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

[Japan GAAP] (Consolidated)

February 26, 2013

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: March 15, 2013

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 third quarter of fiscal year ending April 30, 2013 (May 1, 2012 to January 31, 2013)

(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	%
Nine months ended January 31, 2013	114,671	8.8	6,830	(7.3)	7,262	(4.3)	3,689	0.4
Nine months ended January 31, 2012	105,389	10.7	7,370	29.4	7,584	31.6	3,674	25.8

(Note) Comprehensive income: Nine months ended January 31, 2013: ¥3,875 million (+7.6%)
Nine months ended January 31, 2012: ¥3,600 million (+24.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended January 31, 2013	231.47	–
Nine months ended January 31, 2012	230.48	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2013	96,410	36,824	38.2	2,308.29
As of April 30, 2012	85,908	33,745	39.2	2,113.79

(Reference) Shareholders' equity: As of January 31, 2013: ¥36,795 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

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of January 31, 2013	15,944,106 shares	As of April 30, 2012	15,944,106 shares
2) Number of shares held in treasury:	As of January 31, 2013	3,366 shares	As of April 30, 2012	3,316 shares
3) Average number of shares outstanding:	Nine months ended January 31, 2013	15,940,743 shares	Nine months ended January 31, 2012	15,940,912 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 nine months of the current fiscal year (May 1, 2012 to January 31, 2013), there were growing expectations of an upturn in the Japanese economy due to a correction in the excessively strong yen and a recovery in share prices, together with an improvement in the export environment and the impact of economic stimulus measures.

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 and pushed ahead with M&A and the development of medical malls. It also opened urban drug and cosmetic stores and continued to make improvements to the merchandise lineup at existing stores.

In the first nine months of the fiscal year, net sales increased 8.8% year on year to ¥114,671 million, operating income declined 7.3% to ¥6,830 million, ordinary income fell 4.3% to ¥7,262 million, and net income increased 0.4% to ¥3,689 million.

Financial results by business segment are as follows.

(Dispensing pharmacy business)

At existing dispensing pharmacies, the average prescription price and the share of sales derived from technical fees were essentially level year on year, as the negative impact of drug price revisions in April 2012 was offset by an increase in long-term prescriptions.

The Group is responding to changes in the business environment by increasing sales, opening larger stores and raising the operating efficiency of dispensing pharmacies. Specifically, it is expanding the store network by continuing to open specialist dispensing pharmacies near hospitals and through M&A deals. From the current fiscal year, it also began the full-scale development of medical malls.

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 dispensing pharmacy business. These medical malls contribute to local healthcare services. During the first nine months of the current fiscal year, the business opened a total of 13 new medical malls and made preparations to steadily open more facilities.

As a result, for the first nine months of the fiscal year, the dispensing pharmacy business reported sales growth of 8.4% year on year to ¥101,729 million, while segment income increased 1.7% to ¥8,950 million.

During the period under review, the Group opened 56 new dispensing pharmacies, including those acquired through M&A deals, and closed five dispensing pharmacies, resulting in a total of 545.

(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 two years ago, when demand spiked after the Great East Japan Earthquake.

Against this backdrop, the business is working to secure profits by continuing to open urban drug and cosmetic stores under the *ainz & tulpe* brand and by enhancing the appeal of existing stores.

With *ainz & tulpe*, the business is aiming to boost sales capabilities and increase the gross margin by clearly communicating to consumers the brand's concept as a drug and cosmetics retailer, and by continually strengthening merchandise lineups, particularly for drug and cosmetic products.

In sales promotion, the business is targeting repeat customers and improvements in cost efficiency through initiatives such as a shifting to a mobile-based reward system and by linking marketing with smartphone applications.

As a result, for the first nine months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 10.4% year on year to ¥12,567 million. However, segment income declined 58.0% to ¥64 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 five new stores; the *ainz & tulpe* Nakano Central Park East Store (Nakano-ku, Tokyo), the Yokohama Porta Store (Nishi-ku, Yokohama), the KYOTO AVANTI Store (Minami-ku, Kyoto), the Marui Kinshicho Store (Sumida-ku, Tokyo) and the Tokorozawa Station Store (Tokorozawa City, Saitama Prefecture). It also closed one suburban drugstore, resulting in a Group total of 60 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 nine months of the fiscal year, net sales in other businesses rose 99.9% year on year to ¥374 million as a result of the full-scale start of the medical mall business. However, the segment loss widened to ¥324 million (from ¥80 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 third quarter increased by ¥10,502 million from the end of the previous fiscal year to ¥96,410 million.

This mainly reflected an increase in inventories, other accounts receivable, property, plant and equipment such as buildings, goodwill, 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 ¥7,424 million to ¥59,586 million, mainly reflecting an increase in accounts payable.

The balance of interest-bearing debt increased by ¥2,987 million to ¥15,703 million.

Total net assets increased by ¥3,078 million to ¥36,824 million and the shareholders' equity ratio declined 1.0 percentage points to 38.2%.

(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 nine 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 nine 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 third 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 nine 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)	Nine months ended January 31, 2013 (As of January 31, 2013)
Assets		
Current assets		
Cash on hand and in banks	15,935,326	14,724,169
Notes and accounts receivable	10,985,402	11,474,980
Merchandise	8,138,749	10,694,492
Supplies	114,663	110,117
Deferred tax assets	891,515	908,119
Short-term loans	606,000	166,000
Other accounts receivable	2,757,752	6,487,944
Other current assets	917,774	957,037
Allowance for doubtful accounts	(26,875)	(22,197)
Total current assets	40,320,310	45,500,662
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	7,048,953	8,063,087
Land	5,621,786	5,972,273
Other property, plant and equipment (net)	2,586,164	3,122,845
Total property, plant and equipment	15,256,904	17,158,207
Intangible fixed assets		
Goodwill	17,664,823	19,270,562
Other intangible fixed assets	990,546	1,056,697
Total intangible fixed assets	18,655,369	20,327,259
Investments and other assets		
Investments in securities	2,825,629	3,220,938
Deferred tax assets	1,122,782	1,022,789
Lease and guarantee deposits	5,758,338	6,922,038
Other investments and other assets	2,208,196	2,505,146
Allowance for doubtful accounts	(256,986)	(250,386)
Total investments and other assets	11,657,961	13,420,527
Total fixed assets	45,570,235	50,905,994
Deferred assets		
Stock issuance cost	17,748	4,247
Total deferred assets	17,748	4,247
Total assets	85,908,294	96,410,904

(Thousand yen)

	Fiscal year ended April 30, 2012 (As of April 30, 2012)	Nine months ended January 31, 2013 (As of January 31, 2013)
Liabilities		
Current liabilities		
Accounts payable	22,524,795	28,379,227
Short-term debt	6,397,458	8,063,824
Accrued income taxes	2,739,772	636,797
Deposits received	7,714,207	8,457,073
Allowance for bonuses to employees	965,445	411,610
Allowance for bonuses to directors	12,846	5,174
Reserve for reward obligations	302,011	311,039
Other current liabilities	2,288,815	2,304,535
Total current liabilities	42,945,352	48,569,281
Long-term liabilities		
Long-term debt	6,318,430	7,639,885
Allowance for retirement benefits	1,448,905	1,634,961
Other long-term liabilities	1,449,631	1,742,634
Total long-term liabilities	9,216,967	11,017,480
Total liabilities	52,162,319	59,586,762
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	20,319,270
Treasury stock	(5,627)	(5,837)
Total shareholders' equity	33,976,755	36,869,380
Accumulated other comprehensive income		
Unrealized holding losses on securities	(281,315)	(73,574)
Total accumulated other comprehensive income	(281,315)	(73,574)
Minority interests	50,535	28,336
Total net assets	33,745,975	36,824,142
Total liabilities and net assets	85,908,294	96,410,904

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

(Thousand yen)

	Nine months ended January 31, 2012 (May 1, 2011 to January 31, 2012)	Nine months ended January 31, 2013 (May 1, 2012 to January 31, 2013)
Net sales	105,389,479	114,671,448
Cost of sales	88,653,800	96,918,844
Gross profit	16,735,678	17,752,603
Selling, general and administrative expenses	9,365,321	10,921,638
Operating income	7,370,357	6,830,964
Non-operating income		
Interest income	44,989	55,760
Dividend income	30,844	29,100
Commissions received	39,453	48,390
Real estate rental revenue	83,680	71,486
Consignment income	73,989	106,652
Other non-operating income	273,124	364,069
Total non-operating income	546,083	675,459
Non-operating expenses		
Interest expenses	136,728	108,890
Loss on sales of accounts receivables	52,747	56,887
Real estate rental expenses	26,947	25,118
Provision of allowance for doubtful accounts	30,000	—
Other non-operating expenses	85,026	53,025
Total non-operating expenses	331,450	243,921
Ordinary income	7,584,990	7,262,502
Extraordinary income		
Gain on sales of investments in securities	13,002	191
Gain on sales of fixed assets	2,236	10,902
Gain on sales of subsidiaries' shares	22,795	—
Insurance income	—	50,000
Insurance premiums refunded cancellation	18,302	—
Other extraordinary income	2,195	2,772
Total extraordinary income	58,532	63,866
Extraordinary losses		
Loss on disposal and sales of fixed assets	64,640	88,901
Loss on sales of investments in securities	11,773	109,796
Impairment losses on investments in securities	91,646	1,750
Impairment losses on fixed assets	113,323	—
Directors' retirement benefits	11,016	320,000
Other extraordinary losses	144,562	69,636
Total extraordinary losses	436,963	590,085
Income before income taxes and minority interests	7,206,559	6,736,284
Income taxes	3,542,293	3,068,608
Income before minority interests	3,664,265	3,667,675
Minority interests	(9,784)	(22,198)
Net income	3,674,049	3,689,874

Quarterly consolidated statements of comprehensive income

(Thousand yen)

	Nine months ended January 31, 2012 (May 1, 2011 to January 31, 2012)	Nine months ended January 31, 2013 (May 1, 2012 to January 31, 2013)
Income before minority interests	3,664,265	3,667,675
Other comprehensive income		
Unrealized holding gains (losses) on securities	(63,791)	207,740
Total other comprehensive income (loss)	(63,791)	207,740
Comprehensive income	3,600,473	3,875,416
Comprehensive income attributable to shareholders of the parent	3,610,257	3,897,615
Comprehensive income attributable to minority interests	(9,784)	(22,198)

(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 Nine months ended January 31, 2012 (May 1, 2011 to January 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	93,823,256	11,378,893	187,329	105,389,479	—	105,389,479
(2) Intersegment sales and transfers	—	—	9,920	9,920	(9,920)	—
Total	93,823,256	11,378,893	197,249	105,399,400	(9,920)	105,389,479
Segment income (loss)	8,801,649	153,563	(80,850)	8,874,362	(1,289,372)	7,584,990

Notes: 1. The adjustment of ¥(1,289,372) thousand to segment income (loss) includes ¥1,149,933 thousand in corporate expenses, ¥90,680 thousand in losses that are not allocated to reportable segments, and ¥48,758 thousand in eliminations due to intersegment transactions.
Corporate 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 six dispensing pharmacy companies that have been acquired by the Group. During the first nine months of the fiscal year, the increase in goodwill related to these companies was ¥1,829,352 thousand.

II Nine months ended January 31, 2013 (May 1, 2012 to January 31, 2013)

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	101,729,833	12,567,131	374,483	114,671,448	—	114,671,448
(2) Intersegment sales and transfers	—	—	66,368	66,368	(66,368)	—
Total	101,729,833	12,567,131	440,851	114,737,816	(66,368)	114,671,448
Segment income (loss)	8,950,081	64,433	(324,374)	8,690,141	(1,427,638)	7,262,502

Notes: 1. The adjustment of ¥1,427,638 thousand to segment income (loss) includes ¥1,385,034 thousand in corporate expenses, ¥89,509 thousand in losses that are not allocated to reportable segments, and ¥(46,906) thousand in eliminations due to intersegment transactions.

Corporate 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 seven dispensing pharmacy companies that have been acquired by the Group. During the first nine months of the fiscal year, the increase in goodwill related to these companies was ¥2,349,689 thousand.