Summary of Financial Statements for the First Quarter of Fiscal Year Ending April 2016

[Japan GAAP] (Consolidated)

August 26, 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/
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Date of filing quarterly securities report: September 14, 2015

Start of dividend payment: –

Supplementary documents for quarterly results: No

Quarterly results briefing: No

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

1. Consolidated results for the first quarter of fiscal year ending April 30, 2016 (May 1, 2015 to July 31, 2015)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended July 31, 2015	52,146	20.3	2,710	58.7	2,886	58.1	1,533	52.7
Three months ended July 31, 2014	43,354	5.2	1,707	(28.4)	1,825	(26.6)	1,004	(33.8)

(Note) Comprehensive income: Three months ended July 31, 2015: ¥1,615 million (+52.3%)
Three months ended July 31, 2014: ¥1,060 million (-28.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended July 31, 2015	48.35	–
Three months ended July 31, 2014	31.67	–

* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Earnings 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 July 31, 2015	115,413	48,710	42.1	1,532.17
As of April 30, 2015	114,149	48,046	42.0	1,511.57

(Reference) Shareholders' equity: As of July 31, 2015: ¥48,581 million As of April 30, 2015: ¥47,928 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, 2015	–	0.00	–	30.00	30.00
Year ending April 30, 2016	–				
Year ending April 30, 2016 (forecast)		0.00	–	40.00	40.00

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

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	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

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

*Notes

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

Newly consolidated: – Excluded: –

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

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

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

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

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

3) Changes in accounting estimates: No

4) Restatement of revisions: No

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

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of July 31, 2015	31,888,212 shares	As of April 30, 2015	31,888,212 shares
2) Number of shares held in treasury:	As of July 31, 2015	180,595 shares	As of April 30, 2015	180,595 shares
3) Average number of shares outstanding:	Three months ended July 31, 2015	31,707,617 shares	Three months ended July 31, 2014	31,708,380 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 statements had not been completed.

*Statement regarding the proper use of financial forecasts and other special remarks

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

Contents of the Attachment

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

(1) Consolidated operating results

During the first three months of the current fiscal year (May 1, 2015 to July 31, 2015), the Japanese economy recovered at a moderate pace, supported by improvements in corporate earnings and the employment market, as well as signs of a pickup in consumer spending.

In this economic environment, the AIN PHARMACIEZ Group (the Group) worked to expand its business and increase earnings. Specifically, the Group opened new dispensing pharmacies and used M&A to expand the business. It also pushed ahead with the comprehensive development of medical malls and developed its urban drug and cosmetic store business.

In the first three months of the fiscal year, net sales increased 20.3% year on year to ¥52,146 million, operating income increased 58.7% to ¥2,710 million, ordinary income increased 58.1% to ¥2,886 million, and profit attributable to owners of parent increased 52.7% to ¥1,533 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 a switch to new medicines.

In order to fulfill the role of dispensing pharmacies at the heart of local communities, the Group is building links with local medical service providers, mainly in the area of home-based dispensing, stepping up the integration and continuous management of drug information using patient medication notebooks and other means, and promoting wider use of generic drugs. The Group is also implementing its pharmacy-led project that reviews and rebuilds all dispensing processes at each dispensing pharmacy in order to improve efficiency and enhance patient services.

In business development, the Group continued to push ahead with business expansion by opening new dispensing pharmacies and through M&A deals.

As a result, for the first three months of the fiscal year, the dispensing pharmacy business reported sales and profit growth with sales rising 20.5% year on year to ¥46,783 million and segment income increasing 53.4% to ¥3,745 million.

During the period under review, the Group opened 11 new dispensing pharmacies, including those acquired through M&A deals, and closed two pharmacies, resulting in a total of 763.

(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 and cosmetic stores, strengthened merchandise lineups, particularly drug and cosmetics products, and worked to capture inbound demand. As a result, sales at existing drug and cosmetic stores increased year on year.

In June 2015, the Company concluded a deal with Shiseido Co., Ltd. to acquire its wholly owned subsidiary AYURA Laboratories Inc. Going forward, the Company will work to progressively develop the AYURA brand by expanding sales channels, building on the brand's existing presence in department stores and online with *ainz & tulpe* stores and other channels.

In addition, in July 2015, the Company launched two new proprietary brands – *LIPS and HIPS* and *cocodecica*. In the lead up to opening stores selling these brands in the new Le trois beauty retail complex (Chuo Ward, Sapporo), which is due to open in September 2015, the Company is using various media to run sales promotions to boost the Group's sales capabilities in the Sapporo area. .

As a result, for the first three months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 15.6% year on year to ¥4,985 million. However, segment loss was ¥124 million, compared with segment income of ¥41 million in the same period a year earlier.

In the first quarter of the fiscal year, the Group opened *ainz & tulpe* MARUI CITY YOKOHAMA (Nishi Ward, Yokohama) and *ainz & tulpe* SHINJUKU HIGASHIGUCHI (Shinjuku Ward, Tokyo) and closed one suburban-type store, resulting in a total of 57 cosmetic and drug stores at the end of the first quarter.

(Other businesses)

Net sales and segment loss from other businesses were ¥377 million and ¥127 million, respectively.

(2) Consolidated financial position

The balance of total assets at the end of the first quarter increased by ¥1,263 million from the end of the previous fiscal year to ¥115,413 million.

This mainly reflected cash on hand and in banks, an increase in inventories, buildings and structures, land and other property, plant and equipment due to business expansion through new store openings and M&A, as well as a decline in the balance of other accounts receivable.

The balance of liabilities increased by ¥599 million to ¥66,702 million, mainly reflecting an increase in accounts payable and a decrease in accrued income taxes.

The balance of short- and long-term debts decreased by ¥1, 103 million to ¥12, 867 million.

Total net assets increased by ¥663 million to ¥48,710 million and the shareholders' equity ratio improved 0.1 percentage points to 42.1%.

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

The Group has made no change to its earnings forecasts for the first six months of the fiscal year and for the full fiscal year, announced on May 27, 2015, in light of earnings trends at new stores and existing stores in the first three months of the fiscal year and future store opening plans.

2. Matters concerning summary information (notes)

(1) Major changes in subsidiaries during the period

There are no applicable matters to be reported.

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

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

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

[Application of accounting standard for business combinations, etc.]

The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) from the first quarter of the current fiscal year. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the first quarter under review, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarterly financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation method for "net income" was changed, and references to "minority interests" were changed to "non-controlling interests." To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations and the other standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the first quarter under review.

As a result, during the first three months of the fiscal year, operating income, ordinary income and income before income taxes each declined by ¥41,968 thousand.

3. Quarterly consolidated financial statements
(1) Quarterly consolidated balance sheet

(Thousand yen)

	Fiscal year ended April 30, 2015 (As of April 30, 2015)	Three months ended July 31, 2015 (As of July 31, 2015)
Assets		
Current assets		
Cash on hand and in banks	19,553,423	20,465,316
Notes and accounts receivable	8,369,451	8,371,458
Merchandise	9,747,115	10,623,102
Supplies	162,635	162,546
Deferred tax assets	894,440	912,187
Short-term loans	739,342	749,524
Other accounts receivable	5,291,030	3,717,431
Other current assets	1,765,517	1,576,363
Allowance for doubtful accounts	(157,053)	(156,273)
Total current assets	46,365,901	46,421,657
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	11,678,535	11,877,042
Land	7,931,761	8,172,897
Other property, plant and equipment, net	2,862,045	3,578,451
Total property, plant and equipment	22,472,342	23,628,391
Intangible fixed assets		
Goodwill	26,340,056	25,922,404
Other intangible fixed assets	1,283,021	1,313,406
Total intangible fixed assets	27,623,077	27,235,811
Investments and other assets		
Investments in securities	2,872,382	2,979,233
Deferred tax assets	984,239	994,060
Deposits and guarantees	9,710,040	9,714,710
Other investments and other assets	4,644,288	4,961,884
Allowance for doubtful accounts	(522,385)	(522,385)
Total investments and other assets	17,688,566	18,127,503
Total fixed assets	67,783,986	68,991,705
Total assets	114,149,888	115,413,363

(Thousand yen)

	Fiscal year ended April 30, 2015 (As of April 30, 2015)	Three months ended July 31, 2015 (As of July 31, 2015)
Liabilities		
Current liabilities		
Accounts payable	31,826,516	33,716,809
Short-term debt	6,330,773	6,162,556
Accrued income taxes	2,320,567	1,277,575
Deposits received	9,052,200	9,762,666
Allowance for bonuses to employees	1,353,380	1,186,646
Allowance for bonuses to directors	11,751	4,774
Reserve for reward obligations	338,824	338,824
Other current liabilities	3,199,345	3,428,237
Total current liabilities	54,433,358	55,878,090
Long-term liabilities		
Long-term debt	7,640,133	6,704,701
Net defined benefit liability	1,636,186	1,647,215
Other long-term liabilities	2,393,661	2,472,941
Total long-term liabilities	11,669,982	10,824,857
Total liabilities	66,103,340	66,702,948
Net assets		
Shareholders' equity		
Common stock	8,682,976	8,682,976
Capital surplus	7,872,970	7,872,970
Retained earnings	31,639,894	32,221,785
Treasury stock	(419,311)	(419,311)
Total shareholders' equity	47,776,529	48,358,420
Accumulated other comprehensive income		
Unrealized holding gains on securities	227,061	291,851
Remeasurements of defined benefit plans	(75,210)	(68,730)
Total accumulated other comprehensive income	151,851	223,120
Non-controlling interests	118,166	128,872
Total net assets	48,046,547	48,710,414
Total liabilities and net assets	114,149,888	115,413,363

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

(Thousand yen)

	Three months ended July 31, 2014 (May 1, 2014 to July 31, 2014)	Three months ended July 31, 2015 (May 1, 2015 to July 31, 2015)
Net sales	43,354,567	52,146,536
Cost of sales	37,406,339	44,330,521
Gross profit	5,948,228	7,816,015
Selling, general and administrative expenses	4,240,549	5,105,544
Operating income	1,707,678	2,710,470
Non-operating income		
Interest income	17,464	6,737
Dividend income	20,506	21,361
Commissions received	12,113	17,605
Real estate rental revenue	19,547	43,360
Consignment income	37,912	45,255
Other non-operating income	81,854	112,670
Total non-operating income	189,400	246,992
Non-operating expenses		
Interest expenses	20,680	20,105
Losses on sales of accounts receivables	20,995	19,595
Real estate rental expenses	12,943	21,898
Other non-operating expenses	17,221	9,500
Total non-operating expenses	71,840	71,100
Ordinary income	1,825,237	2,886,361
Extraordinary income		
Gains on sales of fixed assets	—	762
Insurance income	—	4,391
Total extraordinary income	—	5,153
Extraordinary losses		
Losses on disposal and sales of fixed assets	17,396	71,476
Impairment losses on investments in securities	16,416	79,009
Directors’ retirement benefits	76,960	—
Other extraordinary losses	8,254	2,719
Total extraordinary losses	119,026	153,204
Income before income taxes	1,706,211	2,738,311
Income taxes	692,681	1,194,484
Profit	1,013,529	1,543,826
Profit attributable to non-controlling interests	9,348	10,706
Profit attributable to owners of parent	1,004,181	1,533,119

Quarterly consolidated statement of comprehensive income

(Thousand yen)

	Three months ended July 31, 2014 (May 1, 2014 to July 31, 2014)	Three months ended July 31, 2015 (May 1, 2015 to July 31, 2015)
Profit	1,013,529	1,543,826
Other comprehensive income		
Unrealized holding gains on securities	40,337	64,789
Remeasurements of defined benefit plans, net of tax	6,902	6,479
Total other comprehensive income	47,240	71,269
Comprehensive income	1,060,770	1,615,095
Comprehensive income attributable to owners of parent	1,051,421	1,604,389
Comprehensive income attributable to non-controlling interests	9,348	10,706

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.

(Segment Information, etc.)

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

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

(Thousand yen)

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

Notes: 1. The adjustment of ¥(523,295) thousand to segment income (loss) includes ¥519,946 thousand in corporate expenses, ¥25,153 thousand in losses that are not allocated to reportable segments, and ¥(21,804) thousand in eliminations due to intersegment transactions.
Overall group expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.
2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

There are no applicable matters to be reported.

II Three months ended July 31, 2015 (May 1, 2015 to July 31, 2015)

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	46,783,003	4,985,685	377,847	52,146,536	—	52,146,536
(2) Intersegment sales	—	—	78,042	78,042	(78,042)	—
Total sales	46,783,003	4,985,685	455,890	52,224,579	(78,042)	52,146,536
Segment income (loss)	3,745,637	(124,978)	(127,526)	3,493,132	(606,770)	2,886,361

Notes: 1. The adjustment of ¥(606,770) thousand to segment income (loss) includes ¥626,622 thousand in corporate expenses, ¥11,248 thousand in losses that are not allocated to reportable segments, and ¥(31,099) thousand in eliminations due to intersegment transactions.
Overall group expenses consist mainly of expenses associated with the administrative divisions of the parent

company, such as general affairs and accounting divisions.

2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:
There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:
There are no applicable matters to be reported.