

Summary of Financial Statements for Fiscal Year Ended April 2017

June 6, 2017

Name of listed company: **AIN HOLDINGS 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 28, 2017
 Date of scheduled payment of dividends: July 31, 2017
 Date of filing securities report: July 31, 2017
 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 2017 (from May 1, 2016 to April 30, 2017)

(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, 2017	248,110	5.6	14,563	(0.4)	15,080	(0.5)	7,949	0.4
Year ended April 30, 2016	234,843	25.0	14,619	27.7	15,158	29.6	7,917	27.8

(Note) Comprehensive income: Year ended April 30, 2017: ¥8,122 million (+3.7%)
 Year ended April 30, 2016: ¥7,831 million (+21.7%)

	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, 2017	250.71	—	14.0	10.2	5.9
Year ended April 30, 2016	249.69	—	15.6	11.9	6.2

(Reference) Equity in earnings of affiliates: Year ended April 30, 2017: ¥ – million, Year ended April 30, 2016: ¥ – 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, 2017	156,323	60,178	38.4	1,895.63
As of April 30, 2016	139,888	53,324	38.1	1,679.69

(Reference) Equity capital: As of April 30, 2017: ¥60,105 million As of April 30, 2016: ¥53,258 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, 2017	18,409	(11,183)	116	29,234
Year ended April 30, 2016	21,352	(20,877)	2,028	21,892

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, 2016	—	0.00	—	40.00	40.00	1,268	16.0	2.5
Year ended April 30, 2017	—	0.00	—	50.00	50.00	1,585	19.9	2.8
Year ending April 30, 2018 (forecast)	—	0.00	—	50.00	50.00		17.8	

3. Consolidated financial forecast for the fiscal year ending April 30, 2018 (from May 1, 2017 to April 30, 2018)

(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	129,400	10.7	6,700	32.7	6,900	29.1	3,600	26.1	113.54
Full year	267,500	7.8	16,600	14.0	17,000	12.7	8,900	12.0	280.69

* 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, 2017	31,888,212 shares	As of April 30, 2016	31,888,212 shares
2) Number of shares held in treasury:	As of April 30, 2017	180,644 shares	As of April 30, 2016	180,595 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2017	31,707,568 shares	Fiscal year ended April 30, 2016	31,707,617 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.

Contents of Attachment

1. Operating Results and Other.....	2
(1) Overview of operating results for the current fiscal year	2
(2) Overview of financial position for the current fiscal year	3
(3) Overview of cash flows for the current fiscal year	3
(4) Future outlook.....	4
2. Basic Stance on Selection of Accounting Standards	4
3. Consolidated Financial Statements.....	5
(1) Consolidated balance sheet.....	5
(2) Consolidated statement of income and comprehensive income	7
Consolidated statement of income.....	7
Consolidated statement of comprehensive income.....	9
(3) Consolidated statement of changes in net assets.....	10
(4) Consolidated statement of cash flows.....	12
(Segment Information, etc.).....	14

1. Operating Results and Other

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

During the fiscal year ended April 30, 2017, consumer spending in the Japanese economy picked up overall against a backdrop of improving employment conditions, and corporate earnings improved amid an upturn in production and capital investment.

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 urban drug and cosmetic store business.

For the fiscal year under review, net sales rose 5.6% year on year to ¥248,110 million, operating income decreased 0.4% to ¥14,563 million, ordinary income decline 0.5% to ¥15,080 million and net income attributable to owners of the parent increased 0.4% year on year to ¥7,949 million.

Performance by business segment was as follows.

(Dispensing pharmacy business)

In drug price and dispensing fee revisions in April 2016, the role of pharmacies located near hospitals was reevaluated, but in order to realize patient-focused non-hospital dispensing services, pharmacists and dispensing pharmacies are now being required to play a key role at the heart of local communities.

To ensure our pharmacists and dispensing pharmacies fulfill their role at the heart of local communities, the Group continues to build links with local healthcare service providers, mainly in the area of home-based dispensing, step up the integration 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 307 new pharmacist graduates joining the Group in April 2017. 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.

In December 2016, AOI Pharmacy Corporation (Sendai-shi, Miyagi Prefecture), which operates a total of 115 dispensing pharmacies across Japan, became a subsidiary of the Group. As a result, the Group now operates a network of more than 1,000 dispensing pharmacies in Japan's 47 prefectures. The Group intends to use the acquisition of the company to further strengthen its network of dispensing pharmacies to support local healthcare provision.

During the fiscal year under review, the Group opened 209 dispensing pharmacies, including pharmacies acquired from AOI Pharmacy Corporation and other M&A deals, and closed 24, resulting in a total of 1,066. As a result, the dispensing pharmacy business reported sales of ¥221,801 million, up 5.1% year on year, and segment income of ¥19,110 million, down 0.6% year on year.

(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.

Against this backdrop, the Group continued to open *ainz & tulpe* urban drug stores and worked to make stores more appealing by refurbishing existing stores and strengthening merchandise lineups, particularly drug and cosmetics products.

We also actively developed proprietary merchandise brands such as *LIPS and HIPS* and *cocodecica*, leading to an increase in profit margins.

For the fiscal year under review, the drug and cosmetic store business reported an increase in sales of 2.4% year on year to ¥21,383 million. However, segment loss was ¥866 million, compared with segment loss of ¥459 million a year earlier.

During the fiscal year under review, the Group opened *ainz & tulpe* Colette Mare SAKURAGICHO-B1 (Naka Ward, Yokohama), *ainz & tulpe* GINZA NAMIKIDORI (Chuo Ward, Tokyo), *ainz & tulpe* KITASENJU MARUI (Adachi Ward, Tokyo), *ainz & tulpe* Colette Mare SAKURAGICHO (Naka Ward, Yokohama), *ainz & tulpe* MARRONNIER GATE GINZA (Chuo Ward, Tokyo), *ainz & tulpe* KEIO DEPARTMENT STORE SHINJUKU (Shinjuku Ward, Tokyo) and *ainz & tulpe* YOKOHAMA JOINUS (Nishi Ward, Yokohama), as well as *LIPS and HIPS* Style Store SHINSAPPORO Sunpiazza (Atsubetsu Ward, Sapporo) and *LIPS and HIPS* TOKYU PLAZA OMOTESANDO HARAJUKU (Shibuya Ward, Tokyo), which mainly sells proprietary brands. Nine stores were also closed, resulting in a total of 52 cosmetic and drugs stores at the end of the fiscal year.

(Other businesses)

Net sales from other businesses rose 67.0% year on year to ¥4,925 million and segment loss was ¥1,496 million compared with the loss of ¥1,142 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 ¥16,435 million to ¥156,323 million.

This mainly reflected increases in cash on hand and in banks and increases in property, plant and equipment such as land, buildings and structures, and goodwill due to the Group's business expansion through new store openings and M&A.

The balance of liabilities increased ¥9,580 million to ¥96,144 million.

The balance of short- term and long-term debts increased by ¥5,307 million to ¥25,851 million.

Total net assets increased by ¥6,854 million to ¥60,178 million and the shareholders' equity ratio increased 0.3 percentage points to 38.4%.

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

In the fiscal year under review, cash on hand and in banks ("cash") increased ¥7,342 million (33.5%) year on year to ¥29,234 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 ¥18,409 million, a decrease of 13.8% year on year.

The main items that were positive for cash flow were income before income taxes of ¥14,307 million, as well as depreciation and amortization of ¥3,687 million, amortization of goodwill of ¥3,654 million related to business expansion through new store openings and M&A, and a decrease in accounts payable of ¥5,369 million.

The main items that were negative for cash flow was income taxes paid of ¥7,695 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥11,183 million, a decrease of 46.4% year on year.

This mainly reflected payments of ¥2,415 million for purchases of property, plant and equipment related to the opening of new urban drug stores and dispensing pharmacies, and ¥9,697 million for purchases of shares in subsidiaries due to changes in the scope of consolidation related to shares acquired in 40 companies through M&A deals.

(Cash flows from financing activities)

Net cash provided by financing activities decline 94.2% year on year to ¥116 million.

This was mainly attributable to net short-term debt repayment of ¥391 million and net long-term debt procurement of ¥2,512 million.

Cash dividends paid of ¥1,268 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, 2014	Year ended April 30, 2015	Year ended April 30, 2016	Year ended April 30, 2017
Shareholders' equity ratio (%)	41.5	42.0	38.1	38.4
Equity ratio based on market value (%)	70.3	117.9	121.0	156.6
Debt redemption term (years)	0.9	1.1	1.0	1.5
Interest coverage ratio (times)	143.0	179.2	226.6	128.0

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.

(4) Future outlook

In the fiscal year ending April 30, 2018, the dispensing pharmacy business will continue to develop new 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.

Based on these initiatives, the Group forecasts net sales for the fiscal year ending April 30, 2018 of ¥267,500 million, up 7.8% year on year, ordinary income of ¥17,000 million, up 12.7%, and net income attributable to owners of the parent of ¥8,900 million, an increase of 12.0%.

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, 2016)	Current fiscal year (As of April 30, 2017)
Assets		
Current assets		
Cash on hand and in banks	22,647,300	29,775,207
Notes and accounts receivable	12,385,821	9,990,401
Merchandise	10,661,177	11,402,078
Supplies	323,473	266,095
Deferred tax assets	1,149,432	1,166,620
Short-term loans	639,457	632,826
Other accounts receivable	5,983,629	9,402,024
Other current assets	2,806,438	2,829,934
Allowance for doubtful accounts	(3,337)	(44,443)
Total current assets	56,593,392	65,420,745
Fixed assets		
Property, plant and equipment		
Buildings and structures	25,831,603	28,026,344
Accumulated depreciation	(11,136,865)	(12,661,079)
Buildings and structures, net	14,694,738	15,365,264
Land	9,537,493	9,958,446
Construction in progress	813,083	316,930
Other property, plant and equipment	10,163,480	10,899,962
Accumulated depreciation	(7,055,474)	(8,076,596)
Other property, plant and equipment, net	3,108,005	2,823,365
Total property, plant and equipment	28,153,320	28,464,007
Intangible fixed assets		
Goodwill	33,337,372	40,939,448
Other intangible fixed assets	2,248,861	2,170,041
Total intangible fixed assets	35,586,233	43,109,490
Investments and other assets		
Investments in securities	2,677,643	2,435,333
Long-term loans	1,801,723	1,194,373
Deferred tax assets	2,038,851	2,167,711
Net defined benefit asset	174,220	22,423
Deposits and guarantees	10,013,440	10,443,221
Other investments and other assets	4,086,587	3,378,326
Allowance for doubtful accounts	(1,237,174)	(312,044)
Total investments and other assets	19,555,292	19,329,345
Total fixed assets	83,294,846	90,902,843
Total assets	139,888,239	156,323,588

(Thousand yen)

	Previous fiscal year (As of April 30, 2016)	Current fiscal year (As of April 30, 2017)
Liabilities		
Current liabilities		
Accounts payable	39,987,595	39,325,588
Short-term debt	5,690,001	7,596,939
Accrued income taxes	4,448,862	2,898,695
Deposits received	10,112,896	14,223,768
Allowance for bonuses to employees	1,633,520	1,903,976
Allowance for bonuses to directors	13,590	16,090
Reserve for reward obligations	390,200	410,502
Provision for sales returns	15,815	14,165
Other current liabilities	4,452,428	6,566,001
Total current liabilities	66,744,908	72,955,729
Long-term liabilities		
Long-term debt	14,854,307	18,254,657
Lease obligations	1,198,289	958,033
Net defined benefit liability	2,228,446	2,331,956
Other long-term liabilities	1,537,674	1,644,227
Total long-term liabilities	19,818,717	23,188,874
Total liabilities	86,563,626	96,144,603
Net assets		
Shareholders' equity		
Common stock	8,682,976	8,682,976
Capital surplus	6,367,844	6,367,844
Retained earnings	38,605,783	45,286,878
Treasury stock	(419,311)	(419,598)
Total shareholders' equity	53,237,293	59,918,101
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	(63,296)	86,407
Remeasurement of defined benefit plans	84,867	101,414
Total accumulated other comprehensive income	21,570	187,821
Non-controlling interests	65,748	73,061
Total net assets	53,324,613	60,178,984
Total liabilities and net assets	139,888,239	156,323,588

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

(Thousand yen)

	Previous fiscal year (May 1, 2015 to April 30, 2016)	Current fiscal year (May 1, 2016 to April 30, 2017)
Net sales	234,843,598	248,110,130
Cost of sales	196,308,586	206,017,329
Gross profit	38,535,012	42,092,801
Selling, general and administrative expenses		
Advertising expenses	1,934,023	2,494,327
Promotion expenses	855,089	1,413,588
Salaries, allowances and bonuses	4,570,315	5,081,376
Provision of allowance for doubtful accounts	299,254	–
Provision for bonuses	403,044	546,890
Provision for directors' bonuses	13,590	16,090
Retirement benefit expenses	133,205	128,970
Provision for reward obligations	387,574	407,488
Legal and employee benefits expenses	1,363,050	1,643,624
Correspondence and transportation expenses	743,216	810,625
Lease expenses	112,820	95,531
Rent expenses	3,801,067	4,161,213
Depreciation expenses	1,401,047	1,579,712
Amortization of goodwill	1,942,266	2,539,843
Taxes	1,136,754	1,133,805
Other	4,819,514	5,476,245
Total selling, general and administrative expenses	23,915,836	27,529,333
Operating income	14,619,175	14,563,467
Non-operating income		
Interest income	58,703	68,123
Dividend income	35,693	40,466
Gains on investments in partnership	143,030	63,542
Commissions received	72,242	44,106
Real estate rental revenue	186,420	193,701
Gains on donations of fixed assets	24,569	8,914
Consignment income	189,507	149,944
Technical advisory fee	63,960	62,765
Co-sponsor fee	157,022	–
Other non-operating income	221,929	299,773
Total non-operating income	1,153,078	931,338
Non-operating expenses		
Interest expenses	96,209	143,788
Losses on sales of accounts receivables	78,562	67,205
Real estate rental expenses	87,450	89,465
Provision of allowance for doubtful accounts	282,600	–
Other non-operating expenses	69,413	113,733
Total non-operating expenses	614,235	414,192
Ordinary income	15,158,018	15,080,613

(Thousand yen)

	Previous fiscal year (May 1, 2015 to April 30, 2016)	Current fiscal year (May 1, 2016 to April 30, 2017)
Extraordinary income		
Gains on sales of fixed assets	24,263	11,236
Gains on sales of investments in securities	–	264,703
Compensation income	20,197	23,099
Gain on transfer of business	–	32,295
Penalty income	68,196	–
Gain on bargain purchase	58,879	–
Surrender value of insurance	13,258	63,977
Other extraordinary income	5,307	59,887
Total extraordinary income	190,101	455,200
Extraordinary losses		
Losses on disposal and sales of fixed assets	409,090	488,814
Losses on devaluation of investments in securities	12	–
Impairment losses on fixed assets	856,753	453,942
Directors' retirement benefits	8,800	11,481
Bad debts expenses	–	216,400
Other extraordinary losses	123,880	57,618
Total extraordinary losses	1,398,537	1,228,257
Income before income taxes	13,949,582	14,307,556
Income taxes – current	6,698,519	6,040,238
Income taxes – deferred	(710,547)	310,606
Total income taxes	5,987,972	6,350,844
Profit	7,961,609	7,956,712
Profit attributable to non-controlling interests	44,491	7,312
Profit attributable to owners of parent	7,917,117	7,949,399

Consolidated statement of comprehensive income

(Thousand yen)

	Previous fiscal year (May 1, 2015 to April 30, 2016)	Current fiscal year (May 1, 2016 to April 30, 2017)
Profit	7,961,609	7,956,712
Other comprehensive income		
Unrealized holding gains (losses) on securities	(290,358)	149,703
Remeasurements of defined benefit plans, net of tax	160,077	16,546
Total other comprehensive income (loss)	(130,280)	166,250
Total comprehensive income	7,831,328	8,122,962
Comprehensive income attributable to owners of parent	7,786,836	8,115,650
Comprehensive income attributable to non-controlling interests	44,491	7,312

(3) Consolidated statement of changes in net assets

Previous fiscal year (May 1, 2015 to April 30, 2016)

(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	31,639,894	(419,311)	47,776,529
Net changes during the year					
Cash dividends paid			(951,228)		(951,228)
Profit attributable to owners of parent			7,917,117		7,917,117
Change in ownership interest of parent due to transactions with non-controlling interest		(1,505,125)			(1,505,125)
Acquisition of treasury stock					
Net change in items other than shareholders' equity					
Total changes during the year	—	(1,505,125)	6,965,888	—	5,460,763
Balance at the end of current year	8,682,976	6,367,844	38,605,783	(419,311)	53,237,293

	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	227,061	(75,210)	151,851	118,166	48,046,547
Net changes during the year					
Cash dividends paid					(951,228)
Profit attributable to owners of parent					7,917,117
Change in ownership interest of parent due to transactions with non-controlling interest					(1,505,125)
Acquisition of treasury stock					
Net change in items other than shareholders' equity	(290,358)	160,077	(130,280)	(52,417)	(182,698)
Total changes during the year	(290,358)	160,077	(130,280)	(52,417)	5,278,065
Balance at the end of current year	(63,296)	84,867	21,570	65,748	53,324,613

Current 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
Change in ownership interest of parent due to transactions with non-controlling interest					
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 (loss)		
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
Change in ownership interest of parent due to transactions with non-controlling interest					
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

(4) Consolidated statement of cash flows

	(Thousand yen)	
	Previous fiscal year (May 1, 2015 to April 30, 2016)	Current fiscal year (May 1, 2016 to April 30, 2017)
Cash flows from operating activities		
Profit before income taxes	13,949,582	14,307,556
Depreciation and amortization	3,259,367	3,687,357
Amortization of goodwill	2,938,058	3,654,962
Impairment losses on fixed assets	856,753	453,942
Impairment losses on investments in securities	12	-
(Decrease) increase in allowance for doubtful accounts	565,851	(15,952)
Increase in reserve for reward obligations	48,750	20,302
Increase in defined benefit liability	164,816	233,656
Gain on transfer of business	-	(32,295)
Decrease in provision for sales returns	(3,245)	(1,649)
Increase in allowance for bonuses to employees	104,808	197,498
Increase in allowance for bonuses to directors	1,839	2,500
Interest and dividend income	(94,396)	(108,590)
Interest expenses	96,209	143,788
Gains on investments in partnerships	(143,030)	(52,238)
Gains on donations of property, plant and equipment	(24,569)	(8,914)
Gain on bargain purchase	(58,879)	-
(Losses) gains on sales of investments in securities	475	(263,332)
Losses on disposal and sales of fixed assets	384,827	477,577
Decrease in accounts receivable	236,989	5,369,379
Bad debts expenses	-	216,400
Decrease in inventories	495,261	449,770
Decrease (increase) in other assets	(194,962)	2,536,585
Increase in other accounts receivable	(600,967)	(2,820,742)
(Decrease) increase in accounts payable	3,031,266	(4,340,024)
Increase in other liabilities	917,973	2,028,050
Subtotal	25,932,792	26,135,588
Interest and dividends received	93,113	112,496
Interest paid	(94,235)	(143,784)
Income taxes paid	(4,579,309)	(7,695,211)
Net cash provided by operating activities	21,352,361	18,409,088

(Thousand yen)

	Previous fiscal year (May 1, 2015 to April 30, 2016)	Current fiscal year (May 1, 2016 to April 30, 2017)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(7,407,367)	(2,415,960)
Proceeds from sales of property, plant and equipment	709,572	513,663
Payments for purchases of investments in securities	(10,981)	(52,883)
Proceeds from sales of investments in securities	260,010	869,859
Purchases of subsidiaries' shares resulting in obtaining controls	(10,954,789)	(9,697,743)
Payments for loans receivable	(960,413)	(349,207)
Proceeds from collections of loans receivable	74,392	448,824
Payments for investments in capital	(10)	(10)
Proceeds from returns of investments in capital	16,630	25,399
Payments for purchase of intangible fixed assets	(2,509,624)	(1,032,219)
Proceeds from sales of intangible assets	66,895	38,373
Decrease (increase) in other investments	(298,512)	13,353
Proceeds from withdrawal of time deposits	223,093	534,838
Payments for time deposits	(86,192)	(79,580)
Net cash used in investing activities	<u>(20,877,296)</u>	<u>(11,183,292)</u>
Cash flows from financing activities		
Net decrease in short-term loans payable	(2,085,963)	(391,080)
Proceeds from long-term debts	12,987,518	11,729,595
Repayments of long-term debts	(5,619,816)	(9,217,451)
Repayments of lease obligations	(710,933)	(735,691)
Payments for purchase of treasury stock	-	(286)
Purchases of subsidiaries' shares not resulting in change in obtaining controls	(1,591,560)	-
Cash dividends paid	(951,228)	(1,268,304)
Net cash provided by financing activities	<u>2,028,017</u>	<u>116,780</u>
Net increase in cash and cash equivalents	<u>2,503,082</u>	<u>7,342,577</u>
Cash and cash equivalents at beginning of the year	<u>19,389,097</u>	<u>21,892,179</u>
Cash and cash equivalents at end of the year	<u>21,892,179</u>	<u>29,234,757</u>

(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 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, 2015 to April 30, 2016)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	211,009,642	20,884,332	2,949,622	234,843,598	–	234,843,598
Intersegment sales	–	–	350,027	350,027	(350,027)	–
Total sales	211,009,642	20,884,332	3,299,650	235,193,626	(350,027)	234,843,598
Segment income (loss)	19,219,890	(459,170)	(1,142,947)	17,617,772	(2,459,754)	15,158,018
Segment assets	139,120,411	7,384,342	9,882,767	156,387,520	(16,499,281)	139,888,239
Other						
Depreciation and amortization	2,070,927	262,688	376,563	2,710,179	171,303	2,881,482
Amortization of goodwill	2,921,958	–	16,100	2,938,058	–	2,938,058
Impairment losses	520,333	151,897	–	672,230	184,523	856,753
Increase of tangible and intangible assets	5,607,150	1,108,118	3,353,108	10,068,377	322,432	10,390,810

Notes: 1. Segment income (loss) in "Adjustments" totaling (¥2,459,754 thousand) includes ¥2,897,457 thousand in overall group expenses, (¥356,230 thousand) in (income) losses that may not be allocated to the reporting segments, and (¥81,473 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 (¥16,499,281 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, 2016 to April 30, 2017)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	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.

b. Related information

Previous fiscal year (May 1, 2015 to April 30, 2016)

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, 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.

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

Previous fiscal year (May 1, 2015 to April 30, 2016)

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

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

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, 2015 to April 30, 2016)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	2,921,958	–	16,100	–	2,938,058
Balance at the end of current fiscal year	33,111,221	–	226,150	–	33,337,372

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

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic 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

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

Previous fiscal year (May 1, 2015 to April 30, 2016)

Effective from the fiscal year under review, Kyowa Pharmacy Co., Ltd. in the dispensing pharmacy business was included in the scope of consolidation following the acquisition of shares. In the fiscal year under review, gain on bargain purchase arising from this acquisition totaled ¥58,879 thousand.

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

There are no applicable matters to be reported.