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

[Japan GAAP] (Consolidated)

February 24, 2015

Name of listed company: **AIN PHARMACIEZ INC.**
Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange
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Date of filing quarterly securities report: March17, 2015
Start of dividend payment: –
Supplementary documents for quarterly results: No
Quarterly results briefing: No (for institutional investors and analysts)

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

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

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended January 31, 2015	136,394	8.2	7,510	0.1	7,824	0.2	4,471	4.4
Nine months ended January 31, 2014	126,043	9.9	7,506	9.9	7,810	7.5	4,284	16.1

(Note) Comprehensive income: Nine months ended January 31, 2015: ¥4,618 million (+8.2%)
Nine months ended January 31, 2014: ¥4,270 million (+10.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended January 31, 2015	141.04	–
Nine months ended January 31, 2014	134.38	–

* 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 January 31, 2015	110,404	46,229	41.8	1,455.50
As of April 30, 2014	101,382	42,240	41.5	1,328.43

(Reference) Shareholders' equity: As of January 31, 2015: ¥46,150 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 January 31, 2015	31,888,212 shares	As of April 30, 2014	31,888,212 shares
2) Number of shares held in treasury:	As of January 31, 2015	180,572 shares	As of April 30, 2014	179,832 shares
3) Average number of shares outstanding:	Nine months ended January 31, 2015	31,708,010 shares	Nine months ended January 31, 2014	31,881,404 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 of Attachment

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

(1) Consolidated operating results

During the first nine months of the current fiscal year (May 1, 2014 to January 31, 2015), the Japanese economy recovered steadily, albeit at a moderate pace, supported by signs of a bottom in consumer confidence, a pickup in production activity and corporate earnings, and continued improvement in the employment and income environment.

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 nine months of the fiscal year, net sales rose 8.2% year on year to ¥136,394 million, operating income increased 0.1% to ¥7,510 million, ordinary income rose 0.2% to ¥7,824 million, and net income increased 4.4% to ¥4,471 million.

Financial results by business segment are as follows.

(Dispensing pharmacy business)

In the dispensing pharmacy business, sales at existing dispensing pharmacies were slightly higher year on year. This reflected steady prescription volumes amid a firm number of patients visiting existing pharmacies and an increase in average sales per prescription.

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, utilize economies of scale secured through business expansion and improve dispensing pharmacy operations on a pharmacy by pharmacy basis. As a result, segment income in the third quarter of the fiscal year recovered, exceeding the level in the same period a year earlier.

In addition, the Group concluded a share transfer agreement in January 2015 to make Medio Pharmacy Co., Ltd. a wholly owned consolidated subsidiary (share transfer scheduled for February 27, 2015). The acquisition of MEDIO PHARMACY Inc., which operates 52 dispensing pharmacies, mainly in Shizuoka Prefecture, is aimed at strengthening the Group’s network in the Tokai region and further reinforcing the Group’s business development division in the same region.

As a result, for the first nine months of the fiscal year, the dispensing pharmacy business reported sales and profit growth with sales rising 9.4% year on year to ¥122,592 million and segment income increasing 0.1% to ¥9,608 million.

During the period under review, the Group opened 82 new dispensing pharmacies, including those acquired through M&A deals, and closed 11 pharmacies, resulting in a total of 687.

(Drug and cosmetic store business)

In the drug and cosmetic store business, the market environment remained challenging mainly 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.

However, consumer spending is gradually recovering from the pullback in demand caused by the consumption tax hike in April 2014, with sales at existing stores rising year on year in the third quarter.

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. Also, the Group is implementing a range of measures to rejuvenate existing stores, such as reinforcing merchandise lineups to tailor them to each retail area and location, and making use of communication apps such as LINE in sales promotion activities.

In addition, the Company has leased all eight above-ground floors and two basement floors in the STV Central Building in Sapporo’s Odori area (Chuo ward, Sapporo) and is currently working to convert the building into a specialist health and beauty retail complex focused on the *ainz & tulpe* brand. The target opening date for the complex is autumn 2015.

Also, as of the end of the first nine months of the fiscal year, the Group had secured permission for 28 of its 55 drugstores 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 supported higher sales year on year across the Group’s drugstore chain.

As a result, for the first nine months of the fiscal year, the drug and cosmetic store business reported a decrease in sales of 2.0% year on year to ¥13,102 million. However, segment income surged 660.4% to ¥92 million.

During the period under review, there were one new store opening, and closed five stores mainly in suburban locations, resulting in a Group total of 55 stores.

(Other businesses)

Net sales and segment loss from other businesses were ¥699 million and ¥340 million, respectively.

(2) Consolidated financial position

The balance of total assets at the end of the third quarter increased by ¥9,021 million from the end of the previous fiscal year to ¥110,404 million.

This mainly reflected increases in inventories, property, plant and equipment such as land and buildings, and goodwill due to the Group’s business expansion through new store openings and M&A deals, as well as an increase in cash and cash equivalents to fund M&A and a decline in other accounts receivable.

The balance of liabilities increased by ¥5,032 million to ¥64,175 million. This primarily reflected an increase in accounts payable, deposits received and long-term debt and decreases in accrued income taxes and net defined benefit liability.

The balance of long- and short- term debts increased by ¥3,786 million to ¥14,824 million.

Total net assets increased by ¥3,988 million to ¥46,229 million and the shareholders’ equity ratio improved 0.3 percentage points to 41.8%.

(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 nine months of the fiscal year and future store opening plans.

2. Matters concerning summary information (notes)

(1) Major changes in subsidiaries during the period

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 third 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 third 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)	Nine months ended January 31, 2015 (As of January 31, 2015)
Assets		
Current assets		
Cash on hand and in banks	18,846,760	23,032,479
Notes and accounts receivable	6,718,670	7,488,709
Merchandise	9,578,858	10,437,394
Supplies	180,570	177,111
Deferred tax assets	1,245,406	954,602
Short-term loans	708,297	729,548
Other accounts receivable	5,679,761	4,650,030
Other current assets	1,376,190	1,435,861
Total current assets	44,334,515	48,905,738
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	9,962,423	10,756,822
Land	6,698,782	7,476,849
Other property, plant and equipment, net	2,922,726	3,143,031
Total property, plant and equipment	19,583,933	21,376,703
Intangible fixed assets		
Goodwill	20,017,440	22,546,447
Other intangible fixed assets	1,111,957	1,241,568
Total intangible fixed assets	21,129,397	23,788,016
Investments and other assets		
Investments in securities	2,559,386	2,389,108
Deferred tax assets	1,068,129	767,509
Deposits and guarantees	8,081,230	8,683,029
Other investments and other assets	4,866,487	4,734,360
Allowance for doubtful accounts	(240,307)	(240,307)
Total investments and other assets	16,334,926	16,333,700
Total fixed assets	57,048,257	61,498,420
Total assets	101,382,772	110,404,158

(Thousand yen)

	Fiscal year ended April 30, 2014 (As of April 30, 2014)	Nine months ended January 31, 2015 (As of January 31, 2015)
Liabilities		
Current liabilities		
Accounts payable	28,002,426	31,309,783
Short-term debt	6,535,438	6,412,007
Accrued income taxes	3,079,805	604,328
Deposits received	8,686,700	9,656,946
Allowance for bonuses to employees	1,149,395	543,925
Allowance for bonuses to directors	11,934	4,774
Reserve for reward obligations	332,315	332,315
Other current liabilities	2,551,384	3,015,417
Total current liabilities	50,349,400	51,879,498
Long-term liabilities		
Long-term debt	4,502,810	8,412,324
Net defined benefit liability	1,927,033	1,488,017
Other long-term liabilities	2,363,437	2,395,302
Total long-term liabilities	8,793,281	12,295,644
Total liabilities	59,142,681	64,175,142
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	29,914,679
Treasury stock	(417,338)	(419,202)
Total shareholders’ equity	42,146,073	46,051,424
Accumulated other comprehensive income (loss)		
Unrealized holding gains on securities	34,590	136,683
Remeasurement of defined benefit plans	(58,224)	(37,516)
Total accumulated other comprehensive income(loss)	(23,633)	99,167
Minority interests	117,651	78,423
Total net assets	42,240,091	46,229,015
Total liabilities and net assets	101,382,772	110,404,158

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

(Thousand yen)

	Nine months ended January 31, 2014 (May 1, 2013 to January 31, 2014)	Nine months ended January 31, 2015 (May 1, 2014 to January 31, 2015)
Net sales	126,043,003	136,394,428
Cost of sales	106,926,020	116,156,197
Gross profit	19,116,982	20,238,230
Selling, general and administrative expenses	11,610,719	12,727,547
Operating income	7,506,262	7,510,683
Non-operating income		
Interest income	56,449	54,395
Dividend income	28,152	30,677
Commissions received	13,351	35,504
Real estate rental revenue	62,246	122,014
Consignment income	111,803	116,048
Other non-operating income	287,148	197,374
Total non-operating income	559,152	556,014
Non-operating expenses		
Interest expenses	73,223	62,826
Losses on sales of accounts receivables	64,178	61,685
Real estate rental expenses	34,311	66,129
Other non-operating expenses	83,601	51,551
Total non-operating expenses	255,315	242,193
Ordinary income	7,810,098	7,824,503
Extraordinary income		
Gains on sales of investments in securities	49,667	7,040
Gains on sales of fixed assets	4,096	2,298
Insurance income	193,941	-
Other extraordinary income	9,523	-
Total extraordinary income	257,229	9,338
Extraordinary losses		
Losses on disposal and sales of fixed assets	111,515	128,151
Directors’ retirement benefits	-	106,960
Other extraordinary losses	56,738	85,890
Total extraordinary losses	168,254	321,002
Income before income taxes and minority interests	7,899,073	7,512,839
Income taxes	3,617,788	3,016,963
Income before minority interests	4,281,284	4,495,876
Minority interests in income (loss)	(3,053)	23,920
Net income	4,284,338	4,471,955

Quarterly consolidated statement of comprehensive income

(Thousand yen)

	Nine months ended January 31, 2014 (May 1, 2013 to January 31, 2014)	Nine months ended January 31, 2015 (May 1, 2014 to January 31, 2015)
Income before minority interests	4,281,284	4,495,876
Other comprehensive income		
Unrealized holding gains (losses) on securities	(11,004)	102,093
Remearurements of defined benefit plans, net of tax	-	20,707
Total other comprehensive income (loss)	(11,004)	122,801
Comprehensive income	4,270,280	4,618,677
Comprehensive income attributable to shareholders of the parent	4,273,333	4,594,756
Comprehensive income (loss) attributable to minority interests	(3,053)	23,920

(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 Nine months ended January 31, 2014 (May 1, 2013 to January 31, 2014)

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

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statement of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	112,101,198	13,372,693	569,111	126,043,003	-	126,043,003
(2) Intersegment sales	-	-	154,028	154,028	(154,028)	-
Total sales	112,101,198	13,372,693	723,139	126,197,031	(154,028)	126,043,003
Segment income (loss)	9,601,761	12,205	(331,878)	9,282,087	(1,471,988)	7,810,098

Notes: 1. The adjustment of ¥(1,471,988) thousand to segment income (loss) includes ¥1,392,808 thousand in corporate expenses, ¥131,021 thousand in losses that are not allocated to reportable segments, and ¥(51,840) 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 statement 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 nine dispensing pharmacy companies that have been acquired by the Group. During the first nine months of the fiscal year, the increase in goodwill related to these companies was ¥1,510,250 thousand.

II Nine months ended January 31, 2015 (May 1, 2014 to January 31, 2015)

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

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statement of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	122,592,022	13,102,848	699,557	136,394,428	-	136,394,428
(2) Intersegment sales	-	-	241,792	241,792	(241,792)	-
Total sales	122,592,022	13,102,848	941,350	136,636,221	(241,792)	136,394,428
Segment income (loss)	9,608,081	92,812	(340,201)	9,360,691	(1,536,187)	7,824,503

Notes: 1. The adjustment of ¥(1,536,187) thousand to segment income (loss) includes ¥1,510,308 thousand in corporate expenses, ¥94,473 thousand in losses that are not allocated to reportable segments, and ¥(68,594) 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 statement 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 nine dispensing pharmacy companies that have been acquired by the Group. During the first nine months of the fiscal year, the increase in goodwill related to these companies was ¥3,914,715 thousand.