Summary of Financial Statements for Fiscal Year Ended April 2010

June 3, 2010

Name of Listed Company: AIN PHARMACIEZ INC.
Exchange Listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
Code Number: 9627 URL: http://www.ainj.co.jp/
Representative: Kiichi Ohtani, President and Representative Director
Inquiries: Hiromi Kato, Senior Managing Director and Chief Director of Administration
TEL:+81-11-783-0189

Date of the ordinary general meeting of shareholders: July 29, 2010
Date of scheduled payment of dividends: July 30, 2010
Date of filing securities report: July 30, 2010

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

1. Consolidated results for the fiscal year ended April 2010 (from May 1, 2009 to April 30, 2010)
(1) Consolidated operating results

(The percentages indicate the rate of increase or decrease compared with the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended April 30, 2010	125,495	8.8	6,492	22.6	6,362	26.2	3,131	47.2
Year ended April 30, 2009	115,387	8.6	5,296	19.2	5,041	16.8	2,127	31.7

	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	%	%	%
Year ended April 30, 2010	228.08	227.94	16.7	9.9	5.2
Year ended April 30, 2009	170.74	170.28	15.1	8.4	4.6

(Reference) Equity in earnings of affiliates: Year ended April 30, 2010: ¥ － million, Year ended April 30, 2009: ¥ － million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of April 30, 2010	65,898	21,492	32.5	1,520.81
As of April 30, 2009	62,032	16,109	25.9	1,252.54

(Reference) Equity capital: As of April 30, 2010: ¥21,445 million, As of April 30, 2009: ¥16,071 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended April 30, 2010	6,428	(2,700)	(1,773)	11,188
Year ended April 30, 2009	4,333	(757)	1,462	9,234

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	%	%
Year ended April 30, 2009	—	—	—	30.00	30.00	384	17.6	2.6
Year ended April 30, 2010	—	—	—	40.00	40.00	564	17.5	2.9
Year ending April 30, 2011 (forecast)	—	—	—	45.00	45.00		16.6	

(Note) Breakdown of year-end dividend per share for the year ended April 30, 2010: Commemorative dividend: 5.00 yen

3. Consolidated financial forecast for the fiscal year ending April 30, 2011 (from May 1, 2010 to April 30, 2011)

(Percentage figures for the full year are compared with the previous fiscal year, and for the first half, accumulated totals on a consolidated basis are compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	63,500	6.3	3,340	17.3	3,250	17.6	1,560	15.6	110.61
Full year	137,750	9.8	7,800	20.1	7,650	20.2	3,820	22.0	270.84

4. Others

(1) Major changes in subsidiaries during the 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 as a result of revisions of accounting standards: None
2) Changes other than 1): None

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the fiscal year (including treasury stock):
As of April 30, 2010: 14,104,106 shares, As of April 30, 2009: 12,834,106 shares
2) Number of shares held in treasury at the end of the fiscal year:
As of April 30, 2010: 2,942 shares, As of April 30, 2009: 2,730 shares

(Reference) Overview of non-consolidated results

1. Results for Fiscal Year Ended April 2010 (from May 1, 2009 to April 30, 2010)

(1) Non-consolidated operating results

(The percentages indicate the rate of increase or decrease compared with the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended April 30, 2010	60,362	8.0	1,831	12.4	2,173	19.8	965	55.7
Year ended April 30, 2009	55,874	2.7	1,629	31.0	1,814	13.4	620	59.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended April 30, 2010	70.32	70.27
Year ended April 30, 2009	49.76	49.63

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of April 30, 2010	52,545	15,854	30.2	1,124.36
As of April 30, 2009	50,668	12,654	25.0	986.18

(Reference) Equity capital: As of April 30, 2010: ¥ 15,854 million, As of April 30, 2009: ¥12,654 million

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

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary from the forecast figures due to changes in economic conditions and other factors.

1. Operating results

(1) Analysis of operating results

During the fiscal year ended April 30, 2010, the Japanese economy showed a steady rally with improving corporate earnings accompanied by a recovery in overseas economies, but at the same time faced ongoing difficulties with a severe employment situation and risks including fears of a downswing in overseas economies.

Against this economic background, the AIN PHARMACIEZ Group undertook an active program of new dispensing pharmacy and urban drug store openings while also enhancing its flexibility and financial structure in readiness for further expansion with measures that included internal restructuring and an increase in its capital through a public offering of ¥2.4 billion.

In addition, the Company registered its stock on the first section of the Tokyo Stock Exchange on April 2, 2010, and became a listed company on the Sapporo Securities Exchange on May 24, 2010.

In terms of results for the fiscal year under review, through the opening of new dispensing pharmacies and urban drug stores as well as increased sales at existing stores of dispensing pharmacies, we achieved the highest records both in sales and profits with the net sales of ¥125,495 million (up 8.8% year on year), ordinary income of ¥6,362 million (up 26.2% year on year), net income of ¥3,131 million (up 47.2% year on year).

Performance by business segment was as follows.

(Pharmaceutical business)

The pharmaceutical business performed well in both new and existing dispensing pharmacies thanks to a steady base of patients and to the rise in prescription prices associated with the extension of prescription terms.

In addition to the revisions to drug prices and prescription dispensing fees in April 2010, the upcoming two-year period during which graduates will be unavailable because of the change to a six-year system at pharmacology faculties. In order to address these issues, the Group made solid efforts to recruit newly-graduated pharmacists in a large scale, improve safety and efficiency and to strengthen the profitability of pharmacies.

The April 2010 revision of prescription dispensing fees is part of a move toward greater use of generic drugs and is intended to gradually increase these fees to compensate for the increased use of generic drugs. However, the Group has from an early stage actively promoted the use of generic drugs.

In addition to having its dispensing pharmacies endeavor to increase the use of generic drugs through communication with patients, the Group also expects to improve profitability through the supply system operated by WHOLESALE STARS Co., Ltd., a wholesaling subsidiary that specializes in generic drugs.

Regarding pharmaceutical facilities, we have introduced automatic medicine picking machines (a general term for fully automated machines for dispensing packaged pharmaceuticals) as a trial. Following the evaluation of safety and efficiency of automating the dispensing process by such trials, these machines will be installed in large stores from the next term.

The Group has also promoted restructuring among subsidiaries in order to enhance profitability through improving the flexibility and efficiency of our marketing organization and reducing management costs. AIN MEDICAL SYSTEMS Inc. (Tokyo, surviving company) merged with Rejoice Inc. (Tokyo) on August 1, 2009 and AIN TOKAI Inc. (Nagoya, surviving company) merged with Rejoice Pharmacy Inc. (Kyoto) on October 1, 2009 (the company name subsequently changed to AIN MEDIO Inc.), and AIN MEDIO Inc. (surviving company) merged with SUNWOOD Co., Ltd. (Toyama City) on April 1, 2010.

In the fiscal year under review, we continued active new store openings and business development with 24 store openings and closure of 2 stores. As a result, the Group had 397 dispensing pharmacies in operation in total.

No large-scale mergers or acquisitions were undertaken because of a lack of candidates that matched our return-on-investment and other criteria due to factors such as rising prices in the industry. However, we achieved increases both in sales and profits with net sales of ¥111,602 million (up 9.6% year on year) and operating income of ¥ 8,330 million (up 23.2% year on year).

(Product sales business)

In the product sales business, many drug stores have been affected to some degree by slack consumption nationwide and by the entry into the pharmaceutical retail market of players from outside the industry due to revisions to the Pharmaceutical Affairs Law that came into force in June 2009.

The Company has added a range of supplementary beauty products centering on cosmetics (general cosmetics and regulated cosmetics involving counseling sales) at its “Ainz & Tulpe” urban drug stores and “Tulpe” cosmetic specialty stores, while continuing to open new stores at commercial facilities in urban areas across the country under a wide variety of store concepts in tune with the latest fashions.

Our business partnership with Seven & i Holdings Group has moved forward in several areas. These include the establishment of Seven Health Care Co., Ltd. through joint capital investment, joint development of Seven’s Garden of Beauty based on the concept of “Ainz & Tulpe” in Ito-Yokado stores, renovation of Hirokoji Place Store of “Ainz & Tulpe” (Nagoya City) to incorporate a Seven-Eleven store, and the opening of a Ikebukuro Seibu Store in November 2009 which is the Company’s first store opened inside a department store.

Although “Ainz & Tulpe” and “Tulpe” operate in a different market to ordinary drug stores that mainly sell pharmaceuticals and household goods and are therefore largely unaffected by the revised Pharmaceutical Affairs Law, most existing stores suffered lower sales than the previous year due to growing price sensitivity amongst consumers.

We are continuing to improve 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.

In the fiscal year under review, we opened 5 new stores in total, including Ikebukuro Seibu and other 3 “Ainz & Tulpe” stores and 2 “Tulpe” stores while closing 2 small stores. The total number of drug stores including a subsidiary AIN MEDIO Inc. was 49.

The Ainz Point Club Card, serving as an indicator of the number of customers, has more than 2.02 million members, in which 290 thousand members were added from the year-ago period.

Buoyed by income from new stores, net sales reached ¥13,619 million (up 2.8% year on year), although the operating loss was ¥493 million (operating loss of ¥289 million for the previous fiscal year).

(Other businesses)

Net sales of other businesses were ¥273 million (up 5.6% year on year) and operating loss was ¥76 million (Operating loss of ¥82 million for the previous fiscal 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 our business operations through cooperation between Group companies, promoting generic drugs and improving product sales business performance.

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 ¥137,750 million (up 9.8% year on year), ordinary income of ¥7,650 million (up 20.2% year on year), and net income of ¥3,820 million (up 22.0% year on year).

(2) Analysis of financial position

1) Assets, liabilities and net assets

Consolidated current assets at the end of the fiscal year under review increased by ¥3,071 million to ¥31,242 million compared to ¥28,170 million at the end of the previous fiscal year.

This was the result of efforts to improve liquidity on hand to provide flexibility for store openings and M&As, and represented an increase in cash on hand in the banks of ¥11,188 million (up ¥1,954 million year on year). In addition, the expansion in the number of dispensing pharmacies and drug stores has resulted in an increase in both notes and accounts receivable to ¥9,269 million (up ¥709 million year on year) and merchandise and supplies to ¥6,938 million (up ¥1,009 million year on year).

Consolidated fixed assets at the end of the fiscal year under review increased by ¥780 million to ¥34,642 million compared to ¥33,862 million at the end of the previous fiscal year.

This is mainly because of the increase in tangible fixed assets to ¥12,510 million (up ¥272 million year on year) due to investments related to new stores, and the increase in investment securities to ¥2,802 million (up ¥745 million year on year) due to capital investments in affiliated companies.

The balance of unamortized goodwill at the end of term is ¥12,154 million (down ¥680 million year on year).

Liabilities decreased by ¥1,517 million to ¥44,406 million compared to ¥45,923 million at the end of the previous year.

The primary cause of this decrease was that, although accounts payable increased to ¥19,666 million (up ¥954 million year on year) due to the greater number of stores and higher profits and accrued income taxes increased to ¥1,709 million (up ¥445 million year on year), interest-bearing debts decreased with the balance of short-term debts reducing to ¥6,549 million (down ¥1,027 million year on year), long-term debts to ¥8,427 million (down ¥2,539 year on year) and the completion of bond redemption (balance at the same period of the previous fiscal was ¥140 million).

As a result of the above, the balance of current liabilities increased by ¥737 million from the previous year-end balance of ¥33,402 million to ¥34,140 million, and the balance of long-term liabilities decreased by ¥2,254 million from the previous year-end balance of ¥12,521 million to ¥10,266 million.

Net assets increased by ¥5,382 million to ¥21,492 million compared to ¥16,109 million at the end of the previous fiscal year.

This was because the public stock offering and exercise of subscription rights to shares increased the capital stock to ¥6,308 million (up ¥1,251 million year on year) and the capital surplus to ¥5,498 million (up ¥1,251 million year on year) while the balance of retained earnings rose to ¥9,874 million (up ¥2,746 million year on year) due to the growth of retained earnings in the current fiscal year.

Net unrealized losses on available-for-sale securities totaled ¥231 million.

As a result of the above factors, the consolidated shareholders' equity ratio was 32.5%, compared with

25.9% at the end of the previous fiscal year.

2) Cash flows

During the fiscal year under review, consolidated cash and cash equivalents (hereunder “cash”) increased by ¥1,954 million (up 21.2% year on year) from the previous fiscal year to ¥11,188 million. This is due to the increased business cash-flow resulting from higher Group profits, and improvements to the Group’s financial structure and better liquidity in preparation for further business expansion.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥6,428 million (up 48.3% year on year).

The main factors generating inflow were income before income taxes and minority interests of ¥6,105 million, depreciation and amortization of ¥1,286 million, amortization of goodwill of ¥878 million, and increase in accounts payable of ¥954 million. This increase was attributable to the higher profit resulting from new store openings.

The main factors generating outflow were the increase of ¥1,009 million in inventories and ¥2,712 million in income and other taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2.7 billion (up 256.5% year on year)

This reflects the payments of ¥471 million for purchases of shares in subsidiaries and affiliates, including the capital investment in the establishment of Seven Health Care Co., Ltd., and ¥1,606 million for the acquisition of fixed assets associated with the new store openings including urban drug stores and dispensing pharmacies.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,773 million (inflow of ¥1,462 million in the previous fiscal year).

This was mainly because of an inflow of ¥2,484 million attributable to the issuance of new shares associated with the public stock offering and exercise of stock options.

In terms of interest-bearing debts, the following net figures for borrowings and repayments are reflected in the results: ¥1,090 million repaid for short-term borrowings, ¥2,476 million repaid for long-term borrowings, and ¥140 million payments associated with the redemption of bonds.

There was also an outflow of ¥384 million in dividends paid.

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

	Year ended April 30, 2007	Year ended April 30, 2008	Year ended April 30, 2009	Year ended April 30, 2010
Equity ratio (%)	21.5	20.9	25.9	32.5
Equity ratio based on market value (%)	34.1	29.4	30.6	62.5
Debt redemption term (years)	8.1	2.2	4.3	2.3
Interest coverage ratio (times)	11.5	23.2	12.0	22.1

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

*All indicators are calculated based on consolidated financial data.

*Interest-bearing debt includes all liabilities recorded on the balance sheet on which interest is being paid.
*Operating cash flows and interest paid were calculated using the cash flows from operating activities and the interest paid on the consolidated statements of cash flows.

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

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

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

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

In regard to dividends from retained earnings in the fiscal year under review, we plan to pay ¥40 per share in total, comprised of ¥35 per share as ordinary dividend (increase of ¥10 per share over the previous fiscal year) and ¥5 per share as commemorative dividend for the Company's listing on the First Section of the Tokyo Stock Exchange.

In view of our performance forecasts, ordinary dividends from retained earnings for the following fiscal year are planned to be ¥45 per share, an increase of ¥10 from the previous term's ordinary dividends (a 1.3 point increase in the dividend payout ratio for common stock).

(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 fiscal year under review.

1) Statutory 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.

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 (notes)	6 years	Pharmaceutical Affairs Law	Prefectural Governors, etc.

(Notes) Under Article 25 of the Pharmaceutical Affairs Law, medical product sales permits fall into the three categories: Storefront Sales, Household Medicine Sales and Wholesale Distribution. The Group's product sales business has a permit for Storefront Sales under this law and also for the General Sales and Drug Trade and Sales categories from the previous law which is allowed under the "Law for Partial Revision of the Pharmaceuticals Affair Law," (Law 69 of 2006, June 14, 2006). 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) Deregulation of pharmaceutical sales

Under the "Law for Partial Revision of the Pharmaceutical Affairs Law," (Law 69 of 2006, 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. Sales of the two lower-risk categories of pharmaceuticals by a "Registered Vendor," not requiring a pharmacist, have become possible. In the future as well, factors such as the entry into the market of firms from other industries, as a result of a continuing trend to deregulate pharmaceutical sales, could have an impact on the Group's performance.

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 88.9% 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 who are our major customers or suspension/discontinuation of operations thereof may affect the Group's performance.

3) Industry trends

The revenues in our pharmaceutical business come from dispensing 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 tend to be revised 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 performance and financial position.

4) Retention of qualified staff

Dispensing pharmacies and drug stores (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 failing to secure qualified pharmacists could have an impact on the Group's new store opening plans and performance.

5) Risks of loss of trust in the Company

(i) In the dispensing operation

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 improving skills of pharmacists
- Pharmacy manager conferences attended by all pharmacy managers, to nurture supervisors
- 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) and 2D barcode (QR code)
- Use of in-house manuals for the dispensing operation and a system of observing rules set by the Internal Audit Office
- Establishment of a Safety Policy Office specializing in measures to prevent prescription dispensing errors

(ii) Protection of personal data

In the pharmaceutical business, we hold patient data including medical histories and prescription information, and in the product sales business, we hold customer data obtained from the Ainz Point Club Card operation.

The Group has taken all possible measures to secure the personal data by completing development of personal information protection systems and rules for the handling of such information and the Company acquired the “Insurance, medical and welfare sector PrivacyMark.”

However, we believe it is possible that any accidental or criminal 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 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 as well as we expected, however, we may incur losses due to the valuation of subsidiaries’ shares 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.

In order to deal with the capital requirements flexibly, the Group has enhanced the liquidity on hand while increasing our capital through a public offering, and as of the end of the fiscal year under review, the balance of interest-bearing debts of the Group was ¥14,976 million against cash on hand in banks of ¥11,188 million.

As a result of the above, our net D/E ratio (which indicates our dependence on borrowing) is 0.05, where D/E ratio is defined as (interest-bearing debts – (cash on hand in banks + investment securities) / shareholders’ equity).

In regards to implementing M&A, we have endeavored to reduce interest-bearing debts with an emphasis on the potential return on investment, however, if the Group fails to secure an adequate return on its M&A investment, or due to interest rate fluctuations associated with conditions in financial markets, the Group’s financial position and operating results including interest payable may be affected.

2. State of the Group

The Group consists of AIN PHARMACIEZ Inc. (the Company), 13 subsidiaries and 3 affiliated companies.

(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 MEDIO Inc., MEDICAL HEARTLAND Co., Ltd., DAICHIKU Co., Ltd., Asahi Pharmacy Co., Ltd., SUNWOOD Co., Ltd., MIYAKO AIN Inc. and Saitama Chozai Co., Ltd. operate dispensing pharmacies.

Subsidiary MEDIWEL Corp. is a medical-related consulting business and is engaged in staff dispatching and introduction, primarily of doctors and pharmacists, subsidiary United Healthcare Co., Ltd. is a medical-related consulting business, and subsidiary WHOLESALE STARS Co., Ltd. sells generic drugs, etc.

In the fiscal year under review, AIN MEDICAL SYSTEMS Inc. merged with Rejoice Inc., while AIN TOKAI Inc. merged with Rejoice Pharmacy Inc. and changed its business name to AIN MEDIO Inc.

Also, SUNWOOD Co., Ltd. became a defunct company following its merger with AIN MEDIO Inc. as of April 1, 2010.

(2) Product sales businesses

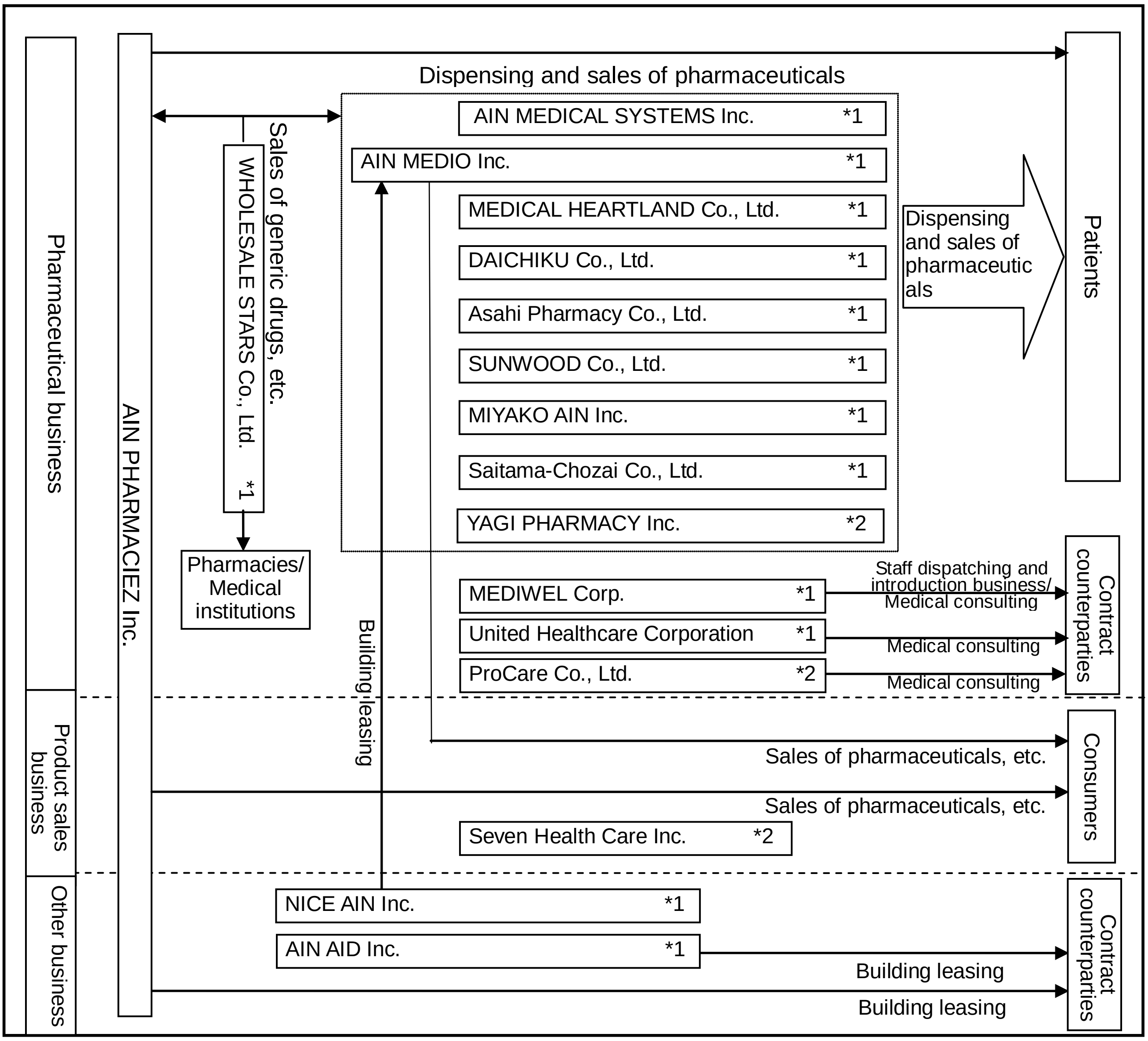
The Company and AIN MEDIO Inc. engages in the management of drug stores (selling pharmaceuticals, non-medicinal products, cosmetics, food, life-style products, etc.), and in consulting related to the establishment of shopping centers.

(3) Other businesses

The Company and subsidiaries of AIN AID Inc. and NICE AIN Inc. are in the building leasing business.

In addition, the subsidiary AIN AID Inc. was entrusted with part of the Company’s drug store operations, and another subsidiary, NICE AIN Inc., was engaged in part of the sales activities of AIN MEDIO Inc. in accordance with the business consigning contract between the two companies. However, the business consigning relationships between the Company and AIN AID Inc. and between NICE AIN Inc. and AIN MEDIO Inc. were terminated as of June 1, 2009, the date on which the revision to the Pharmaceutical Affairs Law came into force.

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, which dispense based on 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 separation of dispensary from medical practice improves, 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 Group also focuses on strengthening its financial structure and increasing shareholder value.

The Group had previously set goals to meet ROA 4.5% and ROE 15.5%, and in the fiscal year ended April 30, 2010, we achieved our goal with ROA of 4.9% and ROE of 16.7%.

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

The Group's core businesses are the nationwide development of dispensing pharmacies through active new store openings and 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, further M&A opportunities we envision in this industry in the future.

The Group has a policy of expanding still further the utilization of generic drugs and has actively promoted their greater utilization through a sales system for generic drugs at WHOLESALE STARS Co., Ltd., a wholesaling subsidiary that specializes in generic drugs, and by strengthening awareness amongst patients throughout all Group pharmacies.

In addition, we will work to assure the safety of our patients, to improve customer service and to increase business efficiency by reinforcing education and training, and by developing and introducing medicine dispensing equipment using the latest technology.

In the product sales business, we are aiming at further expansion by opening stores in major cities across the country, mainly using the "Ainz & Tulpe" urban drug store format and the new-format "Tulpe" specialty stores of cosmetics, and 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 year, 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 mind.

2) We will actively promote the introduction into the Group of the latest dispensing equipment 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 and systems.

3) We will enhance our profitability with improving flexibility and operational efficiency through streamlining measures such as organizational restructuring and personnel exchanges. We will also enrich mutually complementary cooperative systems for operations that are common across multiple companies such as our systems for opening new stores that suit their locations, recruitment of pharmacists and expanding the use of generic drugs.

4) In the product sales business, we will open approximately 10 stores nationwide per year, together with the urban drug stores “Ainz & Tulpe” and the cosmetic specialty stores “Tulpe”, to differentiate ourselves from competitors.

5) We will aim to improve store profitability by expanding customer numbers through the Ainz Point Club Card and effective sales promotion using a combination of online media and print advertising.

(4) Issues to be addressed

Average drug prices dropped by 5.75% under the April 2010 revision to the official drug prices and prescription dispensing fee, and use of the cost-plus fee system is gradually increasing in accordance with the utilization ratio of generic drugs.

These revisions have acted to reduce income and increase profits for pharmacies on average, but the Group has achieved increased income through business expansion, reforming its organization and exchanging personnel throughout the Group, endeavoring to improved the flexibility of its business development operations, and actively pursuing a program of new store openings.

Moreover, by sharing information on the state of generic drug usage throughout the Group’s stores, expanding activities to promote their use and synergies with our wholesaling subsidiary WHOLESALE STARS Co., Ltd. that specializes in generic drugs, we are striving to further strengthening of our profitability.

Regarding pharmacist recruitment, the shift to a six-year system at pharmacology faculties will result in a period during which newly-graduated pharmacists will be unavailable, meaning the number of recruits for this year and next will be limited.

The Group has made moves to secure extra recruits over the last few years to ensure that we are in a position to expand our business over this period of unavailability, while also aiming at improving work safety and efficiency through operational streamlining, promotion of automation for dispensing services and actively introducing the most advanced dispensing machines.

The product sales business continues to expand the urban drug store “Ainz & Tulpe” format and the “Tulpe” cosmetic specialty stores, and we will attempt to enlarge the scale of our sales.

In addition, as part of our partnership with Seven & i Holdings Co., Ltd., we have established partial collaboration in product purchasing and shared use of our distribution centers, while working to improve merchandise and profits through our Ainz Point Club Cards and new effective sales promotions such as the active utilization of our web-site. Through these efforts, we will quickly return to positive profits.

4. Consolidated financial statements

(1) Consolidated balance sheets

(In thousand yen)

	Previous fiscal year (As of April 30, 2009)	Current fiscal year (As of April 30, 2010)
Assets		
Current assets		
Cash on hand and in banks	9,234,052	11,188,462
Notes and accounts receivable	8,560,181	9,269,803
Merchandise	5,832,459	6,841,202
Supplies	96,387	96,821
Deferred tax assets	631,776	723,032
Short-term loans	613,327	892,880
Other accounts receivable	2,409,241	1,404,247
Other current assets	805,376	850,723
Allowance for doubtful accounts	(12,059)	(24,957)
Total current assets	28,170,743	31,242,215
Fixed assets		
Tangible fixed assets		
Buildings and structures	10,018,766	10,382,023
Accumulated depreciation	(4,031,246)	(4,388,578)
Buildings and structures, net	5,987,520	5,993,445
Land	4,958,767	5,001,721
Construction in progress	208,840	315,331
Other tangible fixed assets	2,734,244	3,139,820
Accumulated depreciation	(1,650,933)	(1,939,520)
Other tangible fixed assets, net	1,083,311	1,200,300
Total tangible fixed assets	12,238,439	12,510,799
Intangible fixed assets		
Goodwill	12,835,388	12,154,420
Other intangible fixed assets	657,926	923,368
Total intangible fixed assets	13,493,314	13,077,789
Investments and other assets		
Investments in securities	2,057,061	2,802,672
Deferred tax assets	892,856	995,611
Deposits and guarantees	4,496,234	4,462,540
Other investments and other assets	952,859	1,013,395
Allowance for doubtful accounts	(268,587)	(220,215)
Total investments and other assets	8,130,424	9,054,003
Total fixed assets	33,862,179	34,642,592
Deferred assets		
Stock issuance cost	—	14,042
Total deferred assets	—	14,042
Total assets	62,032,922	65,898,850

(In thousand yen)

	Previous fiscal year (As of April 30, 2009)	Current fiscal year (As of April 30, 2010)
Liabilities		
Current liabilities		
Accounts payable	18,712,606	19,666,791
Short-term debt	7,576,357	6,549,284
Current portion of bonds	140,000	—
Accrued income taxes	1,263,593	1,709,338
Deposits received	2,841,871	3,036,027
Allowance for bonuses to employees	800,017	875,171
Allowance for bonuses to directors	43,114	21,072
Allowance for point certificates	273,137	297,728
Other current liabilities	1,751,482	1,984,635
Total current liabilities	33,402,179	34,140,049
Long-term liabilities		
Long-term debt	10,966,271	8,427,212
Allowance for retirement benefits	863,110	1,017,997
Other long-term liabilities	692,253	821,540
Total long-term liabilities	12,521,635	10,266,750
Total liabilities	45,923,815	44,406,799
Net assets		
Shareholders' equity		
Capital stock	5,057,046	6,308,456
Capital surplus	4,247,040	5,498,450
Retained earnings	7,127,988	9,874,264
Treasury stock	(3,912)	(4,445)
Total shareholders' equity	16,428,163	21,676,725
Valuation and translation adjustments		
Unrealized holding gains (losses) on available-for-sale securities	(356,413)	(231,603)
Total valuation and translation adjustments	(356,413)	(231,603)
Minority interests	37,357	46,929
Total net assets	16,109,107	21,492,051
Total liabilities and net assets	62,032,922	65,898,850

(2) Consolidated statements of income

(In thousand yen)

	Previous fiscal year (From May 1, 2008 to April 30, 2009	Current fiscal year (From May 1, 2009 to April 30, 2010)
Net sales	115,387,067	125,495,820
Cost of sales	100,141,791	108,258,533
Gross profit	15,245,276	17,237,287
Selling, general and administrative expenses		
Advertising expenses	438,439	502,644
Promotion expenses	116,659	181,727
Salaries and bonuses	2,546,852	2,845,686
Provision for doubtful accounts	5,967	21,692
Provision for bonuses	139,308	145,750
Provision for directors' bonuses	6,788	20,572
Provision for retirement benefits	38,192	57,206
Provision for point certificates	273,137	297,728
Legal and employee benefits expenses	504,130	534,727
Correspondence and transportation expenses	382,315	393,990
Lease expenses	281,617	245,707
Rent expenses	1,710,162	1,761,534
Depreciation expenses	304,372	367,751
Amortization of goodwill	781,508	781,232
Taxes	374,068	378,959
Other	2,045,467	2,207,683
Total selling, general and administrative expenses	9,948,989	10,744,597
Operating income	5,296,286	6,492,689
Non-operating income		
Interest income	31,792	52,437
Dividend income	15,549	18,540
Commissions received	58,749	81,926
Real estate rental revenue	58,126	69,013
Gain on donation of fixed assets	29,479	16,954
Consignment income	37,693	47,522
Other non-operating income	64,493	62,309
Total non-operating income	295,883	348,705
Non-operating expenses		
Interest expenses	357,699	289,681
Loss on sales of receivables	63,417	81,526
Loss on funds managed in investment partnerships	39,346	22,193
Real estate rental expenses	37,907	33,366
Others	52,341	52,150
Total non-operating expenses	550,711	478,918
Ordinary income	5,041,458	6,362,477

(In thousand yen)

	Previous fiscal year (From May 1, 2008 to April 30, 2009)	Current fiscal year (From May 1, 2009 to April 30, 2010)
Extraordinary income		
Gain on sales of fixed assets	7,152	–
Gain on sales of investment securities	582	71,079
Gain on transfer of business	77,953	–
Provison for doubtful accounts	28,966	6,887
State subsidy	–	10,176
Other extraordinary income	2,700	566
Total extraordinary income	117,355	88,709
Extraordinary losses		
Loss on disposal and sales of fixed assets	83,304	42,793
Loss on sales of investment securities	–	1,042
Loss on valuation of investment securities	67,234	55,891
Impairment losses	174,735	195,958
Other extraordinary losses	90,380	50,288
Total extraordinary losses	415,654	345,974
Income before income taxes and minority interests	4,743,158	6,105,212
Income and other taxes-current	2,532,794	3,157,284
Income taxes-deferred	80,722	(192,860)
Total income taxes	2,613,517	2,964,424
Minority interests income	1,740	9,571
Net income	2,127,901	3,131,216

(3) Consolidated Statements of Changes in Shareholders' Equity

(In thousand yen)

	Previous fiscal year (From May 1, 2008 to April 30, 2009)	Current fiscal year (From May 1, 2009 to April 30, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous fiscal year	3,424,170	5,057,046
Changes in the fiscal year		
Issuance of new shares	1,632,876	1,251,410
Total changes for the fiscal year	1,632,876	1,251,410
Balance at the end of current fiscal year	5,057,046	6,308,456
Capital surplus		
Balance at the end of previous fiscal year	3,543,738	4,247,040
Changes in the fiscal year		
Issuance of new shares	703,302	1,251,410
Total changes for the fiscal year	703,302	1,251,410
Balance at the end of current fiscal year	4,247,040	5,498,450
Retained earnings		
Balance at the end of previous fiscal year	5,207,517	7,127,988
Changes in the fiscal year		
Dividends from retained earnings	(207,430)	(384,941)
Net income	2,127,901	3,131,216
Total changes for the fiscal year	1,920,471	2,746,275
Balance at the end of current fiscal year	7,127,988	9,874,264
Treasury stock		
Balance at the end of previous fiscal year	(3,435)	(3,912)
Changes in the fiscal year		
Acquisition of treasury stock	(477)	(533)
Total change for the fiscal year	(477)	(533)
Balance at the end of current fiscal year	(3,912)	(4,445)
Total shareholders' equity		
Balance at the end of previous fiscal year	12,171,991	16,428,163
Changes in the fiscal year		
Issuance of new shares	2,336,178	2,502,820
Dividends from retained earnings	(207,430)	(384,941)
Net income	2,127,901	3,131,216
Acquisition of treasury stock	(477)	(533)
Total changes for the fiscal year	4,256,171	5,248,561
Balance at the end of current fiscal year	16,428,163	21,676,725

(In thousand yen)

	Previous fiscal year (From May 1, 2008 to April 30, 2009)	Current fiscal year (From May 1, 2009 to April 30, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous fiscal year	(131,883)	(356,413)
Changes in the fiscal year		
Net change in non-shareholders' equity items for the fiscal year	(224,529)	124,810
Total changes for the fiscal year	(224,529)	124,810
Balance at the end of current fiscal year	(356,413)	(231,603)
Total valuation and translation adjustments		
Balance at the end of previous fiscal year	(131,883)	(356,413)
Changes in the fiscal year		
Net change in non-shareholders' equity items for the fiscal year	(224,529)	124,810
Total changes for the fiscal year	(224,529)	124,810
Balance at the end of current fiscal year	(356,413)	(231,603)
Minority interests		
Balance at the end of previous fiscal year	667,405	37,357
Changes in the fiscal year		
Net change in non-shareholders' equity items for the fiscal year	(630,047)	9,571
Total changes for the fiscal year	(630,047)	9,571
Balance at the end of current fiscal year	37,357	46,929
Total net assets		
Balance at the end of previous fiscal year	12,707,512	16,109,107
Changes in the fiscal year		
Issuance of new shares	2,336,178	2,502,820
Dividends from retained earnings	(207,430)	(384,941)
Net income	2,127,901	3,131,216
Acquisition of treasury stock	(477)	(533)
Net change in non-shareholders' equity items for the fiscal year	(854,577)	134,381
Total changes for the fiscal year	3,401,594	5,382,943
Balance at the end of current fiscal year	16,109,107	21,492,051

(4) Consolidated statements of cash flows

(In thousand yen)

	Previous fiscal year (From May 1, 2008 to April 30, 2009)	Current fiscal year (From May 1, 2009 to April 30, 2010)
Cash flows from operating activities		
Income before income taxes and minority interests	4,743,158	6,105,212
Depreciation and amortization	1,119,069	1,286,507
Impairment losses	174,735	195,958
Amortization of goodwill	860,251	878,643
Loss on valuation of investment securities	67,234	55,891
Decrease in allowance for doubtful accounts	(12,507)	(35,473)
Increase (decrease) in allowance for point certificates	(5,629)	24,591
Increase in allowance for retirement benefits	127,815	154,886
Increase in allowance for bonuses to employees	81,504	75,154
Increase (decrease) in allowance for bonuses to directors	174	(22,042)
Interest and dividend income	(47,341)	(70,978)
Interest expenses	357,699	289,681
Loss on funds managed in investment partnerships	39,346	22,193
Gain on donation of fixed assets	(29,479)	(16,954)
Gain on sales of investment securities	(582)	(70,037)
Loss on retirement and sales of fixed assets	76,151	42,793
Gain on transfer of business	(77,953)	—
Decrease (increase) in accounts receivable	451,957	(754,880)
Increase in inventories	(561,109)	(1,009,176)
Decrease (increase) in other assets	(374,945)	1,063,748
Increase in accounts payable	81,753	954,184
Increase in other liabilities	112,043	194,680
Subtotal	7,183,345	9,364,584
Interest and dividends received	43,957	67,059
Interest paid	(360,227)	(291,097)
Income and other taxes paid	(2,533,652)	(2,712,083)
Net cash provided by operating activities	4,333,422	6,428,462
Cash flows from investing activities		
Payments for purchase of tangible fixed assets	(1,391,679)	(1,151,540)
Proceeds from sales of tangible fixed assets	90,155	3,947
Proceeds from transfer of business	77,953	—
Payments for purchase of investment securities	(583,258)	(392,163)
Proceeds from sales of investment securities	1,264	109,525
Purchase of shares in affiliated companies	(179,675)	(270,000)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(201,217)
Payments for loans	(94,592)	(630,000)
Proceeds from collections of loans	95,770	365,802
Payments for investments in capital	(590)	(210)
Proceeds from returns of investments in capital	60	890
Payments for purchase of intangible fixed assets	(162,969)	(455,338)
Proceeds from sales of intangible fixed assets	517	—
Decrease (increase) in other investments	1,269,566	(80,403)
Proceeds from withdrawal of time deposits	120,024	—
Payments for time deposits	(24)	—
Net cash used in investing activities	(757,477)	(2,700,707)

(In thousand yen)

	Previous fiscal year (From May 1, 2008 to April 30, 2009)	Current fiscal year (From May 1, 2009 to April 30, 2010)
Cash flows from financing activities		
Proceeds from short-term borrowings	9,300,000	2,032,307
Repayments for short-term borrowings	(10,378,000)	(3,122,307)
Proceeds from long-term borrowings	4,550,000	1,350,000
Repayments for long-term borrowings	(3,032,876)	(3,826,132)
Payments for redemption of bonds	(332,000)	(140,000)
Repayments of lease obligations	(70,456)	(166,134)
Proceeds from issuance of new shares	1,673,724	2,484,765
Payments for purchase of treasury stock	(477)	(533)
Cash dividends paid	(227,220)	(384,941)
Dividend payments to minority shareholders	(19,730)	(369)
Net cash provided by (used in) financing activities	1,462,963	(1,773,345)
Increase (decrease) in cash and cash equivalents	5,038,908	1,954,409
Cash and cash equivalents at beginning of the year	4,195,144	9,234,052
Cash and cash equivalents at end of the year	9,234,052	11,188,462

(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, 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

Current fiscal year (From May 1, 2009 to April 30, 2010)

(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	111,602,971	13,619,760	273,088	125,495,820	—	125,495,820
(2) Inter-segment sales and transfers	—	6,000	18,747	24,747	(24,747)	—
Total	111,602,971	13,625,760	291,836	125,520,568	(24,747)	125,495,820
Operating expenses	103,272,159	14,119,354	368,741	117,760,255	1,242,875	119,003,130
Operating income (loss)	8,330,812	(493,594)	(76,904)	7,760,312	(1,267,623)	6,492,689
II. Assets, depreciation and capital investment						
Assets	56,643,343	7,192,814	1,155,175	64,991,332	907,517	65,898,850
Depreciation	998,832	202,758	14,708	1,216,300	24,243	1,240,543
Impairment loss	103,401	92,557	—	195,958	—	195,958
Capital investment	1,583,136	395,142	—	1,978,278	42,285	2,020,564

(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: ¥1,069,652 thousand
Current fiscal year: ¥1,242,875 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: ¥ 1,420,445 thousand
Current fiscal year: ¥ 907, 517 thousand

5. Consumption taxes are not included in the figures indicated above.
6. Changes in accounting methods

(Previous fiscal year)

Although the Group has previously used lease transaction methods to account for finance 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.