to greater business efficiency and by an increase in the gross margin due to active efforts to develop *LIPS and HIPS*, *cocodecica* and other proprietary brands and an overhaul of procurement activities.

As a result, for the fiscal year under review, the cosmetic and drug store business reported an increase in sales of 12.8% year on year to ¥24,117 million. And segment income was ¥657 million, compared with segment loss of ¥866 million a year earlier.During the fiscal year under review, the Group opened the *ainz & tulpe* Odakyu Department Store Machida (Machida City, Tokyo), *ainz & tulpe* MARUI KICHIJOJI (Musashino City, Tokyo), *ainz & tulpe* Grand Emio TOKOROZAWA (Tokorozawa City, Saitama) and *ainz* Grand Emio TOKOROZAWA (Tokorozawa City, Saitama) and closed eight stores, resulting in a total of 48 cosmetic and drug stores at the end of the fiscal year.

(Other businesses)

Net sales from other businesses rose 14.2% year on year to ¥5,623 million and segment loss was ¥1,164 million compared with the loss of ¥1,496 million a year earlier.

(2) Overview of financial position for the current fiscal year

The balance of total assets at the end of the fiscal year under review increased by ¥27,112 million from the end of the previous fiscal year to ¥183,435 million. That mainly reflected an increase in cash and deposits from the public offering and private placements.

The balance of liabilities at the end of the fiscal year under review decreased by ¥9,441 million to ¥86,702 million.

The balance of short- term and long-term debts decreased by ¥7,622 million to ¥18,228 million.

Total net assets increased by ¥36,554 million to ¥96,733 million and the shareholders' equity ratio increased 14.3 percentage points to 52.7%.

(3) Overview of cash flows for the current fiscal year

In the fiscal year under review, cash on hand and in banks ("cash") increased ¥33,998 million year on year to ¥63,233 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥21,656 million, compared with net cash provided of ¥18,409 million in the previous fiscal year.

The main items that were positive for cash flow were income before income taxes of ¥17,852 million, as well as depreciation and amortization of ¥3,596 million and amortization of goodwill of ¥3,937 million related to business expansion through new store openings and M&A.

The main item negative for cash flow was income taxes paid of ¥5,487 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,281 million, compared with net cash used of ¥11,183 million in the previous fiscal year.

This mainly reflected payments of ¥3,134 million for purchases of property, plant and equipment related to the opening of new cosmetic and drug stores and dispensing pharmacies, and ¥1,310 million for purchases of shares in subsidiaries due to changes in the scope of consolidation related to shares acquired in seven companies through M&A deals.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥17,623 million, compared with net cash provided of ¥116 million in the previous fiscal year.

The main cash inflow was ¥27,631 million from the issue of new shares and sale of treasury stock related to a public offering and private placements.

The main cash outflows were net repayment of ¥7,775 million from short-term and long-term debt repayment and proceeds, and ¥1,585 million for cash dividends paid.

Changes in the Group's cash flow indicators are shown below.

	Year ended April 30, 2015	Year ended April 30, 2016	Year ended April 30, 2017	Year ended April 30, 2018
Shareholders' equity ratio (%)	42.0	38.1	38.4	52.7
Equity ratio based on market value (%)	117.9	121.0	156.6	141.0
Debt redemption term (years)	1.1	1.0	1.5	0.9
Interest coverage ratio (times)	179.2	226.6	128.0	184.5

Notes: Shareholders' equity ratio = Equity capital / total assets
Equity ratio based on market value = market capitalization / total assets
Debt redemption term = interest-bearing debt / operating cash flows
Interest coverage ratio = operating cash flows / interest paid

*All indicators are calculated based on consolidated financial data.

*Interest-bearing debt includes all liabilities recorded on the balance sheet on which interest is being paid.

*Operating cash flows and interest paid are calculated using the cash flows from operating activities and the interest paid on the consolidated statements of cash flows.

(4) Future outlook

In the fiscal year ending April 30, 2019, the dispensing pharmacy business will continue to develop new dispensing pharmacies and actively seek M&A opportunities. Also, the cosmetic and drug store business will work to expand its business by continuing to open *ainz & tulpe* cosmetic and drug stores in the Tokyo metropolitan area.

Based on these initiatives, the Group forecasts net sales for the fiscal year ending April 30, 2019 of ¥272,870 million, up 1.7% year on year, ordinary income of ¥18,000 million, down 10.6%, and profit attributable to owners of parent of ¥9,260 million, a decrease of 12.4%.

2. Basic stance on selection of accounting standards

The Group has adopted Japanese accounting standards in order to facilitate comparison with other domestic companies in the same sector.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (As of April 30, 2017)	Current fiscal year (As of April 30, 2018)
Assets		
Current assets		
Cash on hand and in banks	29,775,207	63,779,278
Notes and accounts receivable	9,990,401	10,466,175
Merchandise	11,402,078	9,372,438
Supplies	266,095	208,024
Deferred tax assets	1,166,620	1,611,680
Short-term loans	632,826	641,502
Other accounts receivable	9,402,024	7,751,418
Other current assets	2,829,934	2,470,356
Allowance for doubtful accounts	(44,443)	(131,318)
Total current assets	65,420,745	96,169,556
Fixed assets		
Property, plant and equipment		
Buildings and structures	28,026,344	28,310,780
Accumulated depreciation	(12,661,079)	(13,376,674)
Buildings and structures, net	15,365,264	14,934,106
Land	9,958,446	10,041,475
Construction in progress	316,930	118,428
Other property, plant and equipment	10,899,962	10,493,969
Accumulated depreciation	(8,076,596)	(7,734,285)
Other property, plant and equipment, net	2,823,365	2,759,683
Total property, plant and equipment	28,464,007	27,853,694
Intangible fixed assets		
Goodwill	40,939,448	38,011,184
Other intangible fixed assets	2,170,041	2,121,560
Total intangible fixed assets	43,109,490	40,132,745
Investments and other assets		
Investments in securities	2,435,333	2,375,853
Long-term loans	1,194,373	789,511
Deferred tax assets	2,167,711	2,216,602
Net defined benefit asset	22,423	9,576
Deposits and guarantees	10,443,221	11,339,078
Other investments and other assets	3,378,326	2,985,996
Allowance for doubtful accounts	(312,044)	(540,114)
Total investments and other assets	19,329,345	19,176,503
Total fixed assets	90,902,843	87,162,943
Deferred assets		
Share issuance cost	–	103,394
Total deferred assets	–	103,394
Total assets	156,323,588	183,435,894

(Thousand yen)

	Previous fiscal year (As of April 30, 2017)	Current fiscal year (As of April 30, 2018)
Liabilities		
Current liabilities		
Accounts payable	39,325,588	38,728,922
Short-term debt	7,596,939	6,717,732
Accrued income taxes	2,898,695	4,947,006
Deposits received	14,223,768	12,675,598
Allowance for bonuses to employees	1,903,976	1,911,559
Allowance for bonuses to directors	16,090	16,584
Reserve for reward obligations	410,502	420,676
Provision for sales returns	14,165	6,854
Other current liabilities	6,566,001	4,810,166
Total current liabilities	72,955,729	70,235,101
Long-term liabilities		
Long-term debt	18,254,657	11,511,059
Lease obligations	958,033	632,220
Net defined benefit liability	2,331,956	2,625,642
Other long-term liabilities	1,644,227	1,698,694
Total long-term liabilities	23,188,874	16,467,615
Total liabilities	96,144,603	86,702,717
Net assets		
Shareholders' equity		
Common stock	8,682,976	21,894,976
Capital surplus	6,367,844	20,500,942
Retained earnings	45,286,878	54,268,915
Treasury stock	(419,598)	(1,869)
Total shareholders' equity	59,918,101	96,662,966
Accumulated other comprehensive income		
Unrealized holding gains on securities	86,407	84,947
Remeasurement of defined benefit plans	101,414	(50,788)
Total accumulated other comprehensive income	187,821	34,159
Non-controlling interests	73,061	36,051
Total net assets	60,178,984	96,733,176
Total liabilities and net assets	156,323,588	183,435,894

(2) Consolidated statement of income and comprehensive income

Consolidated statement of income

(Thousand yen)

	Previous fiscal year (May 1, 2016 to April 30, 2017)	Current fiscal year (May 1, 2017 to April 30, 2018)
Net sales	248,110,130	268,385,718
Cost of sales	206,017,329	220,392,308
Gross profit	42,092,801	47,993,409
Selling, general and administrative expenses		
Advertising expenses	2,494,327	2,719,678
Promotion expenses	1,413,588	1,019,203
Salaries, allowances and bonuses	5,081,376	5,267,071
Provision of allowance for doubtful accounts	–	132,742
Provision for bonuses	546,890	554,167
Provision for directors' bonuses	16,090	16,809
Retirement benefit expenses	128,970	117,648
Provision for reward obligations	407,488	417,369
Legal and employee benefits expenses	1,643,624	1,854,465
Correspondence and transportation expenses	810,625	806,325
Lease expenses	95,531	85,490
Rent expenses	4,161,213	4,205,217
Depreciation expenses	593,978	646,094
Amortization of goodwill	3,525,577	3,898,547
Taxes	1,133,805	1,181,523
Other	5,476,245	5,448,281
Total selling, general and administrative expenses	27,529,333	28,370,637
Operating income	14,563,467	19,622,772
Non-operating income		
Interest income	68,123	65,844
Dividend income	40,466	36,034
Gains on investments in partnership	63,542	136,615
Commissions received	44,106	61,104
Real estate rental revenue	193,701	181,137
Gains on donations of fixed assets	8,914	19,146
Consignment income	149,944	201,261
Technical advisory fee	62,765	70,371
Other non-operating income	299,773	345,858
Total non-operating income	931,338	1,117,375
Non-operating expenses		
Interest expenses	143,788	117,466
Losses on sales of accounts receivables	67,205	71,654
Real estate rental expenses	89,465	88,972
Provision of allowance for doubtful accounts	–	200,600
Other non-operating expenses	113,733	131,878
Total non-operating expenses	414,192	610,571
Ordinary income	15,080,613	20,129,575

(Thousand yen)

	Previous fiscal year (May 1, 2016 to April 30, 2017)	Current fiscal year (May 1, 2017 to April 30, 2018)
Extraordinary income		
Gains on sales of fixed assets	11,236	76,041
Gains on sales of investments in securities	264,703	8,773
Compensation income	23,099	–
Gain on transfer of business	32,295	59,228
Surrender value of insurance	63,977	31,710
Gain on step acquisitions	–	49,000
Other extraordinary income	59,887	30,732
Total extraordinary income	455,200	255,486
Extraordinary losses		
Losses on disposal and sales of fixed assets	488,814	624,865
Impairment losses on fixed assets	453,942	1,175,521
Directors' retirement benefits	11,481	127,930
Bad debts expenses	216,400	–
Loss on valuation of investments in capital	–	440,000
Other extraordinary losses	57,618	164,153
Total extraordinary losses	1,228,257	2,532,470
Income before income taxes	14,307,556	17,852,591
Income taxes – current	6,040,238	7,863,126
Income taxes – deferred	310,606	(540,940)
Total income taxes	6,350,844	7,322,186
Profit	7,956,712	10,530,405
Profit (loss) attributable to non-controlling interests	7,312	(37,010)
Profit attributable to owners of parent	7,949,399	10,567,415

Consolidated statement of comprehensive income

(Thousand yen)

	Previous fiscal year (May 1, 2016 to April 30, 2017)	Current fiscal year (May 1, 2017 to April 30, 2018)
Profit	7,956,712	10,530,405
Other comprehensive income		
Unrealized holding gains (losses) on securities	149,703	(1,459)
Remeasurements of defined benefit plans, net of tax	16,546	(152,202)
Total other comprehensive income (loss)	166,250	(153,662)
Total comprehensive income	8,122,962	10,376,743
Comprehensive income attributable to owners of parent	8,115,650	10,413,753
Comprehensive income (loss) attributable to non-controlling interests	7,312	(37,010)

(3) Consolidated statement of changes in net assets

Previous fiscal year (May 1, 2016 to April 30, 2017)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	8,682,976	6,367,844	38,605,783	(419,311)	53,237,293
Net changes during the year					
Cash dividends paid			(1,268,304)		(1,268,304)
Profit attributable to owners of parent			7,949,399		7,949,399
Acquisition of treasury stock				(286)	(286)
Net change in items other than shareholders' equity					
Total changes during the year	–	–	6,681,094	(286)	6,680,808
Balance at the end of current year	8,682,976	6,367,844	45,286,878	(419,598)	59,918,101

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current year	(63,296)	84,867	21,570	65,748	53,324,613
Net changes during the year					
Cash dividends paid					(1,268,304)
Profit attributable to owners of parent					7,949,399
Acquisition of treasury stock					(286)
Net change in items other than shareholders' equity	149,703	16,546	166,250	7,312	173,563
Total changes during the year	149,703	16,546	166,250	7,312	6,854,371
Balance at the end of current year	86,407	101,414	187,821	73,061	60,178,984

Current fiscal year (May 1, 2017 to April 30, 2018)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	8,682,976	6,367,844	45,286,878	(419,598)	59,918,101
Net changes during the year					
Issuance of new shares	13,212,000	13,212,000			26,424,000
Cash dividends paid			(1,585,378)		(1,585,378)
Profit attributable to owners of parent			10,567,415		10,567,415
Acquisition of treasury stock				(373)	(373)
Disposal of treasury stock		921,097		418,102	1,339,200
Net change in items other than shareholders' equity					
Total changes during the year	13,212,000	14,133,097	8,982,037	417,728	36,744,864
Balance at the end of current year	21,894,976	20,500,942	54,268,915	(1,869)	96,662,966

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	86,407	101,414	187,821	73,061	60,178,984
Net changes during the year					
Issuance of new shares					26,424,000
Cash dividends paid					(1,585,378)
Profit attributable to owners of parent					10,567,415
Acquisition of treasury stock					(373)
Disposal of treasury stock					1,339,200
Net change in items other than shareholders' equity	(1,459)	(152,202)	(153,662)	(37,010)	(190,672)
Total changes during the year	(1,459)	(152,202)	(153,662)	(37,010)	36,554,191
Balance at the end of current year	84,947	(50,788)	34,159	36,051	96,733,176

(4) Consolidated statement of cash flows

(Thousand yen)

	Previous fiscal year (May 1, 2016 to April 30, 2017)	Current fiscal year (May 1, 2017 to April 30, 2018)
Cash flows from operating activities		
Profit before income taxes	14,307,556	17,852,591
Depreciation and amortization	3,687,357	3,596,297
Amortization of goodwill	3,654,962	3,937,685
Impairment losses on fixed assets	453,942	1,175,521
Loss on valuation of investments in capital	–	440,000
Gain on step acquisitions	–	(49,000)
Increase (decrease) in allowance for doubtful accounts	(15,952)	313,090
Increase in reserve for reward obligations	20,302	10,173
Increase in defined benefit liability	233,656	157,995
Gain on transfer of business	(32,295)	(59,228)
Decrease in provision for sales returns	(1,649)	(7,310)
Increase in allowance for bonuses to employees	197,498	467
Increase in allowance for bonuses to directors	2,500	494
Interest and dividend income	(108,590)	(101,879)
Interest expenses	143,788	117,466
Gains on investments in partnerships	(52,238)	(135,499)
Gains on donations of property, plant and equipment	(8,914)	(19,146)
Gains on sales of investments in securities	(263,332)	(2,879)
Losses on disposal and sales of fixed assets	477,577	548,824
(Increase) decrease in accounts receivable	5,369,379	(25,383)
Bad debts expenses	216,400	–
Decrease in inventories	449,770	2,278,272
Decrease (increase) in other assets	2,536,585	64,761
Decrease (increase) in other accounts receivable	(2,820,742)	1,685,264
Decrease in accounts payable	(4,340,024)	(1,076,904)
(Decrease) increase in other liabilities	2,028,050	(3,544,116)
Subtotal	26,135,588	27,157,558
Interest and dividends received	112,496	104,361
Interest paid	(143,784)	(117,370)
Income taxes paid	(7,695,211)	(5,487,943)
Net cash provided by operating activities	18,409,088	21,656,606

(Thousand yen)

	Previous fiscal year (May 1, 2016 to April 30, 2017)	Current fiscal year (May 1, 2017 to April 30, 2018)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(2,415,960)	(3,134,930)
Proceeds from sales of property, plant and equipment	513,663	421,896
Payments for purchases of investments in securities	(52,883)	(50,360)
Proceeds from sales of investments in securities	869,859	84,440
Purchases of subsidiaries' shares resulting in obtaining controls	(9,697,743)	(1,310,971)
Payments for loans receivable	(349,207)	(404,988)
Proceeds from collections of loans receivable	448,824	482,074
Payments for investments in capital	(10)	(1,010)
Proceeds from returns of investments in capital	25,399	1,784
Payments for purchase of intangible fixed assets	(1,032,219)	(574,817)
Proceeds from sales of intangible assets	38,373	897
(Increase) decrease in other investments	13,353	(868,085)
Proceeds from withdrawal of time deposits	534,838	152,153
Payments for time deposits	(79,580)	(79,735)
Net cash used in investing activities	(11,183,292)	(5,281,653)
Cash flows from financing activities		
Net decrease in short-term loans payable	(391,080)	(119,556)
Proceeds from long-term debts	11,729,595	–
Repayments of long-term debts	(9,217,451)	(7,656,320)
Repayments of lease obligations	(735,691)	(646,739)
Proceeds from issuance of common shares	–	26,292,646
Payments for purchase of treasury stock	(286)	(373)
Proceeds from sales of treasury stock	–	1,339,200
Cash dividends paid	(1,268,304)	(1,585,378)
Net cash provided by financing activities	116,780	17,623,478
Net increase in cash and cash equivalents	7,342,577	33,998,430
Cash and cash equivalents at beginning of the year	21,892,179	29,234,757
Cash and cash equivalents at end of the year	29,234,757	63,233,188

(5) Notes to Consolidated statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

(Segment Information, etc.)

a. Segment information

1. Description of the reportable segments

The Company's reportable segments consist of those of its components for which it is possible to obtain separate financial information that is examined by its Board of Directors on a regular basis for the purpose of deciding on the allocation of corporate resources and assessing business performance.

The Group's business comprises three units that together represent its main business units, namely, dispensing pharmacy business that consists of operation of dispensing pharmacies, selling of generic drugs, recruiting and consulting services, and cosmetic and drug store business that consists of the management of cosmetic and drug stores as well as other businesses that consist mainly of real-estate leasing services. The formulation and examination of business strategy is conducted individually for each business.

Accordingly, the reportable segments of the Group are composed of three units, namely, dispensing pharmacy business, cosmetic and drug store business and other businesses.

Effective from the fiscal year under review, the Group has changed the name of the drug and cosmetic store business to the cosmetic and drug store business. This is a change in name only and does not affect segment information. As a result, information for the previous fiscal year is unchanged.

2. Methods to determine the amounts of net sales, income or losses, assets, liabilities and other items by reportable segment

The methods used for accounting for the reportable business segments are generally similar to those described in the Basic Important Matters for Preparation of Consolidated Financial Statements.

The income figures for the reportable segments are expressed at the ordinary income level. Intersegment sales and transfers are based on prevailing market prices.

3. Sales, income (loss), assets, liabilities and other items for each reportable segment

I. Previous fiscal year (May 1, 2016 to April 30, 2017)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other business	Total		
Sales						
Sales to third parties	221,801,546	21,383,183	4,925,399	248,110,130	–	248,110,130
Intersegment sales	–	–	379,620	379,620	(379,620)	–
Total sales	221,801,546	21,383,183	5,305,020	248,489,751	(379,620)	248,110,130
Segment income (loss)	19,110,100	(866,490)	(1,496,079)	16,747,531	(1,666,918)	15,080,613
Segment assets	148,765,029	10,118,204	11,054,416	169,937,650	(13,614,062)	156,323,588
Other						
Depreciation and amortization	2,299,471	357,869	400,910	3,058,251	201,916	3,260,168
Amortization of goodwill	3,625,454	–	29,508	3,654,962	–	3,654,962
Impairment losses	368,333	85,609	–	453,942	–	453,942
Increase of tangible and intangible assets	2,620,583	907,174	381,086	3,908,844	26,129	3,934,973

Notes: 1. Segment income (loss) in “Adjustments” totaling (¥1,666,918 thousand) includes ¥3,326,575 thousand in overall group expenses, (¥1,645,795 thousand) in (income) losses that may not be allocated to the reporting segments, and (¥13,861 thousand) in elimination due to intersegment transactions.
The overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.
Segment assets in “Adjustments” totaling (¥13,614,062 thousand) consist mainly of assets associated with the administrative divisions of the parent company and the difference in elimination of intersegment transactions.

2. Segment income is adjusted with the ordinary income of consolidated statements of income.

II. Current fiscal year (May 1, 2017 to April 30, 2018)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy business	Cosmetic and drug store business	Other business	Total		
Sales						
Sales to third parties	238,645,001	24,117,511	5,623,205	268,385,718	–	268,385,718
Intersegment sales	–	–	278,427	278,427	(278,427)	–
Total sales	238,645,001	24,117,511	5,901,632	268,664,145	(278,427)	268,385,718
Segment income (loss)	22,668,935	657,560	(1,164,950)	22,161,545	(2,031,970)	20,129,575
Segment assets	155,572,653	9,943,165	10,016,779	175,532,598	7,903,295	183,435,894
Other						
Depreciation and amortization	2,229,867	334,276	387,714	2,951,858	191,617	3,143,476
Amortization of goodwill	3,910,121	–	27,564	3,937,685	–	3,937,685
Impairment losses	803,158	128,802	243,560	1,175,521	–	1,175,521
Increase of tangible and intangible assets	1,523,070	931,038	1,183,124	3,637,234	305,148	3,942,382

Notes: 1. Segment income (loss) in “Adjustments” totaling (¥2,031,970 thousand) includes ¥3,783,988 thousand in overall group expenses, (¥1,723,321 thousand) in (income) losses that may not be allocated to the reporting segments, and (¥28,696 thousand) in elimination due to intersegment transactions.
The overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.
Segment assets in “Adjustments” totaling ¥7,903,295 thousand consist mainly of assets associated with the administrative divisions of the parent company and the difference in elimination of intersegment transactions.
2. Segment income is adjusted with the ordinary income of consolidated statements of income.

b. Related information

Previous fiscal year (May 1, 2016 to April 30, 2017)

1. Information by product and service

This disclosure has been omitted because the same information is disclosed under Segment Information.

2. Information by region

(1) Net sales

This disclosure has been omitted as the Group's sales to external customers in Japan accounted for more than 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

This disclosure has been omitted because the Group had no property, plant and equipment located outside Japan at the balance sheet date.

Current fiscal year (May 1, 2017 to April 30, 2018)

1. Information by product and service

This disclosure has been omitted because the same information is disclosed under Segment Information.

2. Information by region

(1) Net sales

This disclosure has been omitted as the Group's sales to external customers in Japan accounted for more than 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

This disclosure has been omitted because the Group had no property, plant and equipment located outside Japan at the balance sheet date.

c. Information regarding impairment losses of fixed assets for each reported segment

Previous fiscal year (May 1, 2016 to April 30, 2017)

This disclosure has been omitted because the same information is disclosed under Segment Information.

Current fiscal year (May 1, 2017 to April 30, 2018)

This disclosure has been omitted because the same information is disclosed under Segment Information.

d. Information about goodwill amortization amount and year-end balance for each reportable segment

Previous fiscal year (May 1, 2016 to April 30, 2017)

(Thousand yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	3,625,454	–	29,508	–	3,654,962
Balance at the end of current fiscal year	40,719,410	–	220,038	–	40,939,448

Current fiscal year (May 1, 2017 to April 30, 2018)

(Thousand yen)

	Dispensing pharmacy business	Cosmetic and drug store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	3,910,121	–	27,564	–	3,937,685
Balance at the end of current fiscal year	37,870,756	–	140,428	–	38,011,184

e. Information about gains on bargain purchase for each reported segment

Previous fiscal year (May 1, 2016 to April 30, 2017)

There are no applicable matters to be reported.

Current fiscal year (May 1, 2017 to April 30, 2018)

There are no applicable matters to be reported.