

Summary of Financial Statements for Fiscal Year Ended April 2014

May 27, 2014

Name of listed company: **AIN PHARMACIEZ INC.**
 Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
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Date of the ordinary general meeting of shareholders: July 30, 2014

Date of scheduled payment of dividends: July 31, 2014

Date of filing securities report: July 31, 2014

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 2014 (from May 1, 2013 to April 30, 2014)

(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	%
Year ended April 30, 2014	170,225	10.1	10,113	4.3	10,587	2.9	5,259	3.6
Year ended April 30, 2013	154,560	8.2	9,701	(5.4)	10,292	(2.4)	5,075	3.6

(Note) Comprehensive income: Year ended April 30, 2014: ¥5,309 million (- 1.8%)
 Year ended April 30, 2013: ¥5,407 million (+ 9.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended April 30, 2014	330.08	—	13.1	10.7	5.9
Year ended April 30, 2013	318.37	—	14.1	11.3	6.3

(Reference) Equity in earnings of affiliates: Year ended April 30, 2014: ¥ — million, Year ended April 30, 2013: ¥ — 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, 2014	101,382	42,240	41.5	2,656.86
As of April 30, 2013	95,839	38,356	40.0	2,403.43

(Reference) Equity capital: As of April 30, 2014: ¥42,122 million, April 30, 2013: ¥38,312 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, 2014	14,662	(7,749)	(6,617)	18,735
Year ended April 30, 2013	10,203	(8,503)	803	18,439

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			
Year ended April 30, 2013	—	0.00	—	60.00	60.00	956	18.8	2.7
Year ended April 30, 2014	—	0.00	—	60.00	60.00	951	18.2	2.4
Year ending April 30, 2015 (forecast)	—	0.00	—	60.00	60.00		17.3	

3. Consolidated financial forecast for the fiscal year ending April 30, 2015 (from May 1, 2014 to April 30, 2015)
(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	89,260	7.5	3,590	(28.4)	3,830	(25.8)	1,970	(32.1)	124.26
Full year	190,000	11.6	10,260	1.5	10,700	1.1	5,500	4.6	346.91

* 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.: Yes

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, 2014	15,944,106 shares	As of April 30, 2013	15,944,106 shares
2) Number of shares held in treasury:	As of April 30, 2014	89,916 shares	As of April 30, 2013	3,366 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2014	15,933,490 shares	Fiscal year ended April 30, 2013	15,940,744 shares

*Status of execution of the audit procedures of financial statements:

The procedure for the review of the financial statements under the Financial Instruments and Exchange Act was not complete at the moment of disclosing this summary.

*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. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

During the fiscal year ended April 30, 2014, the Japanese economy recovered steadily, despite signs of a pullback in demand after spiking ahead of the consumption tax hike. The upturn in the economy reflected an improvement in corporate earnings and employment conditions, as well as a broader-based pickup in capital expenditure and other areas.

In this economic environment, the AIN PHARMACIEZ Group (the Group) worked to expand its business by opening new dispensing pharmacies and using M&A, while also pushing ahead with the comprehensive development of medical malls and the urban drug and cosmetic store business. The Group also aimed to boost profitability by revitalizing existing stores and dispensing pharmacies.

For the fiscal year under review, the Group reported net sales of ¥170,225 million, an increase of 10.1% year on year, reflecting the opening of new dispensing pharmacies and M&As. Ordinary income rose 2.9% to ¥10,587 million and net income increased 3.6% year on year to ¥5,259 million.

As of the end of the fiscal year, the number of stores in the Group totaled 675, a net increase of 54 stores from the end of the previous fiscal year.

Performance by business segment was as follows.

(Dispensing pharmacy business)

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

Under dispensing fee revisions in April 2014, the dispensing fee system is being revised to reflect the functions of dispensing pharmacies in order to improve pharmaceutical management and promote dispensing services for home healthcare patients. The revisions are also designed to encourage even wider use of generic drugs.

For some time, the Group has been preparing for the impact of these dispensing fee revisions through a pharmacy-led project that reviews and rebuilds all dispensing processes at each dispensing pharmacy in order to improve dispensing pharmacy efficiency and upgrade patient services. The Group is also building links with local medical service providers, mainly in the area of home-based dispensing, and working to promote wider use of generic drugs in order to fulfill the new roles being asked of dispensing pharmacies.

In business development, the Group continued to push ahead with business expansion by opening new dispensing pharmacies, primarily dispensing pharmacies near hospitals and medical malls, and through M&A deals. In medical mall development, the Group was involved in the development of one of Japan's largest medical floors, in ABENO HARUKAS, a new mixed-use skyscraper (Abeno-ku, Osaka; 60 above ground floors, five below ground). This culminated in the opening of a new medical mall dispensing pharmacy called Ain Pharmacy ABENO HARUKAS in April 2014.

The dispensing pharmacy business reported net sales of ¥151,472 million, an increase of 10.3% year on year, and segment income of ¥12,772 million, up 0.9%. During the fiscal year under review, the Group opened 62 dispensing pharmacies, including those operated by 13 companies that became Group subsidiaries through M&A deals, and closed six dispensing pharmacies, resulting in a total of 616.

(Drug and cosmetic store business)

In the drug and cosmetic 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, as well as regulatory changes related to online sales of OTC drugs.

Against this backdrop, the Group continued to open *ainz & tulpe* urban drug stores to meet consumer needs.

Ainz & tulpe is a specialist, highly original drug and cosmetic store brand that the Group is rolling out in urban areas with high customer traffic. The Group continued to reinforce merchandising lineups at *ainz & tulpe* stores, particularly drug and cosmetic products, in order to boost sales capabilities and increase the gross margin.

In sales promotion, the Group worked to expand the customer base using a range of different communication tools tailored to customer segments, such as emails for Ainz Point Club members and communication apps such as LINE and Twitter.

During the fiscal year under review, the Group opened a number of *ainz & tulpe* format stores. These included *ainz & tulpe* SANNOMIYA SANKITA-DORI (Chuo-ku, Kobe), *ainz & tulpe* ABENO solaha (Abeno-ku, Osaka) and *ainz & tulpe* NU chayamachi (Kita-ku, Osaka), opened as part of efforts to build a dominant position in the Kyoto-Osaka-Kobe area. The Group also closed five stores, mainly suburban stores, resulting in a Group total of 59 stores at the end of the fiscal year.

As a result, the drug and cosmetic store business reported net sales of ¥17,985 million, an increase of 7.5% year on year, and segment income of ¥23million, up 65.8%.

(Other businesses)

Net sales of other businesses totaled ¥767 million, an increase of 43.9% year on year, and segment losses totaled ¥218 million, an improvement of ¥179 million year on year.

In the fiscal year ending April 30, 2015, the dispensing pharmacy business will continue to develop new dispensing pharmacies near hospitals and medical mall dispensing pharmacies, and actively seek M&A opportunities. Also, the drug and cosmetic store business will work to expand its business by continuing to open *ainz & tulpe* urban drug stores.

In the dispensing pharmacy business, existing dispensing pharmacies are struggling to maintain profitability due to factors such as higher procurement costs after the hike to consumption tax and greater demands on them to provide patients with high-quality services.

The Group will continue to implement its strategy of expanding the business through new store openings and M&As in order to maximize economies of scale. Also, the Group will work to improve profitability at existing dispensing pharmacies by rolling out its project to revitalize pharmacies, and strengthen the capabilities of dispensing pharmacies by upgrading pharmacist recruitment and training programs and investing in facilities. Using its specialist generic drug wholesale subsidiary, WHOLESAL STARS Co., Ltd., the Group will also promote wider use of generic drugs in order to secure profits.

In the drug and cosmetic store business, the Group will continue to strengthen merchandise lineups at each store, enhance the appeal of its stores as specialist drug and cosmetics formats, and boost the gross margin. In sales promotion, the Group will continue to use mobile communication tools and other approaches to expand the customer base, while also boosting the communication capabilities of the *ainz & tulpe* format.

In addition, the Group will continue to open new stores in station retail areas and adjacent facilities, where it is easier to attract customers. This will be combined with a scrap & build approach for existing stores, using store renovations and closures to revitalize the store network.

Based on these initiatives, the Group forecasts net sales for the fiscal year ending April 30, 2015 of ¥190,000 million, up 11.6% year on year, ordinary income of ¥10,700 million, up 1.1%, and net income of ¥5,500 million, an increase of 4.6%

(2) Analysis of financial position

1) Assets, liabilities and net assets

Consolidated current assets at the end of the fiscal year under review increased by ¥1,172 million to ¥44,334 million compared to ¥43,162 million at the end of the previous fiscal year.

This mainly reflected cash on hand and in banks of ¥18,846 million, an increase of ¥386 million compared with the previous fiscal year, merchandise of ¥9,578 million, an increase of ¥1,762 million due to business expansion, and other accounts receivable of ¥5,679 million, down ¥1,500 million.

Fixed assets at the end of the fiscal year under review increased by ¥4,371 million to ¥57,048 million compared to ¥52,676 million at the end of the previous fiscal year.

This was mainly due to an increase in fixed assets related to investment in new stores and expansion in the asset base at consolidated subsidiaries that became part of the Group through M&A deals. Property, plant and equipment, mainly buildings and structures, increased by ¥2,033 million to ¥19,583 million, while goodwill rose ¥442 million to ¥20,017 million.

In addition, investments and other assets increased by ¥1,814 million year on year to ¥16,334 million, chiefly reflecting an increase in deposits and guarantees.

Liabilities increased by ¥1,659 million to ¥59,142 million compared to ¥57,483 million at the end of the previous fiscal year.

This primarily reflected accounts payable of ¥28,002 million, up ¥3,917 million year on year, short-term debt of ¥6,535 million, down ¥947 million, and long-term debt of ¥4,502 million, down ¥3,545 million.

As a result of the above, the balance of current liabilities increased by ¥4,662 million from the previous year-end balance of ¥45,686 million to ¥50,349 million, and the balance of long-term liabilities decreased by ¥3,003 million from the previous year-end balance of ¥11,796 million to ¥8,793 million.

Net assets increased by ¥3,883 million to ¥42,240 million compared to ¥38,356 million at the end of the previous fiscal year.

Retained earnings increased ¥4,302 million year on year to ¥26,007 million due to growth in surplus funds, while treasury stock increased ¥411 million to ¥417 million due to a share buyback.

As a result of the above factors, shareholders' equity ratio improved 1.5 percentage points to 41.5%, compared with 40.0% at the end of the previous fiscal year.

2) Cash flows

In the fiscal year under review, cash on hand and in banks ("cash") increased ¥295 million (1.6%) year on year to ¥18,735 million. This reflected operating cash flow generated by dispensing pharmacy and drug and cosmetic store businesses, which was mainly used to actively invest in new store openings and M&A. Some cash was also retained to provide constant access to a certain level of funds.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥14,662 million, an increase of 43.7% year on year.

The main items that were positive for cash flow were income before income taxes and minority interests of ¥10,265 million, as well as depreciation and amortization of ¥2,258 million, amortization of goodwill of ¥2,033 million and increase in notes and accounts payable-trade of ¥3,075 million related to business expansion through new store openings and M&A.

The main items that were negative for cash flow was income taxes paid of ¥4,603 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥7,749 million, a decrease of 8.9% year on year.

This mainly reflected payments of ¥3,460 million for purchases of property, plant and equipment related to the opening of new urban drug stores and dispensing pharmacies, and ¥2,410 million for purchases of shares in subsidiaries due to changes in the scope of consolidation related to shares acquired in 13 companies through M&A deals.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥6,617 million, compared with cash of ¥803 million provided the previous fiscal year.

This was mainly attributable to net short-term debt repayment of ¥318 million and net long-term debt repayment of ¥4,373 million.

Purchase of treasury stock of ¥411 million and cash dividends paid of ¥956 million also had a negative impact on cash flows from financing activities.

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

	Year ended April 30, 2011	Year ended April 30, 2012	Year ended April 30, 2013	Year ended April 30, 2014
Shareholders' equity ratio (%)	38.3	39.2	40.0	41.5
Equity ratio based on market value (%)	64.5	79.6	79.3	70.3
Debt redemption term (years)	1.7	1.1	1.7	0.9
Interest coverage ratio (times)	31.4	73.6	70.3	143.0

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.

(3) Basic policies for profit distribution, and dividends for the current fiscal year and the next fiscal year

The Company considers the return of profits to shareholders as an important management issue. Our basic policy is to repay our investors proportionate to the profit we make, and to maintain these at stable levels.

Internal reserves are held to strengthen the corporate structure and in preparation for new store openings and future development of the business. We will make effective use of these funds to generate profits to be returned to shareholders in the future.

The Company's basic policy is to pay dividends from retained earnings once per year at the end of the fiscal

year. The year-end dividend to be paid is determined at the ordinary general meeting of shareholders, and interim dividends are set at the Board of Directors' meeting. Further, the Company has stated in its Articles of Incorporation that "When approved by the Board of Directors, interim dividends may be paid based on a record date of October 31 each year."

For the fiscal year under review, the Company plans to pay a dividend from retained earnings of ¥60 per share, the same level as the dividend for the previous fiscal year.

In view of profit forecasts, plans for investment and other factors, the Company intends to pay an ordinary dividend from retained earnings of ¥60 per share for the fiscal year ending April 30, 2015, the same level as the planned dividend for the fiscal year under review.

(4) Business and other risks

The following factors may affect the Group's operating results, stock price and financial position. Statements in the text referring to the future reflect the judgment of the Group at the end of the fiscal year under review.

1) Laws and regulations

(i) Regulations under the Pharmaceutical Affairs Law and other laws

We operate dispensing pharmacy business under various permits, licenses, registrations and notifications including those set forth by the Pharmaceutical Affairs Law, the Health Insurance Law, and the Pharmacists Law, under the supervision of the Ministry of Health, Labour and Welfare, and of prefectural health and welfare departments.

The drugstore business in our drug and cosmetic store business also involves drug sales, which are similarly regulated under the Pharmaceutical Affairs Law.

The main ones are as follows.

Approval, registration, appointment, license or notification	Term of validity	Related law or ordinance	Grantor
Permit to open a pharmacy	6 years	Pharmaceutical Affairs Law	Prefectural Governors
Insurance pharmacy certification	6 years	Health Insurance Law	Prefectural Social Insurance Bureau Heads
License to sell narcotic drugs	2 years	Narcotics and Psychotropics Control Law	Prefectural Governors
Notification of sales of medical equipment	Indefinite	Pharmaceutical Affairs Law	Prefectural Governors
Business selling highly controlled medical equipment	6 years	Pharmaceutical Affairs Law	Prefectural Governors
Medical product sales permit ^(Note)	6 years	Pharmaceutical Affairs Law	Prefectural Governors, etc.

Note: Under Article 25 of the Pharmaceutical Affairs Law, medical product sales permits fall into the three categories: Store-based drug sellers, drug sellers by household distribution and drug sellers by wholesale distribution. The Group's drug and cosmetic store business has a permit for store-based drug sales under this law. If the Group becomes the subject of an order of revocation or suspension of business license by the competent authorities due to an act committed in the Group's dispensing pharmacy and drug and cosmetic store businesses, which constitutes a violation of law set forth in Paragraph 1, Article 75 of the Pharmaceutical Affairs Law, items in Article 80 of the Health Insurance Law, or Paragraph 1, Article 51 of the Narcotics and Psychotropic Control Law, the Group's performance may be affected.

(ii) Easing of drug sales regulations

Under the "Law for Partial Revision of the Pharmaceutical Affairs Law" (Law No. 69, June 14, 2006), which includes a review of the sales system for over-the-counter (OTC) drugs; OTC drugs are categorized into three groups by risk. It has thus possible to sell the two lower-risk categories of drugs as newly registered sellers, not requiring a pharmacist. Factors such as the entry into the market of firms from other industries as a result of a continuing trend in the future to deregulate drug sales may affect the Group's performance.

2) Details of business

The Group's dispensing pharmacy business operates a chain of dispensing pharmacies. These dispensing pharmacies are mainly located near major hospitals (in order to focus on demand from patients who have prescriptions written by those hospitals) and in medical malls developed by the Group (in order to focus on demand from patients who have prescriptions written by those mixed medical facilities).

As the dispensing pharmacy business accounted for 89.0% of net sales in the fiscal year under review, we plan to continue the multi-store operation mainly based on dispensing pharmacies. Accordingly, the Group's operating results may be affected by the success or failure of the store opening policies and by trends in store openings by competitors in the same industry.

Furthermore, sales of dispensing pharmacies significantly depend on the medical institutions that write prescriptions. Therefore, uncertainties such as the issuance of non-hospital prescriptions by the medical institutions or suspension / discontinuation of operations thereof may affect the Group's performance.

3) Industry trends

The revenues in our dispensing pharmacy business come from pharmacy operations involving the dispensing and supplying of drugs based on prescriptions. The drug prices and dispensing fees are set by the Ministry of Health, Labour and Welfare. As a way to contract medical expenses, both medical treatment fees and drug prices are being revised incrementally. In the future as well, changes in profit structure resulting from factors such as revisions in the medical treatment fee system could continue to affect the Group's performance and financial position.

4) Securing qualified staff

Dispensing pharmacies and drugstores (Stores for Category 1 Drugs) are required by the Pharmaceutical Affairs Law to have a pharmacist on site; the Pharmacists Law stipulates that the dispensing of drugs must be handled by a pharmacist. The Group continues to have a policy of expansion by aggressively opening new stores, but if it becomes difficult to secure qualified pharmacists, this could affect our store openings and the Group's performance.

5) Risks of loss of trust in the Company

(i) Dispensing operation

In our dispensing pharmacy business, pharmacists dispense and supply prescription drugs that affect the human body. This business carries the risk that medical accidents might be caused through dispensing errors.

The Group recognizes that any medical accidents could have a severely damaging effect on society's confidence in the Group, and we place the highest priority on measures to avoid the risk from all aspects.

Primary risk prevention measures are as follows.

- Training programs for newly graduated pharmacists and mid-career pharmacists when joining the Company
- A continuing training program aimed at improving skills of pharmacists
- Pharmacy manager conferences attended by all pharmacy managers, to nurture supervisors
- Development of a dispensing error prevention system (PhAIN) that uses Personal Digital Assistants (PDAs) developed with a dispensing equipment manufacturer. Development and introduction of pharmacy equipment that makes use of information technology, such as the automation of dispensing operations.
- Use of in-house manuals for the dispensing operation and a system of observing rules set by the Internal Audit Office

- Establishment of a Safety Policy Office specializing in measures to prevent dispensing errors

(ii) Protection of personal data

We possess patient data in the dispensing pharmacy business, including medical histories and prescription information, and we possess personal data in the drug and cosmetic store business obtained from the Ainz Point Club Card.

The Group has completed development of personal information protection systems and rules for the handling of such information. The Company acquired the Privacy Mark accreditation in the healthcare, medical and social service fields.

However, we believe it is possible that any accidental or illegal leakage of personal data may not only affect the Group's performance but also lead to a loss of society's confidence in the Group.

6) Risk in business strategy

We have promoted the expansion of the business scale of dispensing pharmacies through actively promoting new store openings and M&A.

Our basic policies regarding M&A strategy require us to carefully examine target companies and determine the amount to be paid for acquisitions thereof in order to stably secure a profitability level that exceeds the amortization of goodwill to be incurred. If matters do not go as planned, however, we may incur losses on valuation of shares in subsidiaries and impairment losses on goodwill, which may have an adverse impact on the Group's operating results and financial position.

7) Interest rate risks

In the Group's promotion of business expansion based on actively promoting new store openings and M&A, costs for ordinary store openings are covered by internal funds within the range of operating cash flow, while in large-scale M&A, costs are sometimes financed by borrowings from financial institutions.

In order to ensure flexible access to funds to support these activities, the Group maintains a certain level of liquidity on its balance sheet. As of the end of the fiscal year under review, cash on hand and in banks totaled ¥18,846 million, compared with a total balance of short- and long-term debt of ¥11,038 million.

We focus on possibility of return on investment and seek to reduce interest-bearing debts through efficient investment in implementing M&A deals. However, if the Group fails to secure an adequate return on its M&A investment, or due to interest rate fluctuations associated with conditions in financial market, the Group's financial position and operating results including interest payable may be affected.

2. State of the Group

The Group consists of AIN PHARMACIEZ INC. (the Company), 24 subsidiaries and one affiliated company.

(1) Dispensing pharmacy business

The Company operates and franchises dispensing pharmacies, and engages in consulting on the opening of dispensing pharmacies.

The subsidiaries AIN MEDIO Inc., DAICHIKU Co., Ltd., Asahi Pharmacy Co., Ltd., and 18 other subsidiaries operate dispensing pharmacies.

MEDIWEL Corp. is engaged in a medical-related consulting business and staff dispatching/introduction, primarily of doctors and pharmacists, Medical Development Co., Ltd. is engaged in a medical-related consulting business, and WHOLESAL STARS Co., Ltd. sells generic drugs and other merchandise.

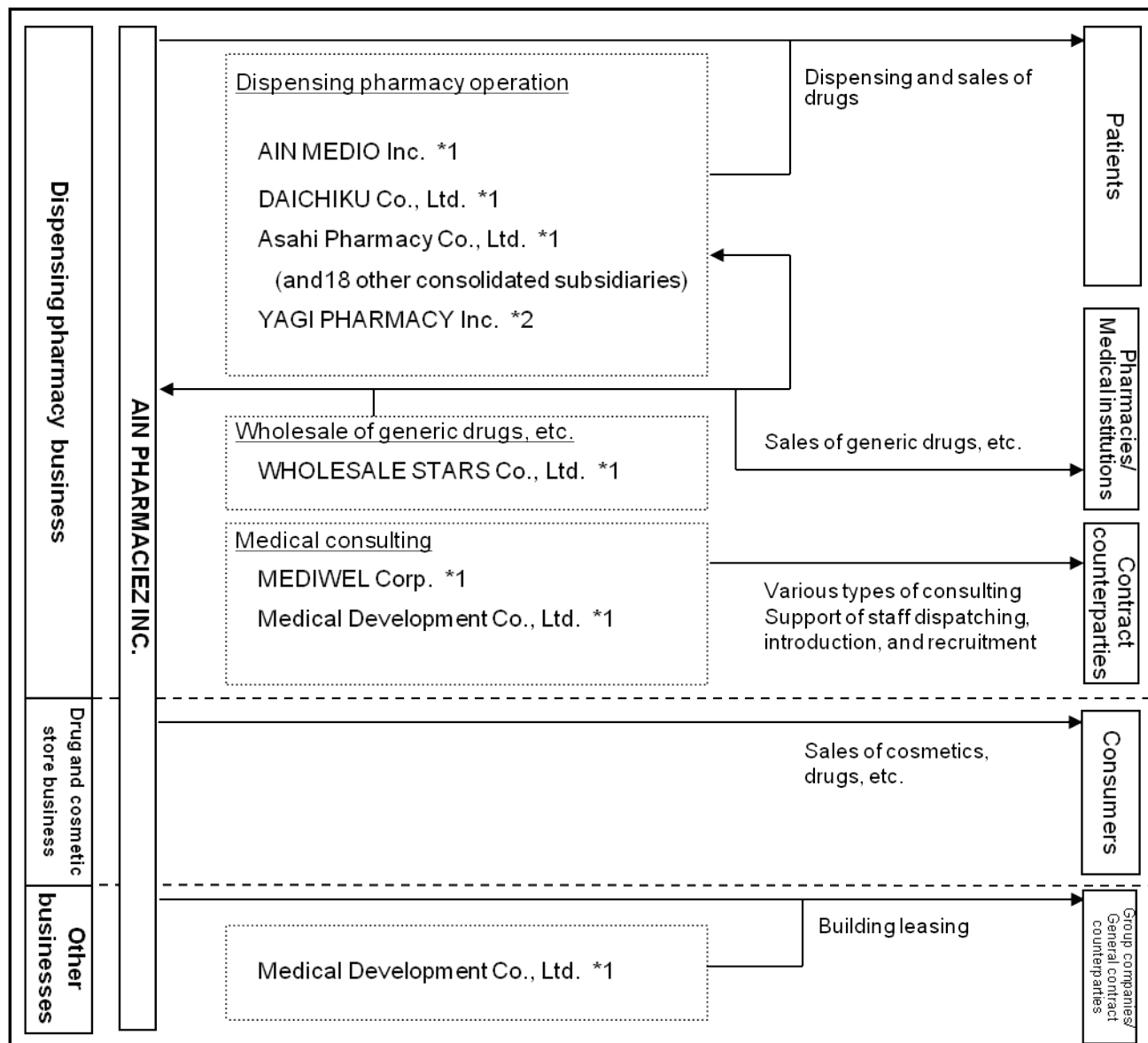
(2) Drug and cosmetic store business

The Company engages in the management of drugstores (sales of drugs, quasi-drugs, cosmetics, food, general merchandise, etc.), and in consulting on the opening of shopping centers.

(3) Other businesses

The Company and subsidiary Medical Development Co., Ltd. are in the building leasing business.

An organization chart of the business is as follows.



Notes: *1 consolidated subsidiary

*2 affiliated company not accounted under the equity method

3. Management Policies

(1) Basic management policies of the Company

(2) Target management indicators

(3) The Group's medium- to long-term management strategies

(4) Issues to be addressed

Disclosure of explanations regarding the above matters is omitted since there is no significant change from Summary of Financial Statements for Fiscal Year Ended April 2010 (as of June 3, 2010).

The details can be checked on the website below;

(AIN PHARMACIEZ INC.)

<http://www.ainj.co.jp/>

(Tokyo Stock Exchange: Listed company search)

<http://www.tse.or.jp/listing/compsearch/index.html>

4. Consolidated Financial Statement**(1) Consolidated balance sheet**

(Thousand yen)

	Previous fiscal year (As of April 30, 2013)	Current fiscal year (As of April 30, 2014)
Assets		
Current assets		
Cash on hand and in banks	18,460,349	18,846,760
Notes and accounts receivable	7,043,984	6,718,670
Merchandise	7,816,853	9,578,858
Supplies	127,546	180,570
Deferred tax assets	955,372	1,245,406
Short-term loans	445,000	708,297
Other accounts receivable	7,180,659	5,679,761
Other current assets	1,142,498	1,376,190
Allowance for doubtful accounts	(9,917)	—
Total current assets	43,162,346	44,334,515
Fixed assets		
Property, plant and equipment		
Buildings and structures	15,007,290	17,568,621
Accumulated depreciation	(6,759,483)	(7,606,198)
Buildings and structures, net	8,247,806	9,962,423
Land	6,030,803	6,698,782
Construction in progress	1,101,510	681,640
Other property, plant and equipment	5,770,116	6,490,314
Accumulated depreciation	(3,600,201)	(4,249,228)
Other property, plant and equipment, net	2,169,914	2,241,085
Total property, plant and equipment	17,550,035	19,583,933
Intangible fixed assets		
Goodwill	19,574,539	20,017,440
Other intangible fixed assets	1,031,265	1,111,957
Total intangible fixed assets	20,605,804	21,129,397
Investments and other assets		
Investments in securities	2,789,730	2,559,386
Long-term loans	1,347,570	1,801,385
Deferred tax assets	946,439	1,068,129
Deposits and guarantees	6,985,755	8,081,230
Other investments and other assets	2,718,770	3,065,102
Allowance for doubtful accounts	(267,829)	(240,307)
Total investments and other assets	14,520,435	16,334,926
Total fixed assets	52,676,275	57,048,257
Deferred assets		
Stock issuance cost	1,296	—
Total deferred assets	1,296	—
Total assets	95,839,919	101,382,772

(Thousand yen)

	Previous fiscal year (As of April 30, 2013)	Current fiscal year (As of April 30, 2014)
Liabilities		
Current liabilities		
Accounts payable	24,084,746	28,002,426
Short-term debt	7,483,090	6,535,438
Accrued income taxes	2,427,308	3,079,805
Deposits received	7,906,269	8,686,700
Allowance for bonuses to employees	1,098,611	1,149,395
Allowance for bonuses to directors	12,929	11,934
Reserve for reward obligations	315,919	332,315
Other current liabilities	2,357,917	2,551,384
Total current liabilities	45,686,791	50,349,400
Long-term liabilities		
Long-term debt	8,048,584	4,502,810
Lease obligations	1,223,126	1,454,125
Allowance for retirement benefits	1,659,245	—
Net defined benefit liability	—	1,927,033
Other long-term liabilities	865,651	909,311
Total long-term liabilities	11,796,607	8,793,281
Total liabilities	57,483,398	59,142,681
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	26,007,464
Treasury stock	(5,837)	(417,338)
Total shareholders' equity	38,254,620	42,146,073
Accumulated other comprehensive income (loss)		
Unrealized holding gains (losses) on securities	57,855	34,590
Remeasurement of defined benefit plans	—	(58,224)
Total accumulated other comprehensive income (loss)	57,855	(23,633)
Minority interests	44,044	117,651
Total net assets	38,356,520	42,240,091
Total liabilities and net assets	95,839,919	101,382,772

(2) Consolidated statement of income and comprehensive income**Consolidated statement of income**

	(Thousand yen)	
	Previous fiscal year (May 1, 2012 to April 30, 2013)	Current fiscal year (May 1, 2013 to April 30, 2014)
Net sales	154,560,620	170,225,754
Cost of sales	130,118,447	144,476,833
Gross profit	24,442,173	25,748,921
Selling, general and administrative expenses		
Advertising expenses	713,984	759,900
Promotion expenses	161,158	267,118
Salaries, allowances and bonuses	3,477,264	3,600,585
Provision of allowance for doubtful accounts	9,187	—
Provision for bonuses	223,656	249,710
Provision for directors' bonuses	12,929	11,934
Provision for retirement benefits	108,665	90,467
Provision for reward obligations	315,919	332,315
Legal and employee benefits expenses	923,076	1,017,920
Correspondence and transportation expenses	570,692	504,803
Lease expenses	135,997	151,780
Rent expenses	2,570,000	2,858,830
Depreciation expenses	734,645	926,650
Amortization of goodwill	1,336,871	1,402,261
Taxes	562,304	611,476
Other	2,884,589	2,849,720
Total selling, general and administrative expenses	14,740,943	15,635,476
Operating income	9,701,230	10,113,445
Non-operating income		
Interest income	88,661	76,147
Dividend income	29,100	35,276
Gains on investments in partnership	80,251	45,402
Commissions received	71,294	33,073
Real estate rental revenue	91,371	74,164
Gains on donations of fixed assets	18,337	12,315
Consignment income	134,471	144,456
Technical advisory fee	63,381	66,064
Other non-operating income	335,895	304,760
Total non-operating income	912,765	791,662
Non-operating expenses		
Interest expenses	144,227	101,870
Losses on sales of accounts receivables	78,720	85,564
Real estate rental expenses	32,748	44,592
Other non-operating expenses	65,677	85,963
Total non-operating expenses	321,373	317,991
Ordinary income	10,292,622	10,587,115

(Thousand yen)

	Previous fiscal year (May 1, 2012 to April 30, 2013)	Current fiscal year (May 1, 2013 to April 30, 2014)
Extraordinary income		
Gains on sales of fixed assets	20,770	4,194
Gains on sales of investments in securities	119,492	49,667
Gain on transfer of business	11,666	—
Surrender value of insurance	—	214,095
Insurance income	50,000	—
Other extraordinary income	8,801	9,523
Total extraordinary income	210,731	277,480
Extraordinary losses		
Losses on disposal and sales of fixed assets	132,390	336,366
Losses on sales of investments in securities	124,010	—
Losses on devaluation of investments in securities	1,750	519
Impairment losses on fixed assets	159,171	189,875
Directors' retirement benefits	320,000	—
Other extraordinary losses	71,480	71,886
Total extraordinary losses	808,803	598,647
Income before income taxes and minority interests	9,694,549	10,265,949
Income taxes – current	4,597,097	5,206,903
Income taxes – deferred	28,828	(273,959)
Total income taxes	4,625,925	4,932,943
Income before minority interests	5,068,624	5,333,005
Minority interests in income (loss)	(6,490)	73,606
Net income	5,075,114	5,259,398

Consolidated statement of comprehensive income

(Thousand yen)

	Previous fiscal year (May 1, 2012 to April 30, 2013)	Current fiscal year (May 1, 2013 to April 30, 2014)
Income before minority interests	5,068,624	5,333,005
Other comprehensive income		
Unrealized holding gains (losses) on securities	339,171	(23,265)
Total other comprehensive income	339,171	(23,265)
Total comprehensive income	5,407,795	5,309,739
Comprehensive income attributable to shareholders of the parent	5,414,285	5,236,133
Comprehensive income (loss) attributable to minority interests	(6,490)	73,606

(3) Consolidated statement of changes in net assets

Previous fiscal year (May 1, 2012 to April 30, 2013)

(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	7,872,970	17,426,435	(5,627)	33,976,755
Net changes during the year					
Cash dividends paid			(797,039)		(797,039)
Change in scope of consolidation			-		-
Net income			5,075,114		5,075,114
Acquisition of treasury stock				(210)	(210)
Net changes in items other than shareholders' equity					
Total changes during the year			4,278,075	(210)	4,277,865
Balance at the end of current year	8,682,976	7,872,970	21,704,510	(5,837)	38,254,620

	Accumulated other comprehensive income		Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	(281,315)	(281,315)	50,535	33,745,975
Net changes during the year				
Cash dividends paid				(797,039)
Change in scope of consolidation				-
Net income				5,075,114
Acquisition of treasury stock				(210)
Net changes in items other than shareholders' equity	339,171	339,171	(6,490)	332,680
Total changes during the year	339,171	339,171	(6,490)	4,610,545
Balance at the end of current year	57,855	57,855	44,044	38,356,520

Current fiscal year (May 1, 2013 to April 30, 2014)

(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	7,872,970	21,704,510	(5,837)	38,254,620
Net changes during the year					
Cash dividends paid			(956,444)		(956,444)
Change in scope of consolidation			-		-
Net income			5,259,398		5,259,398
Acquisition of treasury stock				(411,501)	(411,501)
Net changes in items other than shareholders' equity					
Total changes during the year			4,302,954	(411,501)	3,891,453
Balance at the end of current year	8,682,976	7,872,970	26,007,464	(417,338)	42,146,073

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	57,855	-	57,855	44,044	38,356,520
Net changes in items during the year					
Cash dividends paid					(956,444)
Change in scope of consolidation					-
Net income					5,259,398
Acquisition of treasury stock					(411,501)
Net changes other than shareholders' equity	(23,265)	(58,224)	(81,489)	73,606	(7,883)
Total changes during the year	(23,265)	(58,224)	(81,489)	73,606	3,883,570
Balance at the end of current year	34,590	(58,224)	(23,633)	117,651	42,240,091

(4) Consolidated statement of cash flows

	(Thousand yen)	
	Previous fiscal year (May 1, 2012 to April 30, 2013)	Current fiscal year (May 1, 2013 to April 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	9,694,549	10,265,949
Depreciation and amortization	2,212,673	2,258,946
Amortization of goodwill	1,784,362	2,033,305
Impairment losses on fixed assets	159,171	189,875
Impairment losses on investments in securities	1,750	519
Decrease in allowance for doubtful accounts	(6,964)	(44,561)
Increase in reserve for reward obligations	13,908	16,396
Increase in allowance for retirement benefits	202,089	—
Increase in defined benefit liability	—	153,792
Increase in allowance for bonuses to employees	114,549	38,304
Increase (decrease) in allowance for bonuses to directors	83	(995)
Interest and dividend income	(117,762)	(111,424)
Interest expenses	144,227	101,870
Gains on investments in partnerships	(80,251)	(45,402)
Gains on donations of property, plant and equipment	(18,337)	(12,315)
Losses (gains) on sales of investments in securities	4,518	(49,667)
Losses on disposal and sales of fixed assets	111,619	332,171
Gains on transfer of business	(11,666)	—
Decrease in accounts receivable	4,672,927	1,110,209
(Increase) decrease in inventories	504,566	(1,485,281)
Increase in other assets	(195,529)	(199,126)
(Increase) decrease in other accounts receivable	(4,268,619)	1,551,899
Increase in accounts payable	474,551	3,075,097
Increase (decrease) in other liabilities	(224,922)	84,480
Subtotal	<u>15,171,496</u>	<u>19,264,042</u>
Interest and dividends received	125,119	105,264
Interest paid	(145,132)	(102,520)
Income taxes paid	(4,947,778)	(4,603,956)
Net cash provided by operating activities	<u>10,203,704</u>	<u>14,662,829</u>

(Thousand yen)

	Previous fiscal year (May 1, 2012 to April 30, 2013)	Current fiscal year (May 1, 2013 to April 30, 2014)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(3,266,990)	(3,460,202)
Proceeds from sales of property, plant and equipment	324,927	466,089
Proceeds from transfer of business	65,000	—
Payments for purchases of investments in securities	(559,295)	(120,560)
Proceeds from sales of investments in securities	1,239,667	322,362
Purchases of subsidiaries' shares resulting in obtaining controls	(2,923,359)	(2,410,135)
Payments for loans receivable	(578,500)	(3,172,743)
Proceeds from collections of loans receivable	733,907	2,545,485
Payments for investments in capital	(743,076)	(33)
Proceeds from returns of investments in capital	106	1,404
Payments for purchase of intangible fixed assets	(956,067)	(793,994)
Proceeds from sales of intangible assets	2,904	8,015
Increase in other investments	(1,864,539)	(1,150,588)
Proceeds from withdrawal of time deposits	36,100	27,607
Payments for time deposits	(14,049)	(12,112)
Net cash used in investing activities	(8,503,264)	(7,749,405)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	850,552	(318,138)
Proceeds from long-term debts	6,440,000	137,080
Repayments of long-term debts	(5,258,395)	(4,510,186)
Repayments of lease obligations	(431,027)	(558,435)
Payments for purchase of treasury stock	(210)	(411,501)
Cash dividends paid	(797,039)	(956,444)
Net cash provided by (used in) financing activities	803,880	(6,617,625)
Net increase in cash and cash equivalents	2,504,320	295,798
Cash and cash equivalents at beginning of the year	15,935,326	18,439,646
Cash and cash equivalents at end of the year	18,439,646	18,735,445

(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, temporary staff/recruiting and consulting services, and drug and cosmetic store business that consists of the management of urban and suburban drug and cosmetic 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, drug and cosmetic store business and other businesses.

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, 2012 to April 30, 2013)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	137,291,626	16,735,762	533,231	154,560,620	—	154,560,620
Intersegment sales	—	—	136,627	136,627	(136,627)	—
Total sales	137,291,626	16,735,762	669,859	154,697,248	(136,627)	154,560,620
Segment income (loss)	12,655,976	14,355	(398,033)	12,272,298	(1,979,676)	10,292,622
Segment assets	80,710,057	7,048,885	3,961,506	91,720,449	4,119,470	95,839,919
Other						
Depreciation and amortization	1,576,794	260,444	71,396	1,908,635	38,490	1,947,126
Amortization of goodwill	1,779,322	5,040	—	1,784,362	—	1,784,362
Impairment losses	6,949	129,499	15,235	151,684	7,487	159,171
Increase of tangible and intangible assets	3,575,047	373,150	812,353	4,760,552	549,820	5,310,372

Notes: 1. Segment income (loss) in "Adjustments" totaling (¥1,979,676 thousand) includes ¥1,930,067 thousand in overall group expenses, ¥112,224 thousand in losses that may not be allocated to the reporting segments, and (¥62,615 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 ¥4,119,470 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, 2013 to April 30, 2014)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	151,472,771	17,985,552	767,431	170,225,754	0	170,225,754
Intersegment sales	—	—	479,204	479,204	(479,204)	—
Total sales	151,472,771	17,985,552	1,246,635	170,704,958	(479,204)	170,225,754
Segment income (loss)	12,772,296	23,793	(218,597)	12,577,492	(1,990,376)	10,587,115
Segment assets	85,490,807	7,649,913	5,419,057	98,559,778	2,822,994	101,382,772
Other						
Depreciation and amortization	1,632,709	234,744	90,502	1,957,956	129,014	2,086,970
Amortization of goodwill	2,028,265	5,040	—	2,033,305	—	2,033,305
Impairment losses	77,263	106,459	6,152	189,875	—	189,875
Increase of tangible and intangible assets	3,062,145	369,182	377,675	3,809,003	759,987	4,568,991

Notes: 1. Segment income (loss) in "Adjustments" totaling (¥1,990,376 thousand) includes ¥1,781,691 thousand in overall group expenses, ¥284,509 thousand in losses that may not be allocated to the reporting segments, and (¥75,823 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 ¥2,822,994 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

I. Previous fiscal year (May 1, 2012 to April 30, 2013)

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 because the Group had no sales to external customers outside Japan during the fiscal year.

(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.

II. Current fiscal year (May 1, 2013 to April 30, 2014)

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 because the Group had no sales to external customers outside Japan during the fiscal year.

(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, 2012 to April 30, 2013)

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

Current fiscal year (May 1, 2013 to April 30, 2014)

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, 2012 to April 30, 2013)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	1,779,322	5,040	—	—	1,784,362
Balance at the end of current fiscal year	19,569,499	5,040	—	—	19,574,539

Current fiscal year (May 1, 2013 to April 30, 2014)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	2,028,265	5,040	—	—	2,033,305
Balance at the end of current fiscal year	20,017,440	—	—	—	20,017,440

e. Information about gains on negative goodwill for each reported segment

Previous fiscal year (May 1, 2012 to April 30, 2013)

There are no applicable matters to be reported.

Current fiscal year (May 1, 2013 to April 30, 2014)

There are no applicable matters to be reported.