AIN PHARMACIEZ

Summary of Financial Statements for Fiscal Year Ended April 2015

May 27, 2015

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, 2015
Date of scheduled payment of dividends:	July 31, 2015
Date of filing securities report:	July 31, 2015
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 2015 (from May 1, 2014 to April 30, 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	%
Year ended April 30, 2015	187,904	10.4	11,452	13.2	11,697	10.5	6,197	17.8
Year ended April 30, 2014	170,225	10.1	10,113	4.3	10,587	2.9	5,259	3.6

(Note) Comprehensive income: Year ended April 30, 2015: ¥6,436 million (+21.2%)
Year ended April 30, 2014: ¥5,309 million (-1.8%)

	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, 2015	195.45	–	13.8	10.9	6.1
Year ended April 30, 2014	165.04	–	13.1	10.7	5.9

(Reference) Equity in earnings of affiliates: Year ended April 30, 2015: ¥ – million, Year ended April 30, 2014: ¥ – million

* 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 April 30, 2015	114,149	48,046	42.0	1,511.57
As of April 30, 2014	101,382	42,240	41.5	1,328.43

(Reference) Equity capital: As of April 30, 2015: ¥47,928 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.

(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, 2015	14,839	(14,560)	374	19,389
Year ended April 30, 2014	14,662	(7,749)	(6,617)	18,735

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, 2014	–	0.00	–	60.00	60.00	951	18.2	2.4
Year ended April 30, 2015	–	0.00	–	30.00	30.00	951	15.3	2.1
Year ending April 30, 2016 (forecast)	–	0.00	–	40.00	40.00		17.5	

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Dividends per share for the fiscal year ended April 30, 2014 are based on the number of shares before the stock split.

3. Consolidated financial forecast for the fiscal year ending April 30, 2016 (from May 1, 2015 to April 30, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	103,670	17.5	5,310	25.5	5,490	23.3	3,060	21.2	96.51
Full year	218,280	16.2	13,400	17.0	13,700	17.1	7,230	16.7	228.02

* Notes

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

Newly consolidated: – Excluded: –

(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: No
4) Restatement of revisions: No

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

1) Number of outstanding shares (including treasury stock):	As of April 30, 2015	31,888,212 shares	As of April 30, 2014	31,888,212 shares
2) Number of shares held in treasury:	As of April 30, 2015	180,595 shares	As of April 30, 2014	179,832 shares
3) Average number of shares outstanding:	Fiscal year ended April 30, 2015	31,707,913 shares	Fiscal year ended April 30, 2014	31,866,980 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 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, 2015, the Japanese economy recovered steadily, supported by firm consumer spending and an upturn in corporate earnings and employment conditions.

In this economic environment, the AIN PHARMACIEZ Group (the Group) worked to expand its business by opening new dispensing pharmacies and using M&A, while also pushing ahead with the comprehensive development of medical malls and the urban drug and cosmetic store business. The Group also aimed to boost profitability by revitalizing existing stores and dispensing pharmacies.

For the fiscal year under review, the Group reported net sales of ¥187,904 million, an increase of 10.4% year on year, reflecting the opening of new dispensing pharmacies and M&As. Ordinary income rose 10.5% to ¥11,697 million and net income increased 17.8% year on year to ¥6,197 million.

As of the end of the fiscal year, the number of stores in the Group totaled 810, a net increase of 135 stores from the end of the previous fiscal year.

Performance by business segment was as follows.

(Dispensing pharmacy business)

In the dispensing pharmacy business, average sales per prescription continued to rise at existing dispensing pharmacies due to increases in the number of new drugs and in longer-term prescriptions, offsetting the impact from wider use of generic drugs.

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. The revisions are also designed to encourage even wider use of generic drugs.

In order to fulfill the new role being asked of dispensing pharmacies, the Group will build links with local medical service providers, mainly in the area of home-based dispensing, and promote wider use of generic drugs. The Group will also continue to implement its pharmacy-led project aimed at reviewing and rebuilding all dispensing processes at each dispensing pharmacy in order to improve efficiency and upgrade patient services.

The healthcare sector is facing a serious shortage of pharmacists. The Group is stepping up its efforts to address this issue by working to attract new graduates and enhancing pharmacist training programs. In April 2015, 229 new pharmacist graduates joined the Group, and we opened a new in-house training facility called Ain College. The college provides support to new employees to help them pass the national pharmacist exam, and offers training to enhance the skills of existing pharmacists.

In business development, the Group continued to push ahead with business expansion by opening new dispensing pharmacies, primarily dispensing pharmacies near hospitals and medical malls, and through M&A deals. During the fiscal year under review, 15 dispensing pharmacy companies joined the Group, including Medio Pharmacy Co., Ltd. which became a subsidiary in February 2015. Medio Pharmacy Co., Ltd. is based in Numazu City, Shizuoka Prefecture and operates a chain of 52 dispensing pharmacies, mainly in Shizuoka Prefecture.

The dispensing pharmacy business reported net sales of ¥169,063 million, an increase of 11.6% year on year, and segment income of ¥14,449 million, up 13.1%. During the fiscal year under review, the Group opened 159 dispensing pharmacies, including M&A deals, and closed 21 dispensing pharmacies, resulting in a total of 754.

(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 regulatory changes related to online sales of OTC drugs.

Against this backdrop, the Group continued to open *ainz & tulpe* urban drug stores.

Ainz & tulpe is a specialist, highly original drug and cosmetic store brand that the Group is rolling out in urban areas with high customer traffic. The Group continued to reinforce merchandising lineups at *ainz & tulpe* stores, particularly drug and cosmetic products, leading to higher sales at existing stores compared with the previous fiscal year.

In addition, the Group plans to open two specialist health and beauty retail complexes focused on the *ainz & tulpe* brand, one in the STV Central Building in Sapporo's Odori area (Chuo ward, Sapporo City; 10 floors) and the other in the MIRRAZA SHINJUKU Building near the east exit of Shinjuku Station (Shinjuku ward, Tokyo: 3 floors). The Group is currently making preparations to open the new stores from summer this year.

In response to growing inbound demand, spurred by new rules from October 2014 that expand the type of products on which overseas visitors to Japan are exempt from consumption tax, the Group now offers duty-free services at 28 of its drugstores (as of April 30, 2015), making a large contribution to improvements in profitability.

The Group also actively refurbished urban stores to revitalize its store network. In December 2014 the Group refurbished the *ainz & tulpe* HARAJUKU QUEST (Shibuya ward, Tokyo), which included adding organic and natural cosmetic products to the merchandise lineup, and upgraded other urban locations such as the *ainz & tulpe* IKEBUKURO SEIBU (Toshima ward, Tokyo) and the *ainz & tulpe* frente MINAMI-OSAWA (Hachioji City, Tokyo).

During the fiscal year under review, the Group opened a number of *ainz & tulpe* stores, including the *ainz & tulpe* SANNOMIYA Yuzawaya (Chuo ward, Kobe City), the *ainz & tulpe* OYAMA STATION (Oyama City, Tochigi Prefecture), and the *ainz & tulpe* HIGASHI KUYAKUSHO MAE, (Higashi ward, Sapporo City), aiming to increase the number of stores in prime locations near stations. At the same time, the Group closed six stores, mainly in suburban locations, resulting in a total of 56 stores.

As a result, the drug and cosmetic store business reported net sales of ¥17,803 million, a decrease of 1.0% year on year, and segment income of ¥117 million, up 394.7%.

(Other businesses)

Net sales of other businesses totaled ¥1,037 million, an increase of 35.2% year on year, and segment losses totaled ¥614 million, an increase of 181.3% year on year.

In the fiscal year ending April 30, 2016, the dispensing pharmacy business will continue to develop new dispensing pharmacies near hospitals and medical mall dispensing pharmacies, and actively seek M&A opportunities. Also, the drug and cosmetic store business will work to expand its business by continuing to open ainz & tulpe urban drug stores.

Based on these initiatives, the Group forecasts net sales for the fiscal year ending April 30, 2016 of ¥218,280 million, up 16.2% year on year, ordinary income of ¥13,700 million, up 17.1%, and net income of ¥7,230 million, an increase of 16.7%.

(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 ¥2,031 million to ¥46,365 million compared to ¥44,334 million at the end of the previous fiscal year.

This mainly reflected cash on hand and in banks of ¥19,553 million, an increase of ¥706 million compared with the previous fiscal year, notes and accounts receivable of ¥8,369 million, an increase of ¥1,650 million and merchandise of ¥9,747 million, an increase of ¥168 million due to business expansion, and other accounts receivable of ¥5,291 million, down ¥388 million.

Fixed assets at the end of the fiscal year under review increased by ¥10,735 million to ¥67,783 million compared to ¥57,048 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, mainly buildings and structures, increased by ¥2,888 million to ¥22,472 million, while goodwill rose ¥6,322 million to ¥26,340 million.

In addition, investments and other assets increased by ¥1,353 million year on year to ¥17,688 million, chiefly reflecting an increase in deposits and guarantees.

Liabilities increased by ¥6,960 million to ¥66,103 million compared to ¥59,142 million at the end of the previous fiscal year.

This primarily reflected accounts payable of ¥31,826 million, up ¥3,824 million year on year, short-term debt of ¥6,330 million, down ¥204 million, and long-term debt of ¥7,640 million, up ¥3,137 million.

As a result of the above, the balance of current liabilities increased by ¥4,083 million from the previous year-end balance of ¥50,349 million to ¥54,433 million, and the balance of long-term liabilities increased by ¥2,876 million from the previous year-end balance of ¥8,793 million to ¥11,669 million.

Net assets increased by ¥5,806 million to ¥48,046 million compared to ¥42,240 million at the end of the previous fiscal year.

Retained earnings increased ¥5,632 million year on year to ¥31,639 million due to growth in surplus funds.

As a result of the above factors, shareholders' equity ratio improved 0.5 percentage points to 42.0%, compared with 41.5% 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 ¥653 million (3.5%) year on year to ¥19,389 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 ¥14,839 million, an increase of 1.2% year on year.

The main items that were positive for cash flow were income before income taxes and minority interests of ¥10,832 million, as well as depreciation and amortization of ¥2,553 million, amortization of goodwill of ¥2,278 million, decrease in inventories of ¥969 million, and increase in notes and accounts payable-trade of ¥1,544 million related to business expansion through new store openings and M&A.

The main items that were negative for cash flow was income taxes paid of ¥5,126 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥14,560 million, an increase of 87.9% year on year.

This mainly reflected payments of ¥2,848 million for purchases of property, plant and equipment related to the opening of new urban drug stores and dispensing pharmacies, and ¥10,024 million for purchases of shares in subsidiaries due to changes in the scope of consolidation related to shares acquired in 16 companies through M&A deals.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥374 million, compared with cash of ¥6,617 million used the previous fiscal year.

This was mainly attributable to net short-term debt repayment of ¥1,593 million and net long-term debt procurement of ¥3,567 million.

Cash dividends paid of ¥951 million also had a negative impact on cash flows from financing activities.

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

	Year ended April 30, 2012	Year ended April 30, 2013	Year ended April 30, 2014	Year ended April 30, 2015
Shareholders' equity ratio (%)	39.2	40.0	41.5	42.0
Equity ratio based on market value (%)	79.6	79.3	70.3	117.9
Debt redemption term (years)	1.1	1.7	0.9	1.1
Interest coverage ratio (times)	73.6	70.3	143.0	179.2

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 from retained earnings of ¥30 per share, compared with the previous fiscal year's ordinary dividends of ¥60. On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. These dividends paid from retained earnings are based on the number of shares after the 2-for-1 stock split. Based on the number of shares before the stock split, the full-year dividend is ¥60 per share, the same as in the previous fiscal year.

In view of our profit forecasts, plans for investment and other factors, we intend to pay an ordinary dividend from retained earnings of ¥40 per share in the fiscal year ending April 30. 2016, an increase of ¥10 from the fiscal year ended April 30, 2015.

(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 Law for Ensuring the Quality, Efficacy, and Safety of Pharmaceuticals and Medical Devices

We operate dispensing pharmacy business under various permits, licenses, registrations and notifications including those set forth by the Law for Ensuring the Quality, Efficacy, and Safety of Pharmaceuticals and Medical Devices (the Pharmaceutical and Medical Device 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 and Medical Device 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 and Medical Device Law	Prefectural Governors
Insurance pharmacy certification	6 years	Health Insurance Law	Local welfare commissioners of the Health and Welfare of the Ministry of Health, Labour and Welfare
License to sell narcotic drugs	2 years	Narcotics and Psychotropics Control Law	Prefectural Governors
Notification of sales of medical equipment	Indefinite	Pharmaceutical and Medical Device Law	Prefectural Governors
Business selling highly controlled medical equipment	6 years	Pharmaceutical and Medical Device Law	Prefectural Governors
Medical product sales permit (Note)	6 years	Pharmaceutical and Medical Device Law	Prefectural Governors, etc.

Note: Under Article 25 of the Pharmaceutical and Medical Device 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 and Medical Device 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

In sales of over-the-counter (OTC) drugs, the Pharmaceutical and Medical Device Law classifies drugs into different categories based on risk. Only qualified pharmacists are permitted to sell drugs requiring guidance and category 1 drugs, while registered sellers, as well as pharmacists, are permitted to sell category 2 and category 3 drugs.

In addition, the "Law for Partial Revision of the Pharmaceutical Affairs Law" (enacted June 12, 2014) ended restrictions on the sale of OTC drugs online. 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 (national health insurance scheme dispensing pharmacies, located near hospitals for user convenience) and in medical malls developed by the Group(national health insurance scheme dispensing pharmacies, located near mixed medical facilities for user convenience).

As the dispensing pharmacy business accounted for 90.0% 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 and Medical Device 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.

- Training programs for newly graduated pharmacists and 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 and Tulpe Mobile Club.

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

The Group has 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 ¥19,553 million, compared with a total balance of short- and long-term debt of ¥13,970 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), 38 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 30 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.

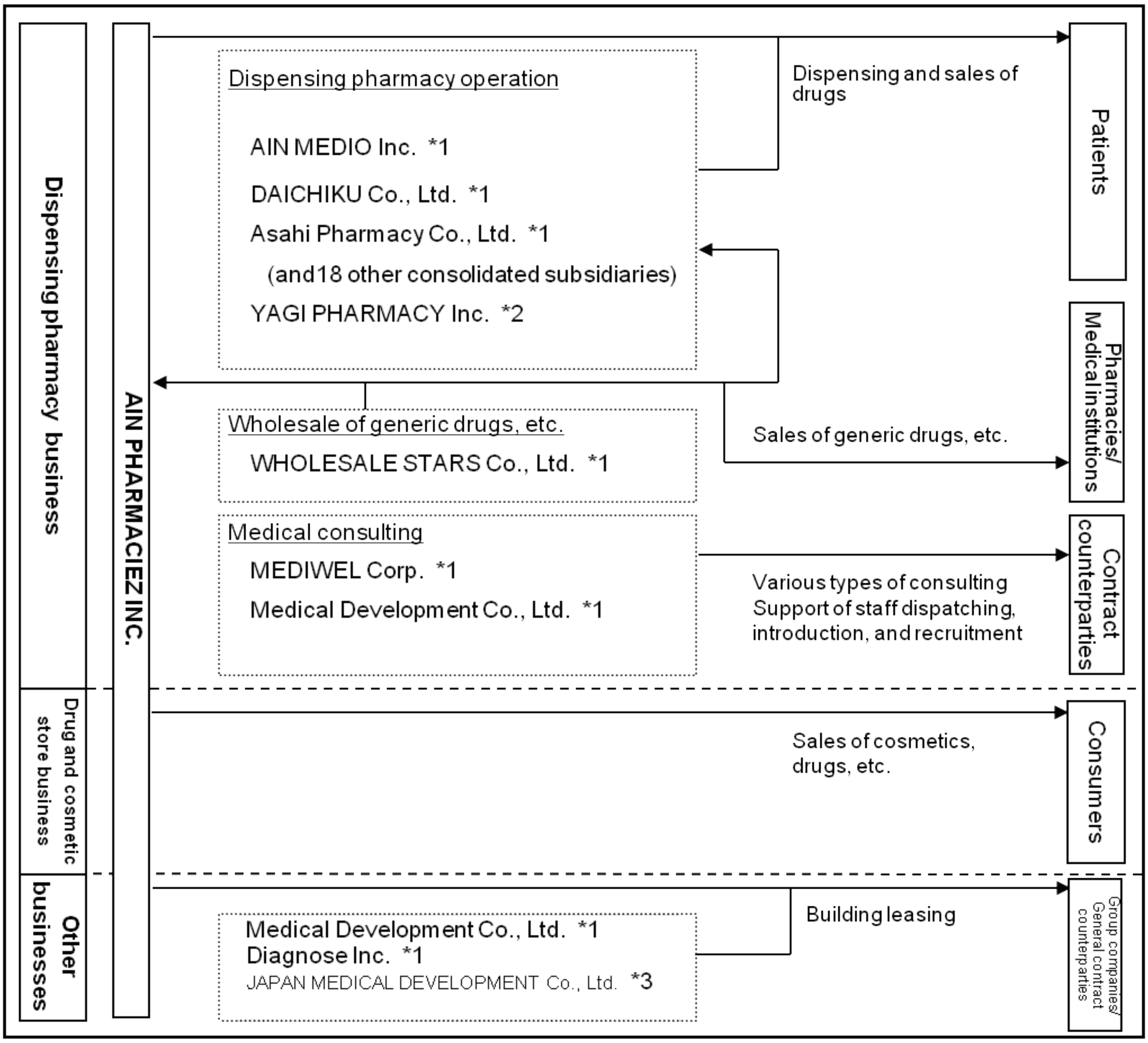
(2) Drug and cosmetic store business

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., Diagnose Inc. and JAPAN 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 non-consolidated subsidiary

3. Management Policies

(1) Basic management policies of the Company

The Company's main businesses are the dispensing pharmacies business, which dispense based on prescriptions, and the drug and cosmetic store business of selling products, primarily pharmaceuticals and cosmetics. Because both of these businesses contribute to people's health, we bear an important social responsibility.

We believe the Company's mission is not only to grow its profits and increase shareholder value through aggressively opening new stores as the separation of dispensary from medical practice improves, but also to work for continuous improvements in safety and specialized skills in this business, given that we are a Company that can affect people's lives.

Accordingly, our basic management policy is "to fulfill our social mission by working to eliminate medicine dispensing errors and other business risks, and by creating pharmacies that customers can be confident in visiting, while placing weight on actively expanding the business in accordance with market conditions."

(2) Target management indicators

While working to expand our corporate scale by actively opening new stores, the Group also focuses on strengthening its financial structure and increasing shareholder value.

In the fiscal year under review, the Group achieved ROA of 5.8% and ROE of 13.8%, compared with targets of 4.5% and 15.0%, respectively.

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

The Group's core businesses are the nationwide development of dispensing pharmacies through active new store openings and M&A activities, and the development of urban drug stores, focusing primarily on drugs and cosmetics, in major cities across Japan. We aim both to expand the scale of these businesses and to increase shareholder value.

In the dispensing pharmacy business, each Group company will continue to work on developing high value-added "dispensing pharmacies at the heart of local communities." The Group will also actively implement an M&A strategy based on due diligence of potential candidates.

The Group has a policy of expanding still further the utilization of generic drugs and has actively promoted their greater utilization through a sales system for generic drugs at WHOLESALE STARS Co., Ltd., a wholesaling subsidiary that specializes in generic drugs, and increased efforts to educate patients throughout all Group pharmacies.

In addition, we will work to assure the safety of our patients, to improve customer service and to increase business efficiency by reinforcing education and training, and by developing and introducing medicine dispensing equipment using the latest technology.

In the drug and cosmetic store business, the Group is aiming for further growth by expanding its chain of *ainz & tulpe* urban drug stores to cities across Japan, specializing in drug and cosmetics products and creating a clear difference with competing drugstores.

As a result of the above, our medium- to long-term management strategies are based on the following policies.

1) In dispensing pharmacies, we will work to increase the expertise of our pharmacists using Ain College and other improvements to training programs, actively participate in projects aimed at promoting home-based healthcare and 24-hour dispensing services and encourage wider use of generic drugs, harnessing all the Group's capabilities to create advanced "dispensing pharmacies at the heart of local communities."

2) In business development, we plan to open around 50 new pharmacies each year. We also aim to expand the Group's operations through business development using M&A.

3) We will actively promote the introduction into the Group of the latest dispensing equipment and developing dispensing technologies that make use of IT, and improve customer safety, service and the efficiency of pharmacy management through the integrated application of individual devices and systems.

4) We will enhance our profitability with improving flexibility and operational efficiency through streamlining measures such as organizational restructuring and personnel exchanges. We will also enrich mutually complementary cooperative systems for operations that are common across multiple companies such as business development system that suit their locations, recruitment of pharmacists and expanding the use of generic drugs.

5) In the drug and cosmetic store business, we plan to open around five new *ainz & tulpe* urban drugstores each year in retail complexes in all Japan's major cities, reinforce merchandise lineups based on local needs and create a clear difference with competing drugstores.

6) We aim to enhance the earnings capabilities of stores by using our loyalty point systems, Ainz Point Club Card and Tulpe Mobile Club, to expand the customer base, and by implementing effective sales promotion using a mix of online media, SNS and print media advertising.

(4) Issues to be addressed

Amid wide-ranging debate about the future of Japan's non-hospital drug prescription system, the dispensing pharmacy sector is being called on to contribute to community healthcare through the provision of high-quality patient services, leading to a significant expansion in the traditional role and responsibilities of dispensing pharmacies.

The Group will work to provide high-quality healthcare services. Specifically, we will continue to implement our pharmacy-led project to improve operational efficiency at existing dispensing pharmacies, hire new pharmacists, upgrade training programs and invest in facilities to enhance the functions of dispensing pharmacies, and promote wider use of generic drugs using our specialist generic drug wholesale subsidiary WHOLESALE STARS Co., Ltd. In addition, we will expand the business through new store openings and M&A, continuing to implement our business strategy that maximizes economies of scale.

In the drug and cosmetic store business, we will reinforce the *ainz & tulpe* brand by accelerating openings of new large-scale stores in urban retail complexes near stations, where customer traffic is likely to be higher.

We will also invest to expand the drug and cosmetic store business so that earnings are on par with the dispensing pharmacy business. Specifically, we will implement new initiatives, such as developing and operating large-scale specialist health and beauty retail complexes with *ainz & tulpe* as the key tenant.

4. Basic stance on selection of accounting standards

The Group has adopted Japanese accounting standards in order to facilitate comparison with other domestic companies in the same sector.

5. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (As of April 30, 2014)	Current fiscal year (As of April 30, 2015)
Assets		
Current assets		
Cash on hand and in banks	18,846,760	19,553,423
Notes and accounts receivable	6,718,670	8,369,451
Merchandise	9,578,858	9,747,115
Supplies	180,570	162,635
Deferred tax assets	1,245,406	894,440
Short-term loans	708,297	739,342
Other accounts receivable	5,679,761	5,291,030
Other current assets	1,376,190	1,765,517
Allowance for doubtful accounts	–	(157,053)
Total current assets	44,334,515	46,365,901
Fixed assets		
Property, plant and equipment		
Buildings and structures	17,568,621	21,191,691
Accumulated depreciation	(7,606,198)	(9,513,155)
Buildings and structures, net	9,962,423	11,678,535
Land	6,698,782	7,931,761
Construction in progress	681,640	519,169
Other property, plant and equipment	6,490,314	8,119,554
Accumulated depreciation	(4,249,228)	(5,776,678)
Other property, plant and equipment, net	2,241,085	2,342,875
Total property, plant and equipment	19,583,933	22,472,342
Intangible fixed assets		
Goodwill	20,017,440	26,340,056
Other intangible fixed assets	1,111,957	1,283,021
Total intangible fixed assets	21,129,397	27,623,077
Investments and other assets		
Investments in securities	2,559,386	2,872,382
Long-term loans	1,801,385	1,369,265
Deferred tax assets	1,068,129	984,239
Deposits and guarantees	8,081,230	9,710,040
Other investments and other assets	3,065,102	3,275,023
Allowance for doubtful accounts	(240,307)	(522,385)
Total investments and other assets	16,334,926	17,688,566
Total fixed assets	57,048,257	67,783,986
Total assets	101,382,772	114,149,888

(Thousand yen)

	Previous fiscal year (As of April 30, 2014)	Current fiscal year (As of April 30, 2015)
Liabilities		
Current liabilities		
Accounts payable	28,002,426	31,826,516
Short-term debt	6,535,438	6,330,773
Accrued income taxes	3,079,805	2,320,567
Deposits received	8,686,700	9,052,200
Allowance for bonuses to employees	1,149,395	1,353,380
Allowance for bonuses to directors	11,934	11,751
Reserve for reward obligations	332,315	338,824
Other current liabilities	2,551,384	3,199,345
Total current liabilities	50,349,400	54,433,358
Long-term liabilities		
Long-term debt	4,502,810	7,640,133
Lease obligations	1,454,125	1,341,266
Net defined benefit liability	1,927,033	1,636,186
Other long-term liabilities	909,311	1,052,395
Total long-term liabilities	8,793,281	11,669,982
Total liabilities	59,142,681	66,103,340
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	31,639,894
Treasury stock	(417,338)	(419,311)
Total shareholders’ equity	42,146,073	47,776,529
Accumulated other comprehensive income (loss)		
Unrealized holding gains (losses) on securities	34,590	227,061
Remeasurement of defined benefit plans	(58,224)	(75,210)
Total accumulated other comprehensive income (loss)	(23,633)	151,851
Minority interests	117,651	118,166
Total net assets	42,240,091	48,046,547
Total liabilities and net assets	101,382,772	114,149,888

(2) Consolidated statement of income and comprehensive income

Consolidated statement of income

(Thousand yen)

	Previous fiscal year (May 1, 2013 to April 30, 2014)	Current fiscal year (May 1, 2014 to April 30, 2015)
Net sales	170,225,754	187,904,956
Cost of sales	144,476,833	158,943,804
Gross profit	25,748,921	28,961,151
Selling, general and administrative expenses		
Advertising expenses	759,900	1,103,910
Promotion expenses	267,118	326,358
Salaries, allowances and bonuses	3,600,585	3,727,701
Provision of allowance for doubtful accounts	–	148,140
Provision for bonuses	249,710	294,028
Provision for directors’ bonuses	11,934	11,751
Retirement benefit expenses	90,467	89,994
Provision for reward obligations	332,315	338,824
Legal and employee benefits expenses	1,017,920	1,077,826
Correspondence and transportation expenses	504,803	522,911
Lease expenses	151,780	132,016
Rent expenses	2,858,830	2,955,173
Depreciation expenses	926,650	1,172,814
Amortization of goodwill	1,402,261	1,363,887
Taxes	611,476	891,503
Other	2,849,720	3,352,159
Total selling, general and administrative expenses	15,635,476	17,509,004
Operating income	10,113,445	11,452,147
Non-operating income		
Interest income	76,147	66,337
Dividend income	35,276	33,153
Gains on investments in partnership	45,402	108,785
Commissions received	33,073	50,156
Real estate rental revenue	74,164	159,217
Gains on donations of fixed assets	12,315	12,672
Consignment income	144,456	157,150
Technical advisory fee	66,064	54,879
Other non-operating income	304,760	192,198
Total non-operating income	791,662	834,551
Non-operating expenses		
Interest expenses	101,870	84,087
Losses on sales of accounts receivables	85,564	81,176
Real estate rental expenses	44,592	88,653
Provision of allowance for doubtful accounts	–	282,600
Other non-operating expenses	85,963	52,334
Total non-operating expenses	317,991	588,851
Ordinary income	10,587,115	11,697,847

(Thousand yen)

	Previous fiscal year (May 1, 2013 to April 30, 2014)	Current fiscal year (May 1, 2014 to April 30, 2015)
Extraordinary income		
Gains on sales of fixed assets	4,194	21,736
Gains on sales of investments in securities	49,667	7,141
Surrender value of insurance	214,095	–
Other extraordinary income	9,523	1,241
Total extraordinary income	277,480	30,118
Extraordinary losses		
Losses on disposal and sales of fixed assets	336,366	345,891
Losses on devaluation of investments in securities	519	6,776
Impairment losses on fixed assets	189,875	371,036
Directors' retirement benefits	–	106,960
Other extraordinary losses	71,886	64,840
Total extraordinary losses	598,647	895,505
Income before income taxes and minority interests	10,265,949	10,832,460
Income taxes – current	5,206,903	4,428,100
Income taxes – deferred	(273,959)	143,526
Total income taxes	4,932,943	4,571,626
Income before minority interests	5,333,005	6,260,833
Minority interests in income	73,606	63,662
Net income	5,259,398	6,197,170

Consolidated statement of comprehensive income

(Thousand yen)

	Previous fiscal year (May 1, 2013 to April 30, 2014)	Current fiscal year (May 1, 2014 to April 30, 2015)
Income before minority interests	5,333,005	6,260,833
Other comprehensive income		
Unrealized holding gains (losses) on securities	(23,265)	192,471
Remeasurements of defined benefit plans, net of tax	–	(16,985)
Total other comprehensive income	(23,265)	175,485
Total comprehensive income	5,309,739	6,436,319
Comprehensive income attributable to shareholders of the parent	5,236,133	6,372,656
Comprehensive income attributable to minority interests	73,606	63,662

(3) Consolidated statement of changes in net assets

Previous fiscal year (May 1, 2013 to April 30, 2014)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	8,682,976	7,872,970	21,704,510	(5,837)	38,254,620
Cumulative effect of changes in accounting policies					
Balance at the beginning of current year reflecting changes in accounting policies	8,682,976	7,872,970	21,704,510	(5,837)	38,254,620
Net changes during the year					
Cash dividends paid			(956,444)		(956,444)
Net income			5,259,398		5,259,398
Acquisition of treasury stock				(411,501)	(411,501)
Net changes in items other than shareholders' equity					
Total changes during the year	–	–	4,302,954	(411,501)	3,891,453
Balance at the end of current year	8,682,976	7,872,970	26,007,464	(417,338)	42,146,073

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	57,855	–	57,855	44,044	38,356,520
Cumulative effect of changes in accounting policies					
Balance at the beginning of current year reflecting changes in accounting policies	57,855	–	57,855	44,044	38,356,520
Net changes during the year					
Cash dividends paid					(956,444)
Net income					5,259,398
Acquisition of treasury stock					(411,501)
Net changes in items other than shareholders' equity	(23,265)	(58,224)	(81,489)	73,606	(7,883)
Total changes during the year	(23,265)	(58,224)	(81,489)	73,606	3,883,570
Balance at the end of current year	34,590	(58,224)	(23,633)	117,651	42,240,091

Current fiscal year (May 1, 2014 to April 30, 2015)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	8,682,976	7,872,970	26,007,464	(417,338)	42,146,073
Cumulative effect of changes in accounting policies			386,510		386,510
Balance at the beginning of current year reflecting changes in accounting policies	8,682,976	7,872,970	26,393,975	(417,338)	42,532,583
Net changes during the year					
Cash dividends paid			(951,251)		(951,251)
Net income			6,197,170		6,197,170
Acquisition of treasury stock				(1,973)	(1,973)
Net changes in items other than shareholders' equity					
Total changes during the year			5,245,919	(1,973)	5,243,945
Balance at the end of current year	8,682,976	7,872,970	31,639,894	(419,311)	47,776,529

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at the beginning of current year	34,590	(58,224)	(23,633)	117,651	42,240,091
Cumulative effect of changes in accounting policies					386,510
Balance at the beginning of current year reflecting changes in accounting policies	34,590	(58,224)	(23,633)	117,651	42,626,601
Net changes in items during the year					
Cash dividends paid					(951,251)
Net income					6,197,170
Acquisition of treasury stock					(1,973)
Net changes other than shareholders' equity	192,471	(16,985)	175,485	515	176,000
Total changes during the year	192,471	(16,985)	175,485	515	5,419,946
Balance at the end of current year	227,061	(75,210)	151,851	118,166	48,046,547

(4) Consolidated statement of cash flows

(Thousand yen)

	Previous fiscal year (May 1, 2013 to April 30, 2014)	Current fiscal year (May 1, 2014 to April 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	10,265,949	10,832,460
Depreciation and amortization	2,258,946	2,553,938
Amortization of goodwill	2,033,305	2,278,004
Impairment losses on fixed assets	189,875	371,036
Impairment losses on investments in securities	519	6,776
(Decrease) increase in allowance for doubtful accounts	(44,561)	419,514
Increase in reserve for reward obligations	16,396	6,508
Increase in defined benefit liability	153,792	114,834
Increase in allowance for bonuses to employees	38,304	130,020
Decrease in allowance for bonuses to directors	(995)	(183)
Interest and dividend income	(111,424)	(99,490)
Interest expenses	101,870	84,087
Gains on investments in partnerships	(45,402)	(108,785)
Gains on donations of property, plant and equipment	(12,315)	(12,672)
Gains on sales of investments in securities	(49,667)	(7,141)
Losses on disposal and sales of fixed assets	332,171	324,155
Decrease in accounts receivable	1,110,209	455,881
(Increase) decrease in inventories	(1,485,281)	969,970
Increase in other assets	(199,126)	(214,263)
Decrease in other accounts receivable	1,551,899	414,967
Increase in accounts payable	3,075,097	1,544,935
Increase (decrease) in other liabilities	84,480	(116,508)
Subtotal	19,264,042	19,948,048
Interest and dividends received	105,264	100,971
Interest paid	(102,520)	(82,809)
Income taxes paid	(4,603,956)	(5,126,261)
Net cash provided by operating activities	14,662,829	14,839,948

(Thousand yen)

	Previous fiscal year (May 1, 2013 to April 30, 2014)	Current fiscal year (May 1, 2014 to April 30, 2015)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(3,460,202)	(2,848,807)
Proceeds from sales of property, plant and equipment	466,089	98,167
Payments for purchases of investments in securities	(120,560)	(145,352)
Proceeds from sales of investments in securities	322,362	559,547
Purchases of subsidiaries' shares resulting in obtaining controls	(2,410,135)	(10,024,858)
Payments for loans receivable	(3,172,743)	(2,233,281)
Proceeds from collections of loans receivable	2,545,485	2,655,247
Payments for investments in capital	(33)	(6)
Proceeds from returns of investments in capital	1,404	64
Payments for purchase of intangible fixed assets	(793,994)	(926,862)
Proceeds from sales of intangible assets	8,015	665
Increase in other investments	(1,150,588)	(1,862,825)
Proceeds from withdrawal of time deposits	27,607	260,513
Payments for time deposits	(12,112)	(93,204)
Net cash used in investing activities	(7,749,405)	(14,560,990)
Cash flows from financing activities		
Net decrease in short-term loans payable	(318,138)	(1,593,327)
Proceeds from long-term debts	137,080	8,650,097
Repayments of long-term debts	(4,510,186)	(5,082,420)
Repayments of lease obligations	(558,435)	(646,430)
Payments for purchase of treasury stock	(411,501)	(1,973)
Cash dividends paid	(956,444)	(951,251)
Net cash (used in) provided by financing activities	(6,617,625)	374,694
Net increase in cash and cash equivalents	295,798	653,651
Cash and cash equivalents at beginning of the year	18,439,646	18,735,445
Cash and cash equivalents at end of the year	18,735,445	19,389,097

(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 (loss), assets, liabilities and other items for each reportable segment

I. Previous fiscal year (May 1, 2013 to April 30, 2014)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	151,472,771	17,985,552	767,431	170,225,754	–	170,225,754
Intersegment sales	–	–	479,204	479,204	(479,204)	–
Total sales	151,472,771	17,985,552	1,246,635	170,704,958	(479,204)	170,225,754
Segment income (loss)	12,772,296	23,793	(218,597)	12,577,492	(1,990,376)	10,587,115
Segment assets	85,490,807	7,649,913	5,419,057	98,559,778	2,822,994	101,382,772
Other						
Depreciation and amortization	1,632,709	234,744	90,502	1,957,956	129,014	2,086,970
Amortization of goodwill	2,028,265	5,040	–	2,033,305	–	2,033,305
Impairment losses	77,263	106,459	6,152	189,875	–	189,875
Increase of tangible and intangible assets	3,062,145	369,182	377,675	3,809,003	759,987	4,568,991

Notes: 1. Segment income (loss) in “Adjustments” totaling (¥1,990,376 thousand) includes ¥1,781,691 thousand in overall group expenses, ¥284,509 thousand in losses that may not be allocated to the reporting segments, and(¥75,823 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 in “Adjustments” totaling ¥2,822,994 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.

II. Current fiscal year (May 1, 2014 to April 30, 2015)

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Consolidated (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
Sales to third parties	169,063,296	17,803,967	1,037,692	187,904,956	–	187,904,956
Intersegment sales	–	–	323,425	323,425	(323,425)	–
Total sales	169,063,296	17,803,967	1,361,118	188,228,382	(323,425)	187,904,956
Segment income (loss)	14,449,163	117,708	(614,986)	13,951,885	(2,254,037)	11,697,847
Segment assets	105,238,155	8,852,226	6,852,940	120,943,323	(6,793,434)	114,149,888
Other						
Depreciation and amortization	1,810,482	206,693	131,898	2,149,074	146,658	2,295,733
Amortization of goodwill	2,271,358	–	6,646	2,278,004	–	2,278,004
Impairment losses	166,136	144,352	60,547	371,036	–	371,036
Increase of tangible and intangible assets	2,525,818	553,667	1,268,195	4,347,681	40,414	4,388,095

Notes:
1. Segment income (loss) in “Adjustments” totaling (¥2,254,037 thousand) includes ¥2,007,602 thousand in overall group expenses, ¥343,514 thousand in losses that may not be allocated to the reporting segments, and(¥97,079 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 in “Adjustments” totaling (¥6,793,434 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, 2013 to April 30, 2014)

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, 2014 to April 30, 2015)

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, 2013 to April 30, 2014)

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

Current fiscal year (May 1, 2014 to April 30, 2015)

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, 2013 to April 30, 2014)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	2,028,265	5,040	–	–	2,033,305
Balance at the end of current fiscal year	20,017,440	–	–	–	20,017,440

Current fiscal year (May 1, 2014 to April 30, 2015)

(Thousand yen)

	Dispensing pharmacy business	Drug and cosmetic store business	Other businesses	Corporate / Eliminations	Total
Amortization of current fiscal year	2,271,358	–	6,646	–	2,278,004
Balance at the end of current fiscal year	26,286,881	–	53,175	–	26,340,056

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

Previous fiscal year (May 1, 2013 to April 30, 2014)

There are no applicable matters to be reported.

Current fiscal year (May 1, 2014 to April 30, 2015)

There are no applicable matters to be reported.