Summary of Financial Statements for the First Quarter of Fiscal Year Ending April 2013

[Japan GAAP] (Consolidated)

August 29, 2012

Name of listed company: **AIN PHARMACIEZ INC.**
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
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Date of filing quarterly securities report: September 14, 2012
Start of dividend payment: –
Supplementary documents for quarterly results: No
Quarterly results briefing: No

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

1. Consolidated results for the first quarter of fiscal year ending April 30, 2013 (May 1, 2012 to July 31, 2012)

(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	%
Three months ended July 31, 2012	36,257	6.8	2,255	0.3	2,328	2.4	912	(12.9)
Three months ended July 31, 2011	33,940	10.2	2,249	43.9	2,273	43.9	1,047	46.6

(Note) Comprehensive income: Three months ended July 31, 2012: ¥1,039 million (-0.8%)
Three months ended July 31, 2011: ¥1,047 million (+67.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended July 31, 2012	57.22	–
Three months ended July 31, 2011	65.71	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2012	89,527	33,988	37.9	2,129.94
As of April 30, 2012	85,908	33,745	39.2	2,113.79

(Reference) Shareholders' equity As of July 31, 2012: ¥33,952 million As of April 30, 2012: ¥33,695 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, 2012	–	0.00	–	50.00	50.00
Year ending April 30, 2013	–				
Year ending April 30, 2013 (forecast)		0.00	–	60.00	60.00

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

3. Consolidated financial forecasts for the fiscal year ending April 30, 2013 (May 1, 2012 to April 30, 2013)

(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
First six months	76,350	10.9	4,890	2.3	4,950	1.6	2,480	4.9	155.54
Full year	157,500	10.3	11,510	12.3	11,630	10.3	6,010	22.7	376.94

(Note) Revision to the most recently announced consolidated financial forecasts: No

*Notes

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

Newly consolidated: – Excluded: –

(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 (notes) (2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements” on page 3 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.: Yes
2) Changes in accounting principles other than 1): No
3) Changes in accounting estimates: Yes
4) Restatement of revisions No

(Note) For detail, please refer to “2. Matters concerning summary information (notes) (3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions” on page 3 of the Attachment.

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

1) Number of outstanding shares (including treasury stock):	As of July 31, 2012	15,944,106 shares	As of April 30, 2012	15,944,106 shares
2) Number of shares held in treasury:	As of July 31, 2012	3,366 shares	As of April 30, 2012	3,316 shares
3) Average number of shares outstanding:	Three months ended July 31, 2012	15,940,757 shares	Three months ended July 31, 2011	15,941,004 shares

*Status of execution of the quarterly review of financial statements

This quarterly financial summary is not subject to the quarterly review procedure based on the Financial Instruments and Exchange Act. As of the time of disclosure, this review procedure for quarterly financial statements had not been completed.

*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 three months of the current fiscal year (May 1, 2012 to July 31, 2012), conditions in the Japanese economy remained difficult, although there was a moderate recovery centered on capital investment, manufacturing activity and corporate earnings on the back of rebuilding demand.

In this economic environment, the AIN PHARMACIEZ Group (the Group) worked to expand its business and increase earnings. Specifically, the Group opened new dispensing pharmacies, made effective use of M&A and developed medical malls. It also opened urban drug and cosmetic stores inside station retail areas and improved the merchandise lineup at existing stores.

In the first three months of the fiscal year, net sales increased 6.8% year on year to ¥36,257 million, despite the impact of revisions to drug prices and dispensing fees in April 2012. Operating income rose 0.3% to ¥2,255 million and ordinary income increased 2.4% to ¥2,328 million. Net income declined 12.9% year on year to ¥912 million, due mainly to loss on sales of investments in securities and impairment losses on investments in securities.

Financial results by business segment are as follows:

(Dispensing pharmacy business)

Although the average drug price was reduced by 6.25% under the drug price revisions in April 2012, the average prescription price at existing dispensing pharmacies and dispensing pharmacy sales were roughly level with the same period a year earlier due to an increase in longer-term prescriptions.

The dispensing pharmacy business continued to open specialist dispensing pharmacies near hospitals and conduct M&A. It also pushed ahead with the development of medical malls and implemented a range of comprehensive initiatives across the Group in areas such as dispensing pharmacy management, facility development, and marketing to attract clinics to its medical malls.

The Group hired nearly 190 new pharmacist graduates following a period when there were no new graduates due to a shift to six-year pharmacy college courses. These new employees were assigned to the Group’s dispensing pharmacies throughout Japan after completing a one-month joint training program.

In order to improve operational efficiency at dispensing pharmacies, business areas were overhauled through the transfer of dispensing pharmacies between different parts of the Group. All the Group’s dispensing pharmacies in the Tokyo metropolitan area also became directly managed by AIN PHARMACIEZ through a merger with AIN MEDICAL SYSTEMS INC. (effective August 1, 2012).

As a result, for the first three months of the fiscal year, the dispensing pharmacy business reported sales and income growth year on year, with net sales rising 6.2% to ¥31,987 million and segment income increasing 5.2% to ¥2,846 million.

During the period under review, the Group opened 15 new dispensing pharmacies, including those acquired through M&A deals, resulting in a total of 509 dispensing pharmacies.

(Drug and cosmetic store business)

Despite an upturn in consumer spending, the drugstore sector continued to face a challenging market environment due to competition related to store openings and prices. This was compounded by a decline in demand compared with the same period last year when demand spiked after the Great East Japan Earthquake.

Against this backdrop, the Group clarified its concept of unique urban drug and cosmetic stores under the *ainz & tulpe* brand and continued to open stores in urban areas with high levels of customer traffic. In addition, the drugstore business operated by subsidiary AIN MEDIO, INC. was spun off and absorbed by AIN PHARMACIEZ INC. to bring the subsidiary’s drug store business under direct management and improve efficiency in administrative divisions.

The business also worked to boost earnings by strengthening merchandise lineups on a store-by-store basis to tailor lineups to each retail area and location, and by making greater use of mobile marketing tools in sales promotion.

As a result, for the first three months of the fiscal year, the drug and cosmetic store business reported an increase in both sales and income year on year, with net sales rising 10.6% to ¥4,153 million and segment income increasing 34.6% to ¥58 million.

During the period under review, the business opened two new stores; the *ainz & tulpe* Nakano Central Park East Store (Nakano Ward, Tokyo) and the Yokohama Porta Store (Nishi Ward, Yokohama). It also closed one suburban drugstore, resulting in a Group total of 57 stores.

(Other businesses)

Net sales and segment loss from other businesses were ¥116 million and ¥94 million, respectively.

(2) Qualitative information on the consolidated financial position

The balance of total assets at the end of the first quarter increased by ¥3,619 million from the end of the previous fiscal year to ¥89,527 million.

This mainly reflected an increase in inventories, other accounts receivable, property, plant and equipment such as buildings and structures, and lease and guarantee deposits, owing to the Group's business expansion.

The balance of liabilities rose ¥3,376 million to ¥55,538 million, mainly reflecting an increase in accounts payable.

The balance of interest-bearing debt decreased by ¥513 million to ¥12,202 million.

Total net assets increased by ¥242 million to ¥33,988 million and the shareholders' equity ratio declined 1.3 percentage points to 37.9%.

(3) Qualitative information on the consolidated financial forecasts

The Group has made no change to its earnings forecasts for the first six months of the fiscal year and for the full fiscal year, announced May 30, 2012, in light of earnings trends at new stores and existing stores in the first three months of the fiscal year and future store opening plans.

2. Matters concerning summary information (notes)

(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 tax effect accounting to net income before taxes for the consolidated fiscal year including the first quarter, and multiplying the estimated effective tax rate by income before income taxes 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

(Change in accounting policies that may be difficult to distinguish from changes in accounting estimates)

Effective from the fiscal period under review, the Company has changed its depreciation method for property, plant and equipment in accordance with revisions to the Corporation Tax Law. The new method is applied to property, plant and equipment acquired by the Company on or after May 1, 2012, and to property, plant and equipment acquired by consolidated subsidiaries on or after April 1, 2012.

This change had a minimal impact on operating income, ordinary income and net income for the first three months of the fiscal year under review.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal year ended April 30, 2012 (As of April 30, 2012)	Three months ended July 31, 2012 (As of July 31, 2012)
Assets		
Current assets		
Cash on hand and in banks	15,935,326	14,778,887
Notes and accounts receivable	10,985,402	10,765,598
Merchandise	8,138,749	10,412,619
Supplies	114,663	109,621
Deferred tax assets	891,515	929,825
Short-term loans	606,000	156,000
Other accounts receivable	2,757,752	5,086,661
Other current assets	917,774	664,536
Allowance for doubtful accounts	(26,875)	(25,777)
Total current assets	40,320,310	42,877,971
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	7,048,953	7,468,513
Land	5,621,786	5,711,123
Other property, plant and equipment (net)	2,586,164	2,539,265
Total property, plant and equipment	15,256,904	15,718,901
Intangible fixed assets		
Goodwill	17,664,823	17,670,137
Other intangible fixed assets	990,546	996,183
Total intangible fixed assets	18,655,369	18,666,321
Investments and other assets		
Investments in securities	2,825,629	2,704,227
Deferred tax assets	1,122,782	1,038,837
Lease and guarantee deposits	5,758,338	6,475,625
Other investments and other assets	2,208,196	2,287,407
Allowance for doubtful accounts	(256,986)	(255,786)
Total investments and other assets	11,657,961	12,250,310
Total fixed assets	45,570,235	46,635,533
Deferred assets		
Stock issuance cost	17,748	13,827
Total deferred assets	17,748	13,827
Total assets	85,908,294	89,527,332

(Thousand yen)

	Fiscal year ended April 30, 2012 (As of April 30, 2012)	Three months ended July 31, 2012 (As of July 31, 2012)
Liabilities		
Current liabilities		
Accounts payable	22,524,795	27,804,402
Short-term debt	6,397,458	6,596,640
Accrued income taxes	2,739,772	845,132
Deposits received	7,714,207	7,827,511
Allowance for bonuses to employees	965,445	1,010,072
Allowance for bonuses to directors	12,846	5,174
Reserve for reward obligations	302,011	302,011
Other current liabilities	2,288,815	2,478,173
Total current liabilities	42,945,352	46,869,119
Long-term liabilities		
Long-term debt	6,318,430	5,605,656
Allowance for retirement benefits	1,448,905	1,508,827
Other long-term liabilities	1,449,631	1,555,209
Total long-term liabilities	9,216,967	8,669,692
Total liabilities	52,162,319	55,538,812
Net assets		
Shareholders’ equity		
Common stock	8,682,976	8,682,976
Capital surplus	7,872,970	7,872,970
Retained earnings	17,426,435	17,541,453
Treasury stock	(5,627)	(5,837)
Total shareholders’ equity	33,976,755	34,091,563
Accumulated other comprehensive income		
Unrealized holding losses on securities	(281,315)	(138,710)
Total accumulated other comprehensive income	(281,315)	(138,710)
Minority interests	50,535	35,667
Total net assets	33,745,975	33,988,520
Total liabilities and net assets	85,908,294	89,527,332

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income

(Thousand yen)

	Three months ended July 31, 2011 (May 1, 2011 to July 31, 2011)	Three months ended July 31, 2012 (May 1, 2012 to July 31, 2012)
Net sales	33,940,547	36,257,718
Cost of sales	28,606,428	30,356,263
Gross profit	5,334,119	5,901,455
Selling, general and administrative expenses	3,084,852	3,645,983
Operating income	2,249,266	2,255,471
Non-operating income		
Interest income	15,700	14,495
Dividend income	21,717	19,514
Commissions received	12,980	13,608
Real estate rental revenue	25,557	28,879
Consignment income	27,085	34,469
Other non-operating income	45,677	47,454
Total non-operating income	148,719	158,423
Non-operating expenses		
Interest expenses	48,127	35,482
Loss on sales of accounts receivables	16,894	17,712
Real estate rental expenses	8,935	9,281
Provision of allowance for doubtful accounts	30,000	—
Other non-operating expenses	20,262	23,192
Total non-operating expenses	124,219	85,669
Ordinary income	2,273,766	2,328,225
Extraordinary income		
Gain on sales of investments in securities	3,465	—
Gain on sales of fixed assets	—	10,881
Insurance income	—	50,000
Other extraordinary income	—	809
Total extraordinary income	3,465	61,690
Extraordinary losses		
Loss on disposal and sales of fixed assets	17,430	37,299
Loss on sales of investments in securities	3,466	107,387
Impairment losses on investments in securities	48,706	209,958
Impairment losses on fixed assets	65,583	—
Directors' retirement benefits	7,000	310,000
Other extraordinary losses	20,755	17,089
Total extraordinary losses	162,942	681,734
Income before income taxes and minority interests	2,114,288	1,708,181
Income taxes	1,076,808	810,991
Income before minority interests	1,037,480	897,190
Minority interests	(10,074)	(14,867)
Net income	1,047,554	912,057

Quarterly consolidated statements of comprehensive income

(Thousand yen)

	Three months ended July 31, 2011 (May 1, 2011 to July 31, 2011)	Three months ended July 31, 2012 (May 1, 2012 to July 31, 2012)
Income before minority interests	1,037,480	897,190
Other comprehensive income		
Unrealized holding gains on securities	10,192	142,604
Total other comprehensive income	10,192	142,604
Comprehensive income	1,047,672	1,039,794
Comprehensive income attributable to shareholders of the parent	1,057,746	1,054,662
Comprehensive income attributable to minority interests	(10,074)	(14,867)

(3) Notes on the premise of a going concern

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.

(5) Segment Information, etc.

I Three months ended July 31, 2011 (May 1, 2011 to July 31, 2011)

1. Net sales and income (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	30,129,823	3,756,884	53,838	33,940,547	—	33,940,547
(2) Intersegment sales and transfers	—	—	3,306	3,306	(3,306)	—
Total	30,129,823	3,756,884	57,145	33,943,854	(3,306)	33,940,547
Segment income (loss)	2,705,484	43,342	(19,392)	2,729,434	(455,667)	2,273,766

Notes: 1. The adjustment of ¥455,667 thousand to segment income (loss) includes ¥416,143 thousand in corporate expenses, ¥17,170 thousand in losses that are not allocated to reportable segments, and ¥22,353 thousand in eliminations due to intersegment transactions.
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 losses on fixed assets and goodwill by reportable segment

[Significant impairment losses 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 Three months ended July 31, 2012 (May 1, 2012 to July 31, 2012)

1. Net sales and income (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	31,987,482	4,153,567	116,668	36,257,718	—	36,257,718
(2) Intersegment sales and transfers	—	—	3,306	3,306	(3,306)	—
Total	31,987,482	4,153,567	119,975	36,261,025	(3,306)	36,257,718
Segment income (loss)	2,846,777	58,355	(94,521)	2,810,611	(482,386)	2,328,225

Notes: 1. The adjustment of ¥482,386 thousand to segment income (loss) includes ¥455,820 thousand in corporate expenses, ¥5,287 thousand in losses that are not allocated to reportable segments, and ¥21,277 thousand in eliminations due to intersegment transactions.
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 losses on fixed assets and goodwill by reportable segment

[Significant impairment losses 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.