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

## [Japan GAAP] (Consolidated)

November 26, 2015

Name of listed company: **AIN HOLDINGS 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
Inquiries: Toshihide Mizushima, Representative Senior Managing Director
TEL: +81-11-814-1000
Date of filing quarterly securities report: December 15, 2015
Start of dividend payment: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated results for the second quarter of fiscal year ending April 30, 2016 (May 1, 2015 to October 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 | % |
| Six months ended October 31, 2015 | 106,924 | 21.2 | 5,901 | 39.5 | 6,084 | 36.7 | 3,295 | 30.5 |
| Six months ended October 31, 2014 | 88,220 | 6.3 | 4,230 | (15.6) | 4,451 | (13.8) | 2,525 | (12.9) |

(Note) Comprehensive income: Six months ended October 31, 2015: ¥3,290 million (+25.9%)
Six months ended October 31, 2014: ¥2,614 million (-9.3%)

| | Earnings per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| Six months ended October 31, 2015 | 103.93 | – |
| Six months ended October 31, 2014 | 79.64 | – |

* 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 October 31, 2015 | 133,721 | 50,385 | 37.6 | 1,584.87 |
| As of April 30, 2015 | 114,149 | 48,046 | 42.0 | 1,511.57 |

(Reference) Shareholders' equity: As of October 31, 2015: ¥50,252 million As of April 30, 2015: ¥47,928 million

2. Dividends

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| | End of first quarter | End of second quarter | End of third quarter | End of year | Full year |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended April 30, 2015 | – | 0.00 | – | 30.00 | 30.00 |
| Year ending April 30, 2016 | – | 0.00 | | | |
| Year ending April 30, 2016 (forecast) | | | – | 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 |
| 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

(4) Number of outstanding shares (common stock)

| | | | | |
|---|---|---|---|---|
| 1) Number of outstanding shares (including treasury stock): | As of October 31, 2015 | 31,888,212 shares | As of April 30, 2015 | 31,888,212 shares |
| 2) Number of shares held in treasury: | As of October 31, 2015 | 180,595 shares | As of April 30, 2015 | 180,595 shares |
| 3) Average number of shares outstanding: | Six months ended October 31, 2015 | 31,707,617 shares | Six months ended October 31, 2014 | 31,708,190 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 the Attachment

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

### (1) Consolidated operating results

During the first six months of the current fiscal year (May 1, 2015 to October 31, 2015), the Japanese economy recovered at a moderate pace, supported by firm consumer spending and improvements in corporate earnings and the employment market.

In this economic environment, the AIN HOLDINGS 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 addition, effective from November 1, 2015, the Group moved to a holding company structure. By separating the Group’s management and business execution functions, the Group aims to enhance corporate governance, clarify the authority and responsibility of each business segment and promote greater management autonomy, creating the foundations for further business expansion.

In the first six months of the fiscal year, net sales rose 21.2% year on year to ¥106,924 million, operating income increased 39.5% to ¥5,901 million, ordinary income increased 36.7% to ¥6,084 million, and profit attributable to owners of parent increased 30.5% to ¥3,295 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.

In November 2015,_NP HOLDINGS Co., Ltd. (Takamatsu-shi, Kagawa Prefecture) become a subsidiary of the Group. With a total of 41 dispensing pharmacies mainly in Kagawa Prefecture, NP HOLDINGS is the largest dispensing pharmacy chain in Shikoku region. The Group intends to use the acquisition of the company to strengthen its network and business base in the region.

As a result, for the first six months of the fiscal year, the dispensing pharmacy business reported sales and profit growth with sales rising 21.0% year on year to ¥95,940 million and segment income increasing 43.5% to ¥8,193 million.

During the period under review, the Group opened 32 new dispensing pharmacies, including those acquired through M&A deals, and closed five pharmacies, resulting in a total of 781.

(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.

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 addition, the Company will work to reinforce the *ainz & tulpe* brand by launching new original brands *LIPS and HIPS* and *cocodecica*, and by developing the *Ayura* brand acquired from Shiseido Co., Ltd.

The Le trois retail facility (Chuo Ward, Sapporo), which was opened in September 2015, saw steady customer traffic and sales, supported by efforts to promote it as a mixed-use integrated beauty complex in Sapporo’s Odori area.

As a result, for the first six months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 18.7% year on year to ¥10,107 million. However, segment loss was ¥183 million, compared with segment income of ¥32 million in the same period a year earlier.

In the second quarter of the fiscal year, the Group opened *ainz & tulpe* MARUI CITY YOKOHAMA (Nishi Ward, Yokohama), *ainz & tulpe* SHINJUKU HIGASHIGUCHI (Shinjuku Ward, Tokyo) and *ainz & tulpe* Le trois (Chuo Ward, Sapporo) and closed three suburban-type store, resulting in a total of 56 cosmetic and drug stores at the end of the second quarter.

(Other businesses)

Net sales and segment loss from other businesses were ¥875 million and ¥444 million, respectively.

**(2) Consolidated financial position**

The balance of total assets at the end of the second quarter increased by ¥19,571 million from the end of the previous fiscal year to ¥133,721 million.

This mainly reflected cash on hand and in banks and increases in inventories, property, plant and equipment such as land, buildings and structures, and trademark rights due to the Group's business expansion through new store openings and M&A.

The balance of liabilities increased ¥17,231 million to ¥83,335 million.

The balance of short- term and long-term debts increased by ¥9,787 million to ¥23,758 million.

Total net assets increased by ¥2,339 million to ¥50,385 million and the shareholders' equity ratio decreased 4.4 percentage points to 37.6%.

(Cash flows)

In the first six months of the fiscal year, cash and cash equivalents ("cash") increased by ¥11,261 million from the previous fiscal year end to ¥30,650 million.

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

During the first six months of the fiscal year, net cash provided by operating activities was ¥9,221 million, compared with ¥4,822 million provided in the same period a year earlier. The main cash inflows were income before income taxes of ¥5,825 million, depreciation and amortization of ¥1,417 million, amortization of goodwill of ¥1,339 million. The main cash outflow was income taxes paid of ¥2,316 million.

Net cash used in investing activities amounted to ¥6,117 million, compared with ¥1,907 million used a year earlier. This was mainly due to payments of ¥4,427 million for the acquisition of property, plant and equipment and intangible fixed assets and ¥1,131 million for purchases of subsidiaries' shares resulting in obtaining controls.

Net cash provided by financing activities was ¥8,157 million, compared with ¥3,170 million used a year earlier. The main cash inflow was ¥9,460 million in net proceeds from short-term and long-term debt repayment and proceeds, while the main cash outflow was cash dividends paid of ¥951 million.

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

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

## 2. Matters concerning summary information (notes)

**(1) Major changes in subsidiaries during the period**

There are no applicable matters to be reported.

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

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

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

[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 six months of the fiscal year, operating income, ordinary income and income before income taxes each declined by ¥70,854 thousand.

## 3. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheet

(Thousand yen)

| | Fiscal year ended April 30, 2015 (As of April 30, 2015) | Six months ended October 31, 2015 (As of October 31, 2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash on hand and in banks | 19,553,423 | 30,806,554 |
| Notes and accounts receivable | 8,369,451 | 9,199,776 |
| Merchandise | 9,747,115 | 11,855,060 |
| Supplies | 162,635 | 162,850 |
| Deferred tax assets | 894,440 | 958,589 |
| Short-term loans | 739,342 | 621,600 |
| Other accounts receivable | 5,291,030 | 5,819,293 |
| Other current assets | 1,765,517 | 2,058,984 |
| Allowance for doubtful accounts | (157,053) | (380,424) |
| Total current assets | 46,365,901 | 61,102,284 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 11,678,535 | 14,099,477 |
| Land | 7,931,761 | 8,186,045 |
| Other property, plant and equipment, net | 2,862,045 | 3,826,348 |
| Total property, plant and equipment | 22,472,342 | 26,111,870 |
| Intangible fixed assets | | |
| Goodwill | 26,340,056 | 26,393,871 |
| Other intangible fixed assets | 1,283,021 | 2,068,006 |
| Total intangible fixed assets | 27,623,077 | 28,461,878 |
| Investments and other assets | | |
| Investments in securities | 2,872,382 | 2,818,595 |
| Deferred tax assets | 984,239 | 1,231,646 |
| Deposits and guarantees | 9,710,040 | 9,769,282 |
| Other investments and other assets | 4,644,288 | 5,030,432 |
| Allowance for doubtful accounts | (522,385) | (804,985) |
| Total investments and other assets | 17,688,566 | 18,044,971 |
| Total fixed assets | 67,783,986 | 72,618,720 |
| Total assets | 114,149,888 | 133,721,005 |

(Thousand yen)

| | Fiscal year ended April 30, 2015 (As of April 30, 2015) | Six months ended October 31, 2015 (As of October 31, 2015) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 31,826,516 | 36,279,567 |
| Short-term debt | 6,330,773 | 17,607,646 |
| Accrued income taxes | 2,320,567 | 2,598,754 |
| Deposits received | 9,052,200 | 9,251,921 |
| Allowance for bonuses to employees | 1,353,380 | 1,793,171 |
| Allowance for bonuses to directors | 11,751 | 11,935 |
| Reserve for reward obligations | 338,824 | 359,241 |
| Other current liabilities | 3,199,345 | 4,845,217 |
| Total current liabilities | 54,433,358 | 72,747,455 |
| Long-term liabilities | | |
| Long-term debt | 7,640,133 | 6,150,586 |
| Net defined benefit liability | 1,636,186 | 1,995,967 |
| Other long-term liabilities | 2,393,661 | 2,441,012 |
| Total long-term liabilities | 11,669,982 | 10,587,566 |
| Total liabilities | 66,103,340 | 83,335,022 |
| 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 | 33,984,169 |
| Treasury stock | (419,311) | (419,311) |
| Total shareholders’ equity | 47,776,529 | 50,120,804 |
| Accumulated other comprehensive income (loss) | | |
| Unrealized holding gains on securities | 227,061 | 193,856 |
| Remeasurements of defined benefit plans | (75,210) | (62,251) |
| Total accumulated other comprehensive income(loss) | 151,851 | 131,605 |
| Non-controlling interests | 118,166 | 133,572 |
| Total net assets | 48,046,547 | 50,385,982 |
| Total liabilities and net assets | 114,149,888 | 133,721,005 |

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

**Quarterly consolidated statements of income**

(Thousand yen)

| | Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014 | Six months ended October 31, 2015 (May 1, 2015 to October 31, 2015) |
|---|---|---|
| Net sales | 88,220,201 | 106,924,364 |
| Cost of sales | 75,597,751 | 90,210,692 |
| Gross profit | 12,622,449 | 16,713,672 |
| Selling, general and administrative expenses | 8,392,240 | 10,812,265 |
| Operating income | 4,230,208 | 5,901,407 |
| Non-operating income | | |
| Interest income | 37,457 | 27,145 |
| Dividend income | 23,745 | 25,144 |
| Commissions received | 23,936 | 35,238 |
| Real estate rental revenue | 81,732 | 84,280 |
| Consignment income | 73,611 | 96,099 |
| Guarantees received | - | 157,022 |
| Other non-operating income | 131,033 | 181,968 |
| Total non-operating income | 371,517 | 606,899 |
| Non-operating expenses | | |
| Interest expenses | 41,374 | 41,379 |
| Losses on sales of accounts receivables | 42,060 | 39,575 |
| Real estate rental expenses | 44,080 | 43,809 |
| Provision of allowance for doubtful accounts | - | 282,600 |
| Other non-operating expenses | 22,588 | 16,767 |
| Total non-operating expenses | 150,104 | 424,133 |
| Ordinary income | 4,451,621 | 6,084,173 |
| Extraordinary income | | |
| Gains on sales of investments in securities | 7,040 | - |
| Gains on sales of fixed assets | 1,791 | 22,999 |
| Insurance income | - | 8,368 |
| Other extraordinary income | - | 2,772 |
| Total extraordinary income | 8,831 | 34,140 |
| Extraordinary losses | | |
| Losses on disposal and sales of fixed assets | 72,695 | 167,018 |
| Impairment losses on investments in securities | - | 79,009 |
| Directors’ retirement benefits | 106,960 | - |
| Other extraordinary losses | 82,873 | 46,597 |
| Total extraordinary losses | 262,529 | 292,625 |
| Income before income taxes | 4,197,922 | 5,825,688 |
| Income taxes | 1,666,657 | 2,514,779 |
| Profit | 2,531,265 | 3,310,909 |
| Profit attributable to non-controlling interests | 6,131 | 15,406 |
| Profit attributable to owners of parent | 2,525,134 | 3,295,503 |

**Quarterly consolidated statements of comprehensive income**

(Thousand yen)

| | Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014) | Six months ended October 31, 2015 (May 1, 2015 to October 31, 2015) |
|---|---|---|
| Profit | 2,531,265 | 3,310,909 |
| Other comprehensive income | | |
| Unrealized holding gains (losses) on securities | 69,518 | (33,205) |
| Remearurements of defined benefit plans, net of tax | 13,840 | 12,958 |
| Total other comprehensive income (loss) | 83,358 | (20,246) |
| Comprehensive income | 2,614,624 | 3,290,663 |
| Comprehensive income attributable to owners of parent | 2,608,493 | 3,275,257 |
| Comprehensive income attributable to non-controlling interests | 6,131 | 15,406 |

**(3) Quarterly consolidated statements of cash flows**

(Thousand yen)

| | Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014) | Six months ended October 31, 2015 (May 1, 2015 to October 31, 2015) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 4,197,922 | 5,825,688 |
| Depreciation and amortization | 1,198,524 | 1,417,501 |
| Amortization of goodwill | 1,044,474 | 1,339,030 |
| Increase in defined benefit liability | 61,863 | 70,809 |
| Increase in allowance for bonuses to employees | 241,578 | 326,105 |
| Increase in allowance for bonuses to directors | 1 | 184 |
| Interest and dividend income | (61,203) | (52,290) |
| Interest expenses | 41,374 | 41,379 |
| Losses on disposal and sales of fixed assets | 70,904 | 144,019 |
| Increase (decrease) in accounts receivable | 959,147 | (75,008) |
| Increase in inventories | (73,306) | (1,515,572) |
| Increase in other accounts receivable | (41,802) | (521,028) |
| Increase in accounts payable | 861,459 | 3,806,792 |
| Other, net | (810,753) | 721,316 |
| Subtotal | 7,690,184 | 11,528,927 |
| Interest and dividends received | 59,301 | 50,576 |
| Interest paid | (41,196) | (40, 967) |
| Income taxes paid | (2,885,789) | (2,316,854) |
| Net cash provided by operating activities | 4,822,499 | 9,221,681 |
| Cash flows from investing activities | | |
| Payments for purchases of property, plant and equipment and intangible fixed assets | (1,278,176) | (4,427,422) |
| Proceeds from sales of property, plant and equipment and intangible fixed assets | 50,949 | 192,595 |
| Payments for purchase of investments in securities | (30,180) | (4,467) |
| Proceeds from sales of investments in securities | 517,638 | 244,773 |
| Purchase of subsidiaries' shares resulting in obtaining controls | (1,264,857) | (1,131,659) |
| Payments for loans receivable | (1,080,610) | (871,940) |
| Proceeds from collections of loans receivable | 1,496,342 | 14,110 |
| Payments for time deposits | (13,500) | (33,805) |
| Proceeds from withdrawal of time deposits | 101,313 | 73,771 |
| Other, net | (406,805) | (173,426) |
| Net cash used in investing activities | (1,907,886) | (6,117,471) |

(Thousand yen)

| | Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014) | Six months ended October 31, 2015 (May 1, 2015 to October 31, 2015) |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term debts | (161,747) | 11,732,426 |
| Proceeds from long-term debts | 100,000 | 10,000 |
| Repayments of long-term debts | (1,843,169) | (2,282,003) |
| Repayments of lease obligations | (312,931) | (351,731) |
| Payments for purchase of treasury stock | (1,863) | - |
| Cash dividends paid | (951,251) | (951,228) |
| Net cash (used in) provided by financing activities | (3,170,963) | 8,157,463 |
| Net increase (decrease) in cash and cash equivalents | (256,350) | 11,261,673 |
| Cash and cash equivalents at beginning of the period | 18,735,445 | 19,389,097 |
| Cash and cash equivalents at end of the period | 18,479,095 | 30,650,771 |

## (4) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.

(Segment Information, etc.)

I Six months ended October 31, 2014 (May 1, 2014 to October 31, 2014)

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

(Thousand yen)

| | Reportable segments | | | | Adjustments (Note) 1 | Carried on quarterly consolidated statements of income (Note) 2 |
|---|---|---|---|---|---|---|
| | Dispensing pharmacy | Drug and cosmetic store | Other | Total | | |
| Sales | | | | | | |
| (1) Sales to third parties | 79,261,223 | 8,514,066 | 444,910 | 88,220,201 | - | 88,220,201 |
| (2) Intersegment sales | - | - | 158,682 | 158,682 | (158,682) | - |
| Total sales | 79,261,223 | 8,514,066 | 603,592 | 88,378,883 | (158,682) | 88,220,201 |
| Segment income (loss) | 5,710,639 | 32,766 | (235,627) | 5,507,778 | (1,056,157) | 4,451,621 |

Notes: 1. The adjustment of ¥(1,056,157) thousand to segment income (loss) includes ¥1,050,263 thousand in corporate expenses, ¥47,219 thousand in losses that are not allocated to reportable segments, and ¥(41,325) thousand in eliminations due to intersegment transactions.
Corporate expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.
2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

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

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

The dispensing pharmacy segment includes six dispensing pharmacy companies that have been acquired by the Group. During the first six months of the fiscal year, the increase in goodwill related to these companies was ¥1,259,144 thousand.

II Six months ended October 31, 2015 (May 1, 2015 to October 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 | 95,940,867 | 10,107,600 | 875,896 | 106,924,364 | - | 106,924,364 |
| (2) Intersegment sales | - | - | 155,311 | 155,311 | (155,311) | - |
| Total sales | 95,940,867 | 10,107,600 | 1,031,207 | 107,079,676 | (155,311) | 106,924,364 |
| Segment income (loss) | 8,193,917 | (183,965) | (444,421) | 7,565,530 | (1,481,357) | 6,084,173 |

Notes: 1. The adjustment of ¥(1,481,357) thousand to segment income (loss) includes ¥1,201,363 thousand in corporate expenses, ¥333,062 thousand in losses that are not allocated to reportable segments, and ¥(53,069) thousand in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.

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

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

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

In the dispensing pharmacy business segment, the Company acquired five dispensing pharmacy companies and one other company. During the first six months of the fiscal year, the increase in goodwill related to these companies was ¥1,025,281 thousand.

(Material subsequent events)

Transition to holding company structure

In accordance with a resolution approved by the Board of Directors on June 24, 2015 and an absorption-type company split agreement approved by the General Meeting of Shareholders on July 30, 2015, the Company adopted a holding company structure on November 1, 2015. As a result, operations related to the Company's dispensing pharmacy and drugstore businesses were transferred to Ain Company Split Preparation Co., Ltd. Effective on the same date, the company names of AIN PHARMACIEZ INC. and Ain Company Split Preparation Co., Ltd. were changed to AIN HOLDINGS INC. and AIN PHARMACIEZ INC., respectively.

1. Summary of corporate split

(1) Objective of corporate split

The Group is targeting further growth by accelerating business development in the dispensing pharmacy business through new pharmacy openings and M&A and by enhancing the functions of dispensing pharmacies as “dispensing pharmacies at the heart of local communities,” and by increasing the size of its urban drug and cosmetic stores. The Group believes a holding company is the best structure to realize sustained growth in corporate value by clarifying the authority and responsibility of each business segment, promoting greater management autonomy, increasing the Group's competitiveness and enhancing corporate governance by separating the Group's management and business execution functions.

(2) Method of corporate split

An absorption-type corporate split, by which the operations of AIN PHARMACIEZ INC. are split and transferred to wholly owned consolidated subsidiary Ain Company Split Preparation Co., Ltd.

(3) Date of corporate split

November 1, 2015

(4) Business to be transferred

All business divisions excluding the Company's Group management functions.

2. Summary of accounting treatment

The corporate split has been treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).