Summary of Financial Statements for the Second Quarter of Fiscal Year Ending April 2010

December 3, 2009

Name of listed company: **AIN PHARMACIEZ INC.** Exchange listed on: Tokyo, Second Section
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(Amounts are rounded down to nearest million yen.)

1. Consolidated results for the second quarter of fiscal year ending April 30, 2010 (May 1, 2009 to October 31, 2009)

(1) Consolidated operating results

(The percentages indicate the rates of increase or decrease compared with the preceding second quarter.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended October 31, 2009	59,740	5.1	2,846	31.0	2,762	33.4	1,349	62.5
Six months ended October 31, 2008	56,859	–	2,172	–	2,070	–	830	–

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended October 31, 2009	101.01	100.88
Six months ended October 31, 2008	68.59	68.39

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2009	65,360	19,655	30.0	1,391.01
As of April 30, 2009	62,032	16,109	25.9	1,252.54

Reference: Shareholders' equity As of October 31, 2009 ¥19,614 million As of April 30, 2009 ¥16,071 million

2. Dividends

	Dividend per share				
Record date	End of first quarter	End of second quarter	End of third quarter	End of year	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2009	–	–	–	30.00	30.00
Year ending April 30, 2010	–	–			
Year ending April 30, 2010 (forecast)			–	35.00	35.00

Note: Revision of the above forecasts during the period under review: None

3. Consolidated financial forecasts for the fiscal year ending April 30, 2010 (May 1, 2009 to April 30, 2010)

(The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	127,000	10.1	6,150	16.1	6,000	19.0	2,900	36.3	211.24

Note: Revision of the above forecasts during the period under review: Yes

4. Other

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): None

(2) Application of simplified accounting methods/specified accounting methods for preparation of quarterly consolidated financial statements: Yes
For details, see "4. Other information" of Qualitative Information / Financial Statements on page 5.

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

1. Changes as a result of revisions to accounting standards, etc.: None
2. Changes other than (1): None

(4) Number of outstanding shares (common stock)

1. Number of outstanding shares at end of period (including treasury stock):

As of October 31, 2009	14,104,106 shares
As of April 30, 2009	12,834,106 shares

2. Number of shares held in treasury at end of period:

As of October 31, 2009	2,881 shares
As of April 30, 2009	2,730 shares

3. Average number of shares outstanding

Six months ended October 31, 2009	13,355,903 shares
Six months ended October 31, 2008	12,100,359 shares

*Statement regarding the proper use of financial forecasts and other special remarks

1. The financial forecasts for the fiscal year ending April 30, 2010 published on September 1, 2009 were adjusted. For matters on financial forecasts, please see "3. Qualitative information on the consolidated financial forecasts" in Qualitative Information / Financial Statements on page 4.
2. The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

Qualitative Information / Financial Statements

1. Qualitative information on consolidated operating results

During the first six months of the current fiscal year (May 1, 2009 to October 31, 2009), the Japanese economy remained in severe conditions especially in the further worsening employment situation although some aspects such as exports and consumer spending were picking up.

In these economic circumstances, the AIN PHARMACIEZ Group (the Group) sought the expansion both in the operational scale and earnings by powerfully promoting the opening and development of dispensing pharmacies and urban drug stores and by ensuring cost control in the Group.

In addition, it increased its capital ¥2.4 billion in total through a public offering in August 2009 to obtain capital expenditure funds from the market for further expansion, and as a result successfully reinforced the financial strength.

Financial results for the first six months were favorable: net sales were ¥59,740 million (5.1% up year on year), ordinary income ¥2,762 million (33.4% up year on year), and net income ¥1,349 million (62.5% up year on year).

The financial results by business segments are as indicated below.

(Pharmaceutical business)

In the pharmaceutical business, prescription terms for outside-the-hospital prescriptions were increasingly becoming longer while unit prices per prescriptions remained on the upward trend. On the other hand, both new and existing dispensing pharmacies had favorable numbers of visitors. Group-wide cost improvement efforts in the pharmacy operation and administrative unit brought about higher sales and higher profits compared with the previous year.

As a result of the reorganization among the Group companies for a more agile and efficient group system, the following mergers were carried out: AIN MEDICAL SYSTEMS Inc. (Shinjuku-ku, Tokyo; surviving company) and Rejoice Inc. (Shinjuku-ku, Tokyo; defunct company) on August 1, 2009, as well as AIN TOKAI Inc. (Higashi-ku, Nagoya; surviving company) and Rejoice Pharmacy Inc. (Nakagyo-ku, Kyoto; defunct company) on October 1, 2009. (Upon the merger AIN TOKAI Inc. was renamed AIN MEDIO Inc.)

In regard to pharmaceutical facilities, we introduced, on a trial basis, an automatic drug picking device (generic name for a fully automated dispensing device for packed drugs) in multiple locations to verify general effects such as the improved safety and efficiency through the automated dispensing operation.

Accordingly, our revenues and profits increased in the first six months: net sales were ¥52,891 million (6.0% up year on year) and operating income of ¥3,682 million (31.9% up year on year).

During the said period, the Group opened six new stores in total and suspended the operation of one store, resulting in 380 operating dispensing pharmacies in total in the Group.

(Product sales business)

The product sales business saw sales and income in existing stores dropped below the results for the year-ago period mainly because of the stagnant consumption in the retail industry as well as lower prices and sluggish sales in the specified cosmetics involving counseling sales.

Meanwhile, the specialized cosmetics (general cosmetics) as the Company's main commercial goods exceeded the results for the previous fiscal year. We will continuously reinforce the merchandise and promote the opening and development of urban drug stores to move into the black on an operating basis.

We advanced various efforts based on the partnership with the group of Seven & i Holdings Co., Ltd. including the joint development of a drug store in Ito Yokado called "Seven's Garden of Beauty" which referenced the concept of Ainz & Tulpe, conversion of Hirokoji Place Store of Ainz & Tulpe (Naka-ku, Nagoya) into a Seven-Eleven-based store, and agreement on the opening of a store in the Seibu Ikebukuro Main Store (Toshima-ku, Tokyo) (Ikebukuro Store of Ainz & Tulpe was opened in November 2009).

Net sales for the first six months were ¥6,711 million (2.0% down year on year), and operating loss ¥238 million (cf. operating loss of ¥109 million in the year-earlier period).

During the said period, we opened a new store in Chuo-ku, Sapporo and closed a small store, resulting in 46 drug stores in total.

(Other businesses)

Net sales and operating loss from other businesses were ¥138 million and ¥35 million, respectively.

2. Qualitative information on consolidated financial position

(1) Total assets, liabilities, and net assets

The balance of total assets at the end of the second quarter increased by ¥3,327 million from the end of the previous fiscal year to ¥65,360 million. This is mainly attributable to the increase in cash on hand and in banks associated with the capital increase through a public offering, rise in notes and accounts receivable and inventories due to the expansion of the operational scale, and the acquisition of investment securities including the investment in Seven Health Care Co., Ltd.

The balance of liabilities decreased by ¥218 million to ¥45,705 million. This is primarily because of the fall in interest-bearing debts, whose balance dropped by ¥1,958 million to ¥16,724 million.

The balance of net assets rose by ¥3,546 million to ¥19,655 million. This is mainly due to the increase of ¥1,203 million each in capital stock and legal capital surplus from capital increase through a public offering and the increase of net income for the first six months of current fiscal year. As a result, the equity ratio improved by 4.1 points to 30.0%.

(2) Cash flows

In the first six months of the current fiscal year, cash and cash equivalents (hereunder “cash”) increased by ¥2,964 million from the end of the previous fiscal year to ¥12,198 million as of the end of the second quarter.

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

During the first six months, net cash provided by operating activities was ¥4,298 million (cf. ¥889 million was used for operating activities in the year-ago period) with the inflows of ¥2,655 million in net income before income taxes and minority interests and ¥979 million in the increase of accounts payable as well as with the outflow of ¥1,249 million in income tax payments.

Net cash used for investing activities amounted to ¥1,406 million (10.7% up year on year) mainly due to the payments of ¥653 million for the acquisition of tangible and intangible fixed assets, ¥389 million for the acquisition of investment securities, ¥270 million for the acquisition of shares in affiliated companies, and ¥560 million for loans receivable.

Net cash provided by financing activities was ¥73 million (97.3% down year on year). This is mainly attributable to the repaid amount of ¥1,958 million as a difference between borrowings and repayments of interest-bearing debts, the proceeds of ¥2,484 million from the exercise of equity warrants and the issuance of shares associated with the capital increase through a public offering in August 2009, and the dividend payments of ¥384 million.

3. Qualitative information on the consolidated financial forecasts

In regard to the future outlook, we revised the most recently announced consolidated financial results for the full year by comprehensively considering certain factors including the actual results up to the end of the first six months of the current fiscal year, the cost reduction effect and possible changes in the timing of store openings in the pharmaceutical business, delayed turnaround in the product sales business, and the impact on net income per share associated with the capital increase through a public offering.

The table below shows the differences from the most recently announced consolidated financial results for the full year.

The following table shows differences from the consolidated financial forecasts previously published for the full year.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously published forecast (A)	127,000	6,050	5,850	2,800	203.95
Current adjusted forecast (B)	127,000	6,150	6,000	2,900	211.24
Amount of change (B-A)	—	100	150	100	
Percentage change (%)	—	1.7	2.6	3.6	
Actual results of previous fiscal year	115,387	5,296	5,041	2,127	170.74

4. Other information

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): None

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

1. Calculation method for depreciation of fixed assets

   Depreciation of fixed assets was calculated by the method in which the estimated annual depreciation amount based on the budget for the current fiscal year was proportionally distributed over the year to adjust actual results of acquisition, sale or retirement during the year.

2. Judgment on the collectability of deferred tax assets

   As no significant change was found in the management environment and the occurrence of temporary differences after the end of the previous consolidated fiscal year, the projected financial results and tax planning for the future used in the settlement of the previous consolidated fiscal year were used in the judgment on the collectability of deferred tax assets.

3. Calculation method for deferred and accrued accounts

   Deferred and accrued accounts were calculated by posting estimated figures based on a reasonable computation method.

4. Calculation of tax expenses

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

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

(3) Changes in accounting principles, procedures or presentation methods used in the preparation of the consolidated financial statements: None

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	Six months ended October 31, 2009 (As of October 31, 2009)	Fiscal year ended April 30, 2009 (As of April 30, 2009)
Assets:		
Current assets:		
Cash on hand and in banks	12,198,796	9,234,052
Notes and accounts receivable	9,328,917	8,560,181
Merchandise	6,344,464	5,832,459
Supplies	96,149	96,387
Deferred tax assets	625,151	631,776
Short-term loans	954,475	613,327
Other accounts receivable	1,173,006	2,409,241
Other current assets	576,842	805,376
Allowance for doubtful accounts	(19,930)	(12,059)
Total current assets	31,277,872	28,170,743
Fixed assets:		
Tangible fixed assets:		
Buildings and structures, net	5,943,281	5,987,520
Land	5,011,747	4,958,767
Other tangible fixed assets, net	1,374,276	1,292,151
Total tangible fixed assets	12,329,305	12,238,439
Intangible fixed assets:		
Goodwill	12,427,284	12,835,388
Other intangible fixed assets	752,783	657,926
Total intangible fixed assets	13,180,068	13,493,314
Investments and other assets:		
Investments in securities	2,766,589	2,057,061
Deferred tax assets	839,860	892,856
Deposits and guarantees	4,314,769	4,496,234
Other investments and other assets	901,422	952,859
Allowance for doubtful accounts	(266,187)	(268,587)
Total investments and other assets	8,556,454	8,130,424
Total fixed assets	34,065,828	33,862,179
Deferred assets		
Stock issuance cost	17,051	–
Total deferred assets	17,051	–
Total assets	65,360,753	62,032,922

(Thousand yen)

	Six months ended October 31, 2009 (As of October 31, 2009)	Fiscal year ended April 30, 2009 (As of April 30, 2009)
Liabilities:		
Current liabilities:		
Accounts payable	19,692,494	18,712,606
Short-term debt	6,805,620	7,576,357
Current portion of bonds	84,000	140,000
Accrued income taxes	1,308,222	1,263,593
Deposits received	3,423,406	2,841,871
Allowance for bonuses to employees	923,727	800,017
Allowance for bonuses to directors	30,805	43,114
Reserves for reward obligations	281,232	273,137
Other current liabilities	1,604,239	1,751,482
Total current liabilities	34,153,748	33,402,179
Long-term liabilities:		
Long-term debt	9,834,964	10,966,271
Allowance for retirement benefits	928,640	863,110
Other long-term liabilities	787,794	692,253
Total long-term liabilities	11,551,399	12,521,635
Total liabilities	45,705,147	45,923,815
Net Assets:		
Shareholders' equity:		
Common stock	6,308,456	5,057,046
Capital surplus	5,498,450	4,247,040
Retained earnings	8,092,164	7,127,988
Treasury stock	(4,291)	(3,912)
Total shareholders' equity	19,894,780	16,428,163
Valuation and translation adjustments:		
Unrealized holding gain on securities	(279,817)	(356,413)
Total valuation and translation adjustments	(279,817)	(356,413)
Minority interests	40,642	37,357
Total net assets	19,655,605	16,109,107
Total liabilities and net assets	65,360,753	62,032,922

(2) Consolidated Statements of Income

(Thousand yen)

	Six months ended October 31, 2008 (May 1, 2008 to October 31, 2008)	Six months ended October 31, 2009 (May 1, 2009 to October 31, 2009)
Net sales	56,859,193	59,740,895
Cost of sales	49,701,350	51,664,935
Gross profit	7,157,843	8,075,960
Selling, general and administrative expenses	4,985,565	5,229,677
Operating income	2,172,278	2,846,283
Non-operating income:		
Interest income	17,207	22,820
Dividend income	12,036	13,653
Commissions received	26,731	41,275
Real estate rental revenue	28,748	31,923
Consignment income	16,605	21,287
Other non-operating income	38,042	41,291
Total non-operating income	139,371	172,252
Non-operating expenses:		
Interest expenses	191,396	153,806
Loss on sales of receivable	27,954	41,723
Real estate rental expenses	6,199	15,614
Other non-operating expenses	15,471	44,795
Total non-operating expenses	241,022	255,940
Ordinary income	2,070,628	2,762,596
Extraordinary income:		
Gain on sale of investments in securities	582	52,381
Gain on sale of tangible fixed assets	2,452	–
Reversal of allowance for doubtful accounts	–	2,400
Other extraordinary income	7,731	–
Total extraordinary income	10,766	54,781
Extraordinary losses:		
Loss on disposal of fixed assets	9,320	29,885
Loss on devaluation of investments in securities	179,747	44,521
Impairment losses	36,967	54,910
Other extraordinary losses	51,129	32,805
Total extraordinary losses	277,163	162,123
Income before income taxes and minority interests	1,804,230	2,655,253
Income taxes	973,475	1,302,851
Minority interests	742	3,285
Net income	830,012	1,349,117

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	Six months ended October 31, 2008 (May 1, 2008 to October 31, 2008)	Six months ended October 31, 2009 (May 1, 2009 to October 31, 2009)
Cash flows from operating activities:		
Income before income taxes and minority interests	1,804,230	2,655,253
Depreciation and amortization	526,697	562,226
Impairment losses	36,967	54,910
Amortization of goodwill	390,623	433,303
Loss on devaluation of investments in securities	179,747	44,521
Increase in allowance for retirement benefits	77,009	65,530
Increase in allowance for bonuses to employees	153,897	123,710
Decrease in allowance for bonuses to directors	(17,765)	(12,309)
Interest and dividend income	(29,243)	(36,474)
Interest expenses	191,396	153,806
Loss on disposals and sales of tangible fixed assets	6,867	29,885
Increase in accounts receivable	(2,225,804)	(768,735)
Increase in inventories	(377,431)	(511,767)
Increase (decrease) in accounts payable	(417,927)	979,887
Other	234,469	1,893,889
Subtotal	533,734	5,667,639
Interest and dividends received	27,892	34,771
Interest paid	(191,184)	(154,218)
Income taxes paid	(1,260,327)	(1,249,946)
Net cash provided by (used in) operating activities	(889,883)	4,298,246
Cash flows from investing activities:		
Payments for purchases of tangible and intangible fixed assets	(862,089)	(653,639)
Proceeds from sales of tangible and intangible fixed assets	7,152	3,674
Payments for purchases of investments in securities	(347,580)	(389,783)
Proceeds from sales of investments in securities	1,264	67,544
Payments for purchases of shares in affiliated companies	(179,675)	(270,000)
Payments for loans	(4,592)	(560,000)
Proceeds from collections of loans	78,074	226,458
Payments for time deposits	(24)	—
Proceeds from withdrawal of time deposits	120,024	—
Other	(83,685)	169,156
Net cash used in investing activities	(1,271,131)	(1,406,589)

(Thousand yen)

	Six months ended October 31, 2008 (May 1, 2008 to October 31, 2008)	Six months ended October 31, 2009 (May 1, 2009 to October 31, 2009)
Cash flows from financing activities:		
Proceeds from short-term borrowings	5,591,032	1,542,307
Repayments for short-term borrowings	(6,598,000)	(2,632,317)
Proceeds from long-term borrowings	4,000,000	1,150,000
Repayments for long-term borrowings	(1,458,348)	(1,962,044)
Payment for redemption of bonds	(186,000)	(56,000)
Proceeds from issue of shares	1,654,684	2,484,765
Repayments of lease obligations	(14,396)	(68,178)
Payments for purchase of treasury stock	(309)	(378)
Cash dividends paid	(227,220)	(384,941)
Dividend payments to minority shareholders	(19,730)	(126)
Net cash provided by financing activities	2,741,712	73,086
Increase in cash and cash equivalents	580,696	2,964,743
Cash and cash equivalents at beginning of the period	4,195,144	9,234,052
Cash and cash equivalents at end of the period	4,775,841	12,198,796

(4) Notes on the premise of a going concern

None

(5) Segment Information

[Business Segment Information]

Six months ended October 31, 2008 (May 1, 2008 to October 31, 2008)

(Thousand yen)

	Pharmaceutical business	Product sales business	Other businesses	Total	Eliminations/ Corporate	Consolidated
Net sales						
(1) Sales to external customers	49,877,594	6,849,781	131,817	56,859,193	—	56,859,193
(2) Inter-segment sales and transfers	—	3,000	9,373	12,373	(12,373)	—
Total	49,877,594	6,852,781	141,191	56,871,567	(12,373)	56,859,193
Operating income (loss)	2,792,606	(109,543)	(36,477)	2,646,584	(474,306)	2,172,278

Six months ended October 31, 2009 (May 1, 2009 to October 31, 2009)

(Thousand yen)

	Pharmaceutical business	Product sales business	Other businesses	Total	Eliminations/ Corporate	Consolidated
Net sales						
(1) Sales to external customers	52,891,322	6,711,249	138,323	59,740,895	—	59,740,895
(2) Inter-segment sales and transfers	—	3,000	6,613	9,613	(9,613)	—
Total	52,891,322	6,714,249	144,937	59,750,509	(9,613)	59,740,895
Operating income (loss)	3,682,825	(238,900)	(35,385)	3,408,539	(562,256)	2,846,283

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, temporary staff/recruiting and consulting services, selling of pharmaceuticals and generic drugs.

Product sales business: Selling of pharmaceuticals, cosmetics and household groceries, franchise operation, consultant practice on opening of shopping centers, management of pharmacies

Other businesses: Real-estate leasing service

[Segment information by location]

Six months ended October 31, 2008 (May 1, 2008 to October 31, 2008) and six months ended October 31, 2009 (May 1, 2009 to October 31, 2009)

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

[Overseas net sales]

Six months ended October 31, 2008 (May 1, 2008 to October 31, 2008) and six months ended October 31, 2009 (May 1, 2009 to October 31, 2009)

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

(6) Notes on significant changes in the amount of shareholders' equity

The Company increased its capital through a public offering in August 2009 for the purposes of improving the equity capital and enhancing the financial base as well as obtaining capital expenditure funds for new store openings. As a result, capital stock and capital surplus increased by ¥1,203 million each during the first six months of the current fiscal year. At the end of the second quarter of the current fiscal year, capital stock and capital surplus were ¥6,308 million and ¥5,498 million, respectively.

6. Other information

None