



Summary of Financial Statements for the First Quarter of Fiscal Year Ending April 2014

[Japan GAAP] (Consolidated)

August 28, 2013

Name of listed company: **AIN PHARMACIEZ INC.**
 Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
 Code number: 9627 URL: <http://www.ainj.co.jp/>
 Representative: Kiichi Otani, President and Representative Director
 Inquiries: Toshihide Mizushima, Senior Managing Director and Chief Director of Administration
 TEL: +81-11-783-0189
 Date of filing quarterly securities report: September 13, 2013
 Start of dividend payment: —
 Supplementary documents for quarterly results: No
 Quarterly results briefing: No

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

1. Consolidated results for the first quarter of fiscal year ending April 30, 2014 (May 1, 2013 to July 31, 2013)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended July 31, 2013	41,214	13.7	2,384	5.7	2,484	6.7	1,516	66.3
Three months ended July 31, 2012	36,257	6.8	2,255	0.3	2,328	2.4	912	(12.9)

(Note) Comprehensive income: Three months ended July 31, 2013: ¥1,478 million (+42.2%)
 Three months ended July 31, 2012: ¥1,039 million (-0.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended July 31, 2013	95.16	—
Three months ended July 31, 2012	57.22	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2013	99,574	38,878	39.0	2,436.13
As of April 30, 2013	95,839	38,356	40.0	2,403.43

(Reference) Shareholders' equity: As of July 31, 2013: ¥38,833 million As of April 30, 2013: ¥38,312 million

2. Dividends

Record date	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, 2013	—	0.00	—	60.00	60.00
Year ending April 30, 2014	—				
Year ending April 30, 2014 (forecast)		0.00	—	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, 2014 (May 1, 2013 to April 30, 2014)

(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 six months	81,590	8.7	4,912	16.7	5,122	15.0	2,550	19.3	159.96
Full year	172,000	11.3	11,280	16.3	11,650	13.2	6,000	18.2	376.31

(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. Matters concerning summary information (notes) (2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements" on page 3 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.: | 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 July 31, 2013	15,944,106 shares	As of April 30, 2013	15,944,106 shares
2) Number of shares held in treasury:	As of July 31, 2013	3,416 shares	As of April 30, 2013	3,366 shares
3) Average number of shares outstanding:	Three months ended July 31, 2013	15,940,723 shares	Three months ended July 31, 2012	15,940,757 shares

*Status of execution of the quarterly review of financial statements

This quarterly financial summary is not subject to the quarterly review procedure based on the Financial Instruments and Exchange Act. As of the time of disclosure, this review procedure for quarterly financial statements had not been completed.

*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.

Contents

1. Qualitative information on consolidated results for the period under review.....	2
(1) Consolidated operating results	2
(2) Consolidated financial position	2
(3) Forecast of consolidated financial results and other forward-looking information.....	3
2. Matters concerning summary information (notes)	3
(1) Major changes in subsidiaries during the period	3
(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements	3
(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions	3
3. Quarterly consolidated financial statements	4
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and comprehensive income.....	6
Quarterly consolidated statements of income.....	6
Quarterly consolidated statements of comprehensive income	7
(3) Notes on quarterly consolidated financial statements	8
(Notes on the premise of a going concern).....	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Segment Information, etc.)	8

1. Qualitative information on consolidated results for the period under review

(1) Consolidated operating results

During the first three months of the current fiscal year (May 1, 2013 to July 31, 2013), the Japanese economy showed signs of a steady recovery. Corporate earnings improved, driven mainly by a pickup in exports and an increase in production, while deflationary pressure on prices gradually eased.

In this economic environment, the AIN PHARMACIEZ 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 pushed ahead with the comprehensive development of medical malls and developed its urban drug and cosmetic store business.

In the first three months of the fiscal year, net sales increased 13.7% year on year to ¥41,214 million, operating income increased 5.7% to ¥2,384 million, ordinary income increased 6.7% to ¥2,484 million, and net income increased 66.3% to ¥1,516 million.

Financial results by business segment are as follows.

(Dispensing pharmacy business)

In the dispensing pharmacy business, sales at existing dispensing pharmacies increased overall, supported by growth in average sales per prescription due to an increase in longer-term prescriptions.

In new dispensing pharmacy development, the Group mainly focused on opening specialist dispensing pharmacies near hospitals, but also conducted M&A deals and carried out the comprehensive development of medical malls at sites across Japan.

As part of efforts to boost profitability, the Group is implementing a far-reaching program to overhaul drug dispensing processes and dispensing pharmacy management methods in order to boost the productivity of each dispensing pharmacy. The Group plans to roll out this program across its entire network after a trial period at a number of model dispensing pharmacies.

Meanwhile, the Group hired more than 250 new pharmacist graduates in April 2013. These new employees were assigned to the Group's dispensing pharmacies throughout Japan after completing a one-month joint training program.

As a result, for the first three months of the fiscal year, the dispensing pharmacy business reported sales and income growth year on year, with net sales rising 14.2% to ¥36,524 million and segment income increasing 6.7% to ¥3,036 million.

During the period under review, the Group opened 18 new dispensing pharmacies, including those acquired through M&A deals, and sold one dispensing pharmacy, resulting in a total of 577.

(Drug and cosmetic store business)

In the drug and cosmetic store business, consumer spending is recovering overall, but the Group continues to face a challenging market environment due to the emergence of new competitors from sector consolidation and realignment that also extends to other sectors, as well as changes in the business environment for online sales of OTC drugs.

Against this backdrop, the Group is continuing to open urban drug and cosmetic stores under the *ainz & tulpe* brand, particularly in urban areas with high customer traffic. Steps are also being taken to revitalize existing stores.

With *ainz & tulpe*, the Group is aiming to boost the sales capabilities of each store and improve profitability. These efforts include reinforcing merchandise lineups to tailor them to each retail area and location, based on the brand's store concept as a specialist drug and cosmetics retailer, and implementing sales promotion methods that maximize the potential of mobile devices through the use of SNS and other smartphone applications.

As a result, for the first three months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 9.1% year on year to ¥4,529 million. However, segment income declined 65.8% to ¥19 million.

During the period under review, the business closed the suburban drugstore *ainz* DAIEI SAKAEMACHI (Higashi-ku, Sapporo City), resulting in a Group total of 60 stores.

(Other businesses)

Net sales and segment loss from other businesses were ¥160 million and ¥114 million, respectively.

(2) Consolidated financial position

The balance of total assets at the end of the first quarter increased by ¥3,734 million from the end of the previous fiscal year to ¥99,574 million.

This mainly reflected an increase in inventories, other accounts receivable, property, plant and equipment such as land and buildings and goodwill, due to the Group's business expansion through new store openings and M&A deals.

The balance of liabilities rose ¥3,213 million to ¥60,696 million, mainly reflecting an increase in accounts payable.

The balance of short- and long-term debt decreased by ¥588 million to ¥14,943 million.

Total net assets increased by ¥521 million to ¥38,878 million and the shareholders' equity ratio declined 1.0 percentage points to 39.0%.

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

The Group has made no change to its earnings forecasts for the first six months of the fiscal year and for the full fiscal year, announced on May 28, 2013, in light of earnings trends at new stores and existing stores in the first three months of the fiscal year and future store opening plans.

2. Matters concerning summary information (notes)

(1) Major changes in subsidiaries during the period

There are no applicable matters to be reported.

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements

Tax expenses were calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to net income before taxes for the consolidated fiscal year including the first quarter, and multiplying the estimated effective tax rate by income before income taxes for the quarter.

In addition, deferred income taxes are included in income taxes.

(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions

(Change in accounting policies that may be difficult to distinguish from changes in accounting estimates)

There are no applicable matters to be reported.

3. Quarterly consolidated financial statements**(1) Quarterly consolidated balance sheets**

(Thousand yen)

	Fiscal year ended April 30, 2013 (As of April 30, 2013)	Three months ended July 31, 2013 (As of July 31, 2013)
Assets		
Current assets		
Cash on hand and in banks	18,460,349	19,524,328
Notes and accounts receivable	7,043,984	5,211,222
Merchandise	7,816,853	9,474,824
Supplies	127,546	132,377
Deferred tax assets	955,372	955,603
Short-term loans	445,000	833,100
Other accounts receivable	7,180,659	7,955,861
Other current assets	1,142,498	1,180,182
Allowance for doubtful accounts	(9,917)	(13,649)
Total current assets	43,162,346	45,253,849
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	8,247,806	8,466,215
Land	6,030,803	6,335,433
Other property, plant and equipment, net	3,271,425	3,477,782
Total property, plant and equipment	17,550,035	18,279,431
Intangible fixed assets		
Goodwill	19,574,539	20,530,277
Other intangible fixed assets	1,031,265	1,116,172
Total intangible fixed assets	20,605,804	21,646,449
Investments and other assets		
Investments in securities	2,789,730	2,699,090
Deferred tax assets	946,439	972,280
Deposits and guarantees	6,985,755	7,057,757
Other investments and other assets	4,066,340	3,933,042
Allowance for doubtful accounts	(267,829)	(267,829)
Total investments and other assets	14,520,435	14,394,341
Total fixed assets	52,676,275	54,320,221
Deferred assets		
Stock issuance cost	1,296	790
Total deferred assets	1,296	790
Total assets	95,839,919	99,574,861

(Thousand yen)

	Fiscal year ended April 30, 2013 (As of April 30, 2013)	Three months ended July 31, 2013 (As of July 31, 2013)
Liabilities		
Current liabilities		
Accounts payable	24,084,746	30,063,571
Short-term debt	7,483,090	7,815,504
Accrued income taxes	2,427,308	1,146,438
Deposits received	7,906,269	7,051,834
Allowance for bonuses to employees	1,098,611	885,323
Allowance for bonuses to directors	12,929	4,774
Reserve for reward obligations	315,919	321,976
Other current liabilities	2,357,917	2,296,652
Total current liabilities	45,686,791	49,586,075
Long-term liabilities		
Long-term debt	8,048,584	7,127,531
Allowance for retirement benefits	1,659,245	1,699,478
Other long-term liabilities	2,088,777	2,283,671
Total long-term liabilities	11,796,607	11,110,681
Total liabilities	57,483,398	60,696,756
Net assets		
Shareholders' equity		
Common stock	8,682,976	8,682,976
Capital surplus	7,872,970	7,872,970
Retained earnings	21,704,510	22,265,042
Treasury stock	(5,837)	(6,047)
Total shareholders' equity	38,254,620	38,814,942
Accumulated other comprehensive income		
Unrealized holding gains on securities	57,855	18,590
Total accumulated other comprehensive income	57,855	18,590
Minority interests	44,044	44,572
Total net assets	38,356,520	38,878,105
Total liabilities and net assets	95,839,919	99,574,861

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

	(Thousand yen)	
	Three months ended July 31, 2012 (May 1, 2012 to July 31, 2012)	Three months ended July 31, 2013 (May 1, 2013 to July 31, 2013)
Net sales	36,257,718	41,214,597
Cost of sales	30,356,263	34,966,188
Gross profit	5,901,455	6,248,408
Selling, general and administrative expenses	3,645,983	3,864,047
Operating income	2,255,471	2,384,360
Non-operating income		
Interest income	14,495	15,686
Dividend income	19,514	19,551
Commissions received	13,608	2,169
Real estate rental revenue	28,879	20,170
Consignment income	34,469	32,529
Other non-operating income	47,454	130,424
Total non-operating income	158,423	220,533
Non-operating expenses		
Interest expenses	35,482	28,157
Losses on sales of accounts receivables	17,712	21,291
Real estate rental expenses	9,281	11,765
Other non-operating expenses	23,192	58,720
Total non-operating expenses	85,669	119,935
Ordinary income	2,328,225	2,484,958
Extraordinary income		
Gains on sales of investments in securities	—	13,889
Gains on sales of fixed assets	10,881	4,051
Insurance income	50,000	193,941
Other extraordinary income	809	9,523
Total extraordinary income	61,690	221,405
Extraordinary losses		
Losses on disposal and sales of fixed assets	37,299	20,897
Losses on sales of investments in securities	107,387	—
Impairment losses on investments in securities	209,958	—
Directors' retirement benefits	310,000	—
Other extraordinary losses	17,089	10,184
Total extraordinary losses	681,734	31,081
Income before income taxes and minority interests	1,708,181	2,675,282
Income taxes	810,991	1,157,779
Income before minority interests	897,190	1,517,503
Minority interests in income (loss)	(14,867)	527
Net income	912,057	1,516,976

Quarterly consolidated statements of comprehensive income

(Thousand yen)

	Three months ended July 31, 2012 (May 1, 2012 to July 31, 2012)	Three months ended July 31, 2013 (May 1, 2013 to July 31, 2013)
Income before minority interests	897,190	1,517,503
Other comprehensive income		
Unrealized holding gains (losses) on securities	142,604	(39,265)
Total other comprehensive income (loss)	142,604	(39,265)
Comprehensive income	1,039,794	1,478,238
Comprehensive income attributable to shareholders of the parent	1,054,662	1,477,711
Comprehensive income (loss) attributable to minority interests	(14,867)	527

(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.

(Segment Information, etc.)

I Three months ended July 31, 2012 (May 1, 2012 to July 31, 2012)

1. Net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	31,987,482	4,153,567	116,668	36,257,718	—	36,257,718
(2) Intersegment sales	—	—	3,306	3,306	(3,306)	—
Total sales	31,987,482	4,153,567	119,975	36,261,025	(3,306)	36,257,718
Segment income (loss)	2,846,777	58,355	(94,521)	2,810,611	(482,386)	2,328,225

Notes: 1. The adjustment of ¥(482,386) thousand to segment income (loss) includes ¥455,820 thousand in corporate expenses, ¥5,287 thousand in losses that are not allocated to reportable segments, and ¥21,277 thousand in eliminations due to intersegment transactions.

Overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.

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 Three months ended July 31, 2013 (May 1, 2013 to July 31, 2013)

1. Net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	36,524,575	4,529,796	160,224	41,214,597	—	41,214,597
(2) Intersegment sales	—	—	46,118	46,118	(46,118)	—
Total sales	36,524,575	4,529,796	206,343	41,260,715	(46,118)	41,214,597
Segment income (loss)	3,036,543	19,959	(114,326)	2,942,175	(457,216)	2,484,958

Notes: 1. The adjustment of ¥(457,216) thousand to segment income (loss) includes ¥431,887 thousand in corporate expenses, ¥41,818 thousand in losses that are not allocated to reportable segments, and ¥(16,488) thousand in eliminations due to intersegment transactions.

Overall group expenses consist mainly of expenses associated with the administrative divisions of the parent

company, such as general affairs and accounting divisions.

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.