

Summary of Consolidated Financial Results for the Three-Month Period ended June 30, 2017 [Japanese GAAP]

July 25, 2017

Company name: SOGO MEDICAL CO., LTD.
 Stock exchange listings: Tokyo 1st Section
 Securities code: 4775 URL: <http://www.sogo-medical.co.jp/english/>
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Quarterly securities report filing date (as planned) : August 10, 2017

Dividend payable date (as planned) : -

Supplemental material of quarterly results is available.

There will not be a convening briefing of quarterly results for institutional investors and analysts.

(Amounts are rounded down.)

1. Consolidated Financial Results (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results

(% indicates changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three-month period ended								
June 30, 2017	33,191	18.1	1,387	23.3	1,332	20.9	807	31.1
June 30, 2016	28,102	2.2	1,125	17.0	1,101	10.1	616	13.1

Notes: Comprehensive income Three-month period ended June 30, 2017 ¥849million (57.0%)

Three-month period ended June 30, 2016 ¥541million (-10.3%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three-month period ended				
June 30, 2017	53.95		—	
June 30, 2016	41.16		—	

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2017	85,362	33,356	38.8
As of March 31, 2017	86,760	32,880	37.6

References: Owner's equity As of June 30, 2017 ¥33,086million As of March 31, 2017 ¥32,605million

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen				
FY2016	—	25.00	—	25.00	50.00
FY2017	—				
FY2017(forecast)		27.50	—	27.50	55.00

Note: Correction of dividend forecast from the most recent dividend forecast:None

3. Consolidated forecasts for FY2017 (from April 1, 2017 to March 31, 2018)

(% indicates year-on-year change.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Interim	64,899	13.2	2,605	7.1	2,608	8.1	1,434	3.9	95.86
Full-year	135,566	10.9	7,001	12.0	7,016	8.9	4,029	6.6	269.19

Note: Correction of dividend forecast from the most recent dividend forecast: None

4. Others

(1) Material changes in subsidiaries during this period

(Changes in scope of consolidations resulting from change in subsidiaries): None

(2) Applying of specific accounting of the consolidated quarterly financial statements: None

(3) Changes in accounting policies and accounting estimates, retrospective restatement

① Changes in accounting policies based on revisions of accounting standard: None

② Changes in accounting policies other than ones based on revisions of accounting standard: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

(4) Number of issued and outstanding shares (common stock)

① Number of issued and outstanding shares

at the end of fiscal year (including treasury stock): June30,2017: 15,340,156shares March31,2017: 15,340,156shares

② Number of treasury stock at the end of fiscal year: June30,2017: 372,823shares March31,2017: 372,775shares

③ Average number of shares: June30,2017: 14,967,376shares June30,2016: 14,967,381shares

※Implementation status of quarterly review procedures

This summary is not subject to quarterly review procedures based on "The Financial Instruments and Exchange Law" of Japan. The quarterly review procedures for quarterly financial statements have not been completed.

※ Notes for using forecasted information and others

These forecasts are based on currently available information. Actual financial results could differ from the forecast due to various factors. Please refer to page 7 "(3) Qualitative Information on Consolidated Financial Forecasts for FY2017" for assumptions and cautions on the use of these financial forecasts.

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1. Qualitative Information on Financial Results

(1) Qualitative Information on Consolidated Operating Results

(in millions, except percentages)

	1Q FY2016	Margin	1Q FY2017	Margin	Change	Change
Sales	¥ 28,102	%	¥ 33,191	%	¥5,088	18.1%
Medical practice support	5,179		6,092		912	17.6
Consulting	461		489		27	5.9
Rental	1,492		1,539		46	3.1
Leasing and Installment Sales	2,280		2,334		54	2.4
Others	945		1,729		784	83.0
Pharmacies	22,699		26,853		4,154	18.3
Others	2,23		245		21	9.8
Operating Income	1,125	4.0	1,387	4.2	261	23.3
Medical practice support	79	1.5	69	1.1	(10)	(12.6)
Pharmacies	1,200	5.3	1,399	5.2	199	16.6
Others	(29)	(13.2)	5	2.1	-	-
Reconciliation	(125)	-	(87)	-	37	-
Ordinary Income	1,101	3.9	1,332	4.0	230	20.9
Profit attributable to owners of parent	616	2.2	807	2.4	191	31.1

From April 2017, we launched Action 2020, a three-year medium-term management plan. FY2017 (April 1, 2017-March 31, 2018) is the first year of the new medium-term management plan. In accordance with the main theme of this medium-term management plan—the realization of a Japanese healthcare business model—we plan to undertake the development of healthcare malls, hospital management support, and creation of valuable pharmacies, as well as the development of a regional healthcare network by adding functions to and strengthening existing businesses, and expanding business domains to healthcare related fields to achieve our vision for FY2027.

In the first quarter of FY2017, we posted net sales of ¥33,191 million, an increase of 18.1% in comparison with the same quarter a year earlier. This reflects year-on-year sales growth in the medical practice support business, the pharmacy business, and other segments. In the profit front, we booked operating income of ¥1,387 million, a growth of 23.3%, ordinary income of ¥1,332 million, a rise of 20.9%, and profit attributable to owners of the parent of ¥807 million, an improvement of 31.1%, reflecting benefits from sales growth in the pharmacy business.

Segment financial results were as follows:

① Medical practice support

A. Consulting

As of the end of the first quarter of FY2017, the number of registered doctors wishing to transfer/start-up a practice using the DtoD system (a support scheme for the succession, partnership and job-hunting for medical professionals) totaled 70,471 doctors, an increase of 1,312 people from the end of FY2016.

We are continuing efforts to develop regional healthcare malls which are sites that enable local residents to continue to live safe and secure in towns they are familiar with. As of the end of the first quarter, there were 76 healthcare malls in operation. In the medium-term management plan, we aim to have 200 healthcare malls by the end of March 2020. We established a system to achieve this goal by strengthening dedicated healthcare mall departments in the Tokyo area and setting up new departments in the Kansai area.

As a part of consulting for medical professionals, we implemented measures to address the diverse needs of doctors. In addition to traditional medical practice start-up seminars, we held seminars aimed at making doctor's dreams a reality and also seminars for female medical professionals to help doctors build an ideal career path.

Sales in the consulting business totaled ¥489 million, a rise of 5.9% versus a year earlier. This reflects an increase in consulting revenue, including that for management support, and leasing revenue from medical institutions, including healthcare malls.

Note that the medical and nursing care partnership project which we supported in the southern township region of Amami-Oshima, Kagoshima Prefecture was the first such project to be certified as a Regional Healthcare Coordinator (Ministry of Health, Labour and Welfare) since the system was enacted in April 2017.

B. Rental

Carrying over trends from the previous fiscal year, we continued to fill demand for contract renewals after the transition to digital terrestrial broadcasting. Accordingly, we posted sales of ¥1,539 million, a growth of 3.1% year-on-year.

C. Leasing / Installment

The market environment remains harsh owing to impact from negative interest rates. We newly installed and replaced medical equipment at healthcare malls, medical practice start-ups, and hospital reconstruction projects. Accordingly, despite a decline in product sales (subleasing), sales totaled ¥2,334 million, a growth of 2.4% year-on-year, owing to an increase in sales of goods.

D. Others

Sales totaled ¥1,729 million, an expansion of 83.0% in contrast with a year earlier, reflecting an increase in sales in medical practice support-related businesses, including a growth in sales related to the design and construction of medical facilities.

Reflecting the outcome above, we posted sales in the medical practice support business of ¥6,092 million, an increase of 17.6% year-on-year. In the profit front, segment operating income was ¥69 million, a decrease of 12.6%. Although there was contribution to profit from sales growth in the consulting and rental business, and sales related to the design and construction of medical facilities, operating income was exacerbated by a decline in profit in the leasing and installment business.

② Pharmacy

We implemented measures to promote our “healthcare station for all” initiative to manage pharmacies that are chosen by the local community.

We conducted measures to promote primary-care pharmacists and pharmacies, as proposed in the Ministry of Health, Labour and Welfare’s “Vision of Community Pharmacies for Patients.” In addition, we undertook the expansion of healthcare support pharmacies and the training of pharmacists that specialize in certain areas to address the advanced pharmacological management needs of patients. The healthcare support pharmacy measures included the distribution of healthcare-support leaflets and the hosting of healthcare consultations at pharmacies. The number of certified healthcare support pharmacies totaled 40 pharmacies as of the end of the first quarter, accounting for roughly 10% of all certified healthcare support pharmacies nationwide.

We are operating a total of 677 pharmacies, including 4 locations opened in the first quarter (and two pharmacies acquired through M&A).

In the pharmacy business, we booked segment sales of ¥26,853 million, a growth of 18.3%

versus a year earlier, and operating income of ¥1,399 million, an increase of 16.6%. This reflects substantial contribution from the acquisition of the Miyonodai Yakkyoku Group (91 pharmacies) in December 2016.

③ Others

Segment sales totaled ¥245 million, a rise of 9.8% year-on-year, and operating income of ¥5 million, a decline of ¥29 million.

(Change in the business segment classification method)

In the first quarter consolidated accounting period, we drafted strategies for each business in accordance with the medium-term management plan. We aim to carry out business activities propelled by faster decision-making. To this end, we revamped our organizational and management structure so as to pivot around our businesses, and we revised the method we use to classify our business segments. Our reporting segments are now the “medical practice support,” “pharmacies,” and “others,” as opposed to our previous segments (Higashinohon (East Japan), Nishinohon (West Japan), and Kyushu).

We have reshuffled our business segments for the previous fiscal year to make it possible to conduct year-on-year comparisons with data in the current fiscal year.

(2) Qualitative Information on Consolidated Financial Position

Analysis of Assets, Liabilities, and Net Assets

(in millions except percentages and ratios)

	March 31,2017	June 30,2017	Change
Total Assets	¥ 86,760	¥ 85,362	(¥ 1,397)
including Cash and Deposits	10,830	12,339	1,509
Liabilities	53,879	52,006	(1,872)
including Interest-Bearing Debt *1	24,590	23,681	(909)
Net Assets	32,880	33,356	475
Shareholders' Equity Ratio (%)	37.6	38.8	1.2
Net Debt-to-Equity Ratio (times) *2	0.42	0.34	(0.08)

*1. Interest-Bearing Debts include lease obligations and accounts payable-installment purchases.

*2. Net Debt-to-Equity Ratio = (Interest-Bearing Debts – Cash and Deposits) / Shareholders' Equity

Total assets at the end of 1Q stood at ¥85,362 million, a decrease of ¥1,397 million versus the end of FY2016. Current assets totaled ¥43,673 million, a decrease of ¥1,326 million. Although cash and deposits increased ¥1,509 million, notes and accounts receivable-trade decreased ¥2,395 million. Meanwhile, noncurrent assets totaled ¥41,689 a decrease of ¥71 million. This primarily reflects an a decrease of goodwill of ¥115 million.

Total liabilities at the end of 1Q totaled ¥52,006million, a decrease of ¥1,872 million versus the end of FY2016. Current liabilities stood at ¥32,148 million, a decrease of ¥1,080 million. This reflects a decrease of notes and accounts payable-trade of ¥824 million. Noncurrent liabilities stood at ¥19,858 million, a decrease of ¥792 million. This was primarily attributable to a decrease of long-term loans payable of ¥1,021 million.

It should be noted that interest-bearing debt (including lease obligations and accounts payable-installment purchases) decreased ¥909 million to ¥23,681 million. Consequently, the net debt-to-equity ratio (interest-bearing debt less cash and deposits divided by shareholders' equity) was 0.34, compared to 0.08 as of the previous fiscal year-end.

Net assets at the end of 1Q totaled ¥33,356 million, an increase of ¥475 million versus the end of FY2016. Despite a decrease due to dividend payments of ¥374 million, net assets were buoyed an increase in net income attributable to owners of the parent of ¥807 million. From the above results, the equity ratio has come to be 38.8%, increasing by 1.2points in comparison with 37.6% qt the end of FY2016.

(3)Qualitative Information on Consolidated Financial Forecasts for FY2017

There are not any changes in consolidated financial forecasts for FY2017 which were announced on April 25,2017.

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results
for the Three-Month Period ended June 30, 2017

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(in millions)

	As of March.31, 2017	As of June.30, 2017
Assets		
Current assets		
Cash and deposits	¥ 10,830	¥ 12,339
Notes and accounts receivable-trade	21,395	18,999
Accounts receivable-installment sales	1,821	1,802
Lease investment assets	911	866
Inventories	6,557	6,749
Other	3,522	2,953
Allowance for doubtful accounts	(38)	(37)
Total current assets	44,999	43,673
Noncurrent assets		
Property, plant and equipment		
Property for lease, net	4,823	5,047
Buildings and structures, net	13,312	13,316
Other, net	6,936	6,892
Total property, plant and equipment	25,072	25,256
Intangible assets		
Goodwill	9,703	9,588
Other	1,537	1,458
Total intangible assets	11,241	11,046
Total investments and other assets	5,446	5,386
Total noncurrent assets	41,760	41,689
Total assets	86,760	85,362

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for the Three-Month Period ended June 30, 2017

(in millions)

	As of March.31, 2017	As of June.30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	¥ 20,258	¥ 19,433
Short-term loans payable	415	429
Current portion of long-term loans payable	4,607	4,433
Lease obligations	256	234
Income taxes payable	1,762	351
Other	5,929	7,266
Total current liabilities	33,228	32,148
Noncurrent liabilities		
Long-term loans payable	15,171	14,150
Lease obligations	920	914
Long-term accounts payable-installment purchase	2,160	2,505
Other	2,397	2,287
Total noncurrent liabilities	20,650	19,858
Total liabilities	53,879	52,006
Net assets		
Shareholders' equity		
Capital stock	3,513	3,513
Capital surplus	5,566	5,566
Retained earnings	24,012	24,446
Treasury stock	(920)	(920)
Total shareholders' equity	32,172	32,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	432	480
Total accumulated other comprehensive income	432	480
Non-controlling interests	275	269
Total net assets	32,880	33,356
Total liabilities and net assets	86,760	85,362

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results
for the Three-Month Period ended June 30,2017

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of
Comprehensive Income

(Quarterly Consolidated Statements of Income)

(in millions)

	Three-Month Period ended June 30,2016	Three-Month Period ended June 30,2017
Net sales	¥ 28,102	¥ 33,191
Cost of sales	24,026	28,492
Gross profit	4,076	4,699
Selling, general and administrative expenses	2,951	3,312
Operating income	1,125	1,387
Non-operating income		
Dividends income	14	13
Rent income	6	5
Other	32	50
Total non-operating income	53	69
Non-operating expenses		
Interest expenses	18	26
Loss on cancellation of rental contracts	35	-
Loss on valuation of investments securities	-	37
Other	22	59
Total non-operating expenses	76	123
Ordinary income	1,101	1,332
Extraordinary loss		
Impairment loss	14	-
Total extraordinary loss	14	-
Income before income taxes	1,086	1,332
Income taxes-current	210	243
Income taxes-deferred	260	286
Total income taxes	470	529
Net income	615	802
Profit (loss) attributable to non-controlling interestst	(0)	(5)
Profit (loss) attributable to owners of parent	616	807

SOGO MEDICAL CO., LTD. (4775)
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(Quarterly Consolidated Statements of Comprehensive Income)

(in millions)

	Three-Month Period ended June 30,2016	Three-Month Period ended June 30,2017
Net income	¥ 615	¥ 802
Other comprehensive income		
Valuation difference on available-for-sale securities	(74)	47
Total other comprehensive income	(74)	47
Comprehensive income	541	849
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	541	855
Comprehensive income attributable to non-controlling interests	(0)	(5)

(3) Notes to quarterly Consolidated Financial Statements

(Note on the Going-Concern Assumption)

None

(Note on Significant Changes in Shareholders' Equity)

None