Summary of Financial Statements for Fiscal Year Ended April 2009

June 3, 2009

Name of Listed Company: AIN PHARMACIEZ INC. Exchange Listed on: Tokyo, Second Section
Code Number: 9627 URL: http://www.ainj.co.jp/
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Date of the ordinary general meeting of shareholders: July 30, 2009
Date of scheduled payment of dividends: July 31, 2009
Date of filing securities report: July 31, 2009

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

1. Consolidated Results for Fiscal Year Ended April 2009 (from May 1, 2008 to April 30, 2009)

(1) Consolidated operating results (Percentage figures indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended April 2009	115,387	8.6	5,296	19.2	5,041	16.8	2,127	31.7
FY ended April 2008	106,231	30.7	4,444	53.9	4,315	52.3	1,615	59.9

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY ended April 2009	170.74	170.28	15.1	8.4	4.6
FY ended April 2008	142.36	141.82	14.2	8.0	4.2

(Reference) Equity in earnings of affiliates: FY ended April 2009: ¥ — million, FY ended April 2008: ¥ — million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended April 2009	62,032	16,109	25.9	1,252.54
FY ended April 2008	57,546	12,707	20.9	1,059.78

(Reference) Shareholders' equity: FY ended April 2009: ¥16,071 million, FY ended April 2008: ¥12,040 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY ended April 2009	4,333	(757)	1,462	9,234
FY ended April 2008	8,424	(6,980)	(1,429)	4,195

2. Dividends

	Dividends per share					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended April 2008	—	—	—	20.00	20.00	227	14.0	2.0
FY ended April 2009	—	—	—	30.00	30.00	384	17.6	2.6
FY ending April 2010 (forecast)	—	—	—	35.00	35.00		16.0	

(Note) Breakdown of year-end dividend per share for FY ended April 2009: Commemorative dividend: 5.00 yen
(Ordinary dividend: 25.00 yen)

3. Consolidated Results Forecast for Fiscal Year Ending April 2010 (from May 1, 2009 to April 30, 2010)

(Percentages displayed for the full year are compared to the previous year, and for the First Half, accumulated totals on a consolidated basis are compared against the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	60,450	6.3	2,350	8.2	2,220	7.2	880	6.0	68.57
Full year	127,000	10.1	6,050	14.2	5,850	16.0	2,800	31.6	218.17

4. Others

(1) Major changes in subsidiaries during fiscal year (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods used in preparation of the consolidated financial statements

1) Changes associated with revisions of accounting standards: Yes
2) Changes other than those included in 1): None

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at end of fiscal year (including treasury shares):
FY ended April 2009: 12,834,106 shares, FY ended April 2008: 11,363,456 shares
2) Number of treasury shares at end of fiscal year:
FY ended April 2009: 2,730 shares, FY ended April 2008: 2,456 shares

(Reference) Overview of Non-Consolidated Results

1. Results for Fiscal Year Ended April 2009 (from May 1, 2008 to April 30, 2009)

(1) Non-consolidated operating results (Percentage figuress indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended April 2009	55,874	2.7	1,629	31.0	1,814	13.4	620	59.3
FY ended April 2008	54,386	6.1	1,243	(12.7)	1,599	12.4	389	(28.6)

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended April 2009	49.76	49.63
FY ended April 2008	34.30	34.17

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended April 2009	50,668	12,654	25.0	986.18
FY ended April 2008	46,807	10,148	21.7	893.26

(Reference) Shareholders' equity: FY ended April 2009: ¥12,654 million, FY ended April 2008: ¥10,148 million

* Explanation concerning the appropriate use of financial result forecasts and other special notes

The above forecasts are based on information available at the date of publication, and actual results may differ from the forecast figures due to changes in economic climate and other factors.

1. Operating Results

(1) Analysis of operating results

During the fiscal year under review, the Japanese economy was in increasingly harsh circumstances such as significantly decreasing corporate earnings, shrinking labor market and increasing bankruptcy cases, which were brought about by the further deteriorating global economy.

In these economic conditions, the AIN PHARMACIEZ Group (the Group) enhanced its operating base and profitability through the business expansion by actively opening dispensing pharmacies and urban drug stores as well as the strengthened cooperation among the Group companies.

In August 2008 we entered into a business and capital alliance agreement with Seven & i Holdings Co., Ltd. which allowed us to open stores through the tie-up of the two companies. In April 2009, we agreed to establish a joint venture for effectively utilizing and operating the drug store business assets owned by these two groups and founded “Seven Health Care Co., Ltd.” on June 1, 2009.

For the terms and conditions of the agreement on the establishment of a joint venture and overview of the established company, please refer to Section 3. Management Policies, (5) Other important management items.

On April 2, 2009 we listed our shares on the Second Section of the Tokyo Stock Exchange.

In terms of results for the fiscal year under review, through the opening of new dispensing pharmacies and urban drug stores as well as the contribution to the consolidated performance by the subsidiaries acquired during the previous fiscal year, we achieved the highest records both in sales and profits with the net sales of ¥115,387 million (+8.6% year-on-year), ordinary income of ¥5,041 million (+16.8% year-on-year), net income of ¥2,127 million (+31.7% year-on-year).

Performance by business segment was as follows.

(Pharmaceutical business)

In the Pharmaceutical business, the earnings and expenses in existing dispensing pharmacies are on a downward trend because of the revision to the official drug prices and prescription dispensing fee in April 2008.

The Group further enhanced the cooperation among the Group companies, for example, by making AIN MEDICAL SYSTEMS Inc. its wholly-owned subsidiary through share exchange in June 2008 (AIN MEDICAL SYSTEMS Inc. had been a subsidiary listed on the JASDAQ Securities Exchange but was delisted from the JASDAQ Securities Exchange in the same month), and sought to improve the business efficiency by sharing sales information, introducing common systems and methods for pharmacy operations, cooperation in education and training and others.

We sought to improve our profitability through efficient operations by actively adopting generic drugs, expanding the deployment of the dispensing pharmacy system and integrating part of the functions of the back-office unit in the Group.

With the introduction of the six-year curriculum in pharmaceutical education at colleges, it is expected to become difficult to hire new graduate pharmacists for two years. For this reason, the Group strengthened its group-wide recruiting activities and hired more than 250 pharmacists who graduated in 2009 in order to ensure a system ready for the business expansion during the two-year blank period.

In the fiscal year under review, we continued active new store openings and business development with 25 store openings and closure/business transfer of 8 stores as well as making Saitama Chozai Co., Ltd. our subsidiary. As a result, the Group had 375 dispensing pharmacies in operation in total.

Furthermore, Asahi Pharmacy Co., Ltd. and Sunwood Co., Ltd., both of which had become subsidiaries of the Group in the previous fiscal year, contributed to the consolidated performance throughout the current fiscal year. As a result, we achieved increases both in sales and profits with the net sales of ¥101,876 million (+10.8% year-on-year) and operating income of ¥ 6,761 million (+14.1% year-on-year).

(Product sales business)

The Product Sales business is typified by the “Ainz & Tulpe” urban drug stores and the “Tulpe” cosmetic specialty stores, which are located in inner-city areas and large shopping centers throughout the country.

In the “Ainz & Tulpe” and “Tulpe” stores, cosmetic products (general cosmetics and specified cosmetics involving counseling sales) account for 75% in the average sales. These stores are differentiated from ordinary drug stores by their specialty-oriented store concept to address the newest trends in cosmetology and offer the counseling function.

In a market environment with slumping personal consumption, we continued improving the profitability in existing stores mainly through the sales measures based on new merchandise, inventory adjustment to ensure a proper level, and efficient sales promotion activities by utilizing the “Ainz Point Club Card,” and also accelerated our business development in many fields, such as store openings (three stores: Susukino Lafiler store, Soka store and Eniwa store) in cooperation with our capital/business alliance partner, Seven & i Holdings Co., Ltd.

In addition to these store openings, we reached an agreement with the Seven & i Holdings Group to establish a joint venture carrying out general activities for the business with the said group including the operation of drug stores, and founded "Seven Health Care Co., Ltd." on June 1, 2009 through joint capital investment.

In the fiscal year under review, we opened 5 new stores in total, including 3 "Ainz & Tulpe" stores, 1 "Tulpe" store and 1 "Ainz" store while closing 4 unprofitable stores. The total number of drug stores including the said new stores and AIN TOKAI Inc, a subsidiary was 46.

The "Ainz Point Club Card," serving as an indicator of the number of customers, has more than 1.73 million members, in which 200,000 people were added from the year-ago period.

The closure of unprofitable stores and others affected net sales, which resulted in ¥13,251 million (-5.2% year-on-year), although the operating loss was improved to ¥289 million (improvement of ¥192 million, year-on-year).

(Other businesses)

Net sales of Other businesses were ¥258 million (-3.6% year-on-year) and operating losses were ¥82 million (+9.2% year-on-year).

For the next fiscal year, we plan to open around 60 stores in total including dispensing pharmacies and urban drug stores by further promoting the business development both in the Pharmaceutical and Product Sales businesses in order to expand the Group's operational scale.

At the same time, we will enhance our profitability by streamlining the business operations through the cooperation among the Group companies and promoting the development of common systems.

With these measures, the Group's performance for the next fiscal year is expected to be the highest ever both in sales and profits with the net sales of ¥127,000 million (+10.1% year-on-year), ordinary income of ¥5,850 million(+16.0% year-on-year), and net income of ¥2,800 million (+31.6% year-on-year).

(2) Analysis of financial position

1) Assets, liabilities and net assets

The balance of consolidated current assets at the end of the fiscal year under review was ¥28,170 million, up from ¥22,608 million at the end of the previous fiscal year, an increase of ¥5,561 million.

This was a result of the increased cash of ¥9,234 million (+¥4,918 million year-on-year) brought about by the improved liquidity on hand in the Group, as well as the increased total of merchandise and supplies (inventories in the previous fiscal year) of ¥5,928 million (+¥573 million year-on-year) due to the opening of new dispensing pharmacies and drug stores.

The balance of consolidated fixed assets at the end of the fiscal year under review was ¥33,862 million, down from ¥34,937 million at the end of the previous fiscal year, a decrease of ¥1,075 million.

This was mainly because of the following reasons: the unamortized balance of goodwill at the end of the fiscal year dropped to ¥12,835 million (-¥624 million year-on-year) while the lease deposits and guarantee deposits fell to ¥4,496 million (-¥1,615 million year-on-year) due to the liquidation of part of the lease deposits and the like although the tangible fixed assets rose to ¥12,238 million (+¥676 million year-on-year) as a result of the investments related to new store openings, application of the lease accounting standards and others.

Liabilities were ¥45,923 million compared to ¥44,839 million at the end of the previous year, an increase of ¥1,084 million.

This was primarily attributable to the newly recorded lease obligations (long- and short-term) of ¥515 million as a result of the application of the lease accounting standards. In regard to the balances of interest-bearing debts, short-term loans payable, long-term loans payable and bonds (current portion of bonds in the current fiscal year) were ¥7,576 million (+¥199 million year-on-year), ¥10,966 million (+¥239 million year-on-year), and ¥140 million (-¥332 million year-on-year), respectively.

As a result of the above, the balance of current liabilities was ¥831 million up from the previous year-end balance of ¥32,570 million to ¥33,402 million, and the balance of fixed assets ¥12,521 million, up ¥253 million from the previous year-end balance of ¥12,268 million.

The balance of net assets was ¥16,109 million compared to ¥12,707 million at the end of the previous fiscal year, an increase of ¥3,401 million.

This was because the third-party allocation of new shares under the business/capital alliance with Seven & i Holdings Co., Ltd., share exchange with AIN MEDICAL SYSTEMS Inc., and exercise of equity warrants and the like increased the capital stock to ¥5,057 million (+¥1,632 million year-on-year) and the capital surplus to ¥4,247 million (+¥703 million year-on-year) while the balance of retained earnings rose to ¥7,127 million (+¥1,920 million year-on-year) due to the growth of retained earnings in the current fiscal year.

The unrealized holding gains on securities indicated ¥356 million unrealized losses.

As a result of the above factors, the consolidated shareholders' equity ratio was 25.9%, compared with 20.9% at the end of the previous fiscal year, and the current ratio increased from 69.4% to 84.3%.

In the fiscal year under review, the Group worked on reinforcing its financial strength by promoting the group-wide business expansion through active investments and enhancing the both liquidity on hand and capital adequacy ratio.

In the business development including new store openings and M&A, we will continue focusing on the return on investment, seeking to achieve the growth of profitability and reduction of interest-bearing debts, building a firm financial foundation, and making efforts to improve our corporate value.

2) Cash flows

In the fiscal year under review, consolidated cash and cash equivalents (hereunder "cash") increased by ¥5,038 million from the previous fiscal year to ¥9,234 million (+120.1% year-on-year) because of the expanded profitability through the new store openings and M&A, and the enhancement both in the financial strength and liquidity on hand by efficient utilization of the Group's assets to get ready for further business expansion.

The position in the fiscal year under review for the various categories of cash flow, and the reasons for them, are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,333 million (-48.6% year-on-year).

The main factors generating inflow were income before income taxes and minority interests of ¥4,743 million, depreciation and amortization of ¥1,119 million, amortization of goodwill of ¥860 million, and decrease in trade receivables of ¥451 million. This decrease was attributable to the expansion of the operational scale including new store openings and M&A.

The main factors generating outflow were the increase of ¥561 million in inventories and increase of ¥2,533 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥757 million (-89.2% year-on-year)

This reflects payments of ¥179 million for the purchase of shares in an affiliated company (Saitama Chozai Co., Ltd.) and ¥1,391 million for the acquisition of tangible fixed assets associated with the new store openings including urban drug stores and dispensing pharmacies.

In addition, it also reflects the change of ¥1,269 million in investments and other assets including the liquidation of lease deposits and guarantee deposits carried out as part of the measure to enhance the liquidity on hand.

(Cash flows from financing activities)

Cash inflow from financing activities was ¥1,462 million (outflow of ¥1,429 million in the previous fiscal year).

This was mainly because of the inflow of 1,673 million attributable to the issuance of new shares associated with the third-party allocation of shares and exercise of stock options.

In terms of interest-bearing debts, the following net figures for borrowings and repayments are reflected in the results: ¥1,078 million repaid for short-term debt, ¥1,517 million financed as long-term debt, and ¥332 million payments associated with the redemption of bonds.

There was also an outflow of ¥227 million in dividends paid.

Changes in Group cash flow indicators are shown below.

	FY ended April 2006	FY ended April 2007	FY ended April 2008	FY ended April 2009
Equity ratio (%)	24.8	21.5	20.9	25.9
Equity ratio based on actual value (%)	64.3	34.1	29.4	30.6
Debt redemption term (years)	3.4	8.1	2.2	4.3
Interest coverage ratio (times)	25.6	11.5	23.2	12.0

(Notes) Equity ratio = shareholders' equity / total assets
Equity ratio based on actual value = market capitalization / total assets
Debt redemption term = interest-bearing debt / operating cash flows
Interest coverage ratio = operating cash flows / interest paid

*All indicators are calculated based on consolidated financial data.
*Interest-bearing debt includes all liabilities recorded on the balance sheet on which interest is being paid.
*Operating cash flows were calculated using the cash flow from operations on the consolidated cash flow statement and interest paid.

(3) Basic policies for profit distribution, and dividends for the year under review and the following year

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

Internally, reserves are held to strengthen the Company's balance sheet and in preparation for new store openings and future development of the business. We will make effective use of these funds to generate profits to be returned to shareholders in the future.

The Group's basic policy is to pay dividends from retained earnings once per year at the end of the fiscal year. The year-end dividend to be paid is determined at the annual general meeting of stockholders, and interim dividends are set at a board of directors' meeting. Further, the company has established that "When approved by a board of directors' meeting, interim dividends may be paid with a record date of 31st October each year" within its articles of incorporation.

In regard to dividends from retained earnings in the year under review, we plan to pay ¥30 per share in total, comprised of ¥25 per share as ordinary dividend (increase of ¥5 per share over the preceding year) and ¥5 per share as commemorative dividend for the Company's listing on the Second Section of the Tokyo Stock Exchange. In view of our profit forecasts, an ordinary dividend of ¥35 per share, an increase of ¥10, is expected in the subsequent year.

(4) Business and other risks

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

1) Laws and regulations

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

We operate insurance pharmacies and dispensing pharmacies (hereunder "insurance and 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 store business in our Product sales business also involves sales of pharmaceuticals, which are similarly regulated under the Pharmaceutical Affairs Law. In addition, permits and licenses stipulated by the relevant laws are required to engage in sales of foods and tobacco.

The main ones are as follows.

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

(Notes) In Article 25 of the Pharmaceutical Affairs Law, medical products sales permits are divided into four categories: General Sales, Drug Trade and Sales, Household Medicine Sales and Special Sales (As of June 1, 2009, divided into three categories: Storefront Sales, Household Medicine Sales and Wholesale Distribution). The Group's Product Sales business has received the General Sales and Drug Trade and Sales permits. If the Group becomes the subject of an order of revocation or suspension of business license by the competent authorities due to an act committed in the Group's insurance and dispensing pharmacies and drug store business, which constitutes a violation of law set forth in Paragraph 1, Article 75 of the Pharmaceutical Affairs Law, items in Article 80 of the Health Insurance Law, or Paragraph 1, Article 51 of the Narcotics and Psychotropic Control Law, the Group's business performance may be affected.

(ii) Easing of pharmaceutical sales regulations

Under the "Law for Partial Revision of the Pharmaceutical Affairs Law," (Law 69 of 2006, 14 June 2006) which includes a review of the sales system for over-the-counter (OTC) drugs; OTC drugs are categorized into three groups by risk. Since that law took effect, it has become possible to sell the two lower-risk categories of pharmaceuticals as a "Registered Vendor," 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 future to deregulate pharmaceutical sales, could have an impact on the Group's profits.

2) Details of business

In the Group's Pharmaceutical business, we have a chain of insurance and dispensing pharmacies based on a scheme, where insurance and dispensing pharmacies are located near medical institutions for concentrating on the prescriptions from the certain medical institutions to secure demand.

As the Pharmaceutical business accounted for 88.3% of net sales in the fiscal year under review, we plan to continue the multi-store operation mainly based on the 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 prescriptions for extramural dispensing by the medical institutions or suspension/discontinuation of operations thereof may affect the Group's business performance.

3) Industry trends

The revenues in our Pharmaceutical business come from pharmacy operations, involving the dispensing and supplying of prescription pharmaceuticals based on prescriptions. The prices of those pharmaceuticals (drug prices) and remuneration levels are set by the Ministry of Health, Labour and Welfare. As a way to confine national medical expenses, both remuneration for medical treatments and drug prices are being reduced in stages. Changes in profit structure resulting from factors such as revisions in the treatment remuneration system could continue to have an impact on the Group's profits and financial position.

4) Retention of qualified staff

Dispensing pharmacies and drug stores (General Sales / as of June 1, 2009, 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 medicines 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, could have an impact on our new store plans and our profits.

5) Risks of loss of trust in the Company

(i) In the pharmacy businesses

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

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

Primary risk prevention measures are as follows.

- Training programs for new hires, including a 3-month training program for newly-graduated pharmacists and programs for mid-career pharmacists
- A continuing training program aimed at increasing the skills of pharmacists
- Pharmacy manager conferences attended by all pharmacy managers, to nurture management
- Development and introduction of pharmacy tools that make use of information technology, such as the deployment of a prescription dispensing error prevention system (PhAIN) using Personal Digital Assistants (PDAs), developed jointly with manufacturers of dispensing equipment, and a prescription reading system that makes use an optical character recognition (OCR)
- Use of in-house manuals for the dispensing function and a system of observing rules set by the Internal Audit Office
- Establishment of a Safety Policy Office specializing in measures to prevent prescription dispensing errors

(ii) Protection of personal data

We hold patient data in the Pharmaceutical business, including medical histories and prescription information, and we hold personal data in the Product sales 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. In March 2008, the Company acquired the right to display the "Social insurance and welfare sector privacy mark."

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

6) Risk in business strategy

We have promoted the expansion of operational scale through active new store openings and M&A on dispensing pharmacies.

Our basic policies in the 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 things do not go well as we expected, however, we may incur losses on stock investment 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 fluctuation

In the Group's promoted business expansion based on active 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 large-scale M&A cases are partially financed by borrowings from financial institutions.

As of the end of the fiscal year under review, the balance of interest-bearing debts of the Group was ¥18,682 million while the net debt/equity (D/E) ratio, an indicator showing the dependency on borrowings, was 0.45 times. (Net D/E ratio = interest-bearing debts – (cash + investment in securities) / shareholders' equity)

As the net D/E ratio is set to 0.5 times or less as a proper level in the Group, 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.

2. State of the Group

The Group consists of the parent company AIN PHARMACIEZ Inc., 14 subsidiaries and 1 affiliated company.

(1) Pharmaceutical business

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

The subsidiaries AIN MEDICAL SYSTEMS Inc., AIN TOKAI Inc., Rejoice Inc., Rejoice Pharmacy Inc., MEDICAL HEARTLAND Co., Ltd., Daichiku Co., Ltd., Asahi Pharmacy Co., Ltd., Sunwood Co., Ltd. MIYAKO AIN Inc. and Saitama Chozai Co., Ltd. operate pharmacies.

The subsidiary AIN STAFF Mediwel Corp. is a medical-related consulting business and is engaged in staff dispatching and introduction, primarily of doctors and pharmacists, while the subsidiary Wholesale Stars Co., Ltd. sells generic drugs.

(2) Product sales businesses

The Company engages in the management of drug stores (selling pharmaceuticals, non-medicinal products, cosmetics, food, life-style products, etc.), and in consulting related to the establishment of shopping centers.

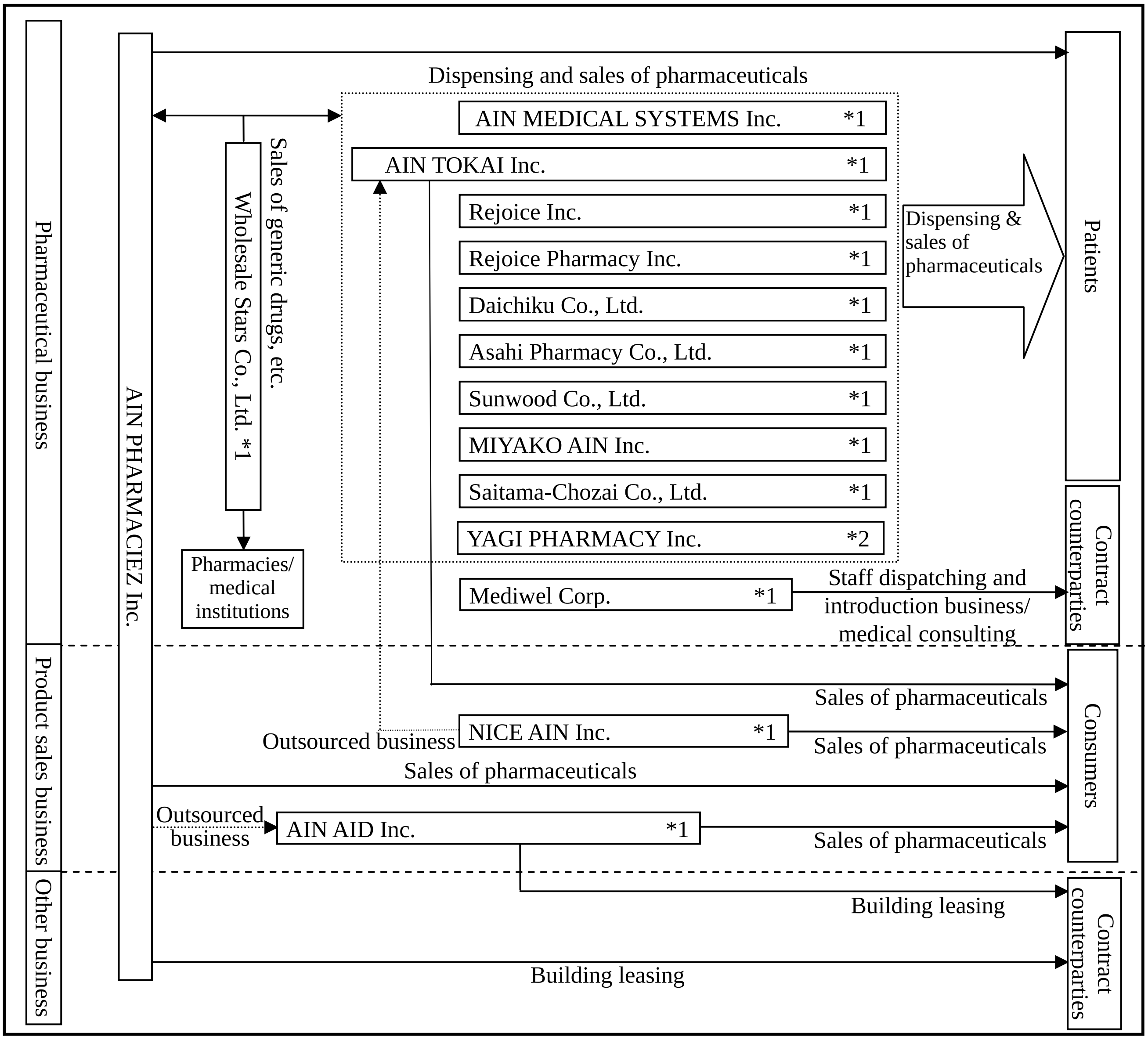
A subsidiary, AIN AID Inc. is entrusted with part of the Company’s drug store operations. Another subsidiary, NICE AIN Inc. is engaged in part of the sales activities of AIN TOKAI Inc. in accordance with the business contract between the two companies.

Please note that the business contract relationships between the Company and AIN AID Inc. and between NICE AIN Inc. and AIN TOKAI Inc. are terminated as of June 1, 2009, on which the revision to the Pharmaceutical Affairs Law was enforced.

(3) Other businesses

The Company and its subsidiary AIN AID Inc. are in the building leasing and management business.

An organization chart of the business is as follows.



(Notes) *1 consolidated subsidiary *2 affiliated company not accounted under the equity method

3. Management Policies

(1) Basic management policies of the Company

The Company's main businesses are the insurance and dispensing pharmacies business, based on dispensing of prescriptions, and the drug store business of selling products, primarily pharmaceuticals and cosmetics. Because both of these businesses contribute to people's health, we bear an important social responsibility.

We believe the Company's mission is not only to grow its profits and increase shareholder value through aggressively opening new stores as the Pharmaceuticals segment develops, but also to work for continuous improvements in safety and specialized skills in this business, given that we are a Company that can affect people's lives.

Accordingly, our basic management policy is "to fulfill our social mission by working to eliminate medicine dispensing errors and other business risks, and by creating pharmacies that customers can be confident in visiting, while placing weight on actively expanding the business in accordance with market conditions."

(2) Target management indicators

While working to expand our corporate scale by actively opening new stores, the Company also focuses on strengthening its financial structure and increasing shareholder value.

In the fiscal year under review the ROA was 3.6% and the ROE was 15.1%.We will work continuously to improve investment efficiency and profitability to achieve the Company's targets of 4.5% ROA and 15.5% ROE.

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

The Company's core businesses are the active establishment of new stores and the nationwide development of dispensing pharmacies through M&A activities, and the development of urban drug stores, focusing primarily on cosmetics, in major cities across Japan. We aim both to expand the scale of these businesses and to increase shareholder value.

In the dispensing pharmacies business, our policy is for group companies to continue to grow sales by opening dispensing pharmacies located just outside medium- and large-scale medical institutions in their regions, and to pursue actively, after careful consideration, the further M&A opportunities we envision in this industry in the future.

In addition, we will work both to assure the safety of our patients, to improve customer service and to increase business efficiency by comprehensive education and training, and through the development and introduction of medicine dispensing equipment using the latest technology.

In response to the opportunities in generic drugs, our subsidiary Wholesale Stars Co., Ltd., a drug wholesaler specializing in generics, is intensifying its marketing and improving the rate at which it is used by medical units; as a Group we are actively promoting the greater proliferation of generic drugs.

In the Product sales business, we are aiming at further expansion by opening stores in major cities across the country, mainly in the urban drug store "Ainz & Tulpe" format and the new format "Tulpe" specialty stores, and to prepare for the entry of other industries emerging due to the implementation of the registered sales system by clearly differentiating these stores from other drug stores by the range of cosmetics they offer.

As a result of the above, our medium- to long-term management strategies are based on the following policies.

1) As a Group, we will open approximately 50 dispensing pharmacies per annum, mainly in close proximity to core regional hospitals. We will also aim to expand the scale of our business by growing our sales, keeping M&As in our radar.

2) Actively promote the introduction into the Group of the latest pharmacy tools and developing dispensing technologies that make use of IT, and improve customer safety, service and the efficiency of pharmacy management through the integrated application of individual devices.

3) We will improve efficiency within the Group by strengthening cooperation between group companies, the deployment of pharmacists, the supply of generic drugs and select administrative tasks. We will use this all-embracing group structure to build a dominant competitive position in the industry.

4)In the Product sales business, we will open approximately 5-8 stores nationwide, with the urban drug stores "Ainz & Tulpe" and the cosmetic specialty stores "Tulpe" as the core, to differentiate ourselves from competitors.

5) We will aim to increase the number of customers holding the "AINZ Point Club Card" in order to increase the number of customers, and make effective use of sales information to analyze customer trends and to improve store profitability.

(4) Issues to be addressed

In the Pharmaceutical business, as the burden of national healthcare expenses increases along with rapid Japan's low, declining birth rate and rapidly aging society, the biannual reforms of official drug prices and prescription dispensing fee will continue.

The Group’s basic strategy is to maximize economies of scale, and respond to changes in the market environment by improving the efficiency of our dispensing business and the quality of our drugstore services in order to expand our business scale and profits.

To optimize economies of scale, the Group will seek to reinforce its business infrastructure by sharing information owned by individual Group companies on development property and M&A projects throughout the country, promoting the expansion of the store opening scale, and aggregating functions of the back-office unit such as purchasing/procurement and recruiting.

In the Pharmacy Business, we will promote technologies and systems considering that the accuracy of medicine dispensing and the safety of patients are the highest priority, and work to improve the efficiency of the Pharmacy Business and its capabilities.

The Product sales business continues to expand the “Ainz & Tulpe” urban drug store format and the “Tulpe” cosmetic specialty stores, and will achieve improved earnings by increasing new items of merchandise and reviewing adjustments to inventories and sales promotion methods.

We will open stores in urban areas throughout the country by focusing on the return on investment based on the verification of the trend of earnings and expenses in the “Tulpe” cosmetic specialty stores in addition to the profitable “Ainz & Tulpe” stores.

In the increasingly harsh economic conditions, we will improve the profitability of the Group by launching projects beyond the frameworks of Group companies and segments, aggregating functions in the Group, standardizing the administration of operations and drastically reconstructing other business activities in general.

(5) Other important management items

Pursuant to a resolution at the meeting of the Board of Directors on April 9, 2009, the Company entered into a basic agreement with Seven & i Holdings Co., Ltd. and its subsidiaries, Ito-Yokado Co., Ltd. and Seven-Eleven Japan Co., Ltd. for establishing a joint venture to operate drug stores.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(In thousand yen)

	Previous fiscal year (As of April 30, 2008)	Current fiscal year (As of April 30, 2009)
ASSETS		
Current assets		
Cash on hand and in banks	4,315,144	9,234,052
Notes and accounts receivable	8,964,331	8,560,181
Inventories	5,355,444	–
Merchandise	–	5,832,459
Supplies	–	96,387
Deferred tax assets	568,870	631,776
Short-term loans	594,282	613,327
Other accounts receivable	2,421,622	2,409,241
Other current assets	424,247	805,376
Allowance for doubtful accounts	(35,153)	(12,059)
Total current assets	22,608,788	28,170,743
Fixed assets		
Tangible fixed assets		
Buildings and structures	9,397,888	10,018,766
Accumulated depreciation	(3,603,305)	(4,031,246)
Buildings and structures (net)	5,794,583	5,987,520
Land	4,849,362	4,958,767
Construction in progress	266,871	208,840
Other fixed assets	2,039,992	2,734,244
Accumulated depreciation	(1,388,438)	(1,650,933)
Other fixed assets (net)	651,554	1,083,311
Total tangible fixed assets	11,562,371	12,238,439
Intangible fixed assets		
Goodwill	13,459,919	12,835,388
Others	443,469	657,926
Total intangible fixed assets	13,903,389	13,493,314
Investments and other assets		
Investments in securities	1,964,107	2,057,061
Deferred tax assets	884,241	892,856
Deposits and guarantees	6,111,327	4,496,234
Other investments and other assets	770,363	952,859
Allowance for doubtful accounts	(258,000)	(268,587)
Total investments and other assets	9,472,039	8,130,424
Total fixed assets	34,937,800	33,862,179
TOTAL ASSETS	57,546,589	62,032,922

(In thousand yen)

	Previous fiscal year (As of April 30, 2008)	Current fiscal year (As of April 30, 2009)
LIABILITIES		
Current liabilities		
Accounts payable	18,576,099	18,712,606
Short-term debt	7,377,090	7,576,357
Current portion of bonds	–	140,000
Accrued income taxes	1,214,488	1,263,593
Deposits received	2,704,348	2,841,871
Allowance for bonuses to employees	718,512	800,017
Allowance for bonuses to directors	42,940	43,114
Reserve for reward obligations	278,767	273,137
Other current liabilities	1,658,245	1,751,482
Total current liabilities	32,570,493	33,402,179
Long-term liabilities		
Long-term debt	10,726,414	10,966,271
Bonds	472,000	–
Allowance for retirement benefits	735,294	863,110
Other long-term liabilities	334,873	692,253
Total long-term liabilities	12,268,582	12,521,635
TOTAL LIABILITIES	44,839,076	45,923,815
NET ASSETS		
Shareholders' equity		
Common stock	3,424,170	5,057,046
Capital surplus	3,543,738	4,247,040
Retained earnings	5,207,517	7,127,988
Treasury stock	(3,435)	(3,912)
Total shareholders' equity	12,171,991	16,428,163
Valuation and translation adjustments		
Unrealized holding gains on securities	(131,883)	(356,413)
Total valuation and translation adjustments	(131,883)	(356,413)
Minority interests	667,405	37,357
TOTAL NET ASSETS	12,707,512	16,109,107
TOTAL LIABILITIES AND NET ASSETS	57,546,589	62,032,922

(2) Consolidated statements of income

(In thousand yen)

	Previous fiscal year (From May 1, 2007 to April 30, 2008)	Current fiscal year (From May 1, 2008 to April 30, 2009)
Net sales	106,231,989	115,387,067
Cost of sales	92,583,580	100,141,791
Gross profit	13,648,408	15,245,276
Selling, general and administrative expenses		
Advertising expenses	422,067	438,439
Promotion expenses	372,587	116,659
Salaries, allowances and bonuses	2,282,058	2,546,852
Provision for allowance for doubtful accounts	2,997	5,967
Provision for bonuses	122,398	139,308
Provision for directors’ bonuses	42,940	6,788
Provision for retirement benefits	37,019	38,192
Provision for point certificates	8,735	273,137
Legal and employee benefits expenses	430,086	504,130
Correspondence and transportation expenses	350,789	382,315
Lease expenses	295,141	281,617
Rent expenses	1,635,210	1,710,162
Depreciation expenses	275,135	304,372
Amortization of goodwill	727,075	781,508
Taxes	346,044	374,068
Other	1,853,479	2,045,467
Total selling, general and administrative expenses	9,203,766	9,948,989
Operating income	4,444,642	5,296,286
Non-operating income		
Interest income	26,057	31,792
Dividend income	16,576	15,549
Commissions received	44,850	58,749
Real estate rental revenue	45,557	58,126
Gain on donation	51,146	29,479
Consignment income	–	37,693
Other	219,154	64,493
Total non-operating income	403,343	295,883
Non-operating expenses		
Interest expenses	365,647	357,699
Loss on sales of receivables	70,459	63,417
Loss on funds managed in investment partnerships	10,923	39,346
Real estate rental expenses	12,399	37,907
Others	72,789	52,341
Total non-operating expenses	532,218	550,711
Ordinary income	4,315,767	5,041,458

(In thousand yen)

	Previous fiscal year (From May 1, 2007 to April 30, 2008)	Current fiscal year (From May 1, 2008 to April 30, 2009)
Extraordinary income		
Gain on sales of fixed assets	15,733	7,152
Gain on sales of investments in securities	0	582
Insurance receipts	339,277	–
Gain on transfer of business	–	77,953
Reversal of allowance for doubtful accounts	–	28,966
Other extraordinary income	28,777	2,700
Total extraordinary income	383,788	117,355
Extraordinary losses		
Loss on disposal and sales of fixed assets	98,538	83,304
Loss on devaluation of investments in securities	–	67,234
Asset impairment losses	266,078	174,735
Provision for retirement benefits	70,718	–
Provision for point certificates	270,031	–
M&A related losses	132,704	–
Other extraordinary losses	150,919	90,380
Total extraordinary loss	988,990	415,654
Income before income taxes and minority interests	3,710,566	4,743,158
Income and other taxes-current	2,247,529	2,532,794
Income taxes-deferred	(273,095)	80,722
Total income taxes	1,974,434	2,613,517
Minority interests income	120,148	1,740
Net income	1,615,983	2,127,901

(3) Consolidated Statements of Changes in Shareholders' Equity

(In thousand yen)

	Previous fiscal year (From May 1, 2007 to April 30, 2008)	Current fiscal year (From May 1, 2008 to April 30, 2009)
Shareholders' equity		
Common stock		
Balance at the end of previous fiscal year	3,395,642	3,424,170
Changes in the fiscal year		
Issuance of new shares	28,528	1,632,876
Total changes for the fiscal year	28,528	1,632,876
Balance at the end of current fiscal year	3,424,170	5,057,046
Capital surplus		
Balance at the end of previous fiscal year	3,515,248	3,543,738
Changes in the fiscal year		
Issuance of new shares	28,490	703,302
Total changes for the fiscal year	28,490	703,302
Balance at the end of current fiscal year	3,543,738	4,247,040
Retained earnings		
Balance at the end of previous fiscal year	3,815,111	5,207,517
Changes in the fiscal year		
Dividends from retained earnings	(223,577)	(207,430)
Net income	1,615,983	2,127,901
Total changes for the fiscal year	1,392,406	1,920,471
Balance at the end of current fiscal year	5,207,517	7,127,988
Treasury stock		
Balance at the end of previous fiscal year	(3,435)	(3,435)
Changes in the fiscal year		
Acquisition of treasury stock	–	(477)
Total change for the fiscal year	–	(477)
Balance at the end of current fiscal year	(3,435)	(3,912)
Total shareholders' equity		
Balance at the end of previous fiscal year	10,722,567	12,171,991
Changes in the fiscal year		
Issuance of new shares	57,018	2,336,178
Dividends from retained earnings	(223,577)	(207,430)
Net income	1,615,983	2,127,901
Acquisition of treasury stock	–	(477)
Total changes for the fiscal year	1,449,424	4,256,171
Balance at the end of current fiscal year	12,171,991	16,428,163

(In thousand yen)

	Previous fiscal year (From May 1, 2007 to April 30, 2008)	Current fiscal year (From May 1, 2008 to April 30, 2009)
Valuation and translation adjustments		
Unrealized holding gains on securities		
Balance at the end of previous fiscal year	(11,934)	(131,883)
Changes in the fiscal year		
Net change in non-shareholders' equity items for the fiscal year	(119,949)	(224,529)
Total changes for the fiscal year	(119,949)	(224,529)
Balance at the end of current fiscal year	(131,883)	(356,413)
Total valuation and translation adjustments		
Balance at the end of previous fiscal year	(11,934)	(131,883)
Changes in the fiscal year		
Net change in non-shareholders' equity items for the fiscal year	(119,949)	(224,529)
Total changes for the fiscal year	(119,949)	(224,529)
Balance at the end of current fiscal year	(131,883)	(356,413)
Minority interests		
Balance at the end of previous fiscal year	615,787	667,405
Changes in the fiscal year		
Net change in non-shareholders' equity items for the fiscal year	51,618	(630,047)
Total changes for the fiscal year	51,618	(630,047)
Balance at the end of current fiscal year	667,405	37,357
Total net assets		
Balance at the end of previous fiscal year	11,326,420	12,707,512
Changes in the fiscal year		
Issuance of new shares	57,018	2,336,178
Dividends from retained earnings	(223,577)	(207,430)
Net income	1,615,983	2,127,901
Acquisition of treasury stock	–	(477)
Net change in non-shareholders' equity items for the fiscal year	(68,331)	(854,577)
Total changes for the fiscal year	1,381,092	3,401,594
Balance at the end of current fiscal year	12,707,512	16,109,107

(4) Consolidated statements of cash flows

(In thousand yen)

	Previous fiscal year (From May 1, 2007 to April 30, 2008)	Current fiscal year (From May 1, 2008 to April 30, 2009)
Cash flows from operating activities		
Income before income taxes and minority interests	3,710,566	4,743,158
Depreciation and amortization	968,029	1,119,069
Asset impairment losses	266,078	174,735
Amortization of goodwill	727,075	860,251
Loss on devaluation of investments in securities	16,336	67,234
Increase (decrease) in allowance for doubtful accounts	(26,032)	(12,507)
Increase (decrease) in allowance for point certificates	278,767	(5,629)
Increase in allowance for retirement benefits	154,522	127,815
Increase in allowance for bonuses to employees	118,016	81,504
Increase in allowance for bonuses to directors	12,940	174
Directors' retirement benefits	30,000	–
Interest and dividend income	(40,569)	(47,341)
Interest expenses	365,647	357,699
Loss on funds managed in investment partnerships	10,923	39,346
Gain on donation	(51,146)	(29,479)
Loss (gain) on sales of investments in securities	(0)	(582)
Loss on disposal and sales of fixed assets	98,538	–
Loss on sales of tangible fixed assets	(15,733)	–
Loss (gain) on disposal and sales of fixed assets	–	76,151
M&A related loss	132,704	–
Loss (gain) on transfer of business	–	(77,953)
Decrease in accounts receivable	1,026,441	451,957
Decrease (increase) in inventories	731,969	(561,109)
Decrease (increase) in other assets	959,630	(374,945)
Increase in accounts payable	1,210,326	81,753
Increase in other liabilities	374,199	112,043
Bonuses paid to directors	(6,000)	–
Subtotal	11,053,230	7,183,345
Interest and dividends received	36,698	43,957
Interest paid	(363,600)	(360,227)
Payments for retirement benefits to directors	(30,000)	–
Payments for M&A related losses	(132,704)	–
Income and other taxes paid	(2,139,192)	(2,533,652)
Net cash provided by operating activities	8,424,432	4,333,422

(In thousand yen)

	Previous fiscal year (From May 1, 2007 to April 30, 2008)	Current fiscal year (From May 1, 2008 to April 30, 2009)
Cash flows from investing activities		
Payments for purchase of tangible fixed assets	(1,607,878)	(1,391,679)
Proceeds from sales of tangible fixed assets	54,397	90,155
Proceeds from business transfer	–	77,953
Payments for purchase of investments in securities	(49,772)	(583,258)
Proceeds from sales of investments in securities	21,000	1,264
Purchase of shares in affiliated companies	(4,936,539)	(179,675)
Payments for additional purchase of shares in affiliated companies	(150,000)	–
Payments for loans receivable	(229,996)	(94,592)
Proceeds from collections of loans	184,121	95,770
Payments for investments in capital	(4,115)	(590)
Proceeds from returns of investments in capital	–	60
Payments for purchase of intangible fixed assets	(262,850)	(162,969)
Proceeds from sales of intangible fixed assets	1,059	517
Payments for purchase of investments and other assets	(494,099)	–
Proceeds from sales of investments and other assets	413,328	–
Decrease in other investments	–	1,269,566
Proceeds from withdrawal of time deposits	100,740	120,024
Payments for time deposits	(20,000)	(24)
Net cash used in investing activities	(6,980,603)	(757,477)
Cash flows from financing activities		
Proceeds from short-term borrowings	15,017,902	9,300,000
Repayments for short-term borrowings	(20,198,842)	(10,378,000)
Proceeds from long-term borrowings	6,725,000	4,550,000
Repayments for long-term borrowings	(2,580,986)	(3,032,876)
Payments for redemption of bonds	(226,000)	(332,000)
Repayments of lease obligations	–	(70,456)
Proceeds from issuance of new shares	57,018	1,673,724
Payments for purchase of treasury stock	–	(477)
Cash dividends paid	(203,760)	(227,220)
Dividend payments to minority shareholders	(19,726)	(19,730)
Net cash provided by (used in) financing activities	(1,429,393)	1,462,963
Increase in cash and cash equivalents	14,434	5,038,908
Cash and cash equivalents at beginning of the year	4,180,709	4,195,144
Cash and cash equivalents at end of the year	4,195,144	9,234,052

(Segment Information)

a) Business segment information

Segment information by business category for recent two fiscal years is as follows.

Previous fiscal year (From May 1, 2007 to April 30, 2008)

(In thousand yen)

	Pharmaceutical business	Product sales business	Other businesses	Total	Eliminations / Corporate	Consolidated
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to external customers	91,989,996	13,973,800	268,192	106,231,989	–	106,231,989
(2) Inter-segment sales and transfers	1,643	–	18,747	20,390	(20,390)	–
Total	91,991,640	13,973,800	286,940	106,252,380	(20,390)	106,231,989
Operating expenses	86,064,764	14,455,093	362,099	100,811,957	905,388	101,787,346
Operating income (loss)	5,926,876	(481,293)	(75,159)	5,370,422	(925,779)	4,444,642
II. Assets, depreciation and capital investment						
Assets	52,038,612	6,510,598	1,244,293	59,793,504	(2,246,915)	57,546,589
Depreciation	656,605	183,218	16,754	856,578	14,668	871,246
Impairment loss	29,807	113,809	122,461	266,078	–	266,078
Capital investment	1,364,329	290,234	–	1,654,563	7,072	1,661,636

Current fiscal year (From May 1, 2008 to April 30, 2009)

(In thousand yen)

	Pharmaceutical business	Product sales business	Other businesses	Total	Eliminations / Corporate	Consolidated
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to external customers	101,876,835	13,251,729	258,502	115,387,067	–	115,387,067
(2) Inter-segment sales and transfers	–	6,000	18,747	24,747	(24,747)	–
Total	101,876,835	13,257,729	277,250	115,411,814	(24,747)	115,387,067
Operating expenses	95,114,856	13,546,940	359,331	109,021,128	1,069,652	110,090,781
Operating income (loss)	6,761,978	(289,211)	(82,081)	6,390,686	(1,094,399)	5,296,286
II. Assets, depreciation and capital investment						
Assets	53,379,642	6,173,970	1,058,864	60,612,477	1,420,445	62,032,922
Depreciation	837,080	174,465	14,486	1,026,032	19,795	1,045,827
Impairment loss	81,894	92,840	–	174,735	–	174,735
Capital investment	1,837,775	217,120	8,900	2,063,796	71,500	2,135,296

(Notes) 1. Business segmentation

Businesses are segmented based on the method adopted for internal management.

2. Individual business segments involve the following activities.

Pharmaceutical business: Management of dispensing pharmacies, franchise operation, consulting service for the opening of dispensing pharmacies

Product sales business: Selling of pharmaceuticals, cosmetics and household groceries, franchise operation, consulting service for the opening of shopping centers, management of pharmacies

Other businesses: Real-estate leasing service

3. In terms of operating expenses, the unclassifiable operating expenses included in "Eliminations / Corporate" are mainly attributable to the expenses related to the administration unit such as general affairs and accounting departments in the parent company. These expenses for the previous and current fiscal years are as follows:

Previous fiscal year: ¥905,388 thousand
Current fiscal year: ¥1,069,652 thousand

4. In terms of assets, the corporate assets included in “Eliminations / Corporate” are mainly attributable to the parent company’s surplus funds (cash and securities), long-term investment funds (investments in securities), deferred tax assets and assets related to the administration unit. These assets for the previous and current fiscal years are as follows:

Previous fiscal year: ¥ (2,246,915) thousand
Current fiscal year: ¥1,420,445 thousand

5. Consumption taxes are not included in the figures indicated above.

6. Changes in accounting methods

(Previous fiscal year)

1) From the current fiscal year, the depreciation method under the revision to the Corporation Tax Law is applied to the tangible fixed assets acquired on or after April 1, 2007.

This change affected operating expenses in individual segments: “Pharmaceutical business,” “Product sales business” and “Eliminations / Corporate” increased by ¥14,605 thousand, ¥6,249 thousand and ¥39 thousand, respectively while operating income decreased by the same amount, compared with the figures based on the conventional method.

In addition, associated with the said revision, for the assets acquired on or before March 31, 2007, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value is evenly depreciated over a period of five years from the fiscal year following the fiscal year when the residual value reaches 5% of the acquisition cost.

This change affected operating expenses in individual segments: “Pharmaceutical business,” “Product sales business,” “Other businesses” and “Eliminations / Corporate” increased by ¥4,364 thousand, ¥1,012 thousand, ¥64 thousand and ¥455 thousand, respectively while operating income decreased by the same amount, compared with the figures based on the conventional method.

2) In terms of the estimated redeemable amount of the purchase points given in the parent company’s Product Sales business, the Company set a reserve as of the current fiscal year based on the actual redemption in the past.

As a result, operating expenses increased by ¥8,735 thousand while operating income decreased by the same amount in the “Product Sales Business.” Please note that this change to the accounting policies is made after the current interim accounting period while the conventional method is applied in and before the period.

If the current interim accounting period was subject to the new method, operating expenses would increase by ¥6,779 thousand while operating income would decrease by the same amount in the “Product Sales Business,” compared with the reported figures.

(Current fiscal year)

Although the Group has previously used lease transaction methods to account for finance and lease transactions not involving transfers of ownership, it has elected to use accounting procedures for normal sales transactions to account for these transactions starting from the current fiscal year by applying “Accounting Standards for Lease Transactions” and “Guidance on Accounting Standard for Lease Transactions.”

For finance leases without an ownership transfer for which the lease transaction had started before the fiscal year when this accounting standard was introduced, the conventional method was applied.

The effects of this adoption to operating expenses and income of each segment are negligible.

b) Segment information by location

This is not applicable because the Company has no subsidiary or important branch office located in foreign countries.

c) Overseas sales

This is not applicable because the Company has no sales in foreign countries.