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

[Japan GAAP] (Consolidated)

November 26, 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/
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Date of filing quarterly securities report: December 15, 2014
Start of dividend payment: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated results for the second quarter of fiscal year ending April 30, 2015 (May 1, 2014 to October 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	%
Six months ended October 31, 2014	88,220	6.3	4,230	(15.6)	4,451	(13.8)	2,525	(12.9)
Six months ended October 31, 2013	83,024	10.6	5,012	19.1	5,163	15.9	2,899	35.6

(Note) Comprehensive income: Six months ended October 31, 2014: ¥2,614 million (-9.3%)
Six months ended October 31, 2013: ¥2,881 million (+34.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended October 31, 2014	79.64	–
Six months ended October 31, 2013	90.94	–

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Net income per share is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2014	100,982	44,287	43.7	1,392.82
As of April 30, 2014	101,382	42,240	41.5	1,328.43

(Reference) Shareholders' equity: As of October 31, 2014: ¥44,164 million As of April 30, 2014: ¥42,122 million

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Net assets per share is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

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

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

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. 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.

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
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

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Net income per share for the fiscal year ending April 30, 2015 is calculated by deeming stock splits to have occurred at the beginning of the current fiscal year.

*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 October 31, 2014	31,888,212 shares	As of April 30, 2014	31,888,212 shares
2) Number of shares held in treasury:	As of October 31, 2014	180,572 shares	As of April 30, 2014	179,832 shares
3) Average number of shares outstanding:	Six months ended October 31, 2014	31,708,190 shares	Six months ended October 31, 2013	31,881,414 shares

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Number of outstanding shares (common stock) is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

*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 consolidated 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) Consolidated operating results

During the first six months of the current fiscal year (May 1, 2014 to October 31, 2014), there were signs of weakness in production activity and corporate earnings, partly due to the impact of a pullback in demand after the consumption tax hike. However, the Japanese economy continued to recover at a moderate pace, with conditions continuing to improve in the employment market.

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 six months of the fiscal year, net sales rose 6.3% year on year to ¥88,220 million, operating income decreased 15.6% to ¥4,230 million, ordinary income decline 13.8% to ¥4,451 million, and net income decreased 12.9% to ¥2,525 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.

Profitability is deteriorating in the dispensing pharmacy business due to higher operating costs and rising procurement costs. The increase in operating costs reflects steps to improve pharmaceutical management and promote dispensing services for home healthcare patients in response to dispensing fee revisions in April 2014.

The Group continued to open new pharmacies and sign M&A deals, aiming to expand the business to secure economies of scale and improve dispensing pharmacy operations on a pharmacy by pharmacy basis. As a result, segment income in the second quarter of the fiscal year recovered to almost the same level as a year earlier.

Also, the Group upgraded patient services, built links with local medical service providers, mainly in the area of home-based dispensing, and promoted wider use of generic drugs in order to fulfill the new role being asked of dispensing pharmacies. As part of these efforts, the Group began operating the Ain Pharmacy NOBORITO (Tama Ward, Kawasaki) on a 24-hour, 365-day basis from August 2014.

As a result, for the first six months of the fiscal year, the dispensing pharmacy business reported higher sales but lower income year on year, with sales rising 7.2% to ¥79,261 million and segment income decreasing 10.8% to ¥5,710 million.

During the period under review, the Group opened 48 new dispensing pharmacies, including those acquired through M&A deals, and closed five pharmacies, including relocations, resulting in a total of 659.

(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 addition, as of the end of the first six months of the fiscal year, the Group had secured permission for its drugstores in Sapporo, Tokyo and Nagoya to provide duty-free services. This move was taken in response to new rules from October 2014 that expand the type of products on which overseas visitors to Japan are exempt from consumption tax. This led to an increase in sales at stores in those areas compared with the same period a year earlier.

As a result, for the first six months of the fiscal year, the drug and cosmetic store business reported a decrease in sales of 2.6% year on year to ¥8,514 million. However, segment income surged 684.5% to ¥32 million.

During the period under review, there were no new store openings. However, four stores were closed mainly in suburban locations, resulting in a Group total of 55 stores.

(Other businesses)

Net sales and segment loss from other businesses were ¥444 million and ¥235 million, respectively.

(2) Consolidated financial position

The balance of total assets at the end of the second quarter decreased by ¥400 million from the end of the previous fiscal year to ¥100,982 million.

This mainly reflected increases in inventories, property, plant and equipment such as buildings and structures, and goodwill due to the Group's business expansion through new store openings and M&A deals, and decreases in notes and accounts receivable, deferred tax assets and loans.

The balance of liabilities declined ¥2,448 million to ¥56,694 million. This primarily reflected an increase in accounts payable and decreases in accrued income taxes, deposits received and net defined benefit liability.

The balance of long- and short- term debts decreased by ¥1,226 million to ¥9,812 million.

Total net assets increased by ¥2,047 million to ¥44,287 million and the shareholders' equity ratio improved 2.2 percentage points to 43.7%.

(Cash flows)

In the first six months of the fiscal year, cash and cash equivalents ("cash") decreased by ¥256 million from the previous fiscal year end to ¥18,479 million.

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

During the first six months of the fiscal year, net cash provided by operating activities was ¥4,822 million, compared with ¥9,324 million provided in the same period a year earlier. The main cash inflows were income before income taxes and minority interests of ¥4,197 million, depreciation and amortization of ¥1,198 million, amortization of goodwill of ¥1,044 million. The main cash outflow was income taxes paid of ¥2,885 million.

Net cash used in investing activities amounted to ¥1,907 million, compared with ¥4,215 million used a year earlier. This was mainly due to payments of ¥1,278 million for the acquisition of property, plant and equipment and intangible fixed assets and ¥1,264 million for purchases of subsidiaries' shares resulting in obtaining controls.

Net cash used in financing activities was ¥3,170 million, compared with ¥3,375 million used a year earlier. This was mainly attributable to a net cash outflow of ¥1,904 million from short-term and long-term debt repayment and proceeds, and cash dividends paid of ¥951 million.

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

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

2. Matters concerning summary information (notes)

(1) Major changes in subsidiaries during the period

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 second 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 second 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)	Six months ended October 31, 2014 (As of October 31, 2014)
Assets		
Current assets		
Cash on hand and in banks	18,846,760	18,549,771
Notes and accounts receivable	6,718,670	6,214,256
Merchandise	9,578,858	9,905,115
Supplies	180,570	177,108
Deferred tax assets	1,245,406	989,539
Short-term loans	708,297	757,811
Other accounts receivable	5,679,761	5,725,615
Other current assets	1,376,190	1,174,098
Total current assets	44,334,515	43,493,316
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	9,962,423	10,254,827
Land	6,698,782	6,890,094
Other property, plant and equipment, net	2,922,726	3,050,856
Total property, plant and equipment	19,583,933	20,195,778
Intangible fixed assets		
Goodwill	20,017,440	20,323,151
Other intangible fixed assets	1,111,957	1,196,469
Total intangible fixed assets	21,129,397	21,519,620
Investments and other assets		
Investments in securities	2,559,386	2,375,151
Deferred tax assets	1,068,129	790,474
Deposits and guarantees	8,081,230	8,487,651
Other investments and other assets	4,866,487	4,360,725
Allowance for doubtful accounts	(240,307)	(240,307)
Total investments and other assets	16,334,926	15,773,695
Total fixed assets	57,048,257	57,489,095
Total assets	101,382,772	100,982,411

(Thousand yen)

	Fiscal year ended April 30, 2014 (As of April 30, 2014)	Six months ended October 31, 2014 (As of October 31, 2014)
Liabilities		
Current liabilities		
Accounts payable	28,002,426	29,466,015
Short-term debt	6,535,438	6,237,807
Accrued income taxes	3,079,805	1,552,835
Deposits received	8,686,700	8,019,711
Allowance for bonuses to employees	1,149,395	1,420,323
Allowance for bonuses to directors	11,934	11,935
Reserve for reward obligations	332,315	332,315
Other current liabilities	2,551,384	2,264,099
Total current liabilities	50,349,400	49,305,043
Long-term liabilities		
Long-term debt	4,502,810	3,574,199
Net defined benefit liability	1,927,033	1,398,520
Other long-term liabilities	2,363,437	2,416,718
Total long-term liabilities	8,793,281	7,389,437
Total liabilities	59,142,681	56,694,481
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	27,967,678
Treasury stock	(417,338)	(419,202)
Total shareholders' equity	42,146,073	44,104,423
Accumulated other comprehensive income (loss)		
Unrealized holding gains on securities	34,590	104,108
Remeasurement of defined benefit plans	(58,224)	(44,384)
Total accumulated other comprehensive income(loss)	(23,633)	59,724
Minority interests	117,651	123,782
Total net assets	42,240,091	44,287,930
Total liabilities and net assets	101,382,772	100,982,411

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

(Thousand yen)

	Six months ended October 31, 2013 (May 1, 2013 to October 31, 2013	Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014)
Net sales	83,024,578	88,220,201
Cost of sales	70,366,857	75,597,751
Gross profit	12,657,720	12,622,449
Selling, general and administrative expenses	7,645,115	8,392,240
Operating income	5,012,604	4,230,208
Non-operating income		
Interest income	36,539	37,457
Dividend income	20,919	23,745
Commissions received	8,499	23,936
Real estate rental revenue	41,537	81,732
Consignment income	66,897	73,611
Other non-operating income	207,854	131,033
Total non-operating income	382,247	371,517
Non-operating expenses		
Interest expenses	66,659	41,374
Losses on sales of accounts receivables	42,675	42,060
Real estate rental expenses	23,032	44,080
Other non-operating expenses	98,962	22,588
Total non-operating expenses	231,330	150,104
Ordinary income	5,163,522	4,451,621
Extraordinary income		
Gains on sales of investments in securities	49,667	7,040
Gains on sales of fixed assets	4,051	1,791
Insurance income	193,941	-
Other extraordinary income	10,134	-
Total extraordinary income	257,794	8,831
Extraordinary losses		
Losses on disposal and sales of fixed assets	59,440	72,695
Directors’ retirement benefits	-	106,960
Other extraordinary losses	43,714	82,873
Total extraordinary losses	103,154	262,529
Income before income taxes and minority interests	5,318,161	4,197,922
Income taxes	2,421,312	1,666,657
Income before minority interests	2,896,849	2,531,265
Minority interests in income (loss)	(2,558)	6,131
Net income	2,899,407	2,525,134

Quarterly consolidated statements of comprehensive income

(Thousand yen)

	Six months ended October 31, 2013 (May 1, 2013 to October 31, 2013)	Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014)
Income before minority interests	2,896,849	2,531,265
Other comprehensive income		
Unrealized holding gains (losses) on securities	(15,085)	69,518
Remearurements of defined benefit plans, net of tax	-	13,840
Total other comprehensive income (loss)	(15,085)	83,358
Comprehensive income	2,881,763	2,614,624
Comprehensive income attributable to shareholders of the parent	2,884,321	2,608,493
Comprehensive income (loss) attributable to minority interests	(2,558)	6,131

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	Six months ended October 31, 2013 (May 1, 2013 to October 31, 2013)	Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	5,318,161	4,197,922
Depreciation and amortization	1,080,684	1,198,524
Amortization of goodwill	990,207	1,044,474
Increase in allowance for retirement benefits	73,585	-
Increase in defined benefit liability	-	61,863
Increase in allowance for bonuses to employees	127,168	241,578
Increase (decrease) in allowance for bonuses to directors	(994)	1
Interest and dividend income	(57,458)	(61,203)
Interest expenses	66,659	41,374
Losses on disposal and sales of fixed assets	55,389	70,904
Decrease in accounts receivable	2,840,730	959,147
Increase in inventories	(813,637)	(73,306)
Increase in other accounts receivable	(986,963)	(41,802)
Increase in accounts payable	3,924,305	861,459
Other, net	(840,959)	(810,753)
Subtotal	11,776,878	7,690,184
Interest and dividends received	53,436	59,301
Interest paid	(66,855)	(41,196)
Income taxes paid	(2,439,440)	(2,885,789)
Net cash provided by operating activities	9,324,018	4,822,499
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible fixed assets	(2,204,368)	(1,278,176)
Proceeds from sales of property, plant and equipment and intangible fixed assets	409,491	50,949
Payments for purchase of investments in securities	(107,380)	(30,180)
Proceeds from sales of investments in securities	299,729	517,638
Purchase of subsidiaries’ shares resulting in obtaining controls	(1,703,903)	(1,264,857)
Payments for loans receivable	(1,965,344)	(1,080,610)
Proceeds from collections of loans receivable	824,862	1,496,342
Payments for time deposits	(6,900)	(13,500)
Proceeds from withdrawal of time deposits	27,602	101,313
Other, net	210,398	(406,805)
Net cash used in investing activities	(4,215,812)	(1,907,886)

(Thousand yen)

	Six months ended October 31, 2013 (May 1, 2013 to October 31, 2013)	Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014)
Cash flows from financing activities		
Net decrease in short-term debts	(91,654)	(161,747)
Proceeds from long-term debts	124,578	100,000
Repayments of long-term debts	(2,216,669)	(1,843,169)
Repayments of lease obligations	(234,664)	(312,931)
Payments for purchase of treasury stock	(209)	(1,863)
Cash dividends paid	(956,444)	(951,251)
Net cash used in financing activities	(3,375,064)	(3,170,963)
Net increase (decrease) in cash and cash equivalents	1,733,142	(256,350)
Cash and cash equivalents at beginning of the period	18,439,646	18,735,445
Cash and cash equivalents at end of the period	20,172,789	18,479,095

(4) 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 Six months ended October 31, 2013 (May 1, 2013 to October 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	73,954,006	8,736,578	333,994	83,024,578	-	83,024,578
(2) Intersegment sales	-	-	94,469	94,469	(94,469)	-
Total sales	73,954,006	8,736,578	428,463	83,119,048	(94,469)	83,024,578
Segment income (loss)	6,400,982	4,176	(252,838)	6,152,321	(988,799)	5,163,522

Notes: 1. The adjustment of ¥(988,799) thousand to segment income (loss) includes ¥939,630 thousand in corporate expenses, ¥82,850 thousand in losses that are not allocated to reportable segments, and ¥(33,681) thousand in eliminations due to intersegment transactions.

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 eight dispensing pharmacy companies that have been acquired by the Group. During the first six months of the fiscal year, the increase in goodwill related to these companies was ¥1,405,598 thousand.

II Six months ended October 31, 2014 (May 1, 2014 to October 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	79,261,223	8,514,066	444,910	88,220,201	-	88,220,201
(2) Intersegment sales	-	-	158,682	158,682	(158,682)	-
Total sales	79,261,223	8,514,066	603,592	88,378,883	(158,682)	88,220,201
Segment income (loss)	5,710,639	32,766	(235,627)	5,507,778	(1,056,157)	4,451,621

Notes: 1. The adjustment of ¥(1,056,157) thousand to segment income (loss) includes ¥1,050,263 thousand in corporate expenses, ¥47,219 thousand in losses that are not allocated to reportable segments, and ¥(41,325) 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 second six months of the fiscal year, the increase in goodwill related to these companies was ¥1,259,144 thousand.