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

[Japan GAAP] (Consolidated)

November 28, 2012

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 Otani, President and Representative Director
Inquiries:	Toshihide Mizushima, Senior Managing Director and Chief Director of Administration TEL: +81-11-783-0189

Date of filing quarterly securities report: December 14, 2012

Start of dividend payment: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: 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, 2013 (May 1, 2012 to October 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	%
Six months ended October 31, 2012	75,090	9.1	4,209	(12.0)	4,454	(8.6)	2,137	(9.6)
Six months ended October 31, 2011	68,833	11.3	4,781	39.9	4,871	40.4	2,364	39.3

(Note) Comprehensive income: Six months ended October 31, 2012: ¥2,148 million (-5.9%)
Six months ended October 31, 2011: ¥2,282 million (+46.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended October 31, 2012	134.10	–
Six months ended October 31, 2011	148.34	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2012	92,511	35,097	37.9	2,199.73
As of April 30, 2012	85,908	33,745	39.2	2,113.79

(Reference) Shareholders' equity: As of October 31, 2012: ¥35,065 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	–	0.00			
Year ending April 30, 2013 (forecast)			–	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
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): Yes

Newly consolidated: – Excluded: One company (AIN MEDICAL SYSTEMS INC.)

(Note) For detail, please refer to "2. Matters concerning summary information (notes) (1) Major changes in subsidiaries during the period" on page 3 of the Attachment.

(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 October 31, 2012	15,944,106 shares	As of April 30, 2012	15,944,106 shares
2) Number of shares held in treasury:	As of October 31, 2012	3,366 shares	As of April 30, 2012	3,316 shares
3) Average number of shares outstanding:	Six months ended October 31, 2012	15,940,748 shares	Six months ended October 31, 2011	15,940,953 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 six months of the current fiscal year (May 1, 2012 to October 31, 2012), conditions in the Japanese economy showed signs of a slowdown in areas such as corporate earnings, manufacturing activity and exports, amid economic uncertainty in Europe, China and elsewhere overseas.

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 and improved the merchandise lineup at existing stores.

In the first six months of the fiscal year, net sales increased 9.1% year on year to ¥75,090 million, operating income declined 12.0% to ¥4,209 million, ordinary income fell 8.6% to ¥4,454 million, and net income declined 9.6% to ¥2,137 million.

Financial results by business segment are as follows.

(Dispensing pharmacy business)

Although the drug price was reduced by an average of 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 long-term prescriptions.

The dispensing pharmacy business continued to open specialist dispensing pharmacies near hospitals and develop new facilities, opening a total of 12 new medical malls in the first six months of the fiscal year.

Medical mall development involves comprehensive support from across the Group, such as facility development, marketing to attract clinics to the malls, and the involvement of the dispensing pharmacy business. These medical malls contribute to local healthcare services and the Group plans to actively develop them as a growth business going forward.

In addition, the Group completed the absorption of key subsidiary AIN MEDICAL SYSTEMS INC. through a merger effective on August 1, 2012. AIN MEDICAL SYSTEMS was responsible for operating all the Group’s dispensing pharmacies in the Tokyo metropolitan area, and its absorption has contributed to steady progress in reinforcing business development capabilities and rationalizing the operating and management divisions of the dispensing pharmacy business.

As a result, for the first six months of the fiscal year, the dispensing pharmacy business reported sales growth of 8.5% year on year to ¥66,622 million. However, segment income declined 1.3% to ¥5,682 million due to the impact of startup costs for medical malls and a lack of regular customers at newly opened dispensing pharmacies.

During the period under review, the Group opened 44 new dispensing pharmacies, including those acquired through M&A deals, and closed three dispensing pharmacies, resulting in a total of 535 (of the 44 new dispensing pharmacies, earnings from 13 pharmacies that were acquired from three companies through M&A deals will be included in consolidated results from the third quarter of the fiscal year due to the timing of the deals).

(Drug and cosmetic store business)

Amid weak sales across the retail sector as a whole, the drugstore sector continued to face a challenging market environment due to competition related to store openings and prices within the sector. 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.

At existing stores, the business continued to strengthen merchandise lineups, particularly for drug and cosmetic products, and worked to boost sales capabilities and increase the gross margin. Costs were also reduced by systemizing store operations, such as introducing an automated product ordering system and promoting greater use of mobile marketing tools in sales promotion.

As a result, for the first six months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 12.3% year on year to ¥8,208 million. However, segment income declined 49.5% to ¥26 million due to the impact of a decline in the average amount spent per customer and other factors.

During the period under review, the business opened three new stores; the *ainz & tulpe* Nakano Central Park East Store (Nakano-ku, Tokyo), the Yokohama Porta Store (Nishi-ku, Yokohama) and the KYOTO AVANTI Store (Minami-ku, Kyoto). It also closed one suburban drugstore, resulting in a Group total of 58 stores.

(Other businesses)

This segment mainly comprises results from leasing operations. Earnings from leasing operations in the medical mall business are included in this business segment.

During the first six months of the fiscal year, net sales in other businesses rose 138.9% year on year to ¥258 million as a result of the full-scale start of the medical mall business. However, the segment loss widened to ¥223 million (from ¥36 million in the same period of the previous fiscal year) due to factors such as medical mall startup costs.

(2) Qualitative information on the consolidated financial position

The balance of total assets at the end of the second quarter increased by ¥6,602 million from the end of the previous fiscal year to ¥92,511 million.

This mainly reflected an increase in inventories, other accounts receivable, property, plant and equipment such as buildings, and lease and guarantee deposits, due to the Group's business expansion through new store openings and M&A deals.

The balance of liabilities rose ¥5,251 million to ¥57,413 million, mainly reflecting an increase in accounts payable.

The balance of interest-bearing debt increased by ¥1,335 million to ¥14,051 million.

Total net assets increased by ¥1,351 million to ¥35,097 million and the shareholders' equity ratio declined 1.3 percentage points to 37.9%.

(Cash flows)

In the first six months of the fiscal year, cash and cash equivalents ("cash") decreased by ¥1,096 million from the previous fiscal year end to ¥14,838 million.

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

During the first six months of the fiscal year, net cash provided by operating activities was ¥2,370 million, compared with ¥7,533 million in the same period a year earlier. The main cash inflows were income before income taxes and minority interests of ¥3,969 million, increase in accounts payable of ¥2,117 million, depreciation and amortization of ¥997 million, and amortization of goodwill of ¥822 million. The main cash outflows were increase in other accounts receivable of ¥2,365 million, increase in inventories of ¥1,438 million, and income taxes paid of ¥2,879 million.

Net cash used in investing activities amounted to ¥3,508 million, compared with ¥3,910 million used a year earlier. This was mainly due to payments of ¥2,519 million for the acquisition of property, plant and equipment and intangible fixed assets and ¥416 million for purchases of subsidiaries' shares resulting in obtaining controls.

Net cash provided by financing activities was ¥41 million, compared with ¥726 million used a year earlier. This was mainly attributable to a net cash inflow of ¥1,032 million from interest-bearing debt repayment and proceeds, and cash dividends paid of ¥797 million.

(3) Qualitative information on the consolidated financial forecasts

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

2. Matters concerning summary information (notes)

(1) Major changes in subsidiaries during the period

In the first six months of the fiscal year, AIN MEDICAL SYSTEMS INC., a consolidated and specified subsidiary, was absorbed by the Group through a merger, effective on August 1, 2012. As a result, this company was removed from the scope of consolidation.

(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 second 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 first quarter of the fiscal year ending April 30, 2013, 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 six 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)	Six months ended October 31, 2012 (As of October 31, 2012)
Assets		
Current assets		
Cash on hand and in banks	15,935,326	14,853,932
Notes and accounts receivable	10,985,402	10,924,128
Merchandise	8,138,749	9,658,793
Supplies	114,663	109,851
Deferred tax assets	891,515	874,260
Short-term loans	606,000	177,669
Other accounts receivable	2,757,752	5,161,121
Other current assets	917,774	812,955
Allowance for doubtful accounts	(26,875)	(24,701)
Total current assets	40,320,310	42,548,011
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	7,048,953	7,971,885
Land	5,621,786	5,947,823
Other property, plant and equipment (net)	2,586,164	2,613,684
Total property, plant and equipment	15,256,904	16,533,392
Intangible fixed assets		
Goodwill	17,664,823	19,417,228
Other intangible fixed assets	990,546	1,084,404
Total intangible fixed assets	18,655,369	20,501,632
Investments and other assets		
Investments in securities	2,825,629	3,127,924
Deferred tax assets	1,122,782	1,120,202
Lease and guarantee deposits	5,758,338	6,632,245
Other investments and other assets	2,208,196	2,290,525
Allowance for doubtful accounts	(256,986)	(251,586)
Total investments and other assets	11,657,961	12,919,311
Total fixed assets	45,570,235	49,954,337
Deferred assets		
Stock issuance cost	17,748	8,748
Total deferred assets	17,748	8,748
Total assets	85,908,294	92,511,096

(Thousand yen)

	Fiscal year ended April 30, 2012 (As of April 30, 2012)	Six months ended October 31, 2012 (As of October 31, 2012)
Liabilities		
Current liabilities		
Accounts payable	22,524,795	25,255,546
Short-term debt	6,397,458	7,823,121
Accrued income taxes	2,739,772	1,692,872
Deposits received	7,714,207	8,183,046
Allowance for bonuses to employees	965,445	1,123,366
Allowance for bonuses to directors	12,846	12,935
Reserve for reward obligations	302,011	302,011
Other current liabilities	2,288,815	3,635,944
Total current liabilities	42,945,352	48,028,844
Long-term liabilities		
Long-term debt	6,318,430	6,227,980
Allowance for retirement benefits	1,448,905	1,572,032
Other long-term liabilities	1,449,631	1,584,549
Total long-term liabilities	9,216,967	9,384,562
Total liabilities	52,162,319	57,413,407
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	18,767,002
Treasury stock	(5,627)	(5,837)
Total shareholders' equity	33,976,755	35,317,111
Accumulated other comprehensive income		
Unrealized holding losses on securities	(281,315)	(251,719)
Total accumulated other comprehensive income	(281,315)	(251,719)
Minority interests	50,535	32,296
Total net assets	33,745,975	35,097,689
Total liabilities and net assets	85,908,294	92,511,096

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

(Thousand yen)

	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)	Six months ended October 31, 2012 (May 1, 2012 to October 31, 2012)
Net sales	68,833,121	75,090,551
Cost of sales	57,927,728	63,593,065
Gross profit	10,905,392	11,497,485
Selling, general and administrative expenses	6,123,432	7,287,507
Operating income	4,781,960	4,209,978
Non-operating income		
Interest income	28,915	38,686
Dividend income	24,354	23,092
Commissions received	24,946	30,721
Real estate rental revenue	50,972	51,986
Consignment income	60,771	74,561
Other non-operating income	134,101	191,377
Total non-operating income	324,062	410,426
Non-operating expenses		
Interest expenses	92,724	71,182
Loss on sales of accounts receivables	34,340	36,829
Real estate rental expenses	18,504	17,503
Provision of allowance for doubtful accounts	30,000	—
Other non-operating expenses	58,730	40,364
Total non-operating expenses	234,299	165,879
Ordinary income	4,871,723	4,454,524
Extraordinary income		
Gain on sales of investments in securities	13,002	—
Gain on sales of fixed assets	800	10,881
Insurance income	—	50,000
Other extraordinary income	1,500	809
Total extraordinary income	15,302	61,690
Extraordinary losses		
Loss on disposal and sales of fixed assets	43,096	70,697
Loss on sales of investments in securities	4,474	107,387
Impairment losses on investments in securities	50,064	1,463
Impairment losses on fixed assets	113,323	—
Directors' retirement benefits	11,016	320,000
Other extraordinary losses	133,863	46,919
Total extraordinary losses	355,839	546,467
Income before income taxes and minority interests	4,531,186	3,969,747
Income taxes	2,172,707	1,850,379
Income before minority interests	2,358,479	2,119,367
Minority interests	(6,171)	(18,238)
Net income	2,364,651	2,137,606

Quarterly consolidated statements of comprehensive income

(Thousand yen)

	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)	Six months ended October 31, 2012 (May 1, 2012 to October 31, 2012)
Income before minority interests	2,358,479	2,119,367
Other comprehensive income		
Unrealized holding gains (losses) on securities	(75,594)	29,595
Total other comprehensive income (loss)	(75,594)	29,595
Comprehensive income	2,282,884	2,148,963
Comprehensive income attributable to shareholders of the parent	2,289,056	2,167,202
Comprehensive income attributable to minority interests	(6,171)	(18,238)

(3) Consolidated statements of cash flows

(Thousand yen)

	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)	Six months ended October 31, 2012 (May 1, 2012 to October 31, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	4,531,186	3,969,747
Depreciation and amortization	815,915	997,084
Impairment losses	113,323	—
Amortization of goodwill	563,972	822,858
Loss on devaluation of investments in securities	50,064	1,463
Increase in allowance for retirement benefits	107,991	123,127
Increase in allowance for bonuses to employees	96,283	142,606
Increase in allowance for bonuses to directors	6,270	89
Interest and dividend income	(53,270)	(61,778)
Interest expenses	92,724	71,182
Loss on retirement and sales of fixed assets	42,296	59,815
Decrease in accounts receivable	643,615	454,732
(Increase) decrease in inventories	95,210	(1,438,970)
(Increase) decrease in other accounts receivable	86,380	(2,365,679)
Increase in accounts payable	1,959,456	2,117,445
Other, net	879,295	362,715
Subtotal	10,030,715	5,256,439
Interest and dividends received	54,640	67,080
Interest paid	(94,025)	(73,195)
Income taxes paid	(2,458,203)	(2,879,474)
Net cash provided by operating activities	7,533,127	2,370,850
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible fixed assets	(1,766,978)	(2,519,146)
Proceeds from sales of property, plant and equipment and intangible fixed assets	36,900	240,739
Payments for purchase of investments in securities	(148,500)	(368,760)
Proceeds from sales of investments in securities	35,131	77,300
Purchase of subsidiaries' shares resulting in obtaining controls	(1,033,990)	(416,908)
Payments for loans receivable	(604,000)	(103,000)
Proceeds from collections of loans receivable	116,359	537,901
Payments for time deposits	(57,000)	—
Proceeds from withdrawal of time deposits	38,305	—
Other, net	(526,631)	(956,835)
Net cash used in investing activities	(3,910,402)	(3,508,711)

(Thousand yen)

	Six months ended October 31, 2011 (May 1, 2011 to October 31, 2011)	Six months ended October 31, 2012 (May 1, 2012 to October 31, 2012)
Cash flows from financing activities		
Proceeds from short-term debts	2,100,000	2,380,000
Repayments of short-term debts	(2,017,590)	(837,772)
Proceeds from long-term debts	2,700,000	2,350,000
Repayments of long-term debts	(2,638,112)	(2,859,928)
Payments for redemption of bonds	(23,000)	—
Repayments of lease obligations	(130,464)	(194,033)
Payments for purchase of treasury stock	(378)	(210)
Cash dividends paid	(717,345)	(797,039)
Net cash provided by (used in) financing activities	(726,891)	41,015
Net increase in cash and cash equivalents	2,895,833	(1,096,844)
Cash and cash equivalents at beginning of the period	15,397,504	15,935,326
Cash and cash equivalents at end of the period	18,293,337	14,838,482

(4) Notes on the premise of a going concern

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.

(6) Segment Information, etc.

I Six months ended October 31, 2011 (May 1, 2011 to October 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	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. The adjustment of ¥(898,737) thousand to segment income (loss) includes ¥802,726 thousand in corporate expenses, ¥58,721 thousand in losses that are not allocated to reportable segments, and ¥37,290 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 Six months ended October 31, 2012 (May 1, 2012 to October 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	66,622,833	8,208,949	258,769	75,090,551	—	75,090,551
(2) Intersegment sales and transfers	—	—	3,306	3,306	(3,306)	—
Total	66,622,833	8,208,949	262,076	75,093,858	(3,306)	75,090,551
Segment income (loss)	5,682,556	26,290	(223,915)	5,484,931	(1,030,406)	4,454,524

Notes: 1. The adjustment of ¥(1,030,406) thousand to segment income (loss) includes ¥969,892 thousand in corporate expenses, ¥23,150 thousand in losses that are not allocated to reportable segments, and ¥37,363 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]:

The dispensing pharmacy segment includes five dispensing pharmacy companies that have been acquired by the Group. During the first six months of the fiscal year, the increase in goodwill related to these companies was ¥2,025,848 thousand.