AIN PHARMACIEZ

Summary of Financial Statements for Fiscal Year Ended April 2013

May 28, 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/
Representative:	Kiichi Otani, President and Representative Director
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Date of the ordinary general meeting of shareholders: July 30, 2013
Date of scheduled payment of dividends: July 31, 2013
Date of filing securities report: July 31, 2013
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 fiscal year ended April 2013 (from May 1, 2012 to April 30, 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	%
Year ended April 30, 2013	154,560	8.2	9,701	(5.4)	10,292	(2.4)	5,075	3.6
Year ended April 30, 2012	142,790	10.4	10,253	26.5	10,547	28.5	4,899	25.1

(Note) Comprehensive income: Year ended April 30, 2013: ¥5,407 million (+ 9.3%)
Year ended April 30, 2012: ¥4,947 million (+29.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended April 30, 2013	318.37	—	14.1	11.3	6.3
Year ended April 30, 2012	307.35	—	15.5	13.0	7.2

(Reference) Equity in earnings of affiliates: Year ended April 30, 2013: ¥ — million, Year ended April 30, 2012: ¥ — 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, 2013	95,839	38,356	40.0	2,403.43
As of April 30, 2012	85,908	33,745	39.2	2,113.79

(Reference) Equity capital: As of April 30, 2013: ¥38,312 million, April 30, 2012: ¥33,695 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, 2013	10,203	(8,503)	803	18,439
Year ended April 30, 2012	11,679	(9,010)	(2,131)	15,935

2. Dividends

	Dividends per share					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended April 30, 2012	—	0.00	—	50.00	50.00	797	16.3	2.5
Year ended April 30, 2013	—	0.00	—	60.00	60.00	956	18.8	2.7
Year ending April 30, 2014 (forecast)	—	0.00	—	60.00	60.00		15.4	

3. Consolidated financial forecast for the fiscal year ending April 30, 2014 (from May 1, 2013 to April 30, 2014)

(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 half	81,590	8.7	4,912	16.7	5,122	15.0	2,550	19.3	159.96
Full year	172,000	11.3	11,280	16.3	11,650	13.2	6,000	18.2	376.31

* Notes

(1) Major changes in subsidiaries during the fiscal year (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly consolidated: - Excluded: One company (AIN MEDICAL SYSTEMS Inc.)

(2) 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

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

1) Number of outstanding shares (including treasury stock):	As of April 30, 2013	15,944,106 shares	As of April 30, 2012	15,944,106 shares
2) Number of shares held in treasury:	As of April 30, 2013	3,366 shares	As of April 30, 2012	3,316 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2013	15,940,744 shares	Fiscal year ended April 30, 2012	15,940,880 shares

*Status of execution of the audit procedures of financial statements:

The procedure for the review of the 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 of Attachment

1. Analysis of Operating results and Financial Position

(1) Analysis of operating results

During the fiscal year ended April 30, 2013, there were growing expectations that the Japanese economy was gradually heading for recovery. This reflected signs of an upturn in corporate earnings, particularly at major companies, due to an improvement in the export environment and the impact of economic stimulus measures and monetary policy, as well as a pickup in consumer spending and production activity supported by improving consumer confidence.

In this economic environment, the AIN PHARMACIEZ Group (the Group) aggressively expanded its dispensing pharmacy business and urban drug and cosmetic store business by opening new stores and using M&A, and launched a number of new initiatives, such as the comprehensive development of medical malls and the revitalization of existing stores.

For the fiscal year under review, the Group reported net sales of ¥154,560 million, an increase of 8.2% year on year due to the opening of new dispensing pharmacies and urban drug and cosmetic stores, as well as the impact of M&A in the dispensing pharmacy business. However, ordinary income declined 2.4% to ¥10,292 million, mainly reflecting the impact of upfront investment in the medical mall development business. Net income increased 3.6% year on year to ¥5,075 million. As of the end of the fiscal year, the number of stores in the Group totaled 621, a net increase of 71 stores from the end of the previous fiscal year.

Performance by business segment was as follows.

(Dispensing pharmacy business)

The earnings capacity of the existing dispensing pharmacies has declined slightly due to the impact of drug price and dispensing fee revisions in April 2012, which included an average reduction in drug prices of 6.25%.

Under these conditions, the Group is aiming to boost profits by expanding the scale of the business. Specifically, the Group is maintaining steady sales by continuing to actively open and develop new stores. It is also seeking to aggressively tap the growing number of M&A opportunities in the sector due to changes in the business environment, while emphasizing returns on investment.

In addition, the Group began implementing measures at existing dispensing pharmacies to fundamentally rebuild drug dispensing processes and dispensing pharmacy management methods in order to enhance safety and boost productivity.

The medical mall development business requires comprehensive support from across the Group, including the operation of dispensing pharmacies—the Group's core business—property development and marketing to attract clinics to the malls. The medical mall development business began full-scale operations from the fiscal year under review. The business has already opened 15 medical malls, mainly in the Tokyo metropolitan area, and has finalized a joint project with Kintetsu Corporation to develop one of Japan's largest medical floors in ABENO HARUKAS, a new skyscraper that is set to become the country's tallest mixed-use building (Abeno-ku, Osaka; 60 above ground floors, five below ground; scheduled to open April 2014).

The dispensing pharmacy business reported net sales of ¥137,291 million, an increase of 8.0% year on year, and segment income of ¥12,655 million, up 3.0%. During the fiscal year under review, the Group opened 76 dispensing pharmacies, including those operated by 11 companies that became Group subsidiaries through M&A deals, and closed 10 dispensing pharmacies, resulting in a total of 560.

(Drug and cosmetic store business)

There were some signs of an upturn in the retail sector as a whole from the fourth quarter of the fiscal year under review, but the drugstore sector continued to face a challenging market environment due to market entrants from different sectors and a narrowing strategic gap and price competition between companies within the sector. This was compounded by a decline in demand compared with the previous fiscal year, 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 continually strengthening merchandise lineups, particularly for drug and cosmetic products, in order to clearly communicate to consumers the shop's concept as a drug and cosmetics retailer.

Also, in sales promotion, the business joined the Smapo smartphone application-based shopping points program, and worked on transferring Ainz Point Club Card holders to a mobile-based system.

As of the end of the fiscal year under review, 227,000 point club card holders, out of a total of 3 million, had become mobile-based members. This number includes existing members who have been transferred to the mobile system and newly signed up members. In general, mobile club card holders tend to shop in our stores more regularly, and we plan to attract more members to the system to increase the number of repeat customers and enhance cost efficiency.

In May 2013, we established a new online sales division, which is now working to launch an online business based on the *ainz & tulpe* shop's concept.

During the period under review, the business opened a number of new *ainz & tulpe* format stores in station retail areas and prime locations near stations. These included the *ainz & tulpe* Nakano Central Park East Store (Nakano-ku, Tokyo), the Marui Kinshicho Store (Sumida-ku, Tokyo), the Shibuya Center-Gai Store (Shibuya-ku, Tokyo), the Yokohama Porta Store (Nishi-ku, Yokohama), the Tokorozawa Station Store (Tokorozawa-shi, Saitama Prefecture), the KYOTO AVANTI Store (Minami-ku, Kyoto) and Sakurano Hirosaki Store (Hirosaki-shi, Aomori Prefecture), resulting in a Group total of 61 drug and cosmetics stores.

As a result, the drug and cosmetic store business reported net sales of ¥16,735 million, an increase of 8.7% year on year, and segment income of ¥14 million, down 88.6%.

(Other businesses)

Net sales of other businesses totaled ¥533 million, an increase of 104.2% year on year, and the segment losses totaled ¥398 million, a deterioration of 176.9% year on year mainly due to upfront rental costs incurred ahead of the opening of new medical malls.

In the fiscal year ending April 30, 2014, the dispensing pharmacy business will continue to open new dispensing pharmacies near hospitals and medical malls with dispensing pharmacies, and actively seek M&A opportunities. The drug and cosmetic store business will also continue to open *ainz & tulpe* urban drug and cosmetic stores. These store development programs are aimed at creating a combined network of more than 85 dispensing pharmacies and urban drug and cosmetic stores to drive the Group's continued business expansion.

We expect the market environment in the dispensing pharmacy business to become more challenging due to factors such as the planned increase in consumption tax and the next round of drug price and dispensing fee revisions, scheduled for April 2014.

The Group will work to generate profits from the next fiscal year by expanding the scale of the business through new store openings, M&A and other measures, improving the performance of existing dispensing pharmacies through a fundamental improvement in operations, and investing in IT systems to enhance the Group's ability to analyze business conditions.

In the drug and cosmetic store business, the Group will continually upgrade sales areas and strengthen the merchandise lineup, as well as increase membership in the mobile-based Ainz Point Club Card system and actively use sales promotion methods linked with social network service applications to enhance its ability to communicate information about the *ainz & tulpe* brand and boost earnings on a store-by-store basis.

Based on these initiatives, the Group forecasts net sales for the fiscal year ending April 30, 2014 of ¥172,000 million, up 11.3% year on year, ordinary income of ¥11,650 million, up 13.2%, and net income of ¥6,000 million, an increase of 18.2%.

(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 ¥2,842 million to ¥43,162 million compared to ¥40,320 million at the end of the previous fiscal year.

This mainly reflected cash on hand and in banks of ¥18,460 million, up ¥2,525 million year on year due to wider use of the securitization of dispensing fee receivables, notes and accounts receivable of ¥7,043 million, down ¥3,941 million, and other accounts receivable of ¥7,180 million, up ¥4,422 million.

Fixed assets at the end of the fiscal year under review increased by ¥7,106 million to ¥52,676 million compared to ¥45,570 million at the end of the previous fiscal year.

This was mainly due to an increase in fixed assets related to investment in new stores and expansion in the asset base at consolidated subsidiaries that became part of the Group through M&A deals. Property, plant and equipment increased by ¥2,293 million to ¥17,550 million, while goodwill rose ¥1,909 million to ¥19,574 million.

In addition, investments and other assets increased by ¥2,862 million year on year to ¥14,520 million, chiefly reflecting an increase in deposits and guarantees.

Liabilities increased by ¥5,321 million to ¥57,483 million compared to ¥52,162 million at the end of the previous fiscal year.

This primarily reflected accounts payable of ¥24,084 million, up ¥1,559 million year on year, short-term debt of ¥7,483 million, up ¥1,085 million, and long-term debt of ¥8,048 million, up ¥1,730 million.

As a result of the above, the balance of current liabilities increased by ¥2,741 million from the previous year-end balance of ¥42,945 million to ¥45,686 million, and the balance of long-term liabilities increased by ¥2,579 million from the previous year-end balance of ¥9,216 million to ¥11,796 million.

Net assets increased by ¥4,610 million to ¥38,356 million compared to ¥33,745 million at the end of the previous fiscal year.

This was because the balance of retained earnings rose ¥4,278 million to ¥21,704 million due to the growth of retained earnings during the fiscal year.

Net unrealized gains on available-for-sale securities totaled ¥57 million.

As a result of the above factors, shareholders' equity ratio improved 0.8 percentage points to 40.0%, compared with 39.2% at the end of the previous fiscal year.

2) Cash flows

In the fiscal year under review, cash on hand and in banks ("cash") increased ¥2,504 million (15.7%) year on year to ¥18,439 million. This reflected operating cash flow generated by dispensing pharmacy and drug and cosmetic store businesses, which was mainly used to actively invest in new store openings and M&A. Some cash was also retained to provide constant access to a certain level of funds.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥10,203 million, a decrease of 12.6% year on year.

The main items that were positive for cash flow were income before income taxes and minority interests of ¥9,694 million, as well as depreciation and amortization of ¥2,212 million and amortization of goodwill of ¥1,784 million related to business expansion through new store openings and M&A. Decrease in accounts receivable of ¥4,672 million, related to wider use of the securitization of dispensing fee receivables, also had a positive impact on operating cash flow.

The main items that were negative for cash flow were increase in other accounts receivable of ¥4,268 million and income taxes paid of ¥4,947 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥8,503 million, a decrease of 5.6% year on year.

This was mainly due to payments of ¥3,266 million for purchases of property, plant and equipment related to new openings and refurbishments of urban drug and cosmetic stores and dispensing pharmacies, and ¥2,923 million for purchases of subsidiaries' shares resulting in obtaining controls related to shares acquired in eleven companies through M&A deals.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥803 million, compared with cash of ¥2,131 million used in the previous fiscal year.

This was mainly attributable to net short-term debt procurement of ¥850 million and net long-term debt procurement of ¥1,181 million.

Cash dividends paid totaled ¥797 million.

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

	Year ended April 30, 2010	Year ended April 30, 2011	Year ended April 30, 2012	Year ended April 30, 2013
Shareholders' equity ratio (%)	32.5	38.3	39.2	40.0
Equity ratio based on market value (%)	62.5	64.5	79.6	79.3
Debt redemption term (years)	2.3	1.7	1.1	1.7
Interest coverage ratio (times)	22.1	31.4	73.6	70.3

Notes: Shareholders' 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 are 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 current fiscal year and the next 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, interim dividends may be paid based on a record date of October 31 each year."

For the fiscal year under review, the Company plans to pay a dividend of ¥60 per share, an increase of ¥10 per share compared with the previous fiscal year's ordinary dividend of ¥50.

In view of profit forecasts, plans for investment and other factors, the Company intends to pay an ordinary dividend from retained earnings of ¥60 per share for the fiscal year ending April 30, 2014, the same level as the planned dividend for the fiscal year under review.

(4) Business and other risks

The following factors may affect 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) Laws and regulations

(i) Regulations under the Pharmaceutical Affairs Law and other laws

We operate dispensing pharmacy business 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 drugstore business in our drug and cosmetic store business also involves drug sales, 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 (Note)	6 years	Pharmaceutical Affairs Law	Prefectural Governors, etc.

Note: Under Article 25 of the Pharmaceutical Affairs Law, medical product sales permits fall into the three categories: Store-based drug sellers, drug sellers by household distribution and drug sellers by wholesale distribution. The Group's drug and cosmetic store business has a permit for store-based drug sales under this law. 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 dispensing pharmacy and drug and cosmetic store businesses, 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 performance may be affected.

(ii) Easing of drug sales regulations

Under the "Law for Partial Revision of the Pharmaceutical Affairs Law" (Law No. 69, 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. It has thus possible to sell the two lower-risk categories of drugs as newly registered sellers, not requiring a pharmacist. Factors such as the entry into the market of firms from other industries as a result of a continuing trend in the future to deregulate drug sales may affect the Group's performance.

2) Details of business

The Group's dispensing pharmacy business operates a chain of dispensing pharmacies. These dispensing pharmacies are mainly located near major hospitals (in order to focus on demand from patients who have prescriptions written by those hospitals) and in medical malls developed by the Group (in order to focus on demand from patients who have prescriptions written by those mixed medical facilities).

As the dispensing pharmacy business accounted for 88.8% of net sales in the fiscal year under review, we plan to continue the multi-store operation mainly based on 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 store openings by competitors in the same industry.

Furthermore, sales of dispensing pharmacies significantly depend on the medical institutions that write prescriptions. Therefore, uncertainties such as the issuance of non-hospital prescriptions by the medical institutions or suspension / discontinuation of operations thereof may affect the Group's performance.

3) Industry trends

The revenues in our dispensing pharmacy business come from pharmacy operations involving the dispensing and supplying of drugs based on prescriptions. The drug prices and dispensing fees are set by the Ministry of Health, Labour and Welfare. As a way to contract medical expenses, both medical treatment fees and drug prices are being revised incrementally. In the future as well, changes in profit structure resulting from factors such as revisions in the medical treatment fee system could continue to affect the Group's performance and financial position.

4) Securing qualified staff

Dispensing pharmacies and drugstores (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 drugs must be handled by a pharmacist. The Group continues to have a policy of expansion by aggressively opening new stores, but if it becomes difficult to secure qualified pharmacists, this could affect our store openings and the Group's performance.

5) Risks of loss of trust in the Company

(i) Dispensing operation

In our dispensing pharmacy business, pharmacists dispense and supply prescription drugs that affect the human body. This business carries the risk that medical accidents might be caused through dispensing errors.

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 avoid the risk from all aspects.

Primary risk prevention measures are as follows.

- Group training for newly graduated pharmacists and training programs for mid-career pharmacists when joining the Company
- A continuing training program aimed at improving skills of pharmacists
- Pharmacy manager conferences attended by all pharmacy managers, to nurture supervisors
- Development of a dispensing error prevention system (PhAIN) that uses Personal Digital Assistants (PDAs) developed with a dispensing equipment manufacturer. Development and introduction of pharmacy equipment that makes use of information technology, such as the automation of dispensing operations.
- 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 dispensing errors

(ii) Protection of personal data

We possess patient data in the dispensing pharmacy business, including medical histories and prescription information, and we possess personal data in the drug and cosmetic store business obtained from the Ainz Point Club Card.

The Group has completed development of personal information protection systems and rules for the handling of such information. The Company acquired the Privacy Mark accreditation in the healthcare, medical and social service fields.

However, we believe it is possible that any accidental or illegal leakage of personal data may not only affect the Group's 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 the business scale of dispensing pharmacies through actively promoting new store openings and M&A.

Our basic policies regarding 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 matters do not go as planned, however, we may incur losses on valuation of shares in subsidiaries and impairment losses on goodwill, which may have an adverse impact on the Group's operating results and financial position.

7) Interest rate risks

In the Group's promotion of business expansion based on actively promoting new store openings and M&A, costs for ordinary store openings are covered by internal funds within the range of operating cash flow, while in large-scale M&A, costs are sometimes financed by borrowings from financial institutions.

In order to ensure flexible access to funds to support these activities, the Group maintains a certain level of liquidity on its balance sheet. As of the end of the fiscal year under review, cash on hand and in banks totaled ¥18,460 million, compared with a total balance of short- and long-term debt of ¥15,531 million.

We focus on possibility of return on investment and seek to reduce interest-bearing debts through efficient investment in implementing M&A deals. 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 market, 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), 25 subsidiaries and one affiliated company.

(1) Dispensing pharmacy business

The Company operates and franchises dispensing pharmacies, and engages in consulting on the opening of dispensing pharmacies.

The subsidiaries AIN MEDIO Inc., DAICHIKU Co., Ltd., Asahi Pharmacy Co., Ltd., and 19 other subsidiaries operate dispensing pharmacies.

MEDIWEL Corp. is engaged in a medical-related consulting business and staff dispatching/introduction, primarily of doctors and pharmacists, Medical Development Co., Ltd. is engaged in a medical-related consulting business, and WHOLESALE STARS Co., Ltd. sells generic drugs and other merchandise.

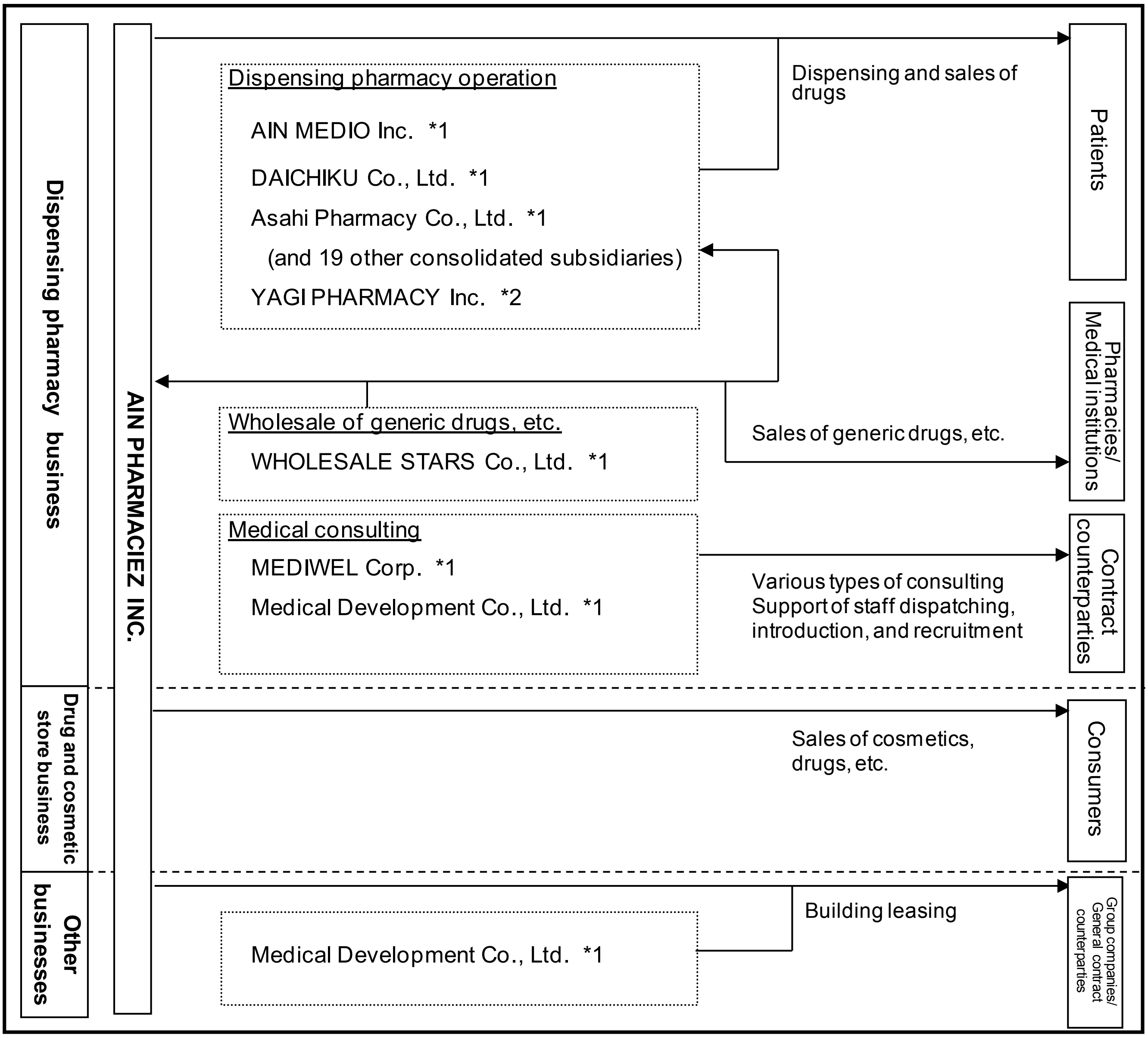
(2) Drug and cosmetic store business

The Company engages in the management of drugstores (sales of drugs, quasi-drugs, cosmetics, food, general merchandise, etc.), and in consulting on the opening of shopping centers.

(3) Other businesses

The Company and subsidiary Medical Development Co., Ltd. are in the building leasing business.

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

(2) Target management indicators

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

(4) Issues to be addressed

Disclosure of explanations regarding the above matters is omitted since there is no significant change from Summary of Financial Statements for Fiscal Year Ended April 2010 (as of June 3, 2010).

The details can be checked on the website below;

(AIN PHARMACIEZ INC.)

http://www.ainj.co.jp/

(Tokyo Stock Exchange: Listed company search)

http://www.tse.or.jp/listing/compsearch/index.html

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousand yen)

	Previous fiscal year (As of April 30, 2012)	Current fiscal year (As of April 30, 2013)
Assets		
Current assets		
Cash on hand and in banks	15,935,326	18,460,349
Notes and accounts receivable	10,985,402	7,043,984
Merchandise	8,138,749	7,816,853
Supplies	114,663	127,546
Deferred tax assets	891,515	955,372
Short-term loans	606,000	445,000
Other accounts receivable	2,757,752	7,180,659
Other current assets	917,774	1,142,498
Allowance for doubtful accounts	(26,875)	(9,917)
Total current assets	40,320,310	43,162,346
Fixed assets		
Property, plant and equipment		
Buildings and structures	13,191,262	15,007,290
Accumulated depreciation	(6,142,308)	(6,759,483)
Buildings and structures, net	7,048,953	8,247,806
Land	5,621,786	6,030,803
Construction in progress	824,912	1,101,510
Other property, plant and equipment	4,758,735	5,770,116
Accumulated depreciation	(2,997,483)	(3,600,201)
Other property, plant and equipment, net	1,761,251	2,169,914
Total property, plant and equipment	15,256,904	17,550,035
Intangible fixed assets		
Goodwill	17,664,823	19,574,539
Other intangible fixed assets	990,546	1,031,265
Total intangible fixed assets	18,655,369	20,605,804
Investments and other assets		
Investments in securities	2,825,629	2,789,730
Deferred tax assets	1,122,782	946,439
Deposits and guarantees	5,758,338	6,985,755
Other investments and other assets	2,208,196	4,066,340
Allowance for doubtful accounts	(256,986)	(267,829)
Total investments and other assets	11,657,961	14,520,435
Total fixed assets	45,570,235	52,676,275
Deferred assets		
Stock issuance cost	17,748	1,296
Total deferred assets	17,748	1,296
Total assets	85,908,294	95,839,919

(Thousand yen)

	Previous fiscal year (As of April 30, 2012)	Current fiscal year (As of April 30, 2013)
Liabilities		
Current liabilities		
Accounts payable	22,524,795	24,084,746
Short-term debt	6,397,458	7,483,090
Accrued income taxes	2,739,772	2,427,308
Deposits received	7,714,207	7,906,269
Allowance for bonuses to employees	965,445	1,098,611
Allowance for bonuses to directors	12,846	12,929
Reserve for reward obligations	302,011	315,919
Other current liabilities	2,288,815	2,357,917
Total current liabilities	42,945,352	45,686,791
Long-term liabilities		
Long-term debt	6,318,430	8,048,584
Allowance for retirement benefits	1,448,905	1,659,245
Other long-term liabilities	1,449,631	2,088,777
Total long-term liabilities	9,216,967	11,796,607
Total liabilities	52,162,319	57,483,398
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	21,704,510
Treasury stock	(5,627)	(5,837)
Total shareholders' equity	33,976,755	38,254,620
Accumulated other comprehensive income (losses)		
Unrealized holding gains (losses) on securities	(281,315)	57,855
Total accumulated other comprehensive income (losses)	(281,315)	57,855
Minority interests	50,535	44,044
Total net assets	33,745,975	38,356,520
Total liabilities and net assets	85,908,294	95,839,919

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Net sales	142,790,684	154,560,620
Cost of sales	119,697,522	130,118,447
Gross profit	23,093,161	24,442,173
Selling, general and administrative expenses		
Advertising expenses	680,322	713,984
Promotion expenses	122,795	161,158
Salaries, allowances and bonuses	3,216,772	3,477,264
Provision of allowance for doubtful accounts	9,909	9,187
Provision for bonuses	157,489	223,656
Provision for directors' bonuses	12,846	12,929
Provision for retirement benefits	87,667	108,665
Provision for reward obligations	302,011	315,919
Legal and employee benefits expenses	721,138	923,076
Correspondence and transportation expenses	492,268	570,692
Lease expenses	175,266	135,997
Rent expenses	2,266,312	2,570,000
Depreciation expenses	501,077	734,645
Amortization of goodwill	1,077,879	1,336,871
Taxes	504,206	562,304
Other	2,511,316	2,884,589
Total selling, general and administrative expenses	12,839,280	14,740,943
Operating income	10,253,881	9,701,230
Non-operating income		
Interest income	59,450	88,661
Dividend income	34,966	29,100
Gain on investments in partnership	—	80,251
Commissions received	58,586	71,294
Real estate rental revenue	131,962	91,371
Gain on donation of fixed assets	28,074	18,337
Consignment income	123,686	134,471
Technical advisory fee	75,648	63,381
Other non-operating income	234,508	335,895
Total non-operating income	746,886	912,765
Non-operating expenses		
Interest expenses	159,399	144,227
Losses on sales of accounts receivables	71,299	78,720
Losses on funds managed in investment partnerships	19,250	—
Real estate rental expenses	82,737	32,748
Other non-operating expenses	120,232	65,677
Total non-operating expenses	452,918	321,373

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Ordinary income	10,547,849	10,292,622
Extraordinary income		
Gain on sales of fixed assets	17,121	20,770
Gain on sales of investments in securities	21,332	119,492
Gain on sales of shares of subsidiaries and affiliates	22,795	—
Gain on transfer of business	—	11,666
Surrender value of insurance	18,302	—
Insurance income	—	50,000
Other extraordinary income	2,826	8,801
Total extraordinary income	82,378	210,731
Extraordinary losses		
Losses on disposal and sales of fixed assets	147,419	132,390
Losses on sales of investments in securities	192,997	124,010
Losses on devaluation of investments in securities	52,446	1,750
Impairment losses on fixed assets	243,795	159,171
Directors' retirement benefits	11,766	320,000
Other extraordinary losses	199,686	71,480
Total extraordinary losses	848,111	808,803
Income before income taxes and minority interests	9,782,115	9,694,549
Income taxes – current	4,652,210	4,597,097
Income taxes – deferred	228,550	28,828
Total income taxes	4,880,761	4,625,925
Income before minority interests	4,901,353	5,068,624
Minority interests in income (losses)	1,951	(6,490)
Net income	4,899,402	5,075,114

Consolidated statements of comprehensive income

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Income before minority interests	4,901,353	5,068,624
Other comprehensive income		
Unrealized holding gains on securities	46,560	339,171
Total other comprehensive income	46,560	339,171
Total comprehensive income	4,947,914	5,407,795
Comprehensive income attributable to shareholders of the parent	4,945,963	5,414,285
Comprehensive income (losses) attributable to minority interests	1,951	(6,490)

(3) Consolidated statements of changes in net assets

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Shareholders' equity		
Common stock		
Balance at the beginning of current year	8,682,976	8,682,976
Balance at the end of current year	8,682,976	8,682,976
Capital surplus		
Balance at the beginning of current year	7,872,970	7,872,970
Balance at the end of current year	7,872,970	7,872,970
Retained earnings		
Balance at the beginning of current year	13,227,209	17,426,435
Net changes during the year		
Cash dividends paid	(717,345)	(797,039)
Change in scope of consolidation	17,168	—
Net income	4,899,402	5,075,114
Total changes during the year	4,199,226	4,278,075
Balance at the end of current year	17,426,435	21,704,510
Treasury stock		
Balance at the beginning of current year	(4,918)	(5,627)
Net changes during the year		
Acquisition of treasury stock	(708)	(210)
Total change during the year	(708)	(210)
Balance at the end of current period	(5,627)	(5,837)
Total shareholders' equity		
Balance at the beginning of current year	29,778,237	33,976,755
Net changes during the year		
Cash dividends paid	(717,345)	(797,039)
Change in scope of consolidation	17,168	—
Net income	4,899,402	5,075,114
Acquisition of treasury stock	(708)	(210)
Total changes during the year	4,198,517	4,277,865
Balance at the end of current year	33,976,755	38,254,620

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Accumulated other comprehensive income (losses)		
Unrealized holding gains (losses) on securities		
Balance at the beginning of current year	(327,875)	(281,315)
Net changes during the year		
Net change in items other than those in shareholders' equity	46,560	339,171
Total changes during the year	46,560	339,171
Balance at the end of current year	(281,315)	57,855
Total accumulated other comprehensive income (losses)		
Balance at the beginning of current year	(327,875)	(281,315)
Net changes during the year		
Net change in items other than those in shareholders' equity	46,560	339,171
Total changes during the year	46,560	339,171
Balance at the end of current year	(281,315)	57,855
Minority interests		
Balance at the beginning of current year	48,584	50,535
Net changes during the period		
Net change in items other than those in shareholders' equity	1,951	(6,490)
Total changes during the year	1,951	(6,490)
Balance at the end of current year	50,535	44,044
Total net assets		
Balance at the beginning of current year	29,498,946	33,745,975
Net changes during the year		
Cash dividends paid	(717,345)	(797,039)
Change in scope of consolidation	17,168	—
Net income	4,899,402	5,075,114
Acquisition of treasury stock	(708)	(210)
Net change in items other than those in shareholders' equity	48,511	332,680
Total changes during the year	4,247,028	4,610,545
Balance at the end of current year	33,745,975	38,356,520

(4) Consolidated statements of cash flows

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	9,782,115	9,694,549
Depreciation and amortization	1,749,581	2,212,673
Amortization of goodwill	1,262,920	1,784,362
Impairment losses on fixed assets	243,795	159,171
Impairment losses on investments in securities	52,446	1,750
Gain on sales of shares of subsidiaries and affiliates	(22,795)	—
Decrease in allowance for doubtful accounts	(79,104)	(6,964)
Increase (decrease) in reserve for reward obligations	(11,360)	13,908
Increase in allowance for retirement benefits	174,879	202,089
Increase in allowance for bonuses to employees	1,749	114,549
Increase in allowance for bonuses to directors	3,471	83
Decrease in reserve for losses on disaster	(11,000)	—
Interest and dividend income	(94,417)	(117,762)
Interest expenses	159,399	144,227
(Gain)losses on investments in partnerships	19,250	(80,251)
Gain on donation of property, plant and equipment	(28,074)	(18,337)
Losses on sales of investments in securities	171,665	4,518
Losses on disposal and sales of fixed assets	130,298	111,619
Gain on transfer of business	—	(11,666)
Decrease in accounts receivable	70,008	4,672,927
Decrease in inventories	404,720	504,566
(Increase) decrease in other assets	10,133	(195,529)
Increase in other accounts receivable	(687,125)	(4,268,619)
Increase in accounts payable	1,862,420	474,551
(Decrease) increase in other liabilities	1,007,236	(224,922)
Subtotal	16,172,215	15,171,496
Interest and dividends received	84,430	125,119
Interest paid	(158,749)	(145,132)
Income taxes paid	(4,418,239)	(4,947,778)
Net cash provided by operating activities	11,679,656	10,203,704

(Thousand yen)

	Previous fiscal year (May 1, 2011 to April 30, 2012)	Current fiscal year (May 1, 2012 to April 30, 2013)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(2,378,199)	(3,266,990)
Proceeds from sales of property, plant and equipment	165,692	324,927
Proceeds from transfer of business	—	65,000
Payments for purchases of investments in securities	(477,754)	(559,295)
Proceeds from sales of investments in securities	574,650	1,239,667
Purchase of shares in affiliates	(7,550)	—
Purchases of subsidiaries' shares resulting in obtaining controls	(4,122,116)	(2,923,359)
Proceeds from subsidiaries' shares resulting in losses of controls	204,700	—
Payments for loans receivable	(1,060,500)	(578,500)
Proceeds from collections of loans receivable	182,509	733,907
Payments for investments in capital	(3,600)	(743,076)
Proceeds from returns of investments in capital	6,316	106
Payments for purchase of intangible fixed assets	(1,228,303)	(956,067)
Proceeds from sales of intangible assets	1,362	2,904
Increase in other investments	(912,861)	(1,864,539)
Proceeds from withdrawal of time deposits	45,175	36,100
Payments for time deposits	(300)	(14,049)
Net cash used in investing activities	(9,010,778)	(8,503,264)
Cash flows from financing activities		
Proceeds from short-term debts	3,100,000	7,735,000
Repayments of short-term debts	(2,777,437)	(6,884,447)
Proceeds from long-term debts	3,400,000	6,440,000
Repayments of long-term debts	(4,646,327)	(5,258,395)
Payments for redemption of bonds	(184,000)	—
Repayments of lease obligations	(305,236)	(431,027)
Payments for purchase of treasury stock	(708)	(210)
Cash dividends paid	(717,345)	(797,039)
Net cash provided by (used in) financing activities	(2,131,055)	803,880
Net increase in cash and cash equivalents	537,822	2,504,320
Cash and cash equivalents at beginning of the year	15,397,504	15,935,326
Cash and cash equivalents at end of the year	15,935,326	18,439,646

(Segment Information, etc.)

a. Segment information

1. Description of the reportable segments

The Company's reportable segments consist of those of its components for which it is possible to obtain separate financial information that is examined by its Board of Directors on a regular basis for the purpose of deciding on the allocation of corporate resources and assessing business performance.

The Group's business comprises three units that together represent its main business units, namely, dispensing pharmacy business that consists of operation of dispensing pharmacies, selling of generic drugs, temporary staff/recruiting and consulting services, and drug and cosmetic store business that consists of the management of urban and suburban drug and cosmetic stores as well as other businesses that consist mainly of real-estate leasing services. The formulation and examination of business strategy is conducted individually for each business.

Accordingly, the reportable segments of the Group are composed of three units, namely, dispensing pharmacy business, drug and cosmetic store business and other businesses.

2. Methods to determine the amounts of net sales, income or losses, assets, liabilities and other items by reportable segment

The methods used for accounting for the reportable business segments are generally similar to those described in the Basic Important Matters for Preparation of Consolidated Financial Statements.

The income figures for the reportable segments are expressed at the ordinary income level. Intersegment sales and transfers are based on prevailing market prices.

3. Sales, income or losses, assets, liabilities and other items for each reportable segment

I. Previous fiscal year (May 1, 2011 to April 30, 2012)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	127,134,361	15,395,215	261,108	142,790,684	–	142,790,684
Intersegment sales	–	–	18,747	18,747	(18,747)	–
Total sales	127,134,361	15,395,215	279,855	142,809,432	(18,747)	142,790,684
Segment income (losses)	12,286,672	125,900	(143,752)	12,268,820	(1,720,971)	10,547,849
Segment assets	77,141,833	7,204,152	2,445,785	86,791,771	(883,476)	85,908,294
Other						
Depreciation and amortization	1,276,009	220,402	28,747	1,525,159	28,135	1,553,295
Amortization of goodwill	1,257,880	5,040	–	1,262,920	–	1,262,920
Impairment losses	177,469	54,688	11,637	243,795	–	243,795
Increase of tangible and intangible assets	3,645,188	456,862	138,814	4,240,866	2,395	4,243,261

Notes: 1. Segment income (losses) in “Adjustments” totaling (¥1,720,971 thousand) includes ¥1,557,834 thousand in overall group expenses, ¥87,312 thousand in losses that may not be allocated to the reporting segments, and ¥75,824 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.

Segment assets of (¥883,476 thousand) under “Adjustments” consist mainly of assets associated with the administrative divisions of the parent company and the difference in elimination of intersegment transactions.

2. Segment income is adjusted with the ordinary income of consolidated statements of income.

II. Current fiscal year (May 1, 2012 to April 30, 2013)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	137,291,626	16,735,762	533,231	154,560,620	—	154,560,620
Intersegment sales	—	—	136,627	136,627	(136,627)	—
Total sales	137,291,626	16,735,762	669,859	154,697,248	(136,627)	154,560,620
Segment income (losses)	12,655,976	14,355	(398,033)	12,272,298	(1,979,676)	10,292,622
Segment assets	80,710,057	7,048,885	3,961,506	91,720,449	4,119,470	95,839,919
Other						
Depreciation and amortization	1,576,794	260,444	71,396	1,908,635	38,490	1,947,126
Amortization of goodwill	1,779,322	5,040	—	1,784,362	—	1,784,362
Impairment losses	6,949	129,499	15,235	151,684	7,487	159,171
Increase of tangible and intangible assets	3,575,047	373,150	812,353	4,760,552	549,820	5,310,372

Notes: 1. Segment income (losses) in “Adjustments” totaling (¥1,979,676 thousand) includes ¥1,930,067 thousand in overall group expenses, ¥112,224 thousand in losses that may not be allocated to the reporting segments, and(¥62,615thousand) 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.
Segment assets in “Adjustments” totaling ¥4,119,470 thousand consist mainly of assets associated with the administrative divisions of the parent company and the difference in elimination of intersegment transactions.
2. Segment income is adjusted with the ordinary income of consolidated statements of income.

b. Related information

I. Previous fiscal year (May 1, 2011 to April 30, 2012)

1. Information by product and service

This disclosure has been omitted because the same information is disclosed under Segment Information.

2. Information by region

(1) Net sales

This disclosure has been omitted because the Group had no sales to external customers outside Japan during the fiscal year.

(2) Property, plant and equipment

This disclosure has been omitted because the Group had no property, plant and equipment located outside Japan at the balance sheet date.

II. Current fiscal year (May 1, 2012 to April 30, 2013)

1. Information by product and service

This disclosure has been omitted because the same information is disclosed under Segment Information.

2. Information by region

(1) Net sales

This disclosure has been omitted because the Group had no sales to external customers outside Japan during the fiscal year.

(2) Property, plant and equipment

This disclosure has been omitted because the Group had no property, plant and equipment located outside Japan at the balance sheet date.

c. Information regarding impairment losses of fixed assets for each reported segment

Previous fiscal year (May 1, 2011 to April 30, 2012)

This disclosure has been omitted because the same information is disclosed under Segment Information.

Current fiscal year (May 1, 2012 to April 30, 2013)

This disclosure has been omitted because the same information is disclosed under Segment Information.

d. Information about goodwill amortization amount and year-end balance for each reportable segment

Previous fiscal year (May 1, 2011 to April 30, 2012)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	1,257,880	5,040	—	—	1,262,920
Balance at the end of current fiscal year	17,654,743	10,080	—	—	17,664,823

Current fiscal year (May 1, 2012 to April 30, 2013)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	1,779,322	5,040	—	—	1,784,362
Balance at the end of current fiscal year	19,569,499	5,040	—	—	19,574,539

e. Information about gains on negative goodwill for each reported segment

Previous fiscal year (May 1, 2011 to April 30, 2012)

There are no applicable matters to be reported.

Current fiscal year (May 1, 2012 to April 30, 2013)

There are no applicable matters to be reported.