Summary of Financial Statements for the First Quarter of Fiscal Year Ending April 2015

[Japan GAAP] (Consolidated)

August 25, 2014

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 filing quarterly securities report: September 16, 2014

Start of dividend payment: –

Supplementary documents for quarterly results: No

Quarterly results briefing: No

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

1. Consolidated results for the first quarter of fiscal year ending April 30, 2015 (May 1, 2014 to July 31, 2014)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended July 31, 2014	43,354	5.2	1,707	(28.4)	1,825	(26.6)	1,004	(33.8)
Three months ended July 31, 2013	41,214	13.7	2,384	5.7	2,484	6.7	1,516	66.3

(Note) Comprehensive income: Three months ended July 31, 2014: ¥1,060 million (-28.2%)
Three months ended July 31, 2013: ¥1,478 million (+42.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended July 31, 2014	63.34	–
Three months ended July 31, 2013	95.16	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2014	100,492	42,736	42.4	2,687.56
As of April 30, 2014	101,382	42,240	41.5	2,656.86

(Reference) Shareholders' equity: As of July 31, 2014: ¥42,609 million As of April 30, 2014: ¥42,122 million

2. Dividends

	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, 2014	–	0.00	–	60.00	60.00
Year ending April 30, 2015	–				
Year ending April 30, 2015 (forecast)		0.00	–	30.00	30.00

(Note) Revision to the most recently announced dividend forecasts: Yes

*The Company intends to conduct a 2-for-1 stock split of common shares with an effective date of October 1, 2014. Consequently, the year-end dividend per share for the fiscal year ending April 30, 2015 (forecast) is based on the number of shares after the stock split. Assuming no stock split, the forecast for the year-end dividend is ¥60.00 per share.

3. Consolidated financial forecasts for the fiscal year ending April 30, 2015 (May 1, 2014 to April 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	89,260	7.5	3,590	(28.4)	3,830	(25.8)	1,970	(32.1)	62.13
Full year	190,000	11.6	10,260	1.5	10,700	1.1	5,500	4.6	173.46

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

*The Company intends to conduct a 2-for-1 stock split of common shares with an effective date of October 1, 2014. Net income per share for the fiscal year ending April 30, 2015 (forecast) has been calculated assuming the stock split was conducted at the start of the current fiscal year. Assuming no stock split, forecasts for net income per share are ¥124.26 for the first six months of the fiscal year and ¥346.91 for the full year. For more details about the stock split, please refer to "(3) Notes on quarterly consolidated financial statements (Material Subsequent Events)" on page 9 of the Attachment.

*Notes

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

Newly consolidated: – Excluded: –

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

(Note) For detail, please refer to "2. Matters concerning summary information (notes) (2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements" on page 3 of the Attachment.

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

1) Changes in accounting principles as a result of revisions to accounting standards, etc.: Yes

2) Changes in accounting principles other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

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

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of July 31, 2014	15,944,106 shares	As of April 30, 2014	15,944,106 shares
2) Number of shares held in treasury:	As of July 31, 2014	89,916 shares	As of April 30, 2014	89,916 shares
3) Average number of shares outstanding:	Three months ended July 31, 2014	15,854,190 shares	Three months ended July 31, 2013	15,940,723 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 of the Attachment

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

(1) Consolidated operating results

During the first three months of the current fiscal year (May 1, 2014 to July 31, 2014), the Japanese economy recovered at a moderate pace, supported by improvements in corporate earnings and the employment market. The pullback in demand after the consumption tax hike also gradually eased.

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 used M&A to expand the business. It also pushed ahead with the comprehensive development of medical malls and developed its urban drug and cosmetic store business.

In the first three months of the fiscal year, net sales increased 5.2% year on year to ¥43,354 million, operating income decreased 28.4% to ¥1,707 million, ordinary income decreased 26.6% to ¥1,825 million, and net income decreased 33.8% to ¥1,004 million.

Financial results by business segment are as follows.

(Dispensing pharmacy business)

In the dispensing pharmacy business, sales continued to rise at existing dispensing pharmacies, supported by growth in average sales per prescription due to an increase in longer-term prescriptions.

Under dispensing fee revisions in April 2014, the dispensing fee system is being revised to reflect the functions of dispensing pharmacies in order to improve pharmaceutical management and promote dispensing services for home healthcare patients. As a result of these changes, average technical fees per prescription declined at existing pharmacies. This drop in technical fees, along with an increase in procurement costs in real terms due to the consumption tax hike, led to a deterioration in profitability at dispensing pharmacies.

The Group will continue to expand the business through new pharmacy openings and M&A deals, securing profits by utilizing economies of scale and improving dispensing pharmacy operations on a pharmacy by pharmacy basis. The Group will also upgrade patient services, build links with local medical service providers, mainly in the area of home-based dispensing, and promote wider use of generic drugs in order to fulfill the new role being asked of dispensing pharmacies.

As a result, for the first three months of the fiscal year, the dispensing pharmacy business reported higher sales but lower income year on year, with net sales rising 6.3% to ¥38,836 million and segment income decreasing 19.6% to ¥2,441 million.

During the period under review, the Group opened 15 new dispensing pharmacies, including those acquired through M&A deals, and closed two pharmacies, including relocations, resulting in a total of 629.

(Drug and cosmetic store business)

In the drug and cosmetic store business, the market environment remained challenging due to a narrowing competitive gap between companies in the sector and the emergence of new competitors from sector consolidation and realignment that also extends to other business sectors, as well as changes to restrictions on online sales of OTC drugs. These changes in the business environment, together with the impact of a pullback in demand after the consumption tax hike, led to a decline in sales at existing stores compared with the same period a year earlier.

Against this backdrop, the Group is continuing to open urban drug and cosmetic stores under the *ainz & tulpe* brand, particularly in urban areas with high customer traffic. Steps are also being taken to revitalize existing stores.

With *ainz & tulpe*, the Group is working to expand the customer base. These efforts include reinforcing merchandise lineups to tailor them to each retail area and location, based on the brand's store concept as a specialist drug and cosmetics retailer, and sales promotion using a range of different communication tools targeted at each customer segment, such as emails for Ainz Point Club cardholders and communication apps such as LINE.

In July 2014, the Company concluded a provisional contract to lease eight above-ground floors and two basement floors in the STV Central Building in Sapporo's Odori area (Chuo ward, Sapporo).

The Group intends to convert the building into a specialist health and beauty retail complex focused on the *ainz & tulpe* brand. The complex is scheduled to open in autumn 2015.

As a result, for the first three months of the fiscal year, the drug and cosmetic store business reported a decrease in sales of 4.8% year on year to ¥4,314 million. Segment income increased 108.4% to ¥41 million.

During the period under review, there were no store openings or store closures, resulting in a total of 59 drug stores at the end of the period.

(Other businesses)

Net sales and segment loss from other businesses were ¥203 million and ¥134 million, respectively.

(2) Consolidated financial position

The balance of total assets at the end of the first quarter decreased by ¥890 million from the end of the previous fiscal year to ¥100,492 million.

This mainly reflected an increase in inventories, property, plant and equipment such as land and buildings and a decrease in cash on hand and in banks, accounts receivables and deferred tax assets, due to the Group's business expansion through new store openings and M&A deals.

The balance of liabilities decreased by ¥1,386 million to ¥57,756 million, mainly reflecting an increase in accounts payable and a decrease in accrued income taxes and net defined benefit liability.

The balance of short- and long-term debt decreased by ¥667 million to ¥10,370 million.

Total net assets increased by ¥496 million to ¥42,736 million and the shareholders' equity ratio improved 0.9 percentage points to 42.4%.

(3) Forecast of consolidated financial results and other forward-looking information

The Group has made no change to its earnings forecasts for the first six months of the fiscal year and for the full fiscal year, announced on May 27, 2014, in light of earnings trends at new stores and existing stores in the first three months of the fiscal year and future store opening plans.

2. Matters concerning summary information (notes)

(1) Major changes in subsidiaries during the period

There are no applicable matters to be reported.

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

Tax expenses were calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to net income before taxes for the consolidated fiscal year including the first quarter, and multiplying the estimated effective tax rate by income before income taxes for the quarter.

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

[Changes in accounting principles]

From the first quarter of the fiscal year ending April 30, 2015, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; herein, "the retirement benefit accounting standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; herein, "the retirement benefit guidance"), specifically content stipulated in paragraph 35 of the retirement benefit accounting standard and stipulated in paragraph 67 of the retirement benefit guidance. As a result, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: the method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed from a bond period based on the number of years approximate to the average remaining working lives of employees to a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for each such period.

For the application of the Accounting Standard and the Guidance, pursuant to past adjustments stipulated in paragraph 37 of the Accounting Standard , monetary effects accompanying changes in the method for calculating retirement benefit liability and service costs, are adjusted with retained earnings at the beginning of the period starting from the first quarter of the consolidated fiscal year ending April 30, 2015.

As a result, net defined benefit asset at the beginning of the period for the first quarter of the fiscal year ending April 30, 2015 increased by ¥8,366 thousand, while net defined benefit liability decreased by ¥592,370 thousand. In parallel, retained earnings increased by ¥386,510 thousand. The application of the new accounting standard had an immaterial impact on operating income, ordinary income and net income before income taxes in the first quarter of the current fiscal year.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Thousand yen)

	Fiscal year ended April 30, 2014 (As of April 30, 2014)	Three months ended July 31, 2014 (As of July 31, 2014)
Assets		
Current assets		
Cash on hand and in banks	18,846,760	18,419,096
Notes and accounts receivable	6,718,670	6,150,578
Merchandise	9,578,858	10,247,477
Supplies	180,570	180,364
Deferred tax assets	1,245,406	1,155,615
Short-term loans	708,297	718,297
Other accounts receivable	5,679,761	5,544,907
Other current assets	1,376,190	1,050,729
Total current assets	44,334,515	43,467,068
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	9,962,423	10,227,995
Land	6,698,782	6,834,555
Other property, plant and equipment, net	2,922,726	2,861,777
Total property, plant and equipment	19,583,933	19,924,328
Intangible fixed assets		
Goodwill	20,017,440	19,765,666
Other intangible fixed assets	1,111,957	1,148,461
Total intangible fixed assets	21,129,397	20,914,128
Investments and other assets		
Investments in securities	2,559,386	2,606,853
Deferred tax assets	1,068,129	805,365
Deposits and guarantees	8,081,230	8,126,042
Other investments and other assets	4,866,487	4,888,931
Allowance for doubtful accounts	(240,307)	(240,307)
Total investments and other assets	16,334,926	16,186,885
Total fixed assets	57,048,257	57,025,341
Total assets	101,382,772	100,492,409

(Thousand yen)

	Fiscal year ended April 30, 2014 (As of April 30, 2014)	Three months ended July 31, 2014 (As of July 31, 2014)
Liabilities		
Current liabilities		
Accounts payable	28,002,426	30,594,186
Short-term debt	6,535,438	6,463,409
Accrued income taxes	3,079,805	688,107
Deposits received	8,686,700	8,643,995
Allowance for bonuses to employees	1,149,395	971,644
Allowance for bonuses to directors	11,934	4,774
Reserve for reward obligations	332,315	332,315
Other current liabilities	2,551,384	2,387,491
Total current liabilities	50,349,400	50,085,924
Long-term liabilities		
Long-term debt	4,502,810	3,907,380
Net defined benefit liability	1,927,033	1,367,478
Other long-term liabilities	2,363,437	2,395,506
Total long-term liabilities	8,793,281	7,670,364
Total liabilities	59,142,681	57,756,289
Net assets		
Shareholders' equity		
Common stock	8,682,976	8,682,976
Capital surplus	7,872,970	7,872,970
Retained earnings	26,007,464	26,446,904
Treasury stock	(417,338)	(417,338)
Total shareholders' equity	42,146,073	42,585,513
Accumulated other comprehensive income (loss)		
Unrealized holding gains on securities	34,590	74,928
Remeasurements of defined benefit plans	(58,224)	(51,321)
Total accumulated other comprehensive (loss) income	(23,633)	23,606
Minority interests	117,651	127,000
Total net assets	42,240,091	42,736,120
Total liabilities and net assets	101,382,772	100,492,409

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousand yen)

	Three months ended July 31, 2013 (May 1, 2013 to July 31, 2013)	Three months ended July 31, 2014 (May 1, 2014 to July 31, 2014)
Net sales	41,214,597	43,354,567
Cost of sales	34,966,188	37,406,339
Gross profit	6,248,408	5,948,228
Selling, general and administrative expenses	3,864,047	4,240,549
Operating income	2,384,360	1,707,678
Non-operating income		
Interest income	15,686	17,464
Dividend income	19,551	20,506
Commissions received	2,169	12,113
Real estate rental revenue	20,170	19,547
Consignment income	32,529	37,912
Other non-operating income	130,424	81,854
Total non-operating income	220,533	189,400
Non-operating expenses		
Interest expenses	28,157	20,680
Losses on sales of accounts receivables	21,291	20,995
Real estate rental expenses	11,765	12,943
Other non-operating expenses	58,720	17,221
Total non-operating expenses	119,935	71,840
Ordinary income	2,484,958	1,825,237
Extraordinary income		
Gains on sales of investments in securities	13,889	—
Gains on sales of fixed assets	4,051	—
Insurance income	193,941	—
Other extraordinary income	9,523	—
Total extraordinary income	221,405	—
Extraordinary losses		
Losses on disposal and sales of fixed assets	20,897	17,396
Impairment losses on investments in securities	—	16,416
Directors' retirement benefits	—	76,960
Other extraordinary losses	10,184	8,254
Total extraordinary losses	31,081	119,026
Income before income taxes and minority interests	2,675,282	1,706,211
Income taxes	1,157,779	692,681
Income before minority interests	1,517,503	1,013,529
Minority interests in income (loss)	527	9,348
Net income	1,516,976	1,004,181

Quarterly consolidated statement of comprehensive income

(Thousand yen)

	Three months ended July 31, 2013 (May 1, 2013 to July 31, 2013)	Three months ended July 31, 2014 (May 1, 2014 to July 31, 2014)
Income before minority interests	1,517,503	1,013,529
Other comprehensive income		
Unrealized holding gains (losses) on securities	(39,265)	40,337
Remeasurements of defined benefit plans, net of tax	—	6,902
Total other comprehensive income (loss)	(39,265)	47,240
Comprehensive income	1,478,238	1,060,770
Comprehensive income attributable to shareholders of the parent	1,477,711	1,051,421
Comprehensive income (loss) attributable to minority interests	527	9,348

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.

(Segment Information, etc.)

I Three months ended July 31, 2013 (May 1, 2013 to July 31, 2013)

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

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	36,524,575	4,529,796	160,224	41,214,597	―	41,214,597
(2) Intersegment sales	―	―	46,118	46,118	(46,118)	―
Total sales	36,524,575	4,529,796	206,343	41,260,715	(46,118)	41,214,597
Segment income (loss)	3,036,543	19,959	(114,326)	2,942,175	(457,216)	2,484,958

Notes: 1. The adjustment of ¥(457,216) thousand to segment income (loss) includes ¥431,887 thousand in corporate expenses, ¥41,818 thousand in losses that are not allocated to reportable segments, and ¥(16,488) 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 business segment includes five dispensing pharmacy companies that have been acquired by the Group. During the first three months of the fiscal year, the increase in goodwill related to these companies was ¥1,277,149 thousand.

II Three months ended July 31, 2014 (May 1, 2014 to July 31, 2014)

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

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	38,836,628	4,314,131	203,807	43,354,567	―	43,354,567
(2) Intersegment sales	―	―	75,976	75,976	(75,976)	―
Total sales	38,836,628	4,314,131	279,784	43,430,544	(75,976)	43,354,567
Segment income (loss)	2,441,147	41,585	(134,199)	2,348,533	(523,295)	1,825,237

Notes: 1. The adjustment of ¥(523,295) thousand to segment income (loss) includes ¥519,946 thousand in corporate expenses, ¥25,153 thousand in losses that are not allocated to reportable segments, and ¥(21,804) 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.

(Material Subsequent Events)

(Stock split and revisions to Articles of Incorporation due to stock split)
The Company approved the following stock split at a meeting of the Board of Directors on August 25, 2014.

1. Objectives of stock split
The Company intends to conduct a stock split in order to increase the liquidity of its shares and expand the investor base.

2. Summary of stock split
(1) Method of stock split
The number of common shares held by shareholders listed on the register of shareholders as of the record date (September 30, 2014) will be split at the ratio of two shares for each share.

(2) Increase in number of shares due to stock split

Number of issued shares prior to stock split:	15,944,106 shares
Increase in number of shares due to stock split:	15,944,106 shares
Number of issued shares after stock split:	31,888,212 shares
Number of authorized shares after stock split:	44,000,000 shares

*Note: The number of authorized shares is unchanged and no revisions have been made to the Articles of Incorporation with respect to this stock split.

3. Stock split schedule

Announcement of record date:	September 5, 2014
Record date:	September 30, 2014
Effective date:	October 1, 2014

4. Impact on per share information
Per share information is as follows, assuming the stock split was conducted at the start of the previous fiscal year.

	First quarter of the previous fiscal year (May 1, 2013 to July 31, 2013)	First quarter of the current fiscal year (May 1, 2014 to July 31, 2014)
Net income per share	¥47.58	¥31.67

*Note: Diluted net income per share is not shown, as there are no dilutive securities.