Summary of Financial Statements for the Second Quarter of Fiscal Year Ending April 2012

November 30, 2011

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/
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Date of filing Quarterly Securities Report: December 15, 2011

Date of scheduled payment of dividends: –

Supplementary documents for this summary of financial statements: Yes

Explanation meeting for financial results Yes (for institutional investors and analysts)

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

1. Consolidated results for the second quarter of fiscal year ending April 30, 2012 (May 1, 2011 to October 31, 2011)

(1) Consolidated operating results

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended October 31, 2011	68,833	11.3	4,781	39.9	4,871	40.4	2,364	39.3
Six months ended October 31, 2010	61,840	3.5	3,417	20.1	3,469	25.6	1,697	25.8

(Note) Comprehensive income: Six months ended October 31, 2011: ¥2,282 million (46.9%)
Six months ended October 31, 2010: ¥1,554 million (– %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended October 31, 2011	148.34	–
Six months ended October 31, 2010	115.47	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2011	81,565	31,064	38.0	1,946.05
As of April 30, 2011	76,940	29,498	38.3	1,847.46

Reference: Shareholders' equity As of October 31, 2011 ¥31,021 million As of April 30, 2011 ¥29,450 million

2. Dividends

Record date	Dividend per share				
	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, 2011	–	0.00	–	45.00	45.00
Year ending April 30, 2012	–	0.00			
Year ending April 30, 2012 (forecast)			–	50.00	50.00

Note: Revision to the most recently announced dividends forecasts: No

3. Consolidated financial forecasts for the fiscal year ending April 30, 2012 (May 1, 2011 to April 30, 2012)

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	143,000	10.5	9,670	19.3	9,500	15.7	4,850	23.8	304.19

Note: Revision to the most recently announced financial forecasts: No

4. Other

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For detail, please refer to "2. Matters Concerning Summary Information (Other) (2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements" on page 4 of the Attachment.

(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions

1) Changes in accounting principles as a result of revisions to accounting standards, etc.: No

2) Changes in accounting principles other than 1: No

3) Changes in accounting estimates: No

4) Restatement of revisions No

(4) Number of outstanding shares (common stock):

1) Number of outstanding shares (including treasury stock):	As of October 31, 2011	15,944,106 shares	As of April 30, 2011	15,944,106 shares
2) Number of shares held in treasury:	As of October 31, 2011	3,220 shares	As of April 30, 2011	3,102 shares
3) Average number of shares outstanding:	Six months ended October 31, 2011	15,940,953 shares	Six months ended October 31, 2010	14,699,456 shares

*Status of execution of the quarterly review of financial statements:

The procedure for the review of the quarterly financial statements under the Financial Instruments and Exchange Act was not complete at the moment of disclosing this summary.

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

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

Contents

1. Qualitative information on consolidated results for the period under review

(1) Qualitative information on the consolidated operating results

During the first six months of the current fiscal year (May 1, 2011 to October 31, 2011), the Japanese economy remained weak due to factors such as the impact of the Great East Japan Earthquake, the subsequent nuclear accident, and concerns about the outlook for the US economy and debt problems in Europe.

In this economic environment, the AIN PHARMACIEZ Group (the Group) worked to expand its business and increase profits. Specifically, it developed new dispensing pharmacies, made effective use of M&A, and strengthened the sales capabilities of its urban drug stores by taking steps such as continuing to improve the merchandise lineup, opening new stores, and relocating and refurbishing existing stores.

Financial results for the first six months were favorable: net sales were ¥68,833 million (up 11.3% year on year), operating income ¥4,781 million (up 39.9% year on year), ordinary income ¥4,871 million (up 40.4% year on year), and net income ¥2,364 million (up 39.3% year on year).

The financial results by business segments are as indicated below.

(Dispensing pharmacy business)

Overall, the number of patients visiting existing dispensing pharmacies remained steady year on year, while the average prescription price rose due to an increase in longer-term prescriptions. This supported year-on-year increases in both sales and profits at existing dispensing pharmacies.

The segment’s profit margin also improved, rising 1.2 percentage points year on year. This reflected an increase in productivity due to greater automation in dispensing operations and standardization of work procedures, as well as synergies with generic drug wholesale subsidiary WHOLESALE STARS Co., Ltd. on efforts to increase dispensing of generic drugs.

As a result, for the first six months of the fiscal year, the dispensing pharmacy business reported sales and profit growth year on year, with net sales rising 12.9% to ¥61,411 million and segment income increasing 28.3% to ¥5,754 million.

During the same period, the Group opened a total of 22 new stores, including stores acquired through M&A deals, and closed eight, resulting in a Group total of 462 dispensing pharmacies.

(Drug and cosmetic store business)

In the drug and cosmetic store business, there were signs of improvement in some product lines, such as increased demand in the summer for items that help save energy, including cooling products, but the operating environment remained challenging due to continued weakness in consumer sentiment in general.

Against this backdrop, the Group worked to improve profitability at its chain of *ainz & tulpe* urban drug stores by closing or relocating stores with weak sales. Other steps included strengthening the merchandise lineup, centered on cosmetics and over-the-counter (OTC) drugs, and shifting from direct marketing to mobile marketing tools in sales promotion.

Although same-store sales declined slightly year on year, the segment moved into profit thanks to improvement in the gross margin and steady reductions in costs.

For the first six months of the fiscal year, the drug and cosmetic store business reported net sales of ¥7,312 million (marginally lower year on year), which included a contribution from new stores. Although sales did not grow year on year, segment income improved sharply to ¥52 million (compared with an operating loss of ¥108 million a year earlier).

During the same period, the Group opened a new *ainz & tulpe* store in front of Miyanosawa Station (Nishi Ward, Sapporo City), relocated the Sannomiya Store (Kobe City, Hyogo Prefecture), and closed the Kichijoji Store (Tokyo), resulting in a Group total of 53 drug stores.

(Other businesses)

Net sales and segment loss from other businesses were ¥108 million and ¥36 million, respectively.

(2) Qualitative information on the consolidated financial position

The balance of total assets at the end of the second quarter increased by ¥4,625 million from the end of the previous fiscal year to ¥81,565 million.

This mainly reflected increases in cash on hand and in banks, property, plant and equipment from new store openings, including stores acquired through M&A deals, and goodwill.

The balance of liabilities increased by ¥3,060 million to ¥50,501 million. This was primarily due to an increase in accounts payable and deposits received.

The balance of interest-bearing debts rose by ¥222 million to ¥13,437 million.

Total net assets increased by ¥1,565 million to ¥31,064 million and the shareholders' equity ratio declined 0.3 percentage points to 38.0%.

(Cash flows)

In the first six months of the current fiscal year, cash and cash equivalents ("cash") increased by ¥2,895 million from the previous fiscal year end to ¥18,293 million.

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

During the first six months, net cash provided by operating activities was ¥7,533 million, compared with ¥2,756 million provided a year earlier. This was mainly due to inflows of ¥4,531 million in income before income taxes and minority interests, ¥1,959 million from an increase in accounts payable, ¥815 million in depreciation and amortization, and ¥563 million in amortization of goodwill, while the main outflow was ¥2,458 million in income taxes paid.

Net cash used in investing activities amounted to ¥3,910 million, compared with ¥1,147 million used a year earlier. This was mainly due to payments of ¥1,766 million for the acquisition of property, plant and equipment and intangible fixed assets, ¥1,033 million for purchases of shares in affiliated companies, and ¥604 million for payments for loans receivable.

Net cash used in financing activities was ¥726 million, compared with ¥2,398 million provided a year earlier. This was mainly attributable to a net cash inflow of ¥121 million from interest-bearing debt repayment and procurement, and cash dividends paid of ¥717 million.

(3) Qualitative information on the consolidated financial forecasts

In light of earnings trends at new and existing stores in the second quarter, and plans for store openings, we have not made any changes to our consolidated financial forecasts for the full year, announced on May 30, 2011.

2. Matters Concerning Summary Information (Other)

(1) Major changes in subsidiaries during the period

There are no applicable matters to be reported.

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

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 second quarter, 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, changes in accounting estimates, and restatement of revisions

There are no applicable matters to be reported.

3. Quarterly consolidated financial statements
(1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal year ended April 30, 2011 (As of April 30, 2011)	Six months ended October 31, 2011 (As of October 31, 2011)
Assets		
Current assets		
Cash on hand and in banks	15,437,879	18,355,707
Notes and accounts receivable	10,247,872	9,767,421
Merchandise	8,268,413	8,240,730
Supplies	107,455	107,385
Deferred tax assets	928,606	902,564
Short-term loans	235,400	822,160
Other accounts receivable	2,036,824	1,973,382
Other current assets	898,265	656,332
Allowance for doubtful accounts	(127,879)	(130,405)
Total current assets	38,032,838	40,695,278
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	6,456,550	6,597,819
Land	5,420,785	5,457,241
Other property, plant and equipment, net	1,574,042	1,774,548
Total property, plant and equipment	13,451,378	13,829,609
Intangible fixed assets		
Goodwill	13,867,280	15,075,233
Other intangible fixed assets	960,649	951,928
Total intangible fixed assets	14,827,929	16,027,162
Investments and other assets		
Investments in securities	2,959,577	2,949,206
Deferred tax assets	1,233,263	1,263,103
Deposits and guarantees	4,990,283	5,438,331
Other investments and other assets	1,638,972	1,593,563
Allowance for doubtful accounts	(229,808)	(258,542)
Total investments and other assets	10,592,288	10,985,663
Total fixed assets	38,871,596	40,842,435
Deferred assets		
Stock issuance cost	35,750	27,907
Total deferred assets	35,750	27,907
Total assets	76,940,185	81,565,621

(Thousand yen)

	Fiscal year ended April 30, 2011 (As of April 30, 2011)	Six months ended October 31, 2011 (As of October 31, 2011)
Liabilities		
Current liabilities		
Accounts payable	19,706,886	21,834,595
Short-term debt	5,883,188	5,965,968
Accrued income taxes	2,421,980	2,074,583
Deposits received	6,722,371	7,537,706
Allowance for bonuses to employees	948,021	1,046,255
Allowance for bonuses to directors	9,375	15,645
Reserve for reward obligations	313,371	307,562
Reserve for loss on disaster	11,000	4,586
Other current liabilities	1,600,266	1,584,577
Total current liabilities	37,616,460	40,371,481
Long-term liabilities		
Bonds	184,000	161,000
Long-term debt	7,147,773	7,310,249
Allowance for retirement benefits	1,270,319	1,378,311
Other long-term liabilities	1,222,684	1,280,473
Total long-term liabilities	9,824,778	10,130,033
Total liabilities	47,441,238	50,501,514
Net assets		
Shareholders' equity		
Common stock	8,682,976	8,682,976
Capital surplus	7,872,970	7,872,970
Retained earnings	13,227,209	14,874,514
Treasury stock	(4,918)	(5,296)
Total shareholders' equity	29,778,237	31,425,165
Accumulated other comprehensive income		
Unrealized holding losses on securities	(327,875)	(403,470)
Total accumulated other comprehensive income	(327,875)	(403,470)
Minority interests	48,584	42,412
Total net assets	29,498,946	31,064,107
Total liabilities and net assets	76,940,185	81,565,621

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

(Thousand yen)

	Six months ended October 31, 2010 (May 1, 2010 to October 31, 2010)	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)
Net sales	61,840,968	68,833,121
Cost of sales	52,697,173	57,927,728
Gross profit	9,143,795	10,905,392
Selling, general and administrative expenses	5,725,810	6,123,432
Operating income	3,417,985	4,781,960
Non-operating income		
Interest income	29,296	28,915
Dividend income	20,165	24,354
Commissions received	23,677	24,946
Real estate rental revenue	43,162	50,972
Consignment income	42,771	60,771
Other non-operating income	110,930	134,101
Total non-operating income	270,003	324,062
Non-operating expenses		
Interest expenses	117,064	92,724
Loss on sales of accounts receivables	34,801	34,340
Real estate rental expenses	24,684	18,504
Provision of allowance for doubtful accounts	—	30,000
Other non-operating expenses	41,555	58,730
Total non-operating expenses	218,106	234,299
Ordinary income	3,469,882	4,871,723
Extraordinary income		
Gain on sales of investments in securities	—	13,002
Gain on sales of fixed assets	979	800
Gain on transfer of business	19,047	—
Reversal of allowance for doubtful accounts	2,400	—
State subsidy	38,648	—
Other extraordinary income	583	1,500
Total extraordinary income	61,659	15,302
Extraordinary losses		
Loss on retirement and sales of fixed assets	35,207	43,096
Loss on sales of investments in securities	—	4,474
Loss on devaluation of investments in securities	34,689	50,064
Impairment losses	—	113,323
Effect of adoption of accounting standard for asset retirement obligations	160,596	—
Other extraordinary losses	19,914	144,879
Total extraordinary losses	250,407	355,839
Income before income taxes and minority interests	3,281,134	4,531,186
Income taxes	1,581,670	2,172,707
Income before minority interests	1,699,463	2,358,479
Minority interests	2,171	(6,171)
Net income	1,697,291	2,364,651

Quarterly consolidated statements of comprehensive income

(Thousand yen)

	Six months ended October 31, 2010 (May 1, 2010 to October 31, 2010)	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)
Income before minority interests	1,699,463	2,358,479
Other comprehensive income		
Unrealized holding losses on securities	(145,351)	(75,594)
Total other comprehensive income	(145,351)	(75,594)
Comprehensive income	1,554,111	2,282,884
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of the parent	1,551,939	2,289,056
Comprehensive income attributable to minority interests	2,171	(6,171)

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	Six months ended October 31, 2010 (May 1, 2010 to October 31, 2010)	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)
Cash flows from operating activities		
Income before income taxes and minority interests	3,281,134	4,531,186
Depreciation and amortization	680,813	815,915
Impairment losses	—	113,323
Amortization of goodwill	440,940	563,972
Gain on transfer of business	(19,047)	—
Loss on devaluation of investments in securities	34,689	50,064
Increase in allowance for retirement benefits	100,445	107,991
Increase in allowance for bonuses to employees	106,221	96,283
Increase (decrease) in allowance for bonuses to directors	(9,527)	6,270
Interest and dividend income	(49,461)	(53,270)
Interest expenses	117,064	92,724
Loss on retirement and sales of fixed assets	34,227	42,296
Effects of adoption of accounting standard for asset retirement obligations	160,596	—
Decrease in accounts receivable	736,849	643,615
(Increase) decrease in inventories	(463,854)	95,210
(Increase) decrease in other accounts receivable	(2,267,194)	86,380
Increase in accounts payable	1,370,139	1,959,456
Other, net	269,213	879,295
Subtotal	4,523,249	10,030,715
Interest and dividends received	48,629	54,640
Interest paid	(117,710)	(94,025)
Income taxes paid	(1,697,685)	(2,458,203)
Net cash provided by operating activities	2,756,482	7,533,127
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible fixed assets	(637,612)	(1,766,978)
Proceeds from sales of property, plant and equipment and intangible fixed assets	4,039	36,900
Payments for purchase of investments in securities	(132,160)	(148,500)
Proceeds from sales of investments in securities	—	35,131
Purchase of shares in affiliated companies	—	(1,033,990)
Proceeds from transfer of business	16,005	—
Payments for loans receivable	(121,565)	(604,000)
Proceeds from collections of loans receivable	8,000	116,359
Payments for time deposits	—	(57,000)
Proceeds from withdrawal of time deposits	—	38,305
Other,net	(284,434)	(526,631)
Net cash used in investing activities	(1,147,727)	(3,910,402)

(Thousand yen)

	Six months ended October 31, 2010 (May 1, 2010 to October 31, 2010)	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)
Cash flows from financing activities		
Proceeds from short-term debts	1,100,000	2,100,000
Repayments of short-term debts	(900,000)	(2,017,590)
Proceeds from long-term debts	100,000	2,700,000
Repayments of long-term debts	(1,955,250)	(2,638,112)
Payments for redemption of bonds	—	(23,000)
Proceeds from issuance of new shares	4,720,038	—
Repayments of lease obligations	(101,682)	(130,464)
Payments for purchase of treasury stock	(161)	(378)
Cash dividends paid	(564,046)	(717,345)
Dividend payments to minority shareholders	(6)	—
Net cash provided by (used in) financing activities	2,398,891	(726,891)
Net increase in cash and cash equivalents	4,007,647	2,895,833
Cash and cash equivalents at beginning of the period	11,188,462	15,397,504
Cash and cash equivalents at end of the period	15,196,110	18,293,337

(4) Notes on the premise of a going concern

There are no applicable matters to be reported.

(5) Segment Information

I Six months ended October 31, 2010 (May 1, 2010 to October 31, 2010)

1. Net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segments				Adjustment (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Total		
Net sales						
(1) Sales to external customers	54,409,063	7,315,727	116,178	61,840,968	—	61,840,968
(2) Intersegment sales and transfers	—	—	6,613	6,613	(6,613)	—
Total	54,409,063	7,315,727	122,792	61,847,582	(6,613)	61,840,968
Segment income (loss)	4,485,998	(108,402)	(35,809)	4,341,787	(871,904)	3,469,882

Notes: 1. Segment income (loss) in “Adjustment” totaling (¥871,904 thousand) includes ¥708,780 thousand in corporate expenses, ¥97,594 thousand in loss that may not be allocated to the reportable segments, and ¥65,529 thousand in elimination due to intersegment transactions.
The overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.
2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment loss on fixed assets and goodwill by reportable segment

[Significant impairment loss on fixed assets]:
There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:
There are no applicable matters to be reported.

II Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)

1. Net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segments				Adjustment (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Total		
Net sales						
(1) Sales to external customers	61,411,999	7,312,818	108,303	68,833,121	—	68,833,121
(2) Intersegment sales and transfers	—	—	6,613	6,613	(6,613)	—
Total	61,411,999	7,312,818	114,917	68,839,735	(6,613)	68,833,121
Segment income (loss)	5,754,783	52,072	(36,395)	5,770,460	(898,737)	4,871,723

Notes: 1. Segment income (loss) in “Adjustment” totaling (¥898,737 thousand) includes ¥802,726 thousand in corporate expenses, ¥58,721 thousand in loss that may not be allocated to the reportable segments, and ¥37,290 thousand in elimination due to intersegment transactions.
The overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.
2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment loss on fixed assets and goodwill by reportable segment

[Significant impairment loss on fixed assets]:
There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:
There are no applicable matters to be reported.

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

There are no applicable matters to be reported.