Keep Moving Forward

ANNUAL REPORT 2011 For the year ended April 30, 2011

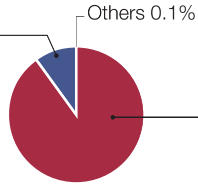
AIN PHARMACIEZ

Profile

The AIN PHARMACIEZ Group is a leader in Japan's dispensing pharmacy industry. Concentrating its resources into the core dispensing pharmacy and drug and cosmetic store businesses, the Group pursues its growth strategy to respond flexibly to the changing business environment.

Dispensing pharmacy business
comprises approximately 90% of consolidated net sales.

Drug and Cosmetic Store Business
11.5%



Fiscal 2011
Consolidated Net Sales
¥129,387 million

Dispensing Pharmacy Business
88.4%

Contents

Forward-looking Statements

This annual report contains forecasts and projections concerning the plans, strategies and performance of AIN PHARMACIEZ INC. and its consolidated subsidiaries and affiliates. These forecasts and projections constitute forward-looking statements that are not historical facts, but are based on assumptions and beliefs in accordance with data currently available to management. These forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, intense competition in the healthcare industry, demand, foreign exchange rates, tax systems, and laws and regulations. As such, AIN PHARMACIEZ INC. wishes to caution readers that actual results may differ materially from those projected.

To Our Stakeholders

On behalf of the AIN PHARMACIEZ Group, and as president, I would like to offer my heartfelt sympathies to all those affected by the Great East Japan Earthquake that struck on March 11, 2011.

Although nine of our stores were damaged, we were able to confirm the safety of all employees. In addition to starting to repair and restore operations at stores as soon as possible, we acted quickly to support the affected area. This was mainly achieved by delivering and dispensing drugs at evacuation centers making use of our nationwide network.

In the year ended April 30, 2011 (fiscal 2011), the Japanese economy faced a harsh business environment due in part to the impact of the disaster. Nevertheless, the AIN PHARMACIEZ Group achieved steady growth.

We are currently pushing ahead with initiatives aimed at the next stage of growth based on our medium-term management plan, which concludes in the year ending April 2014. In this annual report, we explain the basic philosophy underpinning these initiatives. We also take a look at the features of the dispensing pharmacy market in Japan and the areas of competitive advantage of the AIN PHARMACIEZ Group.

The future business environment remains uncertain. Leveraging our strengths as a leading company, we will proactively pursue ongoing growth while fulfilling our responsibility as a key element of social infrastructure.

» See business environment and our strengths in dispensing pharmacy business on the following pages.

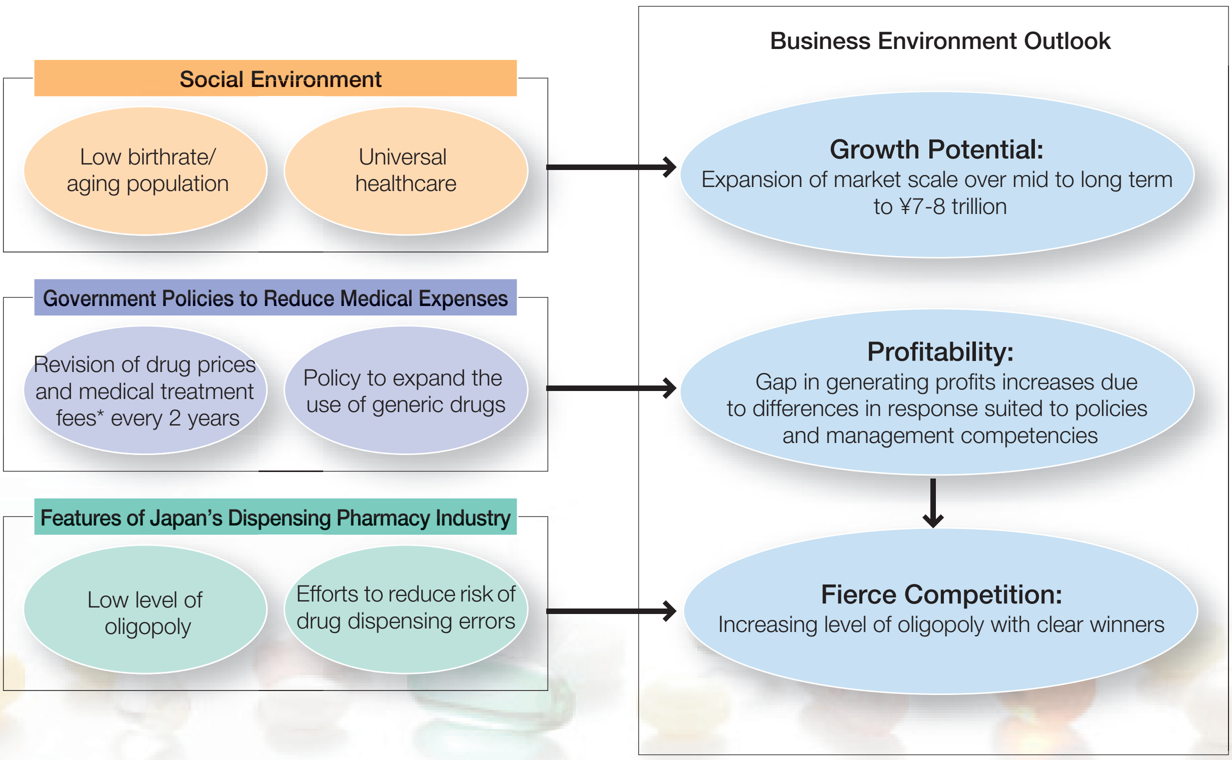
July 29, 2011

Kiichi Otani
President and Representative Director

Business Environment and Our Strengths in Dispensing Pharmacy Business

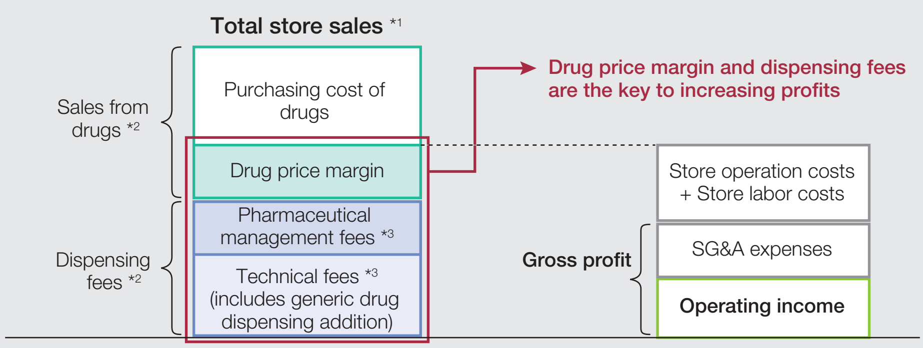
The dispensing pharmacy business environment and AIN PHARMACIES Group's strength are provided as follows to give a deeper understanding of our strategy.

Business Environment of Dispensing Pharmacy in Japan



* Medical treatment fees comprise professional fees for hospitals, dentists and dispensing pharmacies. Dispensing fees are included in medical treatment fees.

PROFIT STRUCTURE OF DISPENSING PHARMACIES



Notes: 1. Dispensing pharmacies receive 0-30% of medical expenses depending on the type of insurance of customers.
Dispensing pharmacies then charge the remainder of medical expenses to health insurance bodies such as national health insurance.
2. Drug prices and dispensing fees are based on official prices and revised every two years.
3. Dispensing fees comprise pharmaceutical management fees and technical fees. These fees are added depending on the services at pharmacies.

Profit growth and market share expansion are the key to success. The AIN PHARMACIEZ Group has made this possible and is ready to take for a significant leap forward.

Key to Success

Strengths of the AIN PHARMACIEZ Group's Dispensing Pharmacy Business

» See next pages for more details.

Our Competitive Advantages in Dispensing Pharmacy Business

We are promoting a strategy to boost both profitability and market share based on these competitive advantages.
We aim to establish an even more dominant position in this growing market.

» See pages 6-10 "Interview with the President"

Scale

- **No. 1 in sales in domestic dispensing pharmacy industry**
- **448 dispensing pharmacies nationwide** (Fiscal 2011)
- **Strong purchasing power**
- **Profit ratio much higher than competitors**

Profits from Generic Drugs

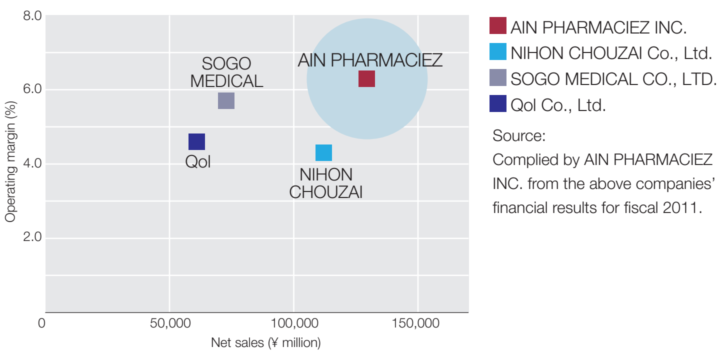
- **Strong responsiveness with generic drugs and edge in profitability**
  - WHOLESALE STARS Co., Ltd. (WSS), the industry's only wholesale subsidiary specializing in generic drugs

    Merits of WSS:
    - Lower purchasing cost and higher drug price margin for generic drugs

      » See page 2 "Profit Structure of Dispensing Pharmacies"
    - Reduced inventory management costs for the Group
- **Improving profits with favorable business environment**
  - Expansion of generic drugs expected to pick up steam in Japan

INDUSTRY POSITIONING

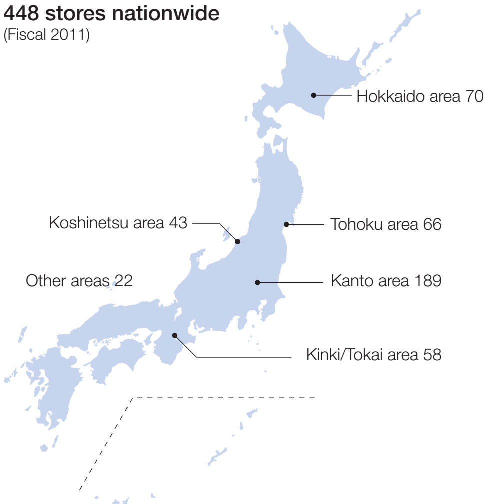
—Comparison of net sales and operating margin among major companies operating dispensing pharmacies



Source:
Complied by AIN PHARMACIEZ INC. from the above companies' financial results for fiscal 2011.

DISPENSING PHARMACY STORE NETWORK

448 stores nationwide
(Fiscal 2011)



M&A Strategies

- M&A with 15 companies in the past 10 years

» See pages 12-13 "History of Growth"

- Lead to business expansion along with opening new stores

Human Resources

- Advanced training and education systems
- Secure top-class pharmacists through regular hiring of pharmaceutical university graduates

» See page 7 "Interview with the President"

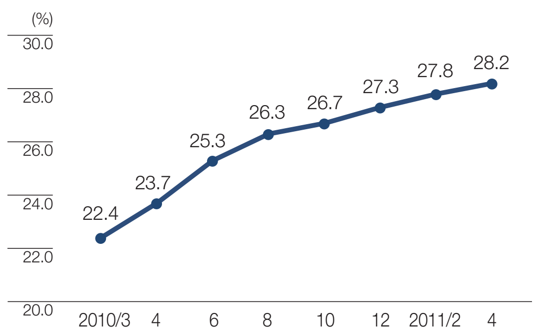
Automation of Drug Dispensing

- Complete automation of operations aside from final check
- Improve safety, efficiency and services

» See pages 7-8 "Interview with the President"

NET SALES/OPERATING MARGIN OF WSS

AVERAGE USAGE RATE OF GENERIC DRUGS ON A VOLUME BASE OF OUR DISPENSING PHARMACIES



Kiichi Otani
President and Representative Director

The direction of our medium-term strategy is moving ahead as planned. We are concentrating management resources into dispensing pharmacy and drug and cosmetic store operations and striving proactively to expand our business scale and enhance profitability. We are now set to beat the competition and aim to achieve the next stage of growth group-wide.

Q. What has been the effect of the Great East Japan Earthquake on business? Please also tell us your thoughts on recovery aid.

A. Despite the impact on our drug and cosmetic store business and the opening of dispensing pharmacies, the effect on business results has been immaterial. We will do whatever we can to assist with recovery efforts.

The AIN PHARMACIEZ Group provided immediate support in the aftermath of the disaster with supplies and personnel (See page 11 for details). This tragic event has made us more aware than ever of our responsibility to support community healthcare. Going forward, we will develop business while cherishing our relationships with local communities.

We opened 53 new dispensing pharmacies during the year. We delayed the opening of some dispensing pharmacies in April due to the earthquake, but were still able to achieve our start-of-year target through the acquisition of 33 pharmacies via M&A.

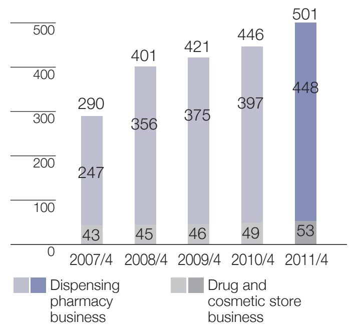
As a result, we achieved record highs in both sales and profits. Net sales for fiscal 2011 were up 3.1% compared with the previous fiscal year to ¥129,387 million. Operating income was up 24.9% year-on-year to ¥8,107 million and net income increased 25.1% to ¥3,916 million.

Q. Have there been any changes to your M&A policy?

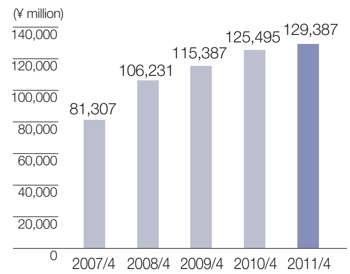
A. We have a consistent M&A policy so long as the other party offers the appropriate benefits at a suitable price.

We don't have a set goal for growth. I believe it is a company's responsibility to continue growing and expanding. M&A is one effective means. If the other party can provide us the

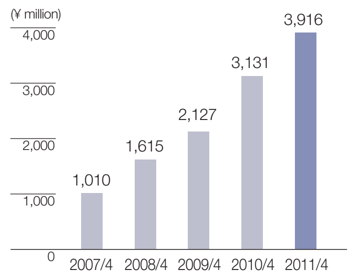
TOTAL NUMBER OF STORES



NET SALES



NET INCOME



benefits at a suitable price, we will always enter negotiations. Any dispensing pharmacy in Japan is within our sights.

Over the years, we have worked to integrate systems and exchange personnel within the Group, and these efforts are bearing fruits, especially reductions in selling, general and administrative (SG&A) expenses. We gather together pharmacists for educating and then assign them to our respective pharmacies. Our profits have expanded by becoming number one in the domestic dispensing pharmacy industry in terms of market share. This enabled us to reduce costs, educate employees and promote system development group-wide, which in turn lead to further growth of synergetic effects of the AIN PHARMACIEZ Group.

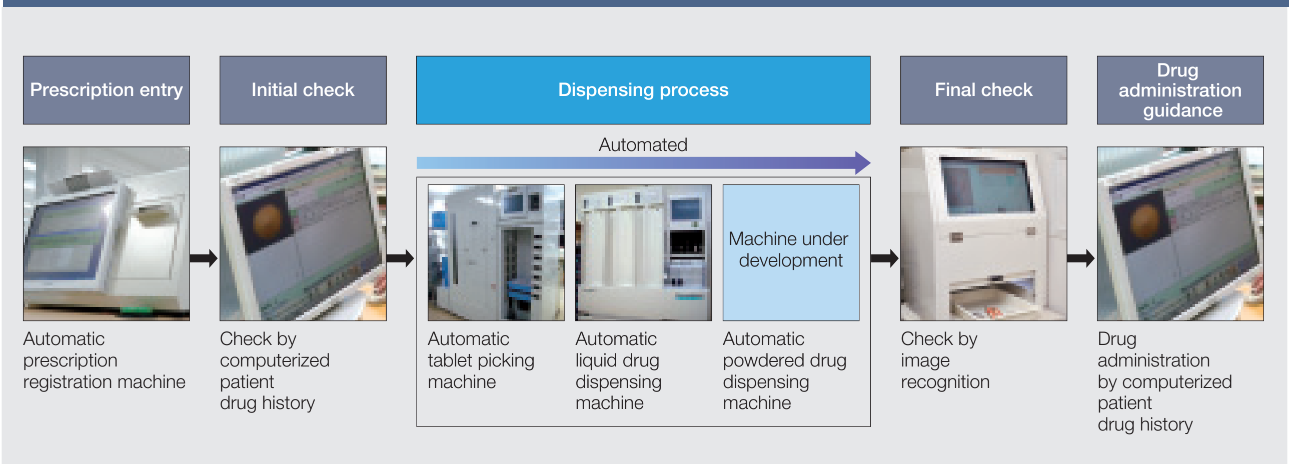
Q. How do you proceed with the employment and education of new recruits?

A. We plan to employ a record 500 new pharmacists in April next year and have prepared a new education system. Human resources are the key to growth over the medium and long term. Going forward, we will pour our energies into nurturing our human resources.

April 2012 will be an epoch for pharmacist-related industries in Japan. This is because close to 9,000 of the first graduates will enter the workforce since the curriculum changed from four to six years at pharmaceutical universities. The AIN PHARMACIEZ Group is aiming to hire 500 new graduates. We have also revamped our education system and set up a new system for accepting new graduates.

There are two dimensions to our pharmacist education. The first aspect is technical with the aim of producing specialists. This means learning how to dispense drugs properly, with an in-depth knowledge of drugs and skills to operate dispensing equipment on site. The second aspect pertains to human qualities. Being able to communicate well with customers helps build relationships of trust and prevent drug dispensing errors. We focus on both dimensions to ensure top-class pharmacists.

AUTOMATION OF DRUG DISPENSING OPERATIONS



Q. Are you proceeding on schedule with the automation of drug dispensing operations?

A. Due to the recent earthquake, we are behind schedule in equipment installation. However, we have enhanced profitability in stores that have introduced the new devices as a result of labor savings and more efficient store operations.

Even the most professional pharmacists can make small mistakes. It is our responsibility to reduce these mistakes, and should they occur, to prevent dispensing errors that could adversely affect the customer. Because dispensing errors could be the greatest risk to the dispensing pharmacy industry, the AIN PHARMACIEZ Group, as an industry leader, takes initiatives to prevent these errors. One such initiative is the automation of drug dispensing operations, including an automatic liquid drug dispensing machine (See diagram on page 7).

The AIN PHARMACIEZ Group is pushing ahead with the total automation of drug dispensing operations. Currently, we have completed development of an automatic tablet picking machine. We have introduced the machine at five stores, which are mainly large stores. Although the earthquake forced a delay in installation, we are aiming to set up 27 machines by the end of April 2012.

Advancements in automation provide numerous benefits. These include labor savings and enhanced efficiency in store operations. Such improvements also raise awareness among employees of the need for greater efficiency.

Q. Some of your competitors are focused on jointly establishing drugstore with dispensing pharmacy functions. Do you intend to take a similar approach?

A. The AIN PHARMACIEZ Group will remain dedicated to dispensing pharmacy business because it is the only business format that can respond to Japanese customer needs and also is highly profitable.

Most dedicated dispensing pharmacies in Japan are located near hospitals. This format is unique to Japan with very few examples overseas. There are opinions that management efficiency is higher in drugstores with dispensing pharmacy functions compared with this conventional approach.

However, dispensing pharmacies near hospitals are most convenient for customers in Japan*. The customers who generate a large portion of income for dispensing pharmacies are those who suffer from chronic conditions such as diabetes and high blood pressure as well as serious illnesses. Generally, those patients bring prescriptions to dispensing pharmacies near hospitals. This is because that those kind of pharmacies not only stock most of the drugs prescribed at the nearby hospitals but also they have extensive dispensing experience that is relevant to nearby hospitals, and thus, they are able to give patients a sense of reassurance and convenience.

Also dispensing pharmacies near hospitals deal with a large quantity of prescriptions that require advanced drug dispensing capability, and the turnover of drugs is high, driving up profit margins. Moreover, the risks of drug dispensing errors are less due to accumulated experience.

On the other hand, drugstores with dispensing pharmacy functions solely deal with prescriptions for relatively mild illnesses. Because these stores handle a wide variety of prescriptions from different hospitals, plenty of stock is needed. Therefore, profitability at these stores is lower than dispensing pharmacies near hospitals. Moreover, total profits of a company cannot be improved simply by increasing the number of stores.

As above mentioned, dispensing pharmacies near hospitals have benefit both to customer and to a company operating pharmacies. Therefore, the AIN PHARMACIEZ Group is concentrating efforts in this format.

* In Japan, it is customary for people to cover their medical examinations with insurance and many enjoy the convenience of having their drugs administered immediately at dispensing pharmacies located very near to medical institutions that mainly handle prescriptions from the facilities (Table: Doctors consultations, Number per capita).

DOCTORS CONSULTATIONS, NUMBER PER CAPITA

	2008
OECD countries	
Japan	13.2
Germany	7.7
France	6.9
United Kingdom	5.9
United States	3.9
Sweden	2.9

Source: OECD Health Data 2011

Q. Please tell us about progress in the development of medical malls, your new growth strategy.

A. We are making good progress and expect medical malls to become the next driver of growth for the Group.

In addition to opening pharmacies near hospitals, which is our core strategy, we are promoting the development of medical malls (See page 14 "Segment Review: Dispensing Pharmacy Business") as another "aggressive" strategy. The merit of opening medical malls is that we can expect a number of prescriptions equivalent to large pharmacies near hospitals by actively attracting many medical institutions to the malls.

We expect this approach to contribute significantly to future growth for the Group. Since we have just started construction of the malls, however, it will take some time before the benefits are reflected in business results. We plan to open the first mall in Sapporo, Hokkaido in 2012 and continue with a series of malls throughout Japan, including one in Futako-tamagawa, Tokyo by the end of April 2014.

Q. Do you have a strategy in response to the expansion of generic drugs?

A. We make the most effective use of our wholesale subsidiary specializing in generic drugs. We are always considering measures for expected governmental measures to increase the usage rate of generic drugs.

The usage rate of generic drugs in Japan is extremely low compared with Europe and the United States and it is thought that it will be difficult for the Japanese government to achieve its target*. In the future, it is expected that governmental policies will be even stricter, with higher points for generic drug dispensing. This will increase the earnings gap between companies in the industry.

In 2006, AIN PHARMACIEZ established WHOLESALE STARS Co., Ltd. (WSS), a wholesale subsidiary specializing in generic drugs. We are the only company in this industry with a specialized wholesale subsidiary. Besides the AIN PHARMACIEZ Group, we currently sell generic drugs to other entities and have established exceptional supply capabilities. Pharmacists in our Group are fully aware of the need to expand of generic drugs as well and we have set up a system for generic drug prescriptions. We expect the spread of generic drugs to pick up steam in the future in Japan and believe that we stand in a dominant position in this domain.

* The government aims to achieve a usage rate of 30% for generic drugs on a volume base by April 2012. The AIN PHARMACIEZ Group achieved an average usage rate of 28.2% in the year ended April 2011.

Q. Can you explain progress and the outlook for the “Transcend 2000” medium-term plan?

A. Basically, we are slightly behind in our plan due to a shortage in the number of stores. I believe, however, we can achieve our target by the final fiscal year of the plan.

Under our new “Transcend 2000” medium-term plan, we aim to achieve net sales of ¥200.0 billion, ¥13.7 billion in operating income and a total of 686 stores by the year ending April 2014. Although our plans have been delayed somewhat due to sluggish growth in the number of stores, we intend to concentrate the opening of new stores closer to the final fiscal year, which will include M&A and medical malls. As such, I believe we can achieve our target in the end.

We are also making steady progress in cost reductions throughout the Group while generic drugs are making a solid contribution to profits. Procurement costs for various supplies have decreased as we expand the scale of operations. In this way, we have generated a positive growth cycle in every area. We have steadily increased earnings, which has put us in a strong cash flow situation, and we will continue to aggressively open both dispensing pharmacies and drug and cosmetic stores.

Q. Finally, please tell us your message for shareholders and investors, including your policy on returning profits.

A. AIN PHARMACIEZ returns profits to shareholders consistent with the level of growth. This applies to both the dividend amount and dividend payout ratio. The dispensing pharmacy market is one of the few growing sectors in Japan. The AIN PHARMACIEZ Group currently occupies a top position in this sector and we have already set foundations that will take us to the next stage of growth.

We consider the return of profits to shareholders to be our corporate responsibility. We are aiming for a dividend payout ratio of over 20% as one target and are striving to increase the dividend amount in line with growth.

The AIN PHARMACIEZ Group has established a top position in the industry in the 17 years since our initial public stock offering. The dispensing pharmacy market is one of the few markets with further growth potential even in the medium term; and we still have major scope for growth.

However, the industry will change so that only strong companies can grow in the future. The AIN PHARMACIEZ Group is ready for these changes and I am confident that we can beat the competition. By achieving the goals of our new “Transcend 2000” medium-term plan we are sure to ascend to the next stage of growth. I ask for the continued support of all shareholders and investors.

Topics: Support for Quake-hit Area — Providing a Lifeline and Fulfilling Our Corporate Responsibility

Sanriku*[1] was the region worst hit by the Great East Japan Earthquake. Nine of the AIN PHARMACIEZ Group's stores in the region were severely damaged. In addition to restoring operations at these stores, we provided extensive support to the afflicted area primarily through the supply of drugs and food and dispatch of personnel.

The following measures were taken to support the affected areas. These restoration and relief efforts were made possible by conducting business activities rooted in the local community; the ability to supply personnel and goods on a nationwide basis; and above all, the strong sense of responsibility of every member of the Group. Going forward, the AIN PHARMACIEZ Group will fulfill our corporate responsibility by providing a much-needed social lifeline.

Nationwide Operations Shore Up Support Efforts

A Disaster Relief Headquarters under the direct control of the Company president was set up one day after the earthquake. Company representatives, including management, immediately were sent to the disaster zone to provide direct support. They confirmed the damage at our stores and implemented necessary restoration initiatives. Various goods also were supplied to the affected area.

They rented cars and delivered daily essentials such as water, food and disposable diapers as well as drugs. Tohoku Branch in Sendai, was used as a base. This was because it is close to the stricken area and received relatively minor damage. The vehicles of WHOLESALE STARS Co., Ltd. (WSS), a wholesale subsidiary specializing in generic drugs, were designated for use as emergency relief vehicles. We were thus able to provide large quantities of supplies quickly via two routes. Together with initially confirming the safety of personnel and supplying goods, we sent approximately 206*[2] pharmacists in total from all parts of Japan to the affected area.

Management's speedy and sound decision-making was crucial to responding quickly. The swift dispatch of personnel, including young managers, and a high sense of responsibility felt by all employees were also instrumental.

Opening of Temporary Pharmacy despite Personal Hardship

The manager of our pharmacy in Yamada-machi (Iwate Prefecture), which was the most severely damaged among our pharmacies, opened a temporary pharmacy in an evacuation shelter immediately after the disaster. She recovered items from the damaged pharmacy, cleaned the mud left by the tsunami from the packaging and dispensed the items. Although she had lost her home, she decided to provide support to others.

Local pharmacists know their patients well and what they need. Therefore, as long as pharmacists exist and pharmacies are well equipped with drugs, this can save lives.

As the days passed, doctors arrived on the scene. Many places, however, lacked the necessary drugs due to damage to pharmacies and wholesalers. The goods and drugs supplied by the AIN PHARMACIEZ Group thus contributed greatly to medical support.

Developing Together with the Region

Over the years, the AIN PHARMACIEZ Group has opened new stores and implemented an M&A strategy while building close relationships with local communities. We communicate with local bodies such as pharmacists societies and help each other as necessary, which has enabled us to create such close relationships.

The AIN PHARMACIEZ Group has a nationwide chain of stores. At the same time, pharmacy managers take the time to connect with customers and other relevant people in local communities as part of their daily work.

In the Ofunato region, for example, regional pharmacists whose stores were damaged as a result of the tunami gathered at the AIN pharmacy in the region, which was not affectted by the desaster, and worked together to dispense drugs.

Going forward, the AIN PHARMACIEZ Group aims to support regional medical care and grow together with local communities, thereby pursuing a growth strategy for the entire Group.

*[1] Sanriku: The eastern Tohoku district along the Pacific Coast covering Miyagi, Iwate and Aomori Prefectures.

*[2] Calculated as the cumulative number of pharmacists as of the end of March 2011.

薬待つ人へ

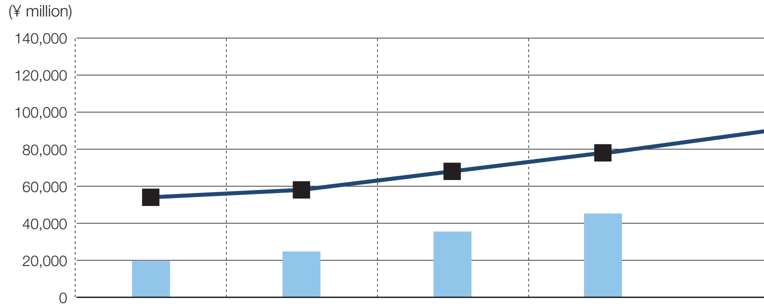
竹内さん 寝食惜しみ調剤

The *Hokkaido Shimbun* reported the Group's support activities related to the earthquake disaster.

Article about the manager of our pharmacy in Yamada-machi who continued dispensing drugs at an evacuation shelter despite being personally affected by the earthquake disaster

History of Growth

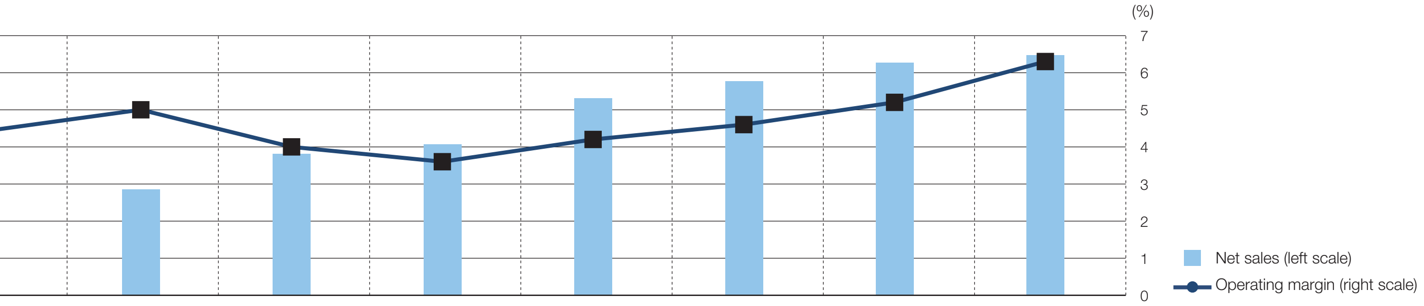
The AIN PHARMACIEZ Group has grown and expanded while dealing with the adverse effects from the repeated revisions to medical expenses.
The opening of new stores and M&A have been actively implemented to continue the scale expansion policy.



Consolidated 11-year Financial Summary

	2001/4	2002/4	2003/4	2004/4
For the year:				
Net sales	19,572	24,677	35,374	45,227
Selling, general and administrative expenses	2,539	2,674	3,268	3,886
Operating income	531	710	1,185	1,766
Net income	437	465	603	855
Capital expenditures*2	1,155	1,022	1,052	1,240
Depreciation and amortization*2	278	282	366	444
At the end of the year:				
Shareholders' equity*3	6,079	6,379	7,003	8,019
Net assets	6,079	6,379	7,003	8,019
Total assets	17,202	18,293	23,955	25,131
Number of shares outstanding (shares)	8,887,696	8,886,746	11,024,650	11,024,650
Number of employees (persons)	493	564	907	905
Number of stores : Dispensing pharmacy business	75	92	148	148
Number of stores : Drug and cosmetic store business	36	33	40	27
Per share information (¥)				
Net income	51.09	52.43	58.37	74.72
Net assets	684.08	717.88	633.22	724.57
Cash dividends	5.0	8.0	10.0	12.0
Stock information (based on the closing price as of April 30) (¥)				
Stock price	1,180	1,320	1,080	1,390
Ratios (%)				
Operating margin	2.7	2.9	3.4	3.9
Return on sales*4	2.2	1.9	1.7	1.9
Return on assets (ROA)*5	2.6	2.6	2.9	3.5
Return on equity (ROE)*6	7.2	7.3	8.6	10.7
Shareholders' equity ratio	35.3	34.9	29.2	31.9

	2001/4	2002/4	2003/4	2004/4
M&A			Imagawa Yakuhin	AIN TOKAI AIN MEDICAL SYSTEMS
Revisions to medical expenses		◀Dispensing fees -1.3% Drug prices -6.3%		◀Dispensing fees ±0 Drug prices -4.2%



	2005/4	2006/4	2007/4	2008/4	2009/4	2010/4	2011/4
							(¥ million)
	57,091	76,303	81,307	106,231	115,387	125,495	**129,387**
	5,230	7,145	7,970	9,203	9,948	10,744	**11,981**
	2,875	3,083	2,888	4,444	5,296	6,492	**8,107**
	930	1,215	1,010	1,615	2,127	3,131	**3,916**
	1,536	2,087	1,620	1,914	2,891	2,573	**2,750**
	458	648	773	968	1,119	1,286	**1,560**
	9,095	10,352	10,710	12,040	16,071	21,445	**29,450**
	9,095	10,352	11,326	12,707	16,109	21,492	**29,498**
	38,887	41,669	49,849	57,546	62,032	65,898	**76,940**
	11,210,350	11,304,000	11,320,000	11,361,000	12,831,376	14,101,164	**15,941,004**
	1,446	1,684	1,947	2,582	2,741	2,918	**3,104**
	193	218	247	356	375	397	**448**
	44	43	43	45	46	49	**53**
	79.92	104.53	89.34	142.36	170.74	228.08	**255.67**
	807.68	912.43	946.17	1,059.78	1,252.54	1,520.81	**1,847.46**
	15.0	18.0	18.0	20.0	30.0	40.0	**45.0**
	2,050	2,370	1,500	1,490	1,481	2,920	**3,115**
	5.0	4.0	3.6	4.2	4.6	5.2	**6.3**
	1.6	1.6	1.2	1.5	1.8	2.5	**3.0**
	2.9	3.0	2.2	3.0	3.6	4.9	**5.5**
	10.9	12.5	9.6	14.2	15.1	16.7	**15.4**
	23.4	24.8	21.5	20.9	25.9	32.5	**38.3**
	Rejoice	MEDICAL HEARTLAND	Asahi Pharmacy				Aquisition of 6 companies (33 stores)
		DAICHIKU	SUNWOOD				
	Rejoice Pharmacy						
		◀Dispensing fees -0.6% Drug prices -6.7%		◀Dispensing fees +0.17% Drug prices -5.2%		◀Dispensing fees +0.52% Drug prices -5.75%	
	2005/4	2006/4	2007/4	2008/4	2009/4	2010/4	2011/4

Notes:
1. Amounts of less than one million yen were rounded down.
2. The amounts of capital expenditures and depreciation and amortization prior to the fiscal year ended April 30, 2007 are on a non-consolidated basis.
3. Shareholders' equity = Net assets – Minority interests
4. Return on sales = Net income / Net sales × 100
5. Return on assets = Net income / Total assets (yearly average) × 100
6. Return on equity = Net income / Shareholders' equity (yearly average) × 100

Dispensing Pharmacy Business

Shoichi Shudo
Managing Director,
General Manager of
Dispensing Pharmacy Division

Expanding Pharmacies Near Hospitals on a Nationwide Basis

"One of the strengths of the dispensing pharmacies run by AIN PHARMACIEZ Group is that the corporate culture enables a swift response to changes in the environment. The business climate has been tough due to the revision to dispensing fees in April 2010. However, we have a structure that lets us continue growing by each employee responding in a flexible and speedy manner."

Strengths and Features of Dispensing Pharmacy Business

- Pharmacies near hospitals
- Retains many high-level pharmacists
- Cutting-edge dispensing system

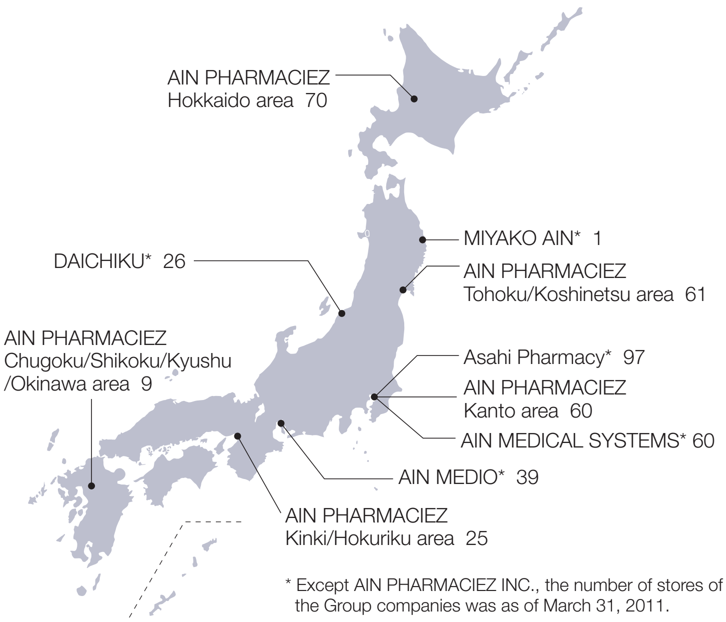
Specializing in Pharmacies Near Hospitals

The basic concept of the Company's business model is to expand dedicated dispensing pharmacies located near hospitals and that are large in scale all over Japan. The AIN PHARMACIEZ Group has expanded business rapidly by opening new stores and making reputable dispensing pharmacy chains near hospitals into subsidiaries mainly through M&A.

The Group is comprised of 14 companies (only those engaged in dispensing pharmacy business), including AIN

DISPENSING PHARMACY STORE NETWORK

448 stores nationwide (Fiscal 2011)



* Except AIN PHARMACIEZ INC., the number of stores of the Group companies was as of March 31, 2011.

PHARMACIEZ, and has 448 stores (up 51 from the end of the previous period). The number of pharmacists working in the Group stood at 2,089 at the end of the fiscal year.

A steep rise in acquisition prices has led to fewer M&A opportunities in the past four years and therefore no major increase in sales or the number of stores. From May 2010, however, we plan to actively pursue M&A and develop large stores by sharing information between Group companies, led by the Business Development Division in Tokyo.

Going forward, we will continue to regularly hire pharmacists and solidify foundations for further growth.

Developing Medical Malls as a New Driver of Growth

In addition to our traditional dispensing pharmacy business, we have started developing new medical malls from the following two directions. Our first strategy is to participate in projects to set up and relocate hospitals and establish large pharmacies near these hospitals after securing optimal site locations. Our second strategy is to open dispensing pharmacies in buildings in large cities and near train stations in cooperation with leading developers. By attracting medical institutions to open inside the building or nearby, we can develop a medical mall suited to the area. By actively attracting a number of medical institutions, both of these strategies are expected to result in the number of prescriptions equivalent to large pharmacies near hospitals. As such, we expect medical malls to contribute significantly to business performance in terms of both sales and profits. We are aiming to develop around 50 medical malls by the end of April 2014.

Cross-organizational Management System

We have unified operations in indirect departments of respective Group companies for greater efficiency in order to standardize services and pursue profitability across the Group, thereby handling the expansion in business scale. In addition to regular hiring and enhancement of our education program for pharmacists, we have developed and shared our advanced know-how concerning, for example, centralized drug purchasing and standardization of automatic drug dispensing systems in order to raise the Group's profitability.

STORE CASE STUDY

Itabashi Store

Eriko Tamai
(Store Pharmacist)

Aiming to Promote Generic Drugs

Currently in Japan, the expansion of generic drugs is not progressing as swiftly as other industrialized nations due to many medical professionals' and patients' concerns about their safety and effectiveness. However, we believe it is the duty of pharmacists to actively promote generic drugs in line with governmental policy in order to maintain the existing medical system in the future.

The Itabashi Store is a medium-sized dispensing pharmacy with 12 pharmacists who fill 220 prescriptions a day. Our pharmacy has created a system that enables pharmacists to easily share information on generic drugs. We also hold meetings twice a month. Based on these efforts, all of our pharmacists are able to encourage patients to switch to generic drugs by clearly explaining their various benefits, so that even people who are initially hesitant to try generic drugs understand their benefits. Now, customers are satisfied with the abundance of generic drugs we have available. Our efforts have resulted in a 6% growth in the usage rate of generic drugs. This has strengthened relations between staff members and raised motivation. Going forward, we will work to tackle various issues while further encouraging employees to do their utmost best.

USAGE RATE OF GENERIC DRUGS ON A VOLUME BASE AT ITABASHI STORE

April 2010 20.6% → April 2011 26.6%

+6.0%

Drug and Cosmetic Store Business

Rieko Kimei
General Manager of
Drug and Cosmetic Store Division

Flexibility to Continue Evolving a Key Advantage

"The *ainz & tulpe* brand is highly regarded in the industry as a select store of drugs and cosmetics. We promote the sale of drugs by making effective use of our know-how to develop pharmacists. We aim to continue supporting the beauty and well-being of people."

Strengths and Features of Drug and Cosmetic Store Business

- Supports everyday living with drugs and cosmetics
- Mainly targeting females from 20s to 40s
- Differentiation through drug sales know-how

Urban Drug and Cosmetic Stores

In the drug and cosmetic store business, we have three store brands that handle different products: *ainz* has an extensive lineup of products from drugs to everyday items; *tulpe* provides high-quality cosmetics that include foreign brands; and *ainz & tulpe* has a wide-ranging lineup that incorporates products from both *ains* and *tulpe*.

In particular, *ainz & tulpe* and *tulpe* target style-conscious women in their 20s to 40s, and these stores have been well received by the market. The ability to sell drugs is vastly different to other cosmetics stores due to advanced know-how that has been accumulated in the dispensing pharmacy business. We will further reinforce this ability and work to expand profitability while also implementing a plan to draw new customers through utilizing mobile terminals.

Going forward, we will continue to develop stores in urban centers around Japan, notably *ainz & tulpe* stores. We are also reviewing the possibility of expanding overseas and will nurture the drug and cosmetic store business as one of our next key drivers of growth.

STORE CASE STUDY

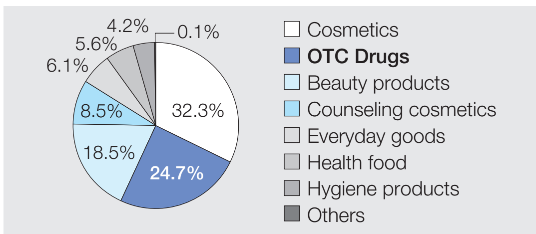
ainz & tulpe Tokyo Station Store

Heyong Kim
(Store Staff)

Strengthening of OTC Drug Sales

The location of the *ainz & tulpe* Tokyo Station Store draws many travelers and business-people. Approximately 1,300-1,500 customers visit the store each weekday. For this reason, there is high demand for over-the-counter (OTC) drugs that can be purchased on the spot. With the aim of increasing customer convenience, the store has almost doubled its floor space for OTC drugs and made the layout easier for customers to select these products. As a result, sales have grown roughly 1.5 times since opening. Since expert knowledge is indispensable to sell drugs, the store regularly holds workshops regarding OTC drugs for sales staff. Besides this, information is shared at morning meetings to raise the skills of every staff member. We believe that each of these initiatives provides reassurance and increases customer satisfaction.

SALES BREAKDOWN AT *ainz & tulpe* TOKYO STATION STORE



Corporate Governance

(As of August 2, 2011)

AIN PHARMACIEZ assumes responsibility for people's health and the well-being of the wider community through its business activities. We promote a highly efficient and transparent management system and implement ongoing initiatives toward enhancement of corporate governance.

BASIC ACTION POLICY FOR CORPORATE GOVERNANCE

Dispensing pharmacies and drugstore chains are the key business areas being developed by AIN PHARMACIEZ. Both of these businesses are characterized by a responsibility towards people's health, and as such, we recognize the indispensability of continuing with sound and transparent business activities that prioritize compliance.

We have adopted a corporate auditor system to enable a framework that realizes this goal in a business environment where an expanding market demands quick decision-making. This involves oversight not only of key management decisions and the business execution of directors but also general corporate management. In order to ensure the effective mutual management oversight of directors, the Board of Directors convenes more than once a month, while a management meeting is held for directors and standing corporate auditors on a weekly basis.

To minimize potential risks, the Internal Audit Office assures comprehensive compliance with basic pharmacy regulations and the Safety Policy Office conducts analysis and implements measures to prevent drug dispensing errors, a major risk factor in operating a dispensing pharmacy business.

OVERVIEW OF CORPORATE GOVERNANCE SYSTEM

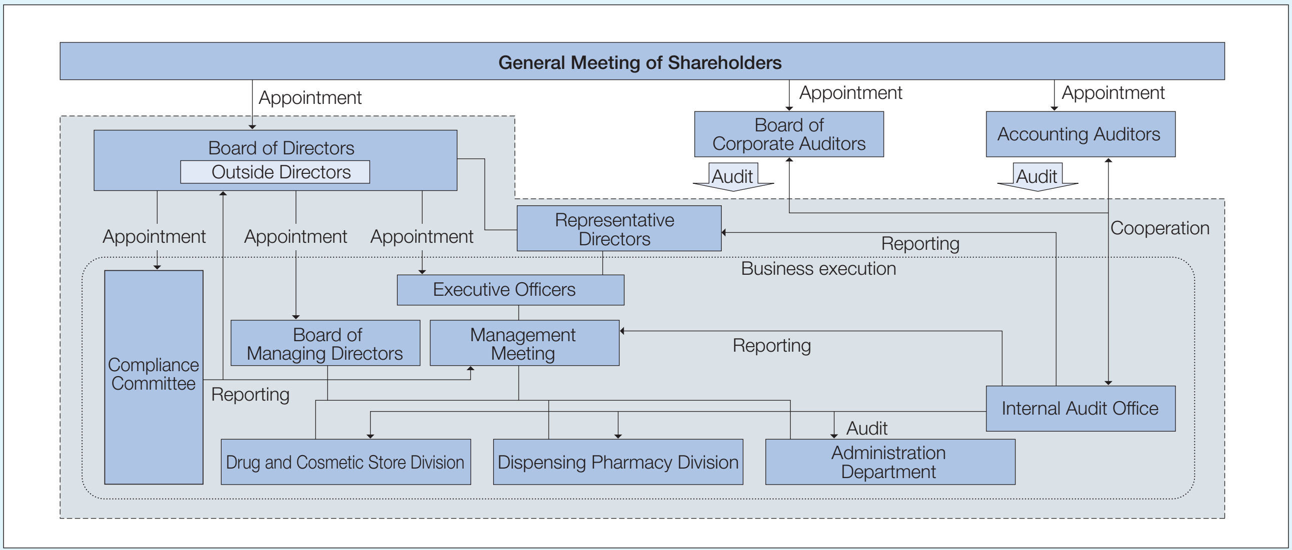
The Board of Directors, the major decision-making body of AIN PHARMACIEZ, is comprised of 13 members. Outside directors participate in management operations by providing appropriate advice from multi-faceted perspectives when important corporate decisions need to be made. At present, there are five outside directors at AIN PHARMACIEZ, and executives in charge of internal controls and internal audits are senior executive officers.

Executives in charge of internal audits and internal controls work closely with the Board of Corporate Auditors from a directorial standpoint and attend Board of Directors meetings where they report on internal audits and internal controls. This helps maintain a system that can secure the confidence of shareholders and investors in real terms. In addition, AIN PHARMACIEZ has introduced an executive officer system separating roles into management decision-making and oversight, and execution of operations, with the objective of vitalizing the Board of Directors and improving the functionality of business execution.

Aside from the aforementioned, we hold a weekly management meeting that is attended by management in positions above division head in order to monitor day-to-day operations. Members discuss business execution in each division at the meeting, which also allows for mutual supervision between business divisions.

Internal Control System

AIN PHARMACIEZ views the effective and reliable functioning of its internal control system as extremely important. With regard to management oversight, continuous swift decision-making is a prerequisite in order to proactively promote business expansion measures. We hold a management meeting every week that is attended by directors and standing corporate auditors, while five outside directors sitting on the Board of Directors participate in management decisions by offering appropriate advice from diverse standpoints. Through these measures, we are working to ensure that the mutual management oversight of directors is functioning properly when key decisions are being made.



Two outside corporate auditors and one standing corporate auditor comment on relevant matters in a corporate auditors' capacity at meetings of the Board of Corporate Auditors and Board of Directors, as well as monitor the execution of duties by directors. We are striving to enhance internal control functions through measures that include regular seminars conducted by lawyers, ongoing programs by the Compliance Committee to raise awareness of executives and regular employees and introduction of help desks for breaches of compliance.

Management System of Group Companies

The AIN PHARMACIEZ Group is comprised of AIN PHARMACIEZ INC., its 18 subsidiaries and three affiliates as of April 30, 2011. AIN PHARMACIEZ employs Management Guidelines for Subsidiaries and Affiliates at each of the Group companies in order to ensure appropriateness of operations as a business group. For items requiring important management decisions (including facts regarding decisions already made) at subsidiaries, a report is submitted to AIN PHARMACIEZ, the parent company, with action taken once approval has been granted. Further, a Group management meeting convenes twice a month in the form of a liaison conference for the Group companies in order to manage the status of business execution at each company.

Risk Management System

At AIN PHARMACIEZ, each division evaluates risk inherent in its operations by identifying all potential factors that may lead to physical or economic loss, loss of credibility or unprofitable results based on Risk Management Regulations. We always take steps to prevent or minimize anticipated risks by introducing rules and procedures and standardizing operations. In case of an accident, our basic policy is to quickly and accurately convey relevant information and respond appropriately in order to minimize Company losses. We have clarified a concrete system of reporting and response when an accident occurs and are working to increase familiarity with this system among all executives and regular employees.

In addition, an Emergency Countermeasures Headquarters led by the Company president or executive vice president has been set up to deal with major accidents. This body works closely with pertinent departments to control information, swiftly provide appropriate instruction on procedures at the accident source and decide on policies concerning, among other things, external announcements. With regard to the operational status of risk management, the Internal Audit Office monitors compliance with, and effectiveness of, rules and regulations via field audits.

Internal Audits and Corporate Auditors' Audits

In principle, the Internal Audit Office conducts business audits more than once a year at the head office and stores via a four-person structure. It also audits subsidiaries and verifies the condition of respective internal audits.

In addition, we are increasing the effectiveness of internal audits by submitting materials related to internal audits to corporate auditors and through field audits in collaboration with corporate auditors. Other measures include timely discussions and reviews of internal audit methods and their effects, and coordinating with the accounting auditors on accounting audits. The status of internal audits is reported at management meetings, and after coordination with each business division, individual guidance is provided and audits once again conducted in an effort to enhance compliance.

Audits are conducted by corporate auditors, comprising two outside corporate auditors and one standing corporate auditor. In addition to the aforementioned activities, corporate auditors work to enhance the accuracy of their audits from legal and accounting perspectives and in line with the Company's articles of incorporation by exchanging ideas with accounting auditors at the time of each accounting audit. Corporate auditors accompany the accounting auditors on audits of subsidiaries to strengthen auditing functions.

Outside corporate auditors formulate audit policies and audit plans together with the standing corporate auditor, view important management-related documents, audit financial documents and reference materials, as well as proposals submitted at the General Meeting of Shareholders, and verify the status of business execution by directors. They also offer advice, suggestions and recommendations to directors and the Board of Directors through discussions via the Board of Corporate Auditors.

REMUNERATION FOR DIRECTORS AND AUDITORS

The maximum total amount of remuneration for directors was determined by a resolution at the 33rd Ordinary General Meeting of Shareholders held on July 30, 2002 to be ¥200 million annually (does not include payments made to directors for their duties as employees). The actual amount each year is determined within this limit by the Board of Directors upon due consideration of business results and economic conditions. The maximum total amount of remuneration for corporate auditors was set at ¥30 million annually at the 22nd Ordinary General Meeting of Shareholders held on July 30, 1991. The actual amount each year is determined within this limit via discussions among the corporate auditors. The amount of remuneration for directors and corporate auditors for the year ended April 2011 is as follows.

Item	Total remuneration (¥ million)	Remuneration by type (¥ million)		Number of eligible individuals
		Basic remuneration	Bonus	
Directors (excluding outside directors)	154	131	23	9
Corporate auditors (excluding outside corporate auditors)	7	7	—	1
Outside directors and corporate auditors	25	23	2	6

Note: Additionally, the portion of employees' salaries for directors who concurrently serve as employees amounted to ¥6 million.

Corporate Social Responsibility

STATUS OF ACCOUNTING AUDITS

Three certified public accountants from Ernst & Young ShinNihon LLC conducted the accounting audits of AIN PHARMACIEZ based on the Companies Act and Financial Instruments and Exchange Act. Seven certified public accountants and 12 assistant accountants provided support for the accounting audits of AIN PHARMACIEZ. Audit fees for the year ended April 2011 are as follows.

	Compensation paid for audit certification activities (¥ thousand)	Compensation paid for non-audit activities (¥ thousand)
The Company	35,500	2,000
Consolidated subsidiaries	–	–
Total	35,500	2,000

STATUS OF SHARES HELD

1. Of the Company's shares for investment held for any purposes other than investment purpose, the number of investments and total of the carrying value
   Number of investments: 27
   Total of the carrying value: ¥1,385 million

2. The shares, number of shares held, carrying value and holding purpose of the stocks for investment held for any purposes other than investment purpose

Specific stocks for investment for the year ended April 2011

Shares	Numbers of shares held (shares)	Carrying value (¥ million)	Holding purpose
Hokuhoku Financial Group, Inc.	2,877,400	443	Being held to maintain and strengthen the close relationship with this client
Sapporo Hokuyo Holdings, Inc.	779,400	279	〃
TOKAI Corp.	64,900	96	〃
JAFCO Co., Ltd.	25,000	51	〃
Mizuho Financial Group, Inc.	200,000	25	〃
JAPAN CARE SERVICE GROUP CORPORATION	35,000	13	〃
ARCS COMPANY, LIMITED	8,676	10	〃
CAREER BANK CO., LTD.	212	9	〃
TAIHEIYO KOUHATSU INCORPORATED	100,000	7	〃
The Dai-ichi Life Insurance Company, Limited	17	2	〃
SPARX Group Co., Ltd.	200	1	〃
ECOMIC CO., LTD.	20	1	〃
ARATA CORPORATION	10,000	1	〃

AIN PHARMACIEZ aims to contribute to society mainly through the two businesses of dispensing pharmacies and drug and cosmetics stores, as well as to contribute to the advancement of research in the pharmaceutical field through funded projects for universities and joint research.

FUNDED PROJECTS AND JOINT RESEARCH

It is critical to link frontline personnel, such as those from the AIN PHARMACIEZ Group, with educational and research institutes to drive advancement in the pharmaceutical industry going forward. The Group seeks to contribute to the advancement of research in the pharmaceutical field and takes a proactive approach to initiatives based on academic-industry partnerships, such as five funded projects and three joint research projects at The University of Tokyo, Kyoto University, Hokkaido University, Sapporo Medical University and Asahikawa Medical University.

<Funded Projects>

■ Pharmaco-Business Innovation: Graduate School of Pharmaceutical Sciences, The University of Tokyo

This project aims to promote innovation, the true domain of the university, and develop foundations to apply the results for the benefit of society. Activities focus on three key areas: research, education and supporting commercialization.

■ Pharmaceutical Risk Management: Faculty of Pharmaceutical Sciences, Hokkaido University

By analyzing accumulated data regarding drug dispensing errors and other incidents (mistakes that occur prior to handing over drugs to patients), this project aims to develop new countermeasures and verify their effectiveness in actual clinical practice in order to prevent accidents in drug dispensing.

■ Integrative Palliative Care Education & Practice: Sapporo Medical University

This project aims to enhance and advance the level of medical treatment through the evidence-based learning of therapy and care at centers for palliative treatment. This involves perceiving palliative treatment as a science.

■ Division of Community Health Research: Hokkaido University Hospital

■ Medicine and Engineering Combined Research Institute: Asahikawa Medical University

<Joint Research>

■ Division of Social Communication System for Advanced Clinical Research: The Institute of Medical Science, The University of Tokyo

This project aims to clarify obstacles to the establishment and proliferation of advanced medial care and implements proposals and activities to identify concrete solutions.

■ Laboratory of Drug Informatics: Graduate School of Pharmaceutical Sciences, The University of Tokyo

This joint research aims to establish a system of learning for drug informatics in order to carry out drug lifetime management.

■ Department of Pharmacoepidemiology: Graduate School of Medicine and Public Health, Kyoto University

This joint research evaluates the impact and effect of various announcement of regulations and treatment guidelines for the proper use of drugs on the number of prescriptions filled, and examines the social usability of pharmacy information, including drug dispensing information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS ENVIRONMENT SURROUNDING THE AIN PHARMACIEZ GROUP

The core business of the AIN PHARMACIEZ Group (the Group) is the dispensing pharmacy business that includes preparing and dispensing drugs based on prescriptions. The drug prices and dispensing fees*[1] are stipulated by the Ministry of Health, Labour and Welfare.

In order to reduce medical expenses, the Japanese government revised drug prices and medical treatment fees*[2] every two years. Since earnings of dispensing pharmacies are the total of dispensing fees and sales from drugs, the business environment surrounding dispensing pharmacies continues to be tough.

One noteworthy point in the dispensing fee revision in April 2010 is the change to generic drug dispensing addition. The purpose of this new system is to promote the expansion of generic drugs, and under the new system, dispensing fees are incrementally added depending on the generic drug usage rate. The Group is actively promoting the dispensing of generic drugs, for example, by the establishment of a generic drug wholesale subsidiary (WHOLESALE STARS Co., Ltd. (WSS)) in 2006. The gap is increasing between companies in the industry, which are struggling with changes to their profit structures resulting from revisions to medical treatment fees and other systems. However, the Group regards this revision as a perfect opportunity to further raise profitability.

Notes: 1. Dispensing fees equal technical fees and pharmaceutical management fees for pharmacists.
2. Medical treatment fees comprise professional fees for hospitals, dentists and dispensing pharmacies. Dispensing fees are included in medical treatment fees.

ANALYSIS OF BUSINESS RESULTS FOR THE CURRENT FISCAL YEAR UNDER REVIEW

During the fiscal year under review, the Japanese economy began to recover due to a pick up in production and personal consumption, led by improved corporate earnings. Despite this, economic recovery stagnated in Japan due mainly to the impact of the Great East Japan Earthquake that struck in March 2011, a subsequent decline in production activities owing to power restrictions and a decrease in exports.

Under these circumstances, the Group aggressively expanded its dispensing pharmacy and drugstore businesses through new store openings and M&A. In addition, we focused on enhancing our profitability by consolidating indirect operations of Group companies and maximizing economies of scale.

With the aim of further expanding business, the Group strengthened its financial position through a public offering and private placement of new shares in the total amount of ¥4.7 billion in August 2010.

Consolidated net sales increased 3.1% compared with the previous fiscal year to ¥129,387 million, operating income increased 24.9% to ¥8,107 million and net income increased 25.1% to ¥3,916 million. These results represented record highs in both sales and profits. The operating margin rose 1.1 percentage points from the previous fiscal year to 6.3%. The return on sales ratio was 3.0%, up 0.5 percentage point. The Group's total number of stores reached 501 at the end of the fiscal year.

The Group had 115 dispensing pharmacies in the Tohoku region and in Ibaraki Prefecture and one drugstore in Sendai City that were operating on the day the Great East Japan Earthquake struck. One store was destroyed by the tsunami and three stores are located in the evacuation zone surrounding the Fukushima Daiichi Nuclear Power Station. Operations at all other stores were restored quickly and reopened for business, or were able to continue business within three weeks of the disaster. The Group recorded extraordinary losses of ¥59 million due to the disaster, including inventory and fixed asset losses, repair and other restoration expenses (including allowances), and one-time expenses required for business continuity and other reasons.

SEGMENT INFORMATION

Dispensing pharmacy business

In the dispensing pharmacy business, the Group recorded increases in both sales and profits. Although sales at existing dispensing pharmacies decreased year-on-year due to revisions to the official drug prices and dispensing fees in April 2010, measures such as business expansion through new store openings and M&A, promotion of efforts to increase the use of generic drugs and greater efficiency in pharmacy operations contributed to the favorable operating results.

The Group is actively raising the usage rate of generic drugs through communication with patients. The percentage of earnings accounted for by technical fees has been increasing due to earning points through generic drug dispensing addition. In addition, WSS, a wholesale subsidiary specializing in generic drugs, expanded operations. These two factors also helped boost profitability in the dispensing pharmacy business.

The number of new graduates hired by the Group as pharmacists declined between April 2010 and April 2011 due to the change to a six-year curriculum at pharmaceutical universities. Accordingly, personnel divisions across the Group have joined forces to recruit new graduates on a national scale to ensure the hiring of a large number as pharmacists in April 2012.

In terms of M&A for the period, the Group consolidated six dispensing pharmacy business operators as subsidiaries during the third quarter after giving careful consideration to the potential return on investment in M&A. This added a total of 33 new stores to the Group.

Efforts were also made to integrate systems between Group companies to reduce head-office costs and other administrative expenses. On April 1, 2011, MEDICAL HEARTLAND Co., Ltd. (Yamagata City) was merged into AIN PHARMACIEZ (surviving company) and Saitama Chozai Co., Ltd. (Tokyo) was merged into Asahi Pharmacy Co., Ltd. (Tokyo, surviving company).

In the fiscal year under review, we opened 53 stores, including those added through the aforementioned M&A, and closed 5 stores, bringing the total number of dispensing pharmacies to 448. The dispensing pharmacy business recorded a 2.5% increase in net sales from the previous fiscal year to ¥114,354 million and a 20.2% increase in segment income to ¥10,209 million.

Drug and cosmetic store business

Although personal consumption as a whole was on a recovery track during the fiscal period, the business environment continued to be extremely tough in the drugstore industry. Competition for store openings and prices intensified as a result of new players entering the market from outside the industry and also due to M&A and alliances among peers within the industry.

The Group operates *ainz & tulpe* urban drug and cosmetic stores and *tulpe* cosmetic specialty stores, which mainly sell cosmetics and other beauty products. Suited to each location based on the latest trends, the Group is continuing to open stores in inner-city areas, train station buildings and large-scale commercial facilities throughout the country. The Group is working on opening new stores to expand sales. In addition, the Group has been restructuring its merchandise mix, reviewing management costs and enhancing operating methods to ensure profitability.

In particular, in order to strengthen sales of drugs as well as cosmetics, we reviewed product composition and remodeled the drug sales section to increase customer convenience. We renovated several stores during the fiscal period, and confirmed that renovating the drug sales section revitalizes and improves the profitability of not only the cosmetic products section but also the entire store. Going forward, we plan to implement similar initiatives at other stores.

During the fiscal year under review, we opened a total of six stores, including five *ainz & tulpe* stores, beginning with the ODORI BISSE Store (Chuo-ku, Sapporo City) and the Tokyo Station Store (Chiyoda-ku, Tokyo), and one *tulpe* store. We also closed two small stores. As a result, the total number of drug and cosmetic stores, including those of subsidiary AIN MEDIO Inc., was 53. The number of Ainz Point Club Card members, an indicator of the number of customers, exceeded 2,380,000, up 360,000 from the previous fiscal year.

Sales at existing stores did not surpass those for the previous fiscal year. This was mainly due to the absence of gains on sales of new influenza-related products as in the previous year and consumers refrained from buying higher-priced products. However, overall segment sales increased 8.8% compared with the previous fiscal year to ¥14,821 million buoyed by sales from new stores. The segment loss was ¥207 million (versus the segment loss of ¥398 million in the previous fiscal year).

Other businesses

Net sales in other businesses decreased 22.6% to ¥211 million and the segment loss was ¥78 million (versus the segment loss of ¥68 million in the previous fiscal year).

ANALYSIS OF FINANCIAL POSITION

Total assets at the end of the fiscal year under review amounted to ¥76,940 million, up ¥11,041 million from the end of the previous fiscal year.

Current assets at the end of the fiscal year under review amounted to ¥38,032 million, up ¥6,790 million from the end of the previous fiscal year. A principle factor underlying this rise was an increase in cash on hand and in banks. The Group worked to raise liquidity on hand to flexibly meet capital needs for over 50 store openings and M&A activities. As a result, cash on hand and in banks at the end of the fiscal year rose ¥4,249 million from the end of the previous fiscal year to ¥15,437 million. Other principal factors underlying the increase in current assets were ¥10,247 million in notes and accounts receivable (up ¥978 million) and ¥8,375 million in inventories (up ¥1,437 million) associated with an expansion of openings of dispensing pharmacies and drug and cosmetic stores.

Fixed assets at the end of the fiscal year under review were ¥38,871 million, up ¥4,229 million from the end of the previous fiscal year. This was due mainly to an increase of ¥940 million to ¥13,451 million in property, plant and equipment resulting from investments related to new store openings and fixed assets of consolidated subsidiaries acquired through M&A and an increase of ¥1,712 million to ¥13,867 million in goodwill.

Current liabilities at the end of the fiscal year under review amounted to ¥37,616 million, up ¥3,476 million from the end of the previous fiscal year. The increase was due mainly to an increase of ¥712 million in accrued income taxes and an increase of ¥3,686 million in deposits received by consolidating the Group's liquidation scheme for dispensing fee receivables.

Long-term liabilities at the end of the fiscal year under review amounted to ¥9,824 million, down ¥441 million from the end of the previous fiscal year. The decrease was due to a decline of ¥1,279 million in long-term debt despite an increase of ¥184 million in bonds.

As a result of the preceding factors, total liabilities at the end of the fiscal year under review amounted to ¥47,441 million, up ¥3,034 million from the end of the previous fiscal year. Interest-bearing debts were reduced ¥1,761 million compared with the end of the previous fiscal year to ¥13,214 million due to a reduction in long-term and short-term debts.

Net assets at the end of the fiscal year under review amounted to ¥29,498 million, up ¥8,006 million from the end of the previous fiscal year. This was due primarily to an increase of ¥2,374 million in each of common stock and capital surplus due to a public offering and private placement of new shares in addition to an increase of ¥3,352 million in retained earnings due to expanded earnings. Unrealized holding losses on securities totaled ¥327 million.

The shareholders' equity ratio at the end of the fiscal year under review stood at 38.3%, up 5.8 percentage points from the end of the previous fiscal year. ROA was 5.5%, up 0.6 percentage point, and ROE was 15.4%, down 1.3 percentage points compared with the end of the previous fiscal year.

BASIC POLICIES FOR PROFIT DISTRIBUTION

The Company's basic policy is to pay dividends from retained earnings once per year at the end of the fiscal year. We paid a cash dividend of ¥45 per share for the fiscal year under review, an increase of ¥5 from the end of the previous fiscal year.

In the future as well, the Company will treat the return of profits to shareholders as an important management issue. We will work to implement our basic policy of providing returns to investors proportionate to the profits realized and maintaining a stable return on investment. Internal reserves are held for strengthening the Company's soundness, preparations 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.

Next fiscal year, we plan to increase annual dividends per share by ¥5 and thus pay total dividends of ¥50 per share.

CASH FLOWS

Cash flows from operating activities

Net cash provided by operating activities was ¥7,627 million (up 18.6% year-on-year). The primary cash inflows were income before income taxes and minority interests of ¥7,644 million, depreciation and amortization of ¥1,560 million and amortization of goodwill of ¥973 million. These inflows resulted from an expansion in earnings along with new store openings and M&A. Principal cash outflows consisted of an increase in inventories of ¥1,130 million and income taxes paid of ¥3,365 million.

Cash flows from investing activities

Net cash used in investing activities was ¥3,881 million (up 43.7% year-on-year). This was due primarily to ¥1,554 million in payments for purchases of fixed assets associated with new openings of urban drug and cosmetic stores and dispensing pharmacies. It is also attributable to a year-on-year increase of ¥1,434 million to ¥1,635 million for purchase of subsidiaries' shares resulting in changes in the scope of consolidation associated with purchases of shares in subsidiaries acquired through M&A. All of these investments were financed by the Company's equity capital and through the issuance of new shares.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥463 million compared with an outflow of ¥1,773 million in the previous fiscal year. This was due mainly to ¥4,720 million in proceeds from issuance of new shares associated with a public offering and private placement. With regard to the difference between debt and repayments, the Company repaid ¥1,153 million in short-term debt and ¥2,283 million in long-term debt. In addition, cash dividends paid in the amount of ¥564 million were recorded.

Due to securing of operating cash flows in line with business expansion and investment for new stores and M&A, coupled with efforts to strengthen financial position and liquidity on hand, cash and cash equivalents at end of year amounted to ¥15,397 million. This represents an increase of 37.6% compared with the end of the previous fiscal year.

BUSINESS AND OTHER RISKS

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

1. Laws and Regulations

a. Regulations under the Pharmaceutical Affairs Law and other laws

We operate dispensing pharmacies 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 drug and cosmetic store business also involves sales of drugs, which are similarly regulated under the Pharmaceutical Affairs Law.

b. 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 become possible to sell the two lower-risk categories of drugs as a "registered seller," 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 business performance.

2. Details of Business

In the Group's dispensing pharmacy business, we have a chain of dispensing pharmacies based on a scheme, in which pharmacies near hospitals to concentrate on the prescriptions from such medical institutions to secure demand.

As the dispensing pharmacy business accounted for 88.4% 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 competitors' store openings.

Furthermore, sales of dispensing pharmacies significantly depend on the medical institutions that write prescriptions. Therefore, some hard-to-predict factors including the issuance of outside-the-hospital prescriptions by the medical institutions or suspension/discontinuation of operations thereof may affect the Group's business performance.

3. Industry Trends

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

4. Retention of 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 our business performance.

5. Risks of Loss of Trust in the Group

a. In the dispensing pharmacy businesses

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 in all aspects to prevent this risk from materializing.

b. 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 for 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 PrivacyMark 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 our business performance but also lead to a loss of society's confidence in the Group.

6. Risk in Business Strategy

We have promoted 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 loss on valuation of shares in subsidiaries and impairment loss on goodwill, which may have an adverse impact on the Group's operating results and financial position.

7. Risk of Financial Fluctuations

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 its own resources within the range of operating cash flow, while in some cases of large-scale M&A, costs are partially financed by borrowings from financial institutions. To flexibly respond to these capital needs, the Group improved liquidity on hand through such means as increasing capital through a public offering. As of the end of the fiscal year under review, the balance of cash on hand and in banks was ¥15,437 million, while the balance of interest-bearing debts of the Group was ¥13,214 million. We focus on the possibility of return on investment and seek to reduce interest-bearing debts in implementing M&A.

However, if the Group fails to secure an adequate return on its M&A investment, or due to interest rate fluctuations associated with conditions of the financial market, the Group's financial position and operating results including interest payable may be affected.

AIN PHARMACIEZ INC.
CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2011 AND 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1(1)) 2011
Current assets:			
Cash on hand and in banks (Notes 2 and 4)	¥ 15,438	¥ 11,188	$ 189,191
Notes and accounts receivable (Note 4)	10,248	9,270	125,588
Other accounts receivable	2,037	1,404	24,963
Inventories (Note 3)	8,376	6,938	102,647
Deferred tax assets (Note 11)	929	723	11,385
Short-term loans	235	893	2,880
Other current assets	898	851	11,005
Allowance for doubtful accounts	(128)	(25)	(1,569)
Total current assets	38,033	31,242	466,091
Property, plant and equipment (Note 7):			
Buildings and structures	6,457	5,993	79,130
Land	5,421	5,002	66,434
Construction in progress	236	315	2,892
Other property, plant and equipment	1,338	1,200	16,397
Total property, plant and equipment	13,451	12,511	164,841
Investments and other assets			
Investments in securities (Notes 4 and 5)	2,960	2,803	36,275
Deferred tax assets (Note 11)	1,233	996	15,110
Deposits and guarantees	4,990	4,463	61,152
Goodwill	13,867	12,155	169,939
Other intangible fixed assets	961	923	11,777
Other investments and other assets	1,675	1,027	20,527
Allowance for doubtful accounts	(230)	(220)	(2,819)
Total investments and other assets	25,456	22,146	311,961
Total assets	¥ 76,940	¥ 65,899	$ 942,892

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yer 2011	Millions of yer 2010	Thousands of U.S. dollars (Note 1(1)) 2011
Current liabilities			
Accounts payable (Note 4)	¥ 19,707	¥ 19,667	$ 241,507
Short-term debt (Notes 4 and 8)	5,883	6,549	72,096
Accrued income taxes	2,422	1,709	29,681
Deposits received	6,722	3,036	82,377
Allowance for bonuses to employees	948	875	11,618
Allowance for bonuses to directors	9	21	110
Reserve for reward obligations	313	298	3,836
Reserve for loss on disaster (Note 9)	11	-	135
Other current liabilities	1,600	1,985	19,608
Total current liabilities	37,616	34,140	460,980
Long-term liabilities			
Long-term debt (Notes 4 and 8)	7,148	8,427	87,598
Bonds	184	-	2,255
Allowance for retirement benefits (Note 10)	1,270	1,018	15,564
Other long-term liabilities	1,223	822	14,988
Total long-term liabilities	9,825	10,267	120,404
Net Assets: (Note 12)			
Shareholders' equity			
Common stock	8,683	6,308	106,409
Authorized - 44,000,000 shares in 2011 and 2010			
Issued - 15,944,106 shares in 2011 and 14,104,106 shares in 2010			
Capital surplus	7,873	5,498	96,483
Retained earnings	13,227	9,874	162,096
Treasury stock (3,102 shares in 2011 and 2,942 shares in 2010)	(5)	(4)	(61)
Total shareholders' equity	29,778	21,677	364,926
Accumulated other comprehensive income:			
Unrealized holding losses on securities	(328)	(232)	(4,020)
Total accumulated other comprehensive income	(328)	(232)	(4,020)
Minority interests	49	47	600
Total net assets	29,499	21,492	361,507
Total liabilities and net assets	¥ 76,940	¥ 65,899	$ 942,892

AIN PHARMACIEZ INC
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED APRIL 30, 2011 AND 2010

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2011	2010	2011
Net sales (Note 17)	¥ 129,387	¥ 125,496	$ 1,585,625
Cost of sales	109,298	108,259	1,339,436
Gross profit	20,090	17,237	246,201
Selling, general and administrative expenses	11,982	10,745	146,838
Operating income (Note 17)	8,108	6,493	99,363
Other income (expenses):			
Interest and dividend income	89	71	1,091
Commissions received	52	82	637
Real estate rental revenue	86	69	1,054
Consignment income	90	48	1,103
Interest expenses	(240)	(290)	(2,941)
Loss on sales of accounts receivables	(68)	(82)	(833)
Gain on sales of investments in securities	45	71	551
Loss on disposal and sales of fixed assets	(134)	(43)	(1,642)
Loss on devaluation of investments in securities	(28)	(56)	(343)
Impairment losses	(232)	(196)	(2,843)
Effect of adoption of accounting standard for asset retirement obligations (Note 1)	(161)	-	(1,973)
Loss on disaster	(60)	-	(735)
Other, net	98	(62)	1,201
	(463)	(387)	(5,674)
Income before income taxes and minority interests	7,645	6,105	93,689
Income taxes (Note 11):			
Current	4,039	3,157	49,498
Deferred	(313)	(193)	(3,836)
	3,726	2,964	45,662
Income before minority interests	3,919	-	48,027
Minority interests	2	10	25
Net income	¥ 3,917	¥ 3,131	$ 48,002

AIN PHARMACIEZ INC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED APRIL 30, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1(1))
	2011	2011
Income before minority interests	¥ 3,919	$ 48,027
Other comprehensive income		
Unrealized holding losses on securities	(96)	(1,176)
Total other comprehensive income	(96)	(1,176)
Total comprehensive income	3,822	46,838
Comprehensive income attributable to shareholders of the parent	3,821	46,826
Comprehensive income attributable to minority interests	2	25

See accompanying notes.

AIN PHARMACIEZ INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED APRIL 30, 2011 AND 2010

	Thousands of shares	Millions of yen								
		Shareholders' equity					Accumulated other comprehensive income			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 30, 2009	12,834	¥ 5,057	¥ 4,247	¥ 7,128	¥ (4)	¥ 16,428	¥ (356)	¥ (356)	¥ 37	¥ 16,109
Net income	-	-	-	3,131	-	3,131	-	-	-	3,131
Cash dividends paid	-	-	-	(385)	-	(385)	-	-	-	(385)
Issuance of new shares	-	1,251	1,251	-	-	2,503	-	-	-	2,503
Acquisition of treasury stock	-	-	-	-	(1)	(1)	-	-	-	(0)
Net change in items other than those in shareholders' equity	-	-	-	-	-	-	125	125	10	134
Net changes during the year	1,270	1,251	1,251	2,746	(1)	5,249	125	125	10	5,383
Balance at April 30, 2010	14,104	6,308	5,498	9,874	(4)	21,677	(232)	(232)	47	21,492
Net income	-	-	-	3,917	-	3,917	-	-	-	3,917
Cash dividends paid	-	-	-	(564)	-	(564)	-	-	-	(564)
Issuance of new shares	-	2,375	2,375	-	-	4,749	-	-	-	4,749
Acquisition of treasury stock	-	-	-	-	(0)	(0)	-	-	-	(0)
Net change in items other than those in shareholders' equity	-	-	-	-	-	-	(96)	(96)	2	(95)
Net changes during the year	1,840	2,375	2,375	3,353	(0)	8,102	(96)	(96)	2	8,007
Balance at April 30, 2011	15,944	¥ 8,683	¥ 7,873	¥ 13,227	¥ (5)	¥ 29,778	¥ (328)	¥ (328)	¥ 49	¥ 29,499

	Thousands of U.S. dollars (Note 1(1))								
	Shareholders' equity					Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 30, 2010	$ 77,304	$ 67,377	$ 121,005	$ (49)	$ 265,650	$ (2,843)	$ (2,843)	$ 576	$ 263,382
Net income	-	-	48,002	-	48,002	-	-	-	48,002
Cash dividends paid	-	-	(6,912)	-	(6,912)	-	-	-	(6,912)
Issuance of new shares	29,105	29,105	-	-	58,199	-	-	-	58,199
Acquisition of treasury stock	-	-	-	(0)	(0)	-	-	-	(0)
Net change in items other than those in shareholders' equity	-	-	-	-	-	(1,176)	(1,176)	25	(1,164)
Net changes during the year	29,105	29,105	41,091	(0)	99,289	(1,176)	(1,176)	25	98,125
Balance at April 30, 2011	$ 106,409	$ 96,483	$ 162,096	$ (61)	$ 364,926	$ (4,020)	$ (4,020)	$ 600	$ 361,507

See accompanying notes.

AIN PHARMACIEZ INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2011 AND 2010

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 7,645	¥ 6,105	$ 93,689
Depreciation and amortization	1,561	1,287	19,130
Impairment losses	232	196	2,843
Loss on disaster	28	-	343
Amortization of goodwill	974	879	11,936
Loss on devaluation of investments in securities	28	56	343
Decrease in allowance for doubtful accounts	(12)	(35)	(147)
Increase in reserve for reward obligations	16	25	196
Increase in allowance for retirement benefits	193	155	2,365
Increase in allowance for bonuses to employees	34	75	417
Decrease in allowance for bonuses to directors	(12)	(22)	(147)
Increase in reserve for loss on disaster	11	-	135
Interest and dividend income	(89)	(71)	(1,091)
Interest expenses	240	290	2,941
Loss on investments in partnerships	8	22	98
Gain on donations of property, plant and equipment	(20)	(17)	(245)
Gain on sales of investments in securities	(42)	(70)	(515)
Loss on disposal and sales of fixed assets	133	43	1,630
Effect of adoption of accounting standard for asset retirement obligations	161	-	1,973
Increase in accounts receivable	(86)	(755)	(1,054)
Increase in inventories	(1,131)	(1,009)	(13,860)
Decrease in other assets	7	1,064	86
(Increase) decrease in other accounts receivable	(506)	1,005	(6,201)
(Decrease) increase in accounts payable	(1,169)	954	(14,326)
Increase in other liabilities	2,944	(810)	36,078
Subtotal	11,146	9,365	136,593
Interest and dividends received	90	67	1,103
Interest paid	(243)	(291)	(2,978)
Income taxes paid	(3,365)	(2,712)	(41,238)
Net cash provided by operating activities	7,627	6,428	93,468
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(1,237)	(1,152)	(15,159)
Proceeds from sales of property, plant and equipment	17	4	208
Payments for purchases of investments in securities	(182)	(392)	(2,230)
Proceeds from sales of investments in securities	54	110	662
Purchase of shares in affiliated companies	-	(270)	-
Purchase of subsidiaries' shares resulting in changes in scope of consolidation	(1,635)	(201)	(20,037)
Payments for loans receivable	(875)	(630)	(10,723)
Proceeds from collections of loans receivable	699	366	8,566
Payments for investments in capital	(3)	(0)	(37)
Proceeds from returns of investments in capital	3	1	37
Payments for purchases of intangible fixed assets	(317)	(455)	(3,885)
Increase in other investments	(404)	(80)	(4,951)
Net cash used in investing activities	(3,882)	(2,701)	(47,574)
Cash flows from financing activities:			
Proceeds from short-term debts	2,940	2,032	36,029
Repayments of short-term debts	(4,094)	(3,122)	(50,172)
Proceeds from long-term debts	7,380	1,350	90,441
Repayments of long-term debts	(9,664)	(3,826)	(118,431)
Payments for redemption of bonds	(33)	(140)	(404)
Repayments of lease obligations	(221)	(166)	(2,708)
Proceeds from issuance of new shares	4,720	2,485	57,843
Payments for purchase of treasury stock	(0)	(1)	(0)
Cash dividends paid	(564)	(385)	(6,912)
Dividend payments to minority shareholders	(0)	(0)	(0)
Net cash provided by (used in) financing activities	463	(1,773)	5,674
Net increase in cash and cash equivalents	4,209	1,954	51,581
Cash and cash equivalents at beginning of the year	11,188	9,234	137,108
Cash and cash equivalents at end of the year (Note 2)	¥ 15,398	¥ 11,188	$ 188,701

See accompanying notes.

AIN PHARMACIEZ INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2011 AND 2010

1. Summary of significant accounting policies

(1) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of AIN PHARMACIEZ INC. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at April 30, 2011, which was ¥81.6 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(3) Basis of consolidation and accounting for investments in affiliated companies

The consolidated financial statements comprise the accounts of the Company and its eighteen and thirteen subsidiaries as of April 30, 2011 and 2010, respectively. All significant intercompany accounts and transactions have been eliminated in consolidation. All companies are required to consolidate all significant investees which are controlled through ownership of majority voting rights or existence of certain conditions.

The investments in affiliated companies are stated at their underlying equity value. All companies are required to account for investments in affiliated companies (20% to 50% owned and certain others that are 15% to 20% owned) by the equity method, in principle.

Of consolidated subsidiaries, MEDIWEL Corp. closes its accounts on April 30. The account closing date for four consolidated subsidiaries in the dispensing pharmacy business and for other consolidated subsidiaries are the end of February and March 31, respectively. Financial statements as of these respective closing dates are used in preparing the consolidated financial statements. However, necessary adjustments are made to important transactions that occur between these subsidiaries' account closing dates and the account closing date for the consolidated financial statements.

In the past, the account closing date for MEDIWEL Corp. was January 31. However, this date was changed to April 30 in preparing the accompanying consolidated balance sheet, and a 15-month period, which is from February 1, 2010, to April 30, 2011, was reported for MEDIWEL Corp. for the year ended April 30, 2011.

(4) Securities

The Company and its consolidated subsidiaries examine the intent of holding each security and classify those securities other than equity securities issued by subsidiaries and affiliates: (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost.
Cost of securities sold is determined by the moving average method.

(5) Inventories

Dispensed drugs were stated at lower of cost or market, cost being determined using the gross average method. Merchandise was stated at lower of cost or market, cost being determined using the retail method. Supplies were stated at cost determined using the last purchase method.

(6) Depreciation and amortization

Depreciation of property, plant and equipment is computed by the declining-balance method at rates based on the useful lives, except that the straight-line method is applied to buildings acquired after April 1, 1998. The useful lives of major property, plant and equipment are summarized as follows:

Buildings and structures: 10 to 50 years

The straight-line method is applied over a three-year period for assets with an acquisition price of ¥100,000 or more and less than ¥200,000.

Amortization of software used by the Company and its consolidated subsidiaries is computed by the straight-line method over the useful lives, 5 years. Amortization of long-term prepaid expenses is computed by the straight-line method. Amortization of goodwill is computed by the straight-line method over 5 or 20 years.

Leased assets capitalized under finance leases are depreciated over the lease terms of the respective assets with no residual value. Finance lease transactions that do not transfer ownership that commenced prior to April 1, 2008, are accounted for under methods pertaining to standard lease transactions.

(7) Deferred charges

Amortization of stock issuance cost is computed by the straight-line method over 3 years.

(8) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts for probable collection losses by applying the actual rate of bad debt losses experienced in a past reference period for normal receivables and by individual assessment of collectability for doubtful receivables.

(9) Bonuses to employees

Allowance for bonus to employees is provided for payments to employees of the Company and its consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(10) Bonuses to directors

Allowance for bonus to directors is provided for payments to directors of the Company and its consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(11) Retirement benefits

Retirement benefits covering all employees are provided through two plans: a lump-sum benefit plan and a tax-qualified pension plan. Upon retirement or termination of employment, employees are generally entitled to lump-sum or annuity payments based on their current rate of pay, length of service and cause of termination.

The Company began employing a tax-qualified retirement plan in the 23rd fiscal year (beginning December 1, 1991) applied to a portion of the retirement benefit (equivalent to 30%).

The liabilities and expenses for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated subsidiaries provide an allowance for employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the fair value of the plan assets. Prior service costs are recognized in expenses in equal amounts over a period within the average of the estimated remaining service lives of the employees. Actuarial gains and losses are recognized in expenses using the declining-balance method over a period (one year to six years) within the average of the estimated remaining service period, commencing from the year after the year in which they are incurred.

Effective from the year ended April 30, 2010, the Company and its consolidated subsidiaries have adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (Accounting Standards Board of Japan (“ASBJ”) Statement No.19 issued on July 31, 2008).

The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period.

(12) Reserve for reward obligations

In terms of the estimated redeemable amount of the purchase points given in the parent company’s Product Sales Business, the Company sets a reserve based on actual redemptions in the past.

(13) Reserve for loss on disaster

A reserve was set aside as of April 30, 2011, at an estimated amount for expenses considered necessary to restore assets damaged by the Great East Japan Earthquake.

(14) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(15) Amounts per share of common stock

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common shares to be issued upon conversion of the convertible bonds.

Net assets per share are computed based on the net assets excluding minority interests, and the number of common stock outstanding at the year end.

Cash dividends per share represent the actual amount declared as applicable to the respective years.

(16) Derivatives and hedge accounting

The Company states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company deters recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The following summarizes hedging derivative financial instruments used by the Company and items hedged.

Hedging instruments: Interest rate swap contracts
Hedged items: Interest on long-term debt

The Company uses interest rate swap contracts to hedge interest rate fluctuation risk on hedged items and identifies hedged items by individual contracts.

The Company does not evaluate hedge effectiveness if the notional amounts, terms and interest payment dates of the hedging instruments and the hedged items are the same and meet certain hedging criteria.

(17) Consumption taxes

The Company and its consolidated subsidiaries are accounted for using the tax excluded method.
With regard to consumption taxes and other taxes that are subject to exclusions, expenses are reported in the fiscal year in which they are incurred.

However, consumption taxes and other taxes that are subject to exclusions and that are related to fixed assets are recorded in “other investments and other assets” within “investments and other assets” and amortized using the straight line method.

Accrued consumption taxes are indicated in the corresponding “other” sections within current assets and current liabilities.

(18) Accounting Standard for Asset Retirement Obligations

“Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008) became effective for fiscal years beginning on or after April 1, 2010. Accordingly, the effect of the application of this standard was that operating income and income before income taxes and minority interests decreased by ¥46 million ($564 thousand) and ¥207 million ($2,537 thousand), respectively, compared with the amounts that would have been reported under the previous accounting method.

(19) Accounting Standard for Business Combinations

“Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, Revised 2008), “Accounting Standard for Equity

Method of Accounting for Investments" (ASBJ Statement No. 16, Revised 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, Revised 2008) became effective for fiscal years beginning on or after April 1, 2010, and the Company and its consolidated subsidiaries have applied them from the fiscal year ended April 30, 2011.

(20) Changes in method of presentation

The Company and its consolidated subsidiaries newly present "Income before minority interests" on the consolidated statements of income from the year ended April 30, 2011 in accordance with the "Cabinet Office Ordinance of Partial Amendment to Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009), based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), which became effective for fiscal years beginning on or after April 1, 2010.

(21) Valuation of consolidated subsidiaries' assets and liabilities

Assets and liabilities of consolidated subsidiaries are valued for consolidation at fair value.

(22) Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation.
These reclassifications and restatement had no impact on previously reported results of operations.

2. Cash and cash equivalents

(1) Reconciliations of cash on hand and in banks shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of and for the years ended April 30, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash on hand and in banks	¥15,438	¥ 11,188	$189,191
Less: Time deposits with maturities exceeding three months	(40)	-	(490)
Cash and cash equivalents	¥15,398	¥ 11,188	$188,701

(2) The following table summarizes significant non-cash transactions for the years ended April 30, 2011 and 2010:

(a) Major breakdown of assets and liabilities of companies newly included in the consolidated financial statements for the years ended April 30, 2011 and 2010 due to the acquisition of shares

(i) Acquisition of shares of six companies in the dispensing pharmacy business for the year ended April 30, 2011

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of the companies relating acquisition cost and net disbursement.

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Current assets	¥ 3,826	$ 46,887
Fixed assets	1,226	15,025
Goodwill	2,608	31,961
Current liabilities	(2,427)	(29,743)
Long-term liabilities	(1,222)	(14,975)
Acquisition cost of the companies	4,010	49,142
Cash and cash equivalents held by the companies	(2,375)	(29,105)
Net disbursement due to the acquisition	¥ 1,635	$ 20,037

(ii) Acquisition of shares of United Healthcare Co., Ltd. for the year ended April 30, 2010

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of United Healthcare Co., Ltd., relating acquisition cost and net disbursement.

	Millions of yen
	2010
Current assets	¥ 57
Fixed assets	156
Goodwill	60
Current liabilities	(20)
Long-term liabilities	(8)
Acquisition cost of United Healthcare Co., Ltd.'s shares	245
Cash and cash equivalents held by United Healthcare Co., Ltd.	(44)
Net disbursement due to the acquisition	¥ (201)

3. Inventories

Inventories at April 30, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise	¥ 8,268	¥ 6,841	$ 101,324
Supplies	107	97	1,311
	¥ 8,376	¥ 6,938	$ 102,647

4. Financial instruments

Effective from the year ended April 30, 2010, the Company and its consolidated subsidiaries have adopted a revised accounting standard, “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the years ended April 30, 2011 and 2010 required pursuant to the revised accounting standards is as follows:

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments
The Company and its consolidated subsidiaries have expanded business by opening dispensing

pharmacies and drugstores and through M&A activities. Operating cash flows provide the majority of the funds the Company and its consolidated subsidiaries require to fund its shop openings. The Company and its consolidated subsidiaries secure additional funding as needed for M&A activities through bank borrowings and issuance of new shares and invests in highly liquid financial assets. Derivatives are employed to hedge against the risks described below; the Company and its consolidated subsidiaries do not engage in speculative transactions.

(b) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable, which relate to sales receivables, are mostly composed of prescription dispensing fees receivable from National Health Insurance associations and the Social Insurance Medical Care Fee Payment Fund, and therefore do not entail any risk.

Investment securities, which are principally held-to-maturity bonds and equity securities held for the purpose of maintaining operating relationships with other companies, involve the risk of market price fluctuations.

Lease deposits and guarantee deposits are primarily deposits placed with the owners of properties that the Company leases for the operation of dispensing pharmacies and drugstores. Such deposits involve lessor credit risk.

Notes and accounts payable, which relate to purchases, are payable within three months.

With respect to borrowings, the Company raises funds primarily as working capital or in relation to capital expenditures. Redemption periods on such debts are typically seven years from the date of borrowing, at the longest. A portion of these instruments carry floating interest rates and are therefore subject to interest rate fluctuation risk. Derivative transactions (interest rate swap transactions) are used to hedge against such risk.

With regard to derivative transactions, interest rate swap transactions are used to hedge the risk of fluctuations in interest rate payments. See Note 1 (16) for the description of derivatives and hedge accounting.

(c) Policies and systems for risk management

Management of credit risk (the risk that a business partner will default on its business transactions)

As the Company's notes and accounts receivable, which relate to sales, are mostly composed of prescription dispensing fees receivable from National Health Insurance associations and the Social Insurance Medical Care Fee Payment Fund, no particular risk management is employed.

Securities held to maturity are based on the Company's Marketable Securities Investment Standards. Such investments are based on careful decisions, following internal screenings of investees and investment amounts. Furthermore, such investments are monitored regularly, determining the investee's financial status throughout the investment period to quickly determine and minimize potential repayment difficulties.

The Company manages default risk on lease deposits and guarantee deposits through the management of contract periods and regular credit screening.

Management of market risk (the risk of exchange and interest rate fluctuations)

The Company and its consolidated subsidiaries mainly raise funds through long-term debt and use interest rate swap transactions to hedge the risk of fluctuations in interest rate payments on borrowings. With regard to investment securities, the Company and its consolidated subsidiaries regularly check the financial conditions of the issuers of unlisted securities. The Company and its consolidated subsidiaries review on an ongoing basis the status of their holdings of listed securities, taking into consideration market conditions and their relationships with the issuing companies.

Management of liquidity risk associated with fund procurement (the risk of being unable to execute payments when due)

To manage liquidity risk, the Company and its consolidated subsidiaries create cash flow plans based on annual capital expenditures forecasts. These plans are updated each month, based on revised operating performance and forecast figures. To ensure the Company's ability to respond flexibly to sudden demands for funding in relation to M&A activities, the Company maintains a certain level of liquidity, including through issuance of new shares.

(2) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheet at April 30, 2011 and 2010 are summarized in the following table:

Assets

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Carrying value			
Cash on hand and in banks	¥ 15,438	¥ 11,188	$ 189,191
Notes and accounts receivable	10,248	9,270	125,588
Investment securities	1,965	1,832	24,081
Deposits and guarantees	4,875	4,346	59,743
Total	32,526	26,636	398,603
Fair value			
Cash on hand and in banks	15,438	11,188	189,191
Notes and accounts receivable	10,248	9,270	125,588
Investment securities	1,965	1,832	24,081
Deposits and guarantees	4,632	4,175	56,765
Total	32,283	26,465	395,625
Difference			
Cash on hand and in banks		-	-
Notes and accounts receivable	-	-	-
Investment securities	-	-	-
Deposits and guarantees	(243)	(172)	(2,978)
Total	¥ (243)	¥ (172)	$ (2,978)

Liabilities

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Carrying value			
Accounts payable	¥ 19,707	¥ 19,667	$ 241,507
Short-term debt including current portion of long-term debt	5,883	6,549	72,096
Deposits received	6,722	3,036	82,377
Long-term debt	7,148	8,427	87,598
Total	39,460	37,679	483,578
Fair value			
Accounts payable	19,707	19,667	241,507
Short-term debt including current portion of long-term debt	5,893	6,556	72,218
Deposits received	6,722	3,036	82,377
Long-term debt	7,165	8,427	87,806
Total	39,488	37,686	483,922
Difference			
Accounts payable	-	-	-
Short-term debt including current portion of long-term debt	10	7	123
Deposits received	-	-	-
Long-term debt	17	0	208
Total	¥ 27	¥ 7	$ 331

Method of calculating the fair value of financial instruments and matters related to available-for-sale securities and derivative transactions.

Assets:
(a) Cash on hand and in banks and notes and accounts receivable
As these instruments are settled in the short term, their carrying value approximates fair value.

(b) Investment securities
The fair values of equity securities are determined by their prices on stock exchanges. The fair values of bonds are determined by the prices indicated by the counterparty financial institutions.

(c) Deposits and guarantees
The Company determines credit risk from the standpoint of credit management, according to repayment amount and contract period. These amounts are discounted to their current value using appropriate rates of interest.

Liabilities:
(a) Accounts payable, short-term debt and deposits received
As these instruments are settled in the short term, their carrying value approximates fair value. The fair value of current portion of long-term debt included in short-term debt is determined by discounting the total amount of principal and interest by the assumed interest rate on new borrowings of the same type.

(b) Long-term debt
The fair value of long-term debt included in short-term debt is determined by discounting the total amount of principal and interest by the assumed interest rate on new borrowings of the same type.

Financial instruments for which fair value is not readily determinable:

The fair values of unlisted equity securities with carrying amounts of ¥994 million ($12,181 thousand) and ¥971 million as of April 30, 2011 and 2010, respectively, are not readily determinable.

The redemption schedule for monetary claims and securities with maturity dates as of April 30, 2011 are summarized as follows:

	Millions of yen			
	2011			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Cash on hand and in banks	¥ 15,438	¥ -	¥ -	¥ -
Notes and accounts receivable	10,248	-	-	-
Investment securities				
Held-to-maturity debt securities	450	-	-	-
Deposits received	760	1,701	1,631	899
Total	¥ 26,896	¥ 1,701	¥ 1,631	¥ 899

	Thousands of U.S. dollars			
	2011			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Cash on hand and in banks	$ 189,191	$ -	$ -	$ -
Notes and accounts receivable	125,588	-	-	-
Investment securities				
Held-to-maturity debt securities	5,515	-	-	-
Deposits received	9,314	20,846	19,988	11,017
Total	$ 329,608	$ 20,846	$ 19,988	$ 11,017

5. Securities

(1) The following tables summarize acquisition costs, carrying values and differences of securities with available fair values as of April 30, 2011 and 2010:

Other securities:

Securities with carrying values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost			
Equity securities	¥ 15	¥ 20	$ 184
Bonds	-	-	-
Limited partnerships and similar investments	-	-	-
Other	-	54	-
Total	15	74	184
Carrying value			
Equity securities	38	40	466
Bonds	-	-	-
Limited partnerships and similar investments	-	-	-
Other	-	58	-
Total	38	98	466
Difference			
Equity securities	22	19	270
Bonds	-	-	-
Limited partnerships and similar investments	-	-	-
Other	-	4	-
Total	¥ 22	¥ 24	$ 270

Other securities:

Securities with carrying values not exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost			
Equity securities	¥ 1,435	¥ 1,304	$ 17,586
Bonds	450	450	5,515
Limited partnerships and similar investments	338	169	4,142
Other	277	223	3,395
Total	2,500	2,146	30,637
Carrying value			
Equity securities	914	923	11,201
Bonds	450	450	5,515
Limited partnerships and similar investments	329	161	4,032
Other	234	199	2,868
Total	1,928	1,733	23,627
Difference			
Equity securities	(521)	(381)	(6,385)
Bonds	-	-	-
Limited partnerships and similar investments	(8)	(8)	(98)
Other	(43)	(24)	(527)
Total	¥ (573)	¥ (413)	$ (7,022)

Equity securities included stocks of non-consolidated subsidiaries and affiliates of ¥322 million ($3,946 thousand) and ¥322 million at April 30, 2011 and 2010, respectively.

(2) The following table summarizes total sales amounts of other securities sold, and amounts of the related gains and losses in the years ended April 30, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total sales of other securities sold	¥ 54	¥ 110	$ 662
Related gains	45	71	551
Related losses	3	1	37

(3) The following table summarizes impairment loss on other securities in the years ended April 30, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Other securities with fair value	¥ 2	¥ 11	$ 25
Other securities without fair value	26	45	319

6. Derivative financial instruments and hedging transactions

The Company has applied hedge accounting for interest rate swap contracts to hedge risks of changes of floating interest rates on long-term debt. The notional amounts were ¥20 million ($245 thousand) and ¥1,110 million at April 30, 2011 and 2010, respectively. As discussed in Note 1 (16), if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Therefore, the fair value of long-term debt includes the fair value of the interest rate swap contracts.

At April 30, 2011 and 2010, there were no outstanding derivative transactions for which hedge accounting has not been applied.

7. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, impairment loss and net balance of leased assets as of April 30, 2011 and 2010, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases as allowed under Japanese GAAP.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost			
Buildings	¥ 411	¥ 411	$ 5,037
Other fixed assets	857	988	10,502
Intangible fixed assets	371	487	4,547
Total	1,639	1,886	20,086
Accumulated depreciation			
Buildings	333	308	4,081
Other fixed assets	706	690	8,652
Intangible fixed assets	306	338	3,750
Total	1,344	1,336	16,471
Impairment loss			
Buildings	-	-	-
Other fixed assets	2	4	25
Intangible fixed assets	-	-	-
Total	2	4	25
Net balance			
Buildings	79	103	968
Other fixed assets	149	294	1,826
Intangible fixed assets	65	149	797
Total	¥293	¥ 546	$ 3,591

Future minimum lease payments as of April 30, 2011 and 2010 for finance leases currently accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 197	¥ 257	$ 2,414
Due after one year	187	204	2,292
Total	¥ 383	¥ 461	$ 4,694

The following table summarizes details of lease expenses, reversal of impairment loss for leased assets, depreciation, interest expense and impairment loss, if they had been capitalized:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease expense	¥ 362	¥ 488	$ 4,436
Reversal of impairment loss for leased assets	2	16	25
Depreciation	300	416	3,676
Interest expense	43	57	527
Impairment loss	-	2	-

Remaining lease expenses for non-cancellable operating lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 536	¥ 470	$ 6,569
Due after one year	3,724	3,555	45,637
Total	¥ 4,259	¥ 4,025	$ 52,194

8. Short-term debt and long-term debt

Short-term debt and long-term debt at April 30, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term bank loans with a weighted-average interest rate of 1.3%	¥ 2,135	¥ 3,010	$ 26,164
Subsidiaries' unsecured bond maturing in 2015 with a fixed interest rate of 0.80%-0.92%	184	-	2,255
Current portion of long-term debt with a weighted-average interest rate of 1.0%	3,748	3,539	45,931
Current portion of lease obligation with a weighted-average interest rate of 1.9%	245	184	3,002
Long-term debt (2012-2020) with a weighted-average interest rate of 0.8%	7,148	8,427	87,598
Lease obligation (2012-2016) with a weighted-average interest rate of 1.8%	548	533	6,716
Total	¥ 14,008	¥ 15,693	$ 171,667

At April 30, 2011 and 2010, the carrying amounts of assets pledged as collateral for accounts payable are as follows:

Assets pledged as collateral:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in securities	¥ 6	¥ 6	$ 74

Liabilities corresponding to collateral:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Accounts payable	¥ 12	¥ 14	$ 147

The aggregate annual maturities of long-term debt at April 30, 2011 are as follows:

Year ending April 30,	Millions of yen	Thousands of U.S. dollars
2012	¥ 3,794	$ 46,495
2013	3,247	39,792
2014	1,982	24,289
2015	1,478	18,113
2016	520	6,373

The aggregate annual maturities of lease obligations at April 30, 2011 are as follows:

Year ending April 30,	Millions of yen	Thousands of U.S. dollars
2012	¥ 245	$ 3,002
2013	250	3,064
2014	183	2,243
2015	89	1,091
2016	27	331

9. Sales, disposal and impairment of fixed assets

(1) Gain and loss on sales of fixed assets for the years ended April 30, 2011 and 2010 are as follows:

Gain on sales of fixed assets:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings and structures	¥ 1	¥ -	$ 12
Other property, plant and equipment	0	-	0
Total	¥ 1	¥ -	$ 12

The details of loss on sales of fixed assets for the years ended April 30, 2011 and 2010 have been omitted as the amounts are immaterial.

(2) Loss on disposal of fixed assets for the years ended April 30, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings and structures	¥ 33	¥ 16	$ 404
Other property, plant and equipment	4	4	49
Intangible fixed assets	0	8	0
Deposits and guarantees	49	2	600
Other investments and other assets	2	0	25
Disposal cost	47	12	576
Total	¥ 134	¥ 43	$ 1,642

(3) For the years ended April 30, 2011 and 2010, the Company recognized impairment losses for the following property groups:

		Millions of yen		Thousands of U.S. dollars
		2011	2010	2011
Property group	Description of assets			
Stores	Store facilities	¥ 10	¥ 173	$ 123
	Store facilities and land	-	11	-
Real estate	Land	66	-	809
Shops and real estate	Store facilities and land	156	-	1,912
Shops scheduled for opening	Store facilities	-	9	-
Shop to be closed	Store facilities and land	-	3	-
		¥ 232	¥ 196	$ 2,843

(4) Losses resulting from the Great East Japan Earthquake during the fiscal year ended April 30, 2011, are recorded in “loss on disaster” in the accompanying consolidated statements of income. A breakdown of this total is provided below.

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Losses on inventories, property, plant and equipment and intangible fixed assets destroyed in the disaster	¥ 28	$ 343
Repair, removal and other restoration expenses	7	86
Other	25	306
Total	¥ 60	$ 735

Of the ¥60 million ($735 thousand) for loss on disaster, ¥11 million ($135 thousand) was an allocation to reserve for loss on disaster.

10. Retirement benefits

Allowance for retirement benefits as of April 30, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ (1,623)	¥ (1,359)	$ (19,890)
Plan assets at fair value	198	182	2,426
Unfunded retirement benefit obligation	(1,425)	(1,178)	(17,463)
Unrecognized actuarial gains	155	160	1,900
Net retirement benefit obligation	(1,270)	(1,018)	(15,564)
Allowance for retirement benefits	¥ (1,270)	¥ (1,018)	$ (15,564)

Retirement benefit expenses for the years ended April 30, 2011 and 2010 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs	¥ 254	¥ 209	$ 3,113
Interest cost on projected benefit obligation	13	20	159
Expected return on plan assets	(1)	(1)	(12)
Amortization of actuarial losses	51	44	625
Retirement benefit expenses	¥ 317	¥ 273	$ 3,885

Actuarial assumptions used in accounting for the Company's plans as of April 30, 2011 and 2010 are principally as follows:

	2011	2010
Discount rate	1.0-2.0%	1.0-2.0%
Expected rate of return on plan assets	0.75%	0.75%
Amortization period for unrealized actuarial gain or loss	1-6 years	1-6 years

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

11. Income taxes

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 40.4%.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rates for consolidated financial statement purposes for the years ended April 30, 2011 and 2010:

	2011	2010
Statutory tax rate	40.4%	40.4%
Non-deductible expenses	0.4	0.2
Per capita inhabitant tax	1.8	2.0
Amortization of goodwill	4.6	5.2
Valuation allowance	1.5	0.3
Other	0.0	0.5
Effective tax rates	48.7%	48.6%

Significant components of deferred tax assets as of April 30, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Impairment losses	¥ 552	¥ 490	$ 6,765
Excess of allowance for bonuses	379	358	4,645
Excess of reserve for rewards obligation	127	120	1,556
Allowance for retirement benefits	510	413	6,250
Net unrealized holding gains on securities	222	157	2,721
Other	837	546	10,257
Sub-total deferred tax assets	2,627	2,085	32,194
Valuation allowance	465	366	5,699
Total deferred tax assets	2,162	1,719	26,495

12. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (the “Law”), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

13. Stock options

The Company has adopted certain stock option plans under which share subscription rights are granted to directors and employees of the Company and its consolidated subsidiaries.

(1) Details of the stock options for the years ended April 30, 2011 and 2010

There was nothing to be reported for the year ended April 30, 2011.

For the year ended April 30, 2010

Stock option plans:	October 2002 plan
Individuals covered by the plan:	11 directors 1 auditor 208 employees 16 directors of Subsidiaries
Type and number of options:	Common stock 300,000
Grant date:	October 16, 2002
Exercise period:	Within five years from the vesting date. However, this date shall become ineffective on the retirement date in the event that the retirement is later than the vesting date.
Exercise price:	¥ 1,360
Average share price upon exercise:	¥ 2,129

Exercise period of October 2002 stock option plan expired on July 31, 2009.

Conditions for the exercise of share subscription rights are as follows:
Individuals to whom the share subscription rights are granted must continue their service with the Company or its subsidiaries in the state of being employed or entrusted until the share subscription rights become exercisable.

(2) Changes stock options outstanding for the years ended April 30, 2011 and 2010
There were no stock options outstanding for the years ended April 30, 2011 and 2010.

14. Commitment

The Company entered into overdraft agreements with 22 and 23 banks as of April 30, 2011 and 2010, respectively, to finance working capital requirements. The outstanding balances of such overdrafts as of April 30, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total overdraft available	¥ 13,450	¥ 13,500	$ 164,828
Amount utilized	1,310	2,460	16,054
Outstanding balance	¥ 12,140	¥ 11,040	$ 148,775

15. Contingencies

The Company has contingent liabilities for the payment of lease deposits and guarantee deposits to owners of shops that the Company has rented. Such transferred contingent liabilities amounted to ¥1,847 million ($22,635 thousand) and ¥1,957 million as of April 30, 2011 and 2010, respectively.

16. Amounts per share

Net assets per share at April 30, 2011 and 2010 and basic and diluted net income per share for the years then ended are as follows:

	Yen		U.S. dollars
	2011	2010	2011
Net assets per share	¥1,847	¥ 1,521	$ 22.63
Basic net income per share	256	228	3.14
Diluted net income per share	-	228	-
Cash dividends per share attributable to the year	45	40	0.55

Cash dividends per share represent the cash dividends declared as applicable to the respective years, including dividends to be paid after the end of the year and not accrued in the accompanying consolidated financial statements.

17. Segment information

The Company and its consolidated subsidiaries have applied “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued on March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008) from the fiscal year ended April 30, 2011.

(1) Overview of reporting segments

Reporting segments of the Company and its consolidated subsidiaries are composed of those individual business units for which separate financial information is available, from which the board of directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated, allowing the reporting segments to be analyzed periodically.

The Company and its consolidated subsidiaries divide their operations into two main businesses, the Dispensing Pharmacy business and the Drug and Cosmetic Store business, and the Other business. The Dispensing Pharmacy business primarily includes the dispensing pharmacy business, sale of generic drugs, staff dispatching and introduction services and consulting business. The Drug and Cosmetic Store business primarily includes the urban and suburban drug stores and cosmetic specialty stores. The Other business primarily involves real estate rental business. The Company and its consolidated subsidiaries plan and execute strategies for each business.

Consequently, the business operations of the Company and its consolidated subsidiaries are classified into the three following reporting segments: Dispensing Pharmacy, Drug and Cosmetic Store and Other.

(2) Methods of calculating sales, income (loss), assets and other items by reporting segment

Methods of accounting for reported business segments are, principle, the same as those indicated in Note 1 “Summary of Significant Accounting Policies.” Income or losses of reporting segments are based on ordinary income. Income or losses between segments and transfer amounts are based on market prices.

(3) Information on sales, income (loss), assets and other items by reporting segment as of and for the years ended April 30, 2011 and 2010 is summarized as follows:

	Millions of yen					
	2011					
	Dispensing pharmacy	Drug and cosmetic store	Other	Total	Adjustments	Consolidated
Sales						
Sales to third parties	¥ 114,354	¥ 14,821	¥ 211	¥ 129,387	¥ -	¥ 129,387
Intersegment sales	-	31	19	49	(49)	-
Total sales	114,354	14,852	230	129,437	(49)	129,387
Segment income (loss)	10,210	(207)	(79)	9,924	(1,713)	8,210
Segment assets	¥ 67,116	¥ 6,881	¥ 1,162	¥ 75,160	¥1,781	¥ 76,940
Other						
Depreciation and amortization	¥ 1,108	¥ 222	¥ 15	¥ 1,346	¥ 28	¥ 1,374
Amortization of goodwill	969	5	-	974	-	974
Impairment loss	76	156	-	232	-	232
Increase of tangible and intangible assets	1,488	404	132	2,024	55	2,079

	Thousands of U.S. dollars					
	2011					
	Dispensing pharmacy	Drug and cosmetic store	Other	Total	Adjustments	Consolidated
Sales						
Sales to third parties	$ 1,401,397	$ 181,630	$ 2,586	$ 1,585,625	$ -	$ 1,585,625
Intersegment sales	-	380	233	600	(600)	-
Total sales	1,401,397	182,010	2,819	1,586,238	(600)	1,585,625
Segment income (loss)	125,123	(2,537)	(968)	121,618	(20,993)	100,613
Segment assets	$ 822,500	$ 84,326	$ 14,240	$ 921,078	$21,826	$ 942,892
Other						
Depreciation and amortization	$ 13,578	$ 2,721	$ 184	$ 16,495	$ 343	$ 16,838
Amortization of goodwill	11,875	61	-	11,936	-	11,936
Impairment loss	931	1,912	-	2,843	-	2,843

Increase of tangible and intangible assets	18,235	4,951	1,618	24,804	674	25,478

	Millions of yen					
	2010					
	Dispensing pharmacy	Drug and cosmetic store	Other	Total	Adjustments	Consolidated
Sales						
Sales to third parties	¥ 111,603	¥ 13,620	¥ 273	¥ 125,496	¥ -	¥ 125,496
Intersegment sales	-	6	19	25	(25)	-
Total sales	111,603	13,626	292	125,521	(25)	125,496
Segment income (loss)	8,495	(399)	(68)	8,028	(1,666)	6,362
Segment assets	¥ 56,643	¥ 7,193	¥ 1,155	¥ 64,991	¥ 908	¥ 65,899
Other						
Depreciation and amortization	¥906	¥198	¥15	¥1,119	¥24	¥1,143
Amortization of goodwill	874	5	-	879	-	879
Impairment loss	103	93	-	196	-	196
Increase of tangible and intangible assets	1,583	395	-	1,978	42	2,021

(4) Amortization of goodwill and unamortized balances by reporting segment as of and for the year ended April 30, 2011 are summarized as follows:

	Millions of yen				
	2011				
	Dispensing pharmacy	Drug and cosmetic store	Other	Adjustments	Consolidated
Amortization of goodwill	¥ 969	¥ 5	¥ -	¥ -	¥ 974
Unamortized balances of goodwill	13,852	15	-	-	13,867

	Thousands of U.S. dollars				
	2011				
	Dispensing pharmacy	Drug and cosmetic store	Other	Adjustments	Consolidated
Amortization of goodwill	$ 11,875	$ 61	$ -	$ -	$ 11,936
Unamortized balances of goodwill	169,755	184	-	-	169,939

18. Comprehensive income

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued June 30, 2010) became effective for consolidated financial statements for the fiscal years ending on or after March 31, 2011. Accordingly, the Company and its consolidated subsidiaries have applied this standard and, therefore, "Valuation and transaction adjustments" and "Total valuation and transaction adjustments" as of and for the fiscal year ended April 30, 2010 are newly presented as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" as of and for the fiscal year ended April 30, 2011, respectively.

Comprehensive income for the year ended April 30, 2010 is as follows:

	Millions of yen
	2010
Comprehensive income attributable to shareholders of the parent	¥ 3,256
Comprehensive income attributable to minority interests	10
Total	¥ 3,266

Other comprehensive income for the year ended April 30, 2010 is as follows:

	Millions of yen
	2010
Unrealized holding gains on securities	¥ 125
Total	¥ 125

19. Business combinations

For the year ended April 30, 2011

1. Business combinations

   During the fiscal year ended April 30, 2011, the Company and its consolidated subsidiaries AIN MEDICAL SYSTEMS Inc. and Asahi Pharmacy Co., Ltd., acquired for cash consideration the shares in six companies in the dispensing pharmacy business, which became consolidated subsidiaries.

   Through this business combination, the AIN PHARMACIEZ Group aims to increase its market share in the dispensing pharmacy business and anticipates greater management economies of scale. The Group decided to conduct this acquisition after taking into due consideration the profitability of the acquired companies, their potential return on investment and their ability to secure stable revenues and profits above and beyond the amortizable goodwill generated through this acquisition.

2. Acquisition price and details

Consideration for acquisition	¥3,974 million ($48,701 thousand)
Expenses related directly to acquisition	¥36 million ($441 thousand)
Cost of acquisition	¥4,010 million ($49,142 thousand)

3. Amount of goodwill generated, its sources, and its amortization method and term

(1) Amount of goodwill generated

¥2,608 million ($31,961 thousand)

(2) Sources of goodwill

Goodwill is the excess amount paid for the acquired companies in anticipation that the application of the AIN PHARMACIEZ Group's management resources and economies of scale will generate this amount.

(3) Goodwill amortization method and term
Straight-line method over 10–15 years

For the year ended April 30, 2010

1. Merger of AIN MEDICAL SYSTEMS Inc. and Rejoice Inc.

(1) Names and businesses of companies involved in merger, method of corporate merger, name of post-merger entity and overview of transaction, including the purpose of the transaction

(a) Names and businesses of merging companies
AIN MEDICAL SYSTEMS Inc. (consolidated subsidiary) - Operating dispensing pharmacies
Rejoice Inc. (consolidated subsidiary) - Operating dispensing pharmacies

(b) Method of corporate merger
A merger, with Rejoice Inc. as the dissolved company and AIN MEDICAL SYSTEMS Inc. as the surviving company

(c) Name of post-merger entity
AIN MEDICAL SYSTEMS Inc.

(d) Overview of transaction, including the purpose of the transaction
As wholly owned subsidiaries of the Company, AIN MEDICAL SYSTEMS Inc. and Rejoice Inc. both worked to expand dispensing pharmacy chain operations in the Kanto region. Their merger is designed to allow the consolidation of headquarters functions, accelerate decision-making and raise management efficiency, with the aim of enhancing overall corporate value.

(2) Overview of accounting method used

This merger is was handled as a jointly controlled transaction, based on “Accounting Standard for Business Combinations” (Business Accounting Council), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10).

2. Merger of AIN TOKAI Inc. and Rejoice Pharmacy Inc.

(1) Names and businesses of companies involved in merger, method of corporate merger, name of post-merger entity and overview of transaction, including the purpose of the transaction

(a) Names and businesses of merging companies
AIN TOKAI Inc. (consolidated subsidiary) - Operating dispensing pharmacies
Rejoice Inc. (consolidated subsidiary) - Operating dispensing pharmacies

(b) Method of corporate merger
A merger, with Rejoice Pharmacy Inc. as the dissolved company and AIN TOKAI Inc. as the surviving company

(c) Name of post-merger entity
AIN MEDIO INC.

(d) Overview of transaction, including the purpose of the transaction
As wholly owned subsidiaries of the Company, AIN TOKAI Inc. and Rejoice Pharmacy Inc. both worked to expand dispensing pharmacy chain operations in the Keihanshin region (Greater Osaka region). Their merger is designed to allow the consolidation of headquarters functions, accelerate decision-making and raise management efficiency, with the aim of enhancing overall corporate value.

(2) Overview of accounting method used

This merger is was handled as a jointly controlled transaction, based on “Accounting Standard for Business Combinations" (Business Accounting Council), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

20. Subsequent events

Not applicable.

21. Quarterly Information

(1) Quarterly net sales for the year ended April 30, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Three months ended July 31, 2010	¥ 30,791	$ 377,341
Three months ended October 31, 2010	31,049	380,502
Three months ended January 31, 2011	33,338	408,554
Three months ended April 30, 2011	34,207	419,203

(2) Quarterly income before income taxes and minority interests for the year ended April 30, 2011 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Three months ended July 31, 2010	¥ 1,419	$ 17,390
Three months ended October 31, 2010	1,861	22,806
Three months ended January 31, 2011	2,306	28,260
Three months ended April 30, 2011	2,056	25,196

(3) Quarterly net income for the year ended April 30, 2011 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Three months ended July 31, 2010	¥ 714	$ 8,750
Three months ended October 31, 2010	982	12,034
Three months ended January 31, 2011	1,222	14,975
Three months ended April 30, 2011	997	12,218

(4) Quarterly net income per share for the year ended April 30, 2011 is as follows:

	Yen	U.S. dollars
	2011	2011
Three months ended July 31, 2010	¥ 50.69	$ 0.62
Three months ended October 31, 2010	64.22	0.79
Three months ended January 31, 2011	76.67	0.94
Three months ended April 30, 2011	64.09	0.79

Report of Independent Auditors

The Board of Directors
AIN PHARMACIEZ INC.

We have audited the accompanying consolidated balance sheets of AIN PHARMACIEZ INC. and consolidated subsidiaries as of April 30, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended April 30, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIN PHARMACIEZ INC. and consolidated subsidiaries at April 30, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended April 30, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.(1).

Ernst & Young ShinNihon LLC

July 28, 2011

DIRECTORS AND CORPORATE AUDITORS
(As of July 29, 2011)

President and Representative Director
Kiichi Otani

Executive Vice President and Representative Director
Tadashi Nagumo

Senior Managing Directors
Hiromi Kato
Junichi Kawai
Masato Sakurai

Managing Director
Shoichi Shudo

Directors
Toshihide Mizushima
Masahiro Kuribayashi
Joji Sato*1
Masaru Mizuno*1
Hikaru Minami*1
Tsuyoshi Kobayashi*1
Masao Kiuchi*1

Corporate Auditors
Ichiro Ohashi
Kousei Isu*2
Yuya Ishibashi*2

Notes: 1. Outside directors
2. Outside corporate auditors

CORPORATE DATA
(Fiscal 2011)

Corporate Name
AIN PHARMACIEZ INC.

Head Office
5-1-2-1, Higashi-naebo,
Higashi-ku, Sapporo-shi,
Hokkaido 007-8755, Japan

Established
August 1969

Paid-in Capital
¥ 8,682 million

Number of Employees
4,561
(includiing part-time workers)

Business Lines
- **Dispensing Pharmacy Business**
  Management and franchise operation of dispensing pharmacies and consulting services for the opening of dispensing pharmacies
- **Drug and Cosmetic Store Business**
  Management of drug and cosmetic stores and consulting services for the opening of shopping centers

STOCK INFORMATION
(Fiscal 2011)

Transfer Agent
Mizuho Trust & Banking Co., Ltd.

Stock Listings
First Section of the Tokyo Stock Exchange

Securities Code Number
9627

Fiscal Year
May 1 to April 30 of the following year

Ordinary General Meeting of Shareholders
July

Date of Record
April 30
(The Company will announce other dates as and when required.)

Number of Shares Outstanding
15,944,106 shares
(including treasury stock)

Number of Shareholders
2,962

Major Shareholders

Name	Number of shares held (thousand shares)	Share-holding ratio (%)
Kiichi Otani	1,654	10.37
Marubeni Corporation	1,240	7.78
Seven & i Holdings Co., Ltd.	1,240	7.78
State Street Bank and Trust Company (Standing proxy agent: Mizuho Corporate Bank, Ltd.)	929	5.83
Japan Trustee Services Bank, Ltd.	879	5.52
Yoshiaki Imagawa	700	4.39
The Hokkaido Bank, Ltd.	546	3.42
The Master Trust Bank of Japan, Ltd.	475	2.98
Imagawa Shoji Co., Ltd.	443	2.78
OM04 SSB Client Omnibus	379	2.38

Notes: 1. Number of shares held by Japan Trustee Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are all related to trust services.
2. A copy of the revised report dated July 1, 2011 was sent from Marubeni Corporation, stating that the company concluded a pension lialility trust agreement with Mizuho Trust & Banking Co., Ltd. for the 1,240,000 shares owned by the company.

AIN PHARMACIEZ

AIN PHARMACIEZ INC.

5-1-2-1, Higashi-naebo,
Higashi-ku, Sapporo-shi,
Hokkaido 007-8755, Japan

VEGETABLE OIL INK

This annual report is printed using vegetable oil ink.
Printed in Japan