



Annual Report 2014

From April 1, 2013 to March 31, 2014.

Good Medicine through Good Management

Medical institutions like hospitals and clinics need good management to practice good medical care. Practicing good medical care from the outset, however, also results in good management. Therefore, good medical care and good management are both essential to the provision of efficient, high-quality healthcare. When treating patients, doctors have pride and a sense of mission that cause them to do everything in their power for the patient they are treating. Consequently, Sogo Medical's mission is to provide the institutional support that enables doctors to focus on the provision of this good medical care.

Management Principles

At Sogo Medical, a unique set of management principles is at the center of the work that we do and the way we undertake it. Our Pledge dedicates our lives to valuing human life through our vocation and putting our hearts into our work. The Mission Statement declares the Company's purpose. Our Corporate Credo outlines the assurances and promises we make to society.

Our Pledge

We shall, in our own lives, highly value the irreplaceable lives of others.

We shall strive always to be right-thinking, grateful, diligent, modest, honest, refined, straight and fair independent people.

We believe that our work contributes to the advancement of society and benefits many people, and shall therefore conduct our work responsibly and efficiently.

We shall not hesitate to do good nor prevent harm.

Mission Statement

We shall work to build a better society through good medicine.

Corporate Credo

1. We shall be a company that values each life as irreplaceable.
2. We shall be a good partner to our suppliers and earn their trust.
3. We shall encourage our employees to live full lives, and grow together with them as a company.
4. We shall seek to cultivate the character, skills, and insight of each employee, to meet our responsibilities both as a company as a whole and as individual citizens.

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A cautionary note on forward-looking statements:
* This annual report contains forward-looking statements relating to performance projections and future predictions that are based on judgments made in light of information available at the time of writing, and as a result includes risks and uncertainties. For this reason, there is a possibility that actual results may differ from such forecasts.

Business Overview

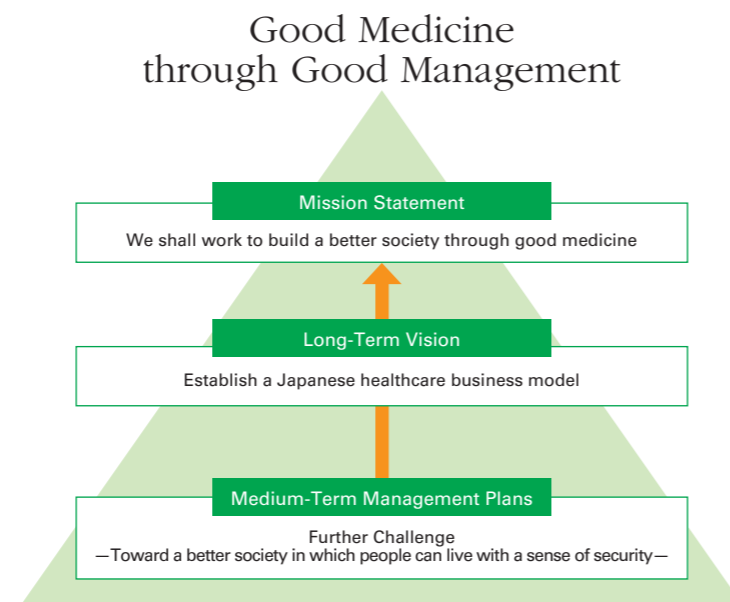
To build a better society through good medicine



■ Toward a Better Society in which People can Live with a Sense of Security

At Sogo Medical, the concept “good medicine through good management” is the foundation for our mission to contribute to making a better society by supporting regional healthcare. With our long-term vision of realizing the challenge of a Japanese healthcare business model, we are advancing our efforts to build a base of regional healthcare networks through our DtoD (Doctor to Doctor) system and high-value pharmacies as part of our medium-term management plan.

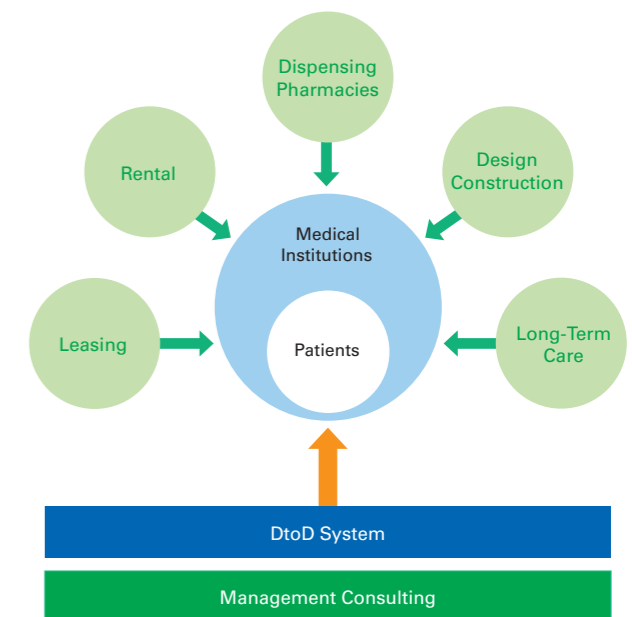
Through these business activities, we will contribute to building a society that solves the challenges facing it, and a society in which people can live with a sense of security.



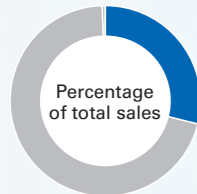
■ Providing Total Consulting-Based Medical Management Support

Sogo Medical offers total consulting-based medical management support that enables hospitals and clinics to provide efficient, high-quality healthcare. We are engaged in a variety of activities that support good medicine.

From helping to stimulate local medical practices through doctor introductions, succession of medical practices support, and coordinated medical care by our DtoD system to establishing over 500 dispensing pharmacies nationwide, we also lease medical equipment and rent TVs to help improve the quality of amenities for patients.



Medical Practice Support



28.8%



We conduct management consulting to formulate standard ideas and to support management improvement practices centered on the medical institution. We also put into practice our DtoD system, which supports doctors who are wishing to start-up or transfer practices, as well as healthcare coordination. We are also involved in other ways of supporting medical practices, such as renting TVs for patients in the hospital, leasing medical equipment, and planning the design and construction of medical and long-term care facilities.

➔ Please refer to page 42 for our achievements in Medical Practice Support.

Pharmacies



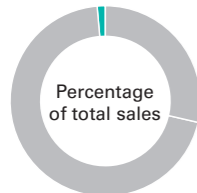
69.9%



We operate our patient-oriented Sogo Pharmacies, as well as dispensing pharmacies that pursue service of the highest quality. We actively open new pharmacies near clinics and hospitals, and health care malls which we provide medical start-up support through our DtoD system. In addition, we provide our pharmacists with training programs, nutrition consultation from nationally certified senior nutritionists, and self-medication support, thereby ensuring our pharmacies provide genuine added value.

➔ Please refer to page 44 for our achievements in Pharmacies.

Other Activities



1.3%



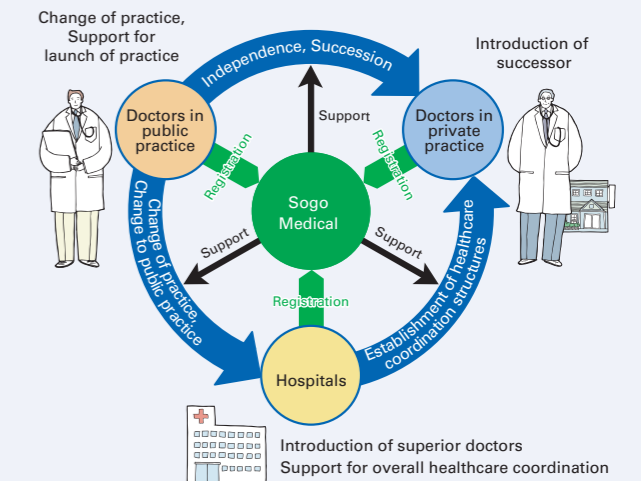
We are expanding business with Sogo Care Network Co., LTD., which manages fee-based residential homes for the elderly, and Sun Villa Co., LTD., which manages fee-based homes with long-term care for the elderly.

Contributing to the Revitalization of Local Medical Care through the DtoD (Doctor to Doctor) System

The DtoD system is a framework that supports both the ambitions of doctors and the provision of good medicine. For example, services centered on the DtoD system provide a wealth of nationwide placement data to doctors wishing to change their practice, suggesting those opportunities that offer the best match. The DtoD system also provides total support to doctors seeking to go into private practice, from practice start-up preparation, including drawing up of management principles and a business plan, through post-launch follow-up. The system can also introduce successors to medical practice owners who have worked to build up a practice over many years when they have no-one in place to carry forward the business. We also introduce hospitals to superior doctors who meet their needs and we support overall healthcare coordination.

The DtoD system also connects hospitals, doctors in public practice, and doctors in private practice within the region, contributing to the creation of important ties among practitioners to realize efficient, high-quality healthcare.

DtoD system

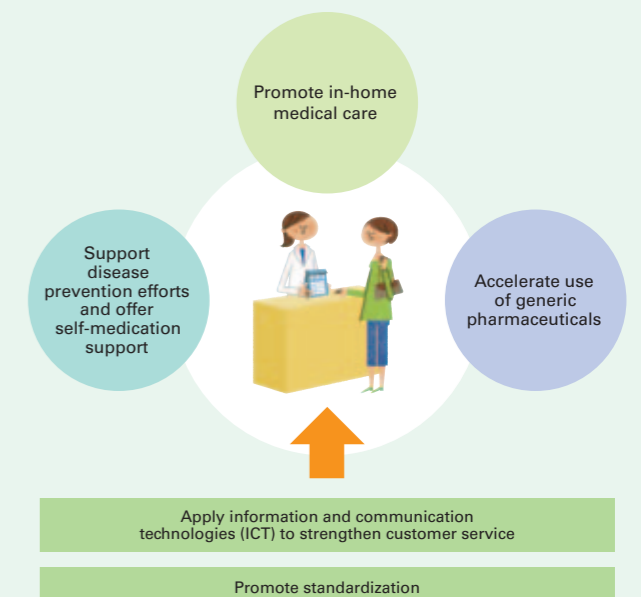


High-Value Pharmacies with Local Roots

Focusing on our Sogo Pharmacies, we have expanded to over 500 dispensary pharmacies nationwide to serve as “general health stations.”

By putting our pharmacists’ abilities to work, we have promoted in-home medical care, supported disease prevention efforts and offered self-medication support, and accelerated the use of generic pharmaceuticals, all to promote high-value pharmacy creation.

Also, through our independent training system, we are furthering our efforts to improve the quality of our medical service by providing our pharmacists with the necessary medical knowledge, communication ability, pharmaceutical affairs, technical skill, and proper attitude.



Financial Highlights

Ten-Year Summary of Consolidated Financial Statements

As of or for the Years Ended March 31		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Results											
Net sales	(¥ million)	49,348	54,986	59,676	64,474	65,879	70,427	72,789	80,222	86,658	103,318
Operating income	(¥ million)	1,321	1,630	1,676	3,016	2,471	3,268	4,148	4,848	4,324	5,014
Ordinary income	(¥ million)	1,197	1,603	1,741	2,998	2,555	3,297	4,212	4,881	4,343	5,068
Net income	(¥ million)	616	951	934	1,716	1,277	1,541	2,167	2,504	2,532	2,856
Financial Position											
Total assets	(¥ million)	26,445	27,582	28,316	29,541	29,926	36,273	43,057	53,160	57,138	66,982
Total net assets	(¥ million)	8,069	9,134	9,671	14,737	15,051	15,932	17,421	19,511	21,636	23,934
Cash Flows											
Cash flows from operating activities	(¥ million)	2,842	1,271	552	2,543	1,353	3,237	4,179	4,484	7,269	7,461
Cash flows from investing activities	(¥ million)	(1,083)	(284)	(375)	(2)	(1,118)	(1,535)	(4,111)	(4,086)	(3,380)	(5,335)
Cash flows from financing activities	(¥ million)	(2,051)	(1,337)	(263)	617	(2,181)	(158)	(1,275)	(170)	(2,777)	(1,370)
Per Share Data											
Net income per share	(yen)	101.58	151.50	150.71	248.87	168.08	210.70	299.33	346.93	350.81	395.64
Net assets per share	(yen)	1,324.36	1,471.73	1,551.75	1,925.46	2,001.72	2,170.05	2,413.16	2,702.78	2,993.28	3,311.46
Cash dividends per share	(yen)	12.50	25.00	25.00	50.00	50.00	50.00	60.00	70.00	80.00	80.00
Financial Indicators											
Net income to shareholders' equity ratio (ROE)	(%)	8.1	11.1	10.0	14.1	8.6	10.0	13.1	13.6	12.3	12.6
Ordinary income to total assets ratio	(%)	4.4	5.9	6.2	10.4	8.6	10.0	10.6	10.2	7.9	8.2
Operating income to net sales ratio	(%)	2.7	3.0	2.8	4.7	3.8	4.6	5.7	6.0	5.0	4.9
Capital adequacy ratio	(%)	30.5	33.1	34.1	49.6	50.1	43.3	40.5	36.7	37.8	35.7
Net debt-to-equity ratio	(times)	0.6	0.4	0.4	(0.1)	(0.0)	0.1	0.3	0.5	0.4	0.4
Dividend payout ratio	(%)	12.3	16.5	16.6	20.1	29.7	23.7	20.0	20.2	22.8	20.2
Number of regular employees (Excluding part-time employees)	(people)	1,444	1,487	1,473	1,614	1,704	1,914	2,097	2,195	2,508	2,650
Market Information											
National medical care expenditure*	(¥ trillion)	32.1	33.1	33.1	34.1	34.8	36.0	37.4	38.5	*	*
Revision of medical fees (core)	(%)	±0	—	(1.36)	—	(0.38)	—	(1.55)	—	+1.38	—
Revision of drug prices	(%)	(4.2)	—	(6.7)	—	(5.2)	—	(5.75)	—	(6.0)	—

* Data for 2013 and 2014 has not been published at the time of writing.

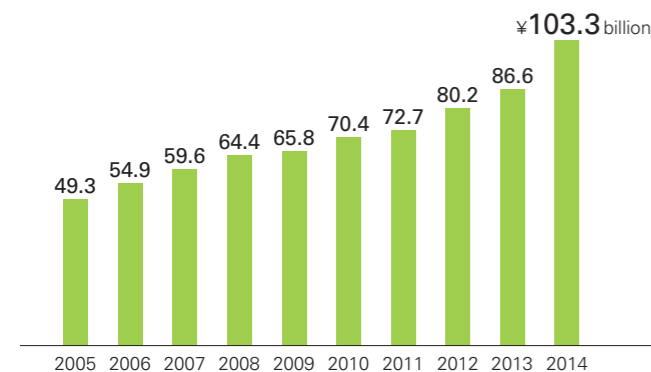
Targets for the year ending March 2015

Consolidated Net Sales: **¥111.0 billion**
 Consolidated Ordinary Income: **¥5.1 billion**

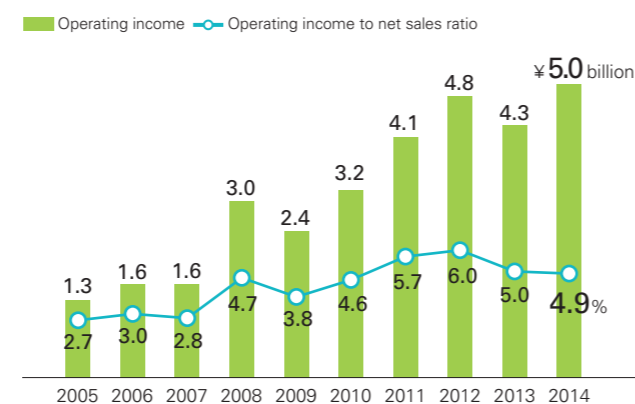
Financial Highlights for the year ended March 2014

- Net Sales**
¥103.3 billion YoY +19.2% ↑
 Point: Increased revenues for 13 consecutive years since going public
- Ordinary Income**
¥5.0 billion YoY +16.7% ↑
 Point: Expanded medical practice support business together with pharmacy business
- Net Income**
¥2.8 billion YoY +12.8% ↑
 Point: Record-high earnings for 5 consecutive years
- Total Net Assets**
¥23.9 billion YoY +10.6% ↑
 Point: Capital adequacy ratio 35.7%, net debt / equity ratio 0.4 times

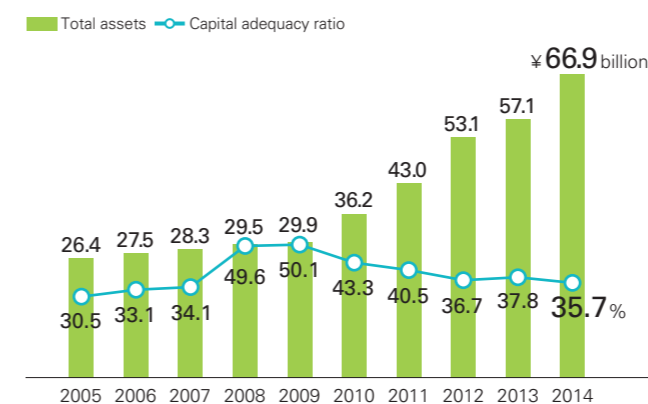
Net Sales



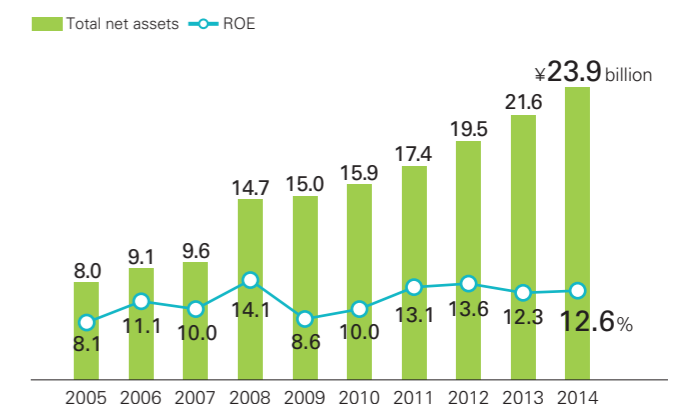
Operating Income / Operating Income to Net Sales Ratio



Total Assets / Capital Adequacy Ratio



Total Net Assets / ROE



President's Message



Itsuo Tashiro

President & Representative Director

Contributing to Society through the Provision of Valuable Service

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Revenue Growth

Expanding Medical Practice Support Business

Taking Initiative in Long-Term Care Business

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Reflecting on Previous Medium-Term Management Plan

General Outline

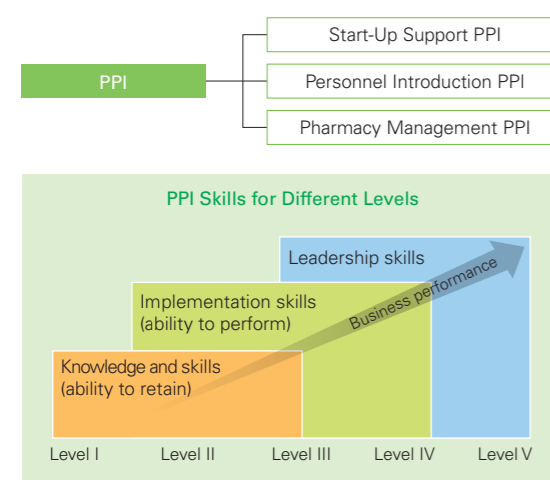
“Creating the foundation to be the leader in all our business domains” by taking initiatives under various management themes.

In our previous three-year medium-term management plan, which started in the fiscal year ended March 2012, Sogo Medical set the performance target to achieve ¥100 billion in net sales and ¥5 billion in ordinary income over the term of the plan. In addition, to realize our long-term vision of establishing a Japanese healthcare business model, we pursued various measures in all of our businesses.

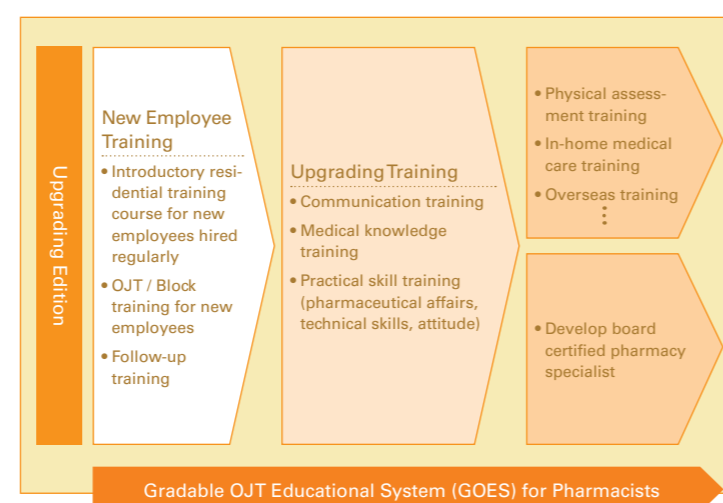
In our ongoing medical practice support business initiatives, we ventured into new businesses, such as entering into the long-term care services and actively promoting the development of health care malls that meet the demands of regional communities. Additionally, we expanded measures that will tie into future growth, such as providing support to doctors who are seeking to start their own practice and providing total medical management consulting for medical institutions. Furthermore, in the pharmacy business, we not only achieved the goal of establishing over 500 new dispensing pharmacies, together with a large number of new pharmacies joining Sogo Medical, we were also able to commit to creating “general health stations” with roots in regional communities.

Through these initiatives, we can say with confidence that the actual result for the term of the plan's fundamental policy, “Creating the foundation to be the leader in all our business domains” is connected to the vision our company as a whole is aiming for, the creation of a better society.

Practice Process Innovation (PPI) Internal Certification



Gradable OJT Educational System (GOES) for Pharmacists



Therefore, as we grow even further, accumulating assets that do not appear on the balance sheet is essential for realizing the better society we aim to help create. Specifically, we collect information from new practice questionnaires to expand practice start-up support and perform pharmacy economic comparisons as research for new pharmacy openings. In this pursuit, we have conducted 493 new practice questionnaires and performed 130 pharmacy economic comparisons. This has not only resulted in the creation of assets that do not appear on the balance sheet, but also these initiatives have created a real feeling of importance attached to the process, which can be felt permeating throughout the workplace.

When it comes to human resource development, Sogo Medical bases its perspective on the idea that as our company grows, our employees grow with it. In supporting the medical practice support business, we have made advancements through our Practice Process Innovation (PPI) systems in start-up support and talent recruitment, and in human resource development initiatives applied in our pharmacy business. Also, as a training program for maximizing our pharmacists' work ability, our Gradable OJT (on-the-job training) Educational System (GOES) has made great strides in developing pharmacists who are trusted by both patients and doctors.

In these ways, we worked vigorously toward achieving our medium-term management plan goals. However, due to the influence of our allocation of personnel, which did not reflect the market size of the Higashinohon, Nishinohon, and Kyushu segments, and the fact that our selection and integration of management resources did not go as planned, we were unable to achieve our most prioritized targets. As a result, we cannot yet say that our goal of building a regional healthcare networks has been realized. However, under tight public funding, we continue to push further toward the realization of a society where people can receive effective high-quality medical services.

Previous Medium-Term Management Plan Results

Performance Targets	Results
Net Sales: ¥100 billion	¥103.3 billion
Ordinary Income: ¥5 billion	¥5.0 billion

Prioritized Targets	Results
Start-up Support: 750 projects by the end of March 2014 (three-year total)	689 projects
Number of Pharmacies: 500 pharmacies by the end of March 2014	493 pharmacies
Management and Promotion of Management Contracting: 30 projects by the end of March 2014	19 projects
Positioned as (Regional) Top Ten Company that People Would Like to Work For*	13th in Fukuoka

* Source: *The Nihon Keizai Shimbun*, Nikkei Recruiter Navi, February 17, 2014
2014 Kyushu, Yamaguchi, and Okinawa editions of the New Graduate Spread

Overview of Financial Results for Fiscal Year Under Review

**Achieving our performance targets:
We are not satisfied with the results.
We will aim for further growth.**

In the year ended March 31, 2014, the last year of our previous medium-term management plan, net sales increased 19.2%, to ¥103,318 million, from the previous fiscal year. Ordinary income rose 16.7%, to ¥5,068 million, and net income rose 12.8%, to ¥2,856 million.

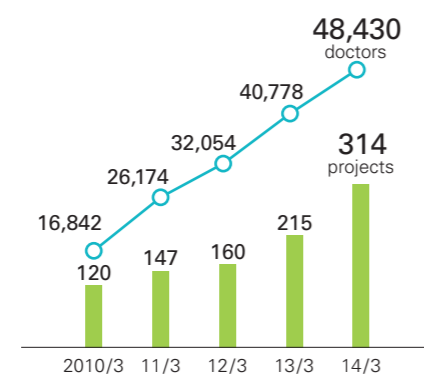
We also supported 314 practice start-up projects, an increase of 99 year on year. In addition to the expansion of composite transactions, such as leases, we showed an expansion of 28 new pharmacy openings. We also recorded a year-on-year rise of 7,652 doctors wishing to start-up or transfer practices, for total of 48,430 doctors in the fiscal year ended March 31, 2014.

However, as a result of opening 78 new dispensing pharmacies (including the 33 from M&A activities) during the fiscal year under review, the year-end number of pharmacies rose by 76 from the previous year-end, for a total of 493 pharmacies. Although, we were unfortunately not able to reach our goal of 500 pharmacies during the term of the plan, on April 1, 2014, we opened 10 new pharmacies, for a total of 503 pharmacies.

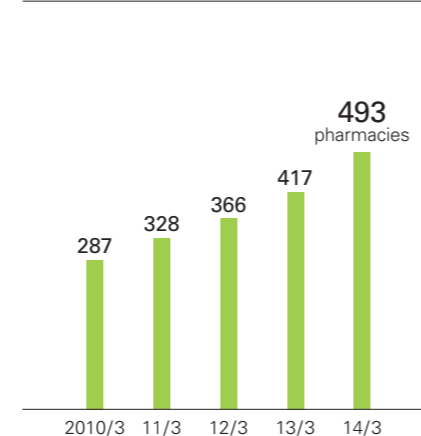
As a result, we were able to achieve the targets stated in the medium-term management plan of cumulative net sales of ¥100 billion and ordinary income of ¥5 billion for the term of the plan. However, in order to realize the better society Sogo Medical wishes to help create, further growth is an absolute necessity. It is imperative to use the limited medical resources we have with maximum efficiency. In order to do so, we are playing an important role. With that in mind, in order to be a company that can help influence society, we cannot stop at net sales of ¥100 billion. Therefore, we are making great effort in planning our future growth strategy.

Practice Start-Up Support

■ Practice start-up support
● Doctors wishing to start-up or transfer practices



Number of Pharmacies



Starting New Medium-Term Management Plan

In the operating environment, not only has the consumption tax rate been raised in April 2014, but also national medical care expenditures continue to rise, with the expenditures expecting to exceed ¥50 trillion by 2025. Providing more-effective and high-quality medical service is demanded more now than ever before. Based on these circumstances, in the April 2014 revision of dispensing fee issues like improving medical treatment functionality and coordination, enhancing in-home medical care, and striving for a comprehensive regional healthcare system are becoming increasingly more promoted matters.

In this way, the healthcare industry is approaching a large turning point. We consider this significant turning point as an opportunity to better contribute to society. One reason we feel the Company can accomplish this is the fact that it has continued to stay a step ahead of the times throughout its history, always considering what society needed and what customers desired while acting in accordance with its management principal of “good medicine through good management.”

Aiming to achieve our long-term vision, the new medium-term management plan has been formulated based on the theme of “Further Challenge—Toward a better society in which people can live with a sense of security—.” Additionally, we have set medium-term targets and defined priority initiatives to guide us on our quest to resolve the issues faced by society, which we will do by further advancing current initiatives and by creating new services that meet social needs. Through these efforts, we will work to build a better society through good medicine, which is our mission and the very reason for our existence.

Long-Term Vision “Establish a Japanese healthcare business model”

Our main objective is to create a Japanese-style healthcare system that helps create medical systems through which patients can receive efficient and high-quality medical treatments under a limited national budget.

Medium-Term Management Plan (April 2014 -March 2017, three-year total)

“Further Challenge”

—Toward a better society in which people can live with a sense of security—

We are striving to build a platform for regional healthcare networks by leading the industry with our DtoD (Doctor to Doctor) system and high-value pharmacies.

Main priority initiatives of new medium-term management plan

1 Undertaking New Businesses

- We will provide support for managing and coordinating medical services ranging from acute medical care to in-home care to help build a platform for regional healthcare networks.

2 Improving Existing Businesses

- We will provide medical support based around the DtoD system by constructing ideal health care malls, enhancing support for starting up practices, improving user services, and expanding stock-style businesses.
- We will create high-value pharmacies by helping pharmacists fully utilize their skills to enhance coordination between pharmacies and medical institutions, make medical costs more reasonable, improve in-home medical care services and self-health-care support.

3 Enhancing Corporate Value

- Acting in accordance with our management principle, we strive to always be an organization that grows with its employees and at which employees can take pride in their work and feel a sense of purpose.

President's Message



Priority initiative 1: Undertaking New Businesses

Management support to major regional medical institutions, as well as coordination support for other medical institutions, in-home care, and facilities for long-term care.

In order for doctors to be able to devote themselves to providing good medical care, we will strengthen the capabilities of medical institutions, from the soft aspects, like human resources and providing information, to the hard aspects, like hospital facilities and equipment. We will support medical institutions that will be able to contribute to the regional community.

Also, at major regional medical institutions, we will develop relationships with regional medical relations offices. By putting our pharmacies' functions to use, we will support institutions and in-home care for elderly people, and other medical institutions coordination. Additionally, we will use our DtoD system and ICT to undertake new businesses that are born out of this coordination.

Priority initiative 2: Improving Existing Businesses

Raise all aspects of medical practice support and pharmacy businesses.

We will implement three measures in our medical practice support business. The first is proposals for regional communities. Not only do we plan on establishing ideal health care malls that community members need, we will also provide consulting services that meet demand for long-term care and in-home care to support comprehensive regional care. The second is proposals for medical institutions. By strengthening the management resources, such as human resources, facilities, finances, and information, we will improve members' services to exceed customer expectations. The third is proposals for doctors. In addition to developing and providing new services to doctors, we will evolve medical practice support and meet various needs.

We are implementing policies in five different aspects of our pharmacy business. First, we will promote in-home medical care in regional communities by cooperating as a member of medical teams. Second, we will support community members to manage self-medication by providing employees with specialized education and helping them to acquire knowledge. Third, we will help reduce patients' medical fees and national medical expenditures by promoting use of generic drugs. Fourth, we will raise customer satisfaction by enhancing service through the use of ICT and other means. Finally, we will build effective management foundations to improve the safety and security of medical care.

Priority initiative 3: Enhancing Corporate Value

Strengthening foundation that supports our growth strategy.

In order to strengthen the foundation that promotes the previously mentioned priority initiatives, we are taking initiatives with three measures.

The first is "improving value of human resources," which is an important management resource. We will strengthen comprehensive abilities to invigorate employees and help them develop their skills. To do this, we will not only adopt new personnel system, but we will also develop plans that tie in with the individual's ability to grow, such as training and positioning personnel in accordance with business strategies, and promoting diversity.

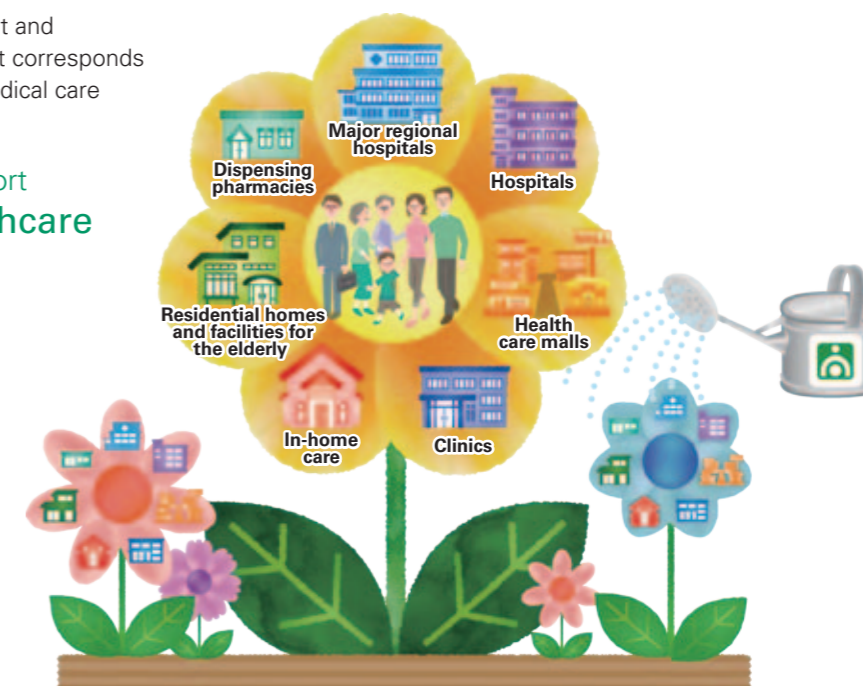
The second is to "strengthen the consolidated governance system." As of the fiscal year ended March 31, 2013, Sogo Medical transitioned to a regional-based management system. We will make decisions quickly and promote compliance management by revising and strengthening our management system.

The third is "improving business efficiency." In addition to reforming company-wide operations and reorganizing the company structure, we will make use of ICT to increase operational efficiency.

Aiming for a better society where people can live with a sense of security and developing a healthcare network with regional roots

Conducting management and coordination support that corresponds with various kinds of medical care from acute to in-home.

Sogo Medical Support Regional Healthcare Networks



Long-Term Vision for Management Issues and Business Measures

Sogo Medical has adopted "Establish a Japanese healthcare business model" as our long-term vision. In order to achieve this, we are formulating and implementing medium-term management plans. Our main objective is to create a Japanese-style healthcare system that helps create medical systems through which patients can receive efficient and high-quality medical treatments under a limited national budget. Now, I would like to explain specifically what kind of schedule we are planning to accomplish this.

Revenue Growth

Building a net sales composition ratio more suitable to market size by expanding the size of Higashinohon.

At Sogo Medical, we feel the need to create net sales compositions that better reflect the proportion of total national medical care expenditure in that region. As a result, we are planning to aim for 60% of net sales from Higashinohon, 30% from Nishinohon, and 10% from Kyushu.

As of the fiscal year ended March 31, 2014, Higashinohon and Kyushu had approximately the same amount of net sales, however, the market size of Higashinohon is larger. We are focusing our attention on measures that will boost our net sales composition. In order to do so, we will use our PPI system to further enhance the quality of employees. At the same time, to deal with the issue we saw in the new medium-term management plan—selection and concentration of management resources—we will advance personnel redeployment to Higashinohon. Also, we have actively carried out employment in the Greater Tokyo metropolitan area, and are now implementing post-employment training to reinforce the management principles, and taking measures for early-stage skill enhancement.



Expanding Medical Practice Support Business

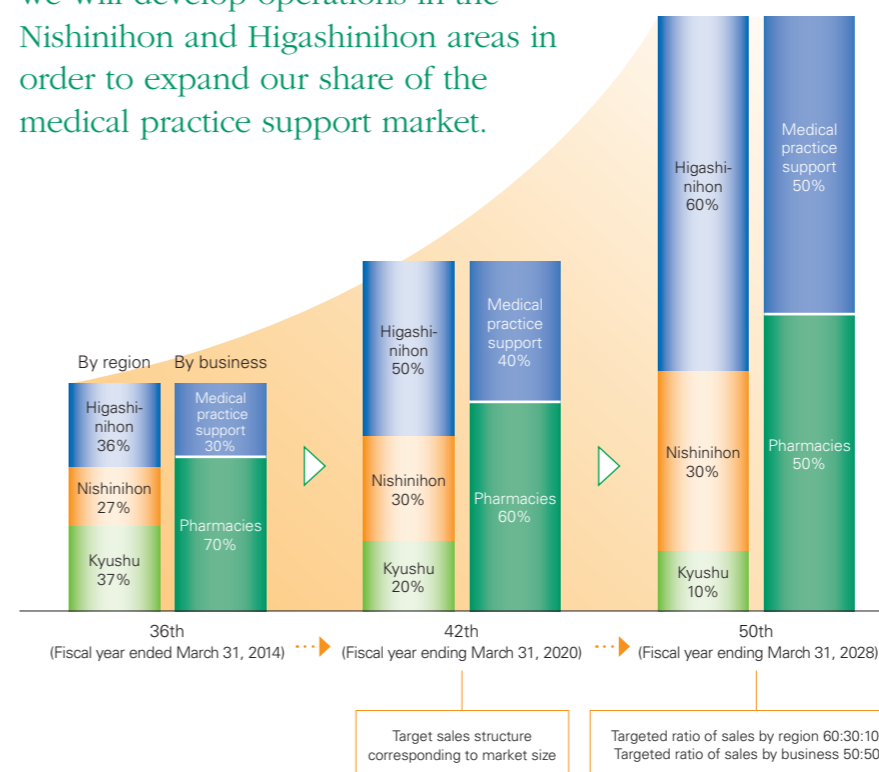
Committing to expanding medical practice support business to achieve size equal to pharmacy business.

The healthcare industry is facing a large period of change, especially dispensing pharmacies. The biennial revisions to dispensing fees and the drug price standard, and the rise in the consumption tax rate, has created harsh operating conditions. Against this background, there is only a limited amount of the external operating environment that the pharmacy business can control. Therefore, in order to make the medical practice support business achieve net sales equal to the pharmacy business, we are focusing our attention on expanding the medical practice support business, which currently accounts for only 30% of net sales.

Specifically, using our DtoD system as a focal point, we will advance the development of health care malls. As we can establish company-managed Sogo Pharmacies inside these malls, we will be able to design the expansion of our medical practice support business, while also expanding our pharmacy business, which is anticipating stable earnings going forward.

Toward Achieving Our Long-Term Vision for Our 50th Term (Fiscal year ending March 31, 2028)

As we approach our 50th anniversary, we will develop operations in the Nishinohon and Higashinohon areas in order to expand our share of the medical practice support market.



President's Message



Taking Initiative in Long-Term Care Business

Working toward realization of long-term vision by committing to long-term care business.

At Sogo Medical, we believe that we cannot achieve our company's vision without also making efforts in the long-term care business. In addition to the "Midori-no-kaze: Shimoori" facility for long-term care, established in February 2013, we also established in Fukuoka Prefecture the "Midori-no-kaze: Futsukaichi" in June 2013 and the "Midori-no-kaze: Nagao" in July 2013. Using these facilities as a model case, we are considering facility development in Tokyo and other regions going forward.

At the same time, we are not only taking on the tasks presented by the hard aspects of the long-term care business, but also the soft aspects as well. For example, we are focusing our efforts on human resource talent acquisition and training in various fields in order to further enhance the competence level of our employees.

CSR Activities as Healthcare Corporation

At Sogo Medical, our business activities—founded on the mission statement to build a better society through good medicine—are directly connected to our CSR activities. Our social mission, supporting good medical care, is connected to the development of society and contributes to improving the lives of many people.

With that in mind, to truly be a company that grows with its employees, we promote work-life balance to our employees. We are making efforts to create a work environment in which employees can devote themselves to their work. We have adopted a number of systems allowing flexible and shorter working hours, childcare support systems such as childcare assistance, long-term care leave system, and long-term income protection insurance.

As part of efforts to promote diversity, we are seeking to increase the promotion of female employees and recruitment of people with disabilities. We are especially taking initiatives at our pharmacies, where nearly half of the pharmacists are female, to establish internal systems that match female employees' life plans, and create a work place where they can feel comfortable and have an opportunity to grow.

"Midori-no-kaze" Fee-Based Residential Home for Elderly

Various systems are in place at this fee-based residential home for emergency medical treatment, general medical services, living assistance services, and long-term care insurance services, providing urgent help rapidly and when needed, ensuring residents' peace of mind, 24 hours a day, 365 days a year. We provide a sincere service so that our residents can live comfortably and peacefully.



Overview of "Midori-no-kaze: Shimoori"

Location: Onojo, Fukuoka Prefecture

Fees:
Deposit (paid when entering facility): ¥100,000
Monthly fees (including food): ¥111,930
Rooms: 42 (all single rooms)

Room area: 18.00m²

General requirements when entering: Over 65 and requiring long-term care

Overview of "Midori-no-kaze: Futsukaichi"

Location: Chikushino, Fukuoka Prefecture

Fees:
Deposit (paid when entering facility): ¥100,000
Monthly fees (including food): ¥111,930
Rooms: 48 (all single rooms)

Room area: 18.00m²

General requirements when entering: Over 65 and requiring long-term care



Overview of "Midori-no-kaze: Nagao"

Location: Fukuoka, Fukuoka Prefecture

Fees:
Deposit (paid when entering facility): ¥100,000
Monthly fees (including food): ¥106,930
Rooms: 56 (all single rooms)

Room area: 15.00m²

General requirements when entering: Over 65 and requiring long-term care

Some Final Words

In 2014, Sogo Medical has taken on the theme of eliminating the worries, dissatisfaction, and insufficiency of customers' lives in society and the healthcare community. This means that all employees are thinking critically about providing a valuable service that meets the needs of society, and that customers can be happy. To get rid of these negatives, we will create an even more intimate relationship with our customers.

Also, we seek to eliminate the negatives within our company as well. We want to be a company in which our employees can work energetically, and to be a company where its employees are happy to be working for. We want our employees and their families to be happy, and with a sense of responsibility and duty, we will continue to make efforts in our business activities.

With Our Pledge, Mission Statement, and Corporate Credo as the foundation of our management principles, all of our employees will work as one toward becoming a company that is needed by society.

I would like to thank you for your continued support.

Segment Information

Higashinihon Office

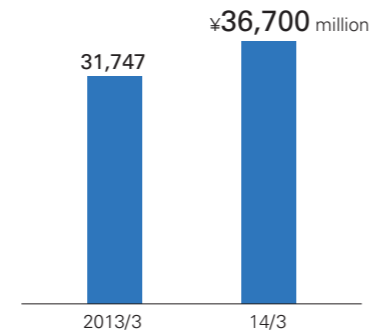
P22

Branches, Sales Offices: **11**

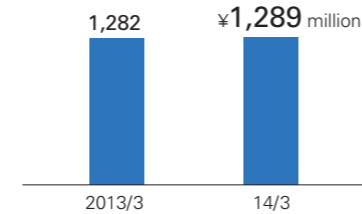
- Sapporo Branch
- Morioka Sales Office
- Sendai Branch
- Kita-Kanto Branch
- Saitama Branch
- Tokyo Branch
- Yokohama Branch
- Hokuriku Sales Office
- Matsumoto Sales Office
- Shizuoka Branch
- Nagoya Branch

Pharmacies: **212**

Net Sales



Operating Income



Nishinihon Office

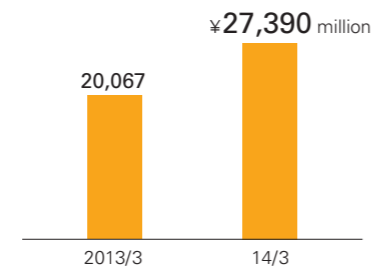
P26

Branches, Sales Offices: **9**

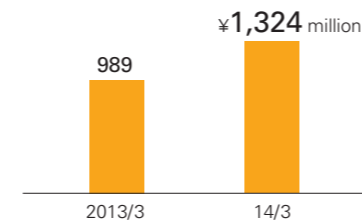
- Kyoto Satellite Office
- Osaka Branch
- Kobe Branch
- Okayama Branch
- Hiroshima Branch
- Yamaguchi Branch
- Takamatsu Branch
- Matsuyama Branch
- Kochi Sales Office

Pharmacies: **130**

Net Sales



Operating Income



Kyushu Office

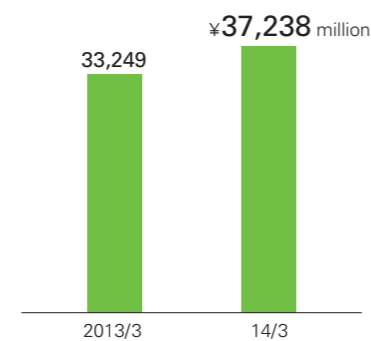
P30

Branches: **8**

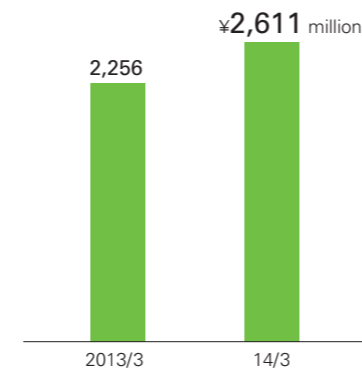
- Kita-Kyushu Branch
- Fukuoka Branch
- Nagasaki Branch
- Kumamoto Branch
- Oita Branch
- Miyazaki Branch
- Kagoshima Branch
- Okinawa Branch

Pharmacies: **166**

Net Sales



Operating Income



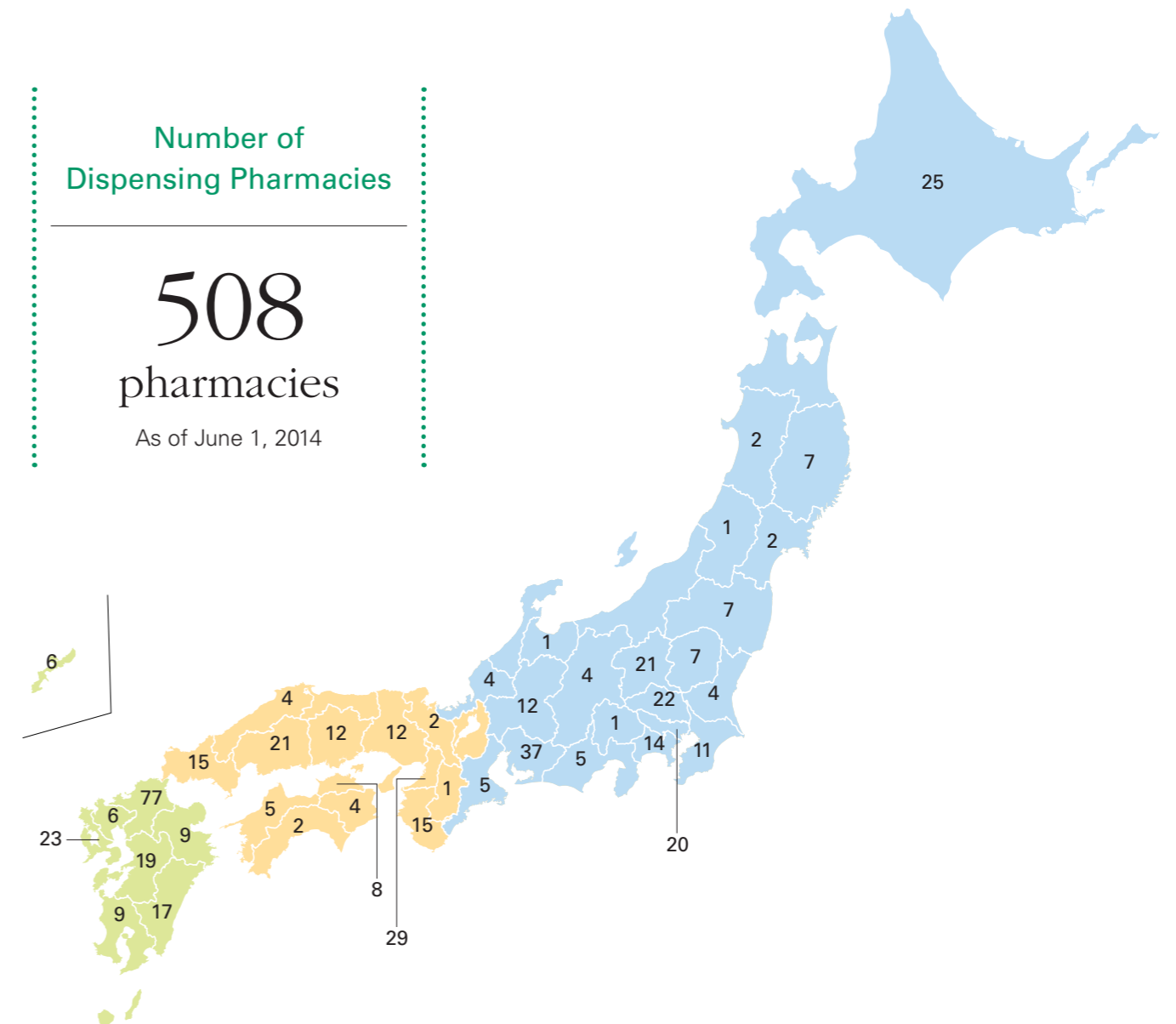
* As of June 1, 2014; Figures of branches and agencies

Expanding the Number of Dispensing Pharmacies Nationwide

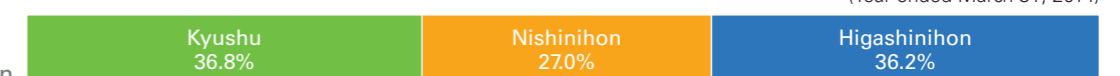
Number of Dispensing Pharmacies

508
pharmacies

As of June 1, 2014



Composition of Net Sales Percentage by region



National Medical Care Expenditures* Percentage by region



* Source: "Overview of Japanese Medical Care Expenditures in Fiscal 2008" Ministry of Health, Labour and Welfare

Higashinihon Office



Striving to be regional leaders by increasing the level of customer satisfaction and providing added-value services

Masatoshi Sadahisa Director, Senior Managing Officer, Higashinihon Office Manager

At the Higashinihon office, with key words such as “change,” “challenge,” “communication,” and “added value,” our entire staff is focused on taking business initiatives to fulfil our social mission. For the fiscal year ending March 31, 2015, the first year of our new medium-term management plan, we aim to grow a more suitable market and become regional leaders in our business domains.

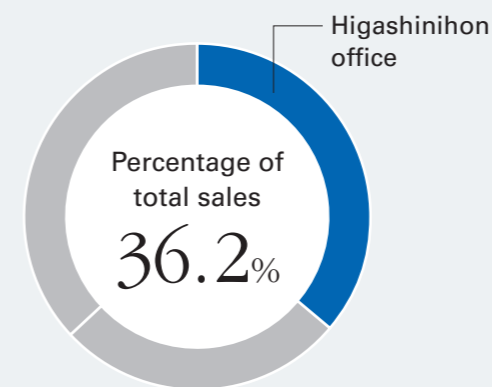
Currently, Sogo Medical aims to increase the proportion of its total sales in the Higashinihon region so that it better reflects the proportion of total national medical care expenditure in that region, around 60%. In order to accomplish this, we have to create a “strong business” that provides superior levels of customer satisfaction by removing customers’ worries and dissatisfactions. To truly create satisfied customers, every employee should not stop at the short-sighted notion of dealing only with the most-obvious concerns of customers. Employees should accurately grasp the underlying issues that customers are truly troubled with, and provide added-value

service by focusing on the future and having a long-term perspective that provides a means for continual improvement. In addition, we will design the transition from being product oriented to being market oriented, and we will make proposals to reconsider the entire business environment.

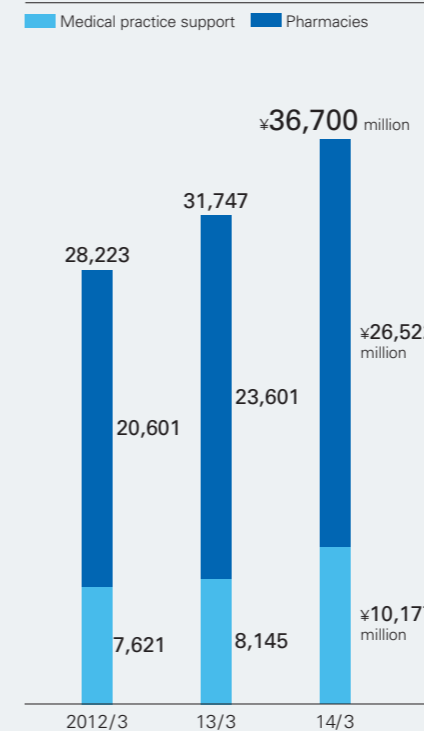
Moreover, in addition to pursuing new challenges such as new health care malls, total management support, and in-home care, we will commit to human resource development with our PPI internal certification system and management training as needed. As a new initiative, we will conduct activities using our pharmacies as “general health stations.” As a base for region-related health information, we plan on giving advice about appropriate use of non-prescription drugs and health consultations, as well as carrying out the provision of information. We also plan to use our pharmacies and pharmacists to promote self-medication.

Furthermore, we will aim to become regional leaders by accumulating off balance sheet assets through the voluntary actions of our employees.

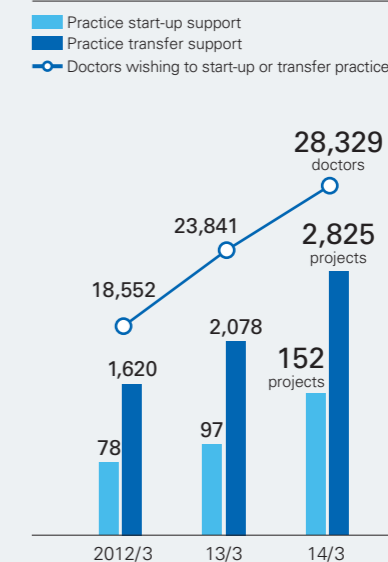
Performance for the year ended March 2014



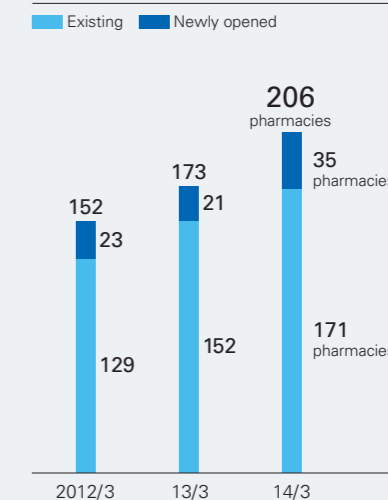
Net Sales



Practice Start-up/Transfer Support and Number of Doctors Registered



Number of Pharmacies



Higashinohon Office



On the Scene: Report **1** Otaka Hospital (Adachi, Tokyo)

Eliminating the worries of patients and their families

Otaka Hospital was established in October 2013. Being a hospital that conducts emergency medical care, Otaka Hospital is making deep contributions to regional medical care through undertaking home-visit medical examinations and nursing care initiatives. In the following, we would like to introduce the characteristics of this hospital and its contributions to regional medical care.

Contributing to regional medical care through emergency medical care

Otaka Hospital was founded with the purpose of providing easily accessible primary emergency medical care, from admitting patients with complications from mental disorders, such as dementia (a case in which it may be difficult to find a hospital to transport the patient to by ambulance), to seeing patients who can come to the hospital on their own. From the hospital's beginning, Sogo Medical provided support in various ways, from helping with negotiations with the local government, deciding on business plans, etc. Sogo Medical's help made the start-up process worry free.

Among our patients, there are those who are elderly and those who have aftereffect from serious diseases. Therefore, there is a need for the provision of continuous care after emergency medical care is initially administered. To that end, Otaka Hospital also carries out home visits to patients in the surrounding area.

As of April 2014, we are making efforts to establish a structure for the future, from opening home-visit nursing care stations to being a hospital that can provide continuous medical care to the local community.



Operating room



Hospital room



Yuichi Otaka Otaka Hospital Director

Voice from Our Employees



Masafumi Kano Higashinohon Office

Starting up a hospital requires more capital than starting up a clinic. Therefore, when supporting Otaka Hospital's start-up, business plans that took funding into consideration were of particular interest. Our support, however, does not finish with the opening of the hospital. We also provide follow-up support regularly, and we will continue to conduct mid- to long-term support for the medical care that Dr.Otaka aims to provide, in the years to come.

I believe that satisfying the customer through this kind of start-up support is the mission for all employees at Sogo Medical, and actually the very reason that Sogo Medical exists. I will continue to make efforts to fulfill our mission in the years to come.

On the Scene: Report **2** Shibokuchi Clinic Mall (Kawasaki, Kanagawa)

Meeting needs of the community through our health care malls

At Sogo Medical, we are striving to build a platform for regional healthcare networks. As part of that mission, we established Shibokuchi Clinic Mall, a health care mall in a region with high medical care needs. In the following, we would like to introduce this clinic, a clinic in which we provided start-up support for.



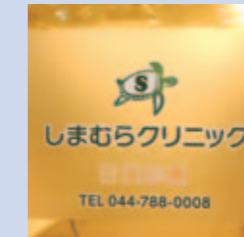
Aspiring to be the town doctor from days of old

At our clinic, in addition to internal medicine that deals with diabetes as well as, digestive and cardiovascular organs, we are also taking strides in in-home care. I specialize in gastrointestinal medicine, but for our patients, illness does not just affect only the digestive organs, therefore, we want to support our patients as much as possible with the many ailments that trouble them. We prescribe Chinese herbal Kampo medicines and even introduce our patients to other hospitals, much like the town doctors from the days of old.

In our in-home care services, it is important to provide medical treatment that not only understands the difficulty the patient is having, but also the difficulty the patient's family is having as well. Therefore, the objective at our clinic is to arrange necessary administrative services, and provide the necessary help patients and their families need.



Takeshi Shimamura Shimamura Clinic Director



A sea turtle is the symbol of our clinic, to represent a long life



Waiting room

Overview of Shibokuchi Clinic Mall

Shibokuchi Clinic Mall, located in Kawasaki, Kanagawa Prefecture, opened in June 2012 as an internal medicine and pediatric clinic. Due to the lack of healthcare facilities in the area, this convenient health care mall was welcomed by the community. In addition, an orthopedic surgery clinic is planned to open in June 2014.

The Shibokuchi Sogo Pharmacy, which was jointly established inside the clinic, not only provides prescription medicine from the clinic, but also with cooperation from Shimamura Clinic, carries out in-home visits. This clinic values communication with the patients, and as a member of the healthcare team, this clinic contributes to the provision of high-quality medical care for the local community.

Nishinohon Office



Becoming regional leaders through strong teamwork and elimination of negatives both inside and outside the company

Takao Nakashima Director, Executive Managing Officer, Nishinohon Office, Manager

In the fiscal year ended March 31, 2014, the Nishinohon office took on the challenge of redefining itself from an organization with an overly defensive stance to one with a more offensive stance by leveraging the DtoD system and Sogo Pharmacies with the goal of becoming regional leaders.

In the medical practice support division, we continued to accumulate assets that do not appear on the balance sheet through initiatives such as increasing projects like health care malls. In the pharmacy division, thanks to new pharmacy openings and the increase of business associates to Sogo Medical, the number of pharmacies expanded substantially.

In the fiscal year ending March 31, 2015, we will take on the challenge of further improving teamwork throughout the office. We chose "eliminating the negatives," such as customers' worries, dissatisfaction, insufficiency, discomfort, and inconvenience with society and the medical community, as our theme.

In our medical practice support division, we will focus our efforts on support for practice start-ups and support for finding successors to existing practices. We will also increase other means of support like facility leasing, while also actively promoting

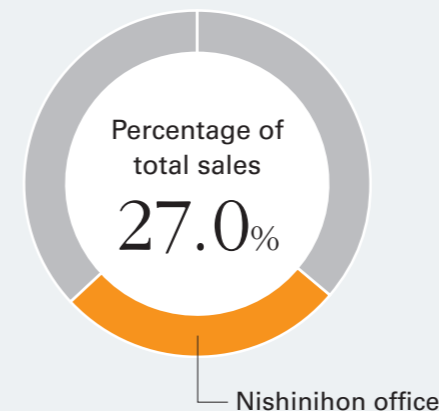
the development of health care malls, which provide a variety of services like medical care, long-term care, and healthcare service that meet the needs of the region.

In the pharmacy division, we are setting a goal for our pharmacies to become "general health stations," which will be a base for disseminating health-related information in the region. Specifically, starting with self-medication and primary care support, we will actively promote generic pharmaceuticals and advocate further participation in plans for in-home care. In doing so, we will continue our support for the health of the local community, while becoming a pharmacy that can contribute to healthcare financing.

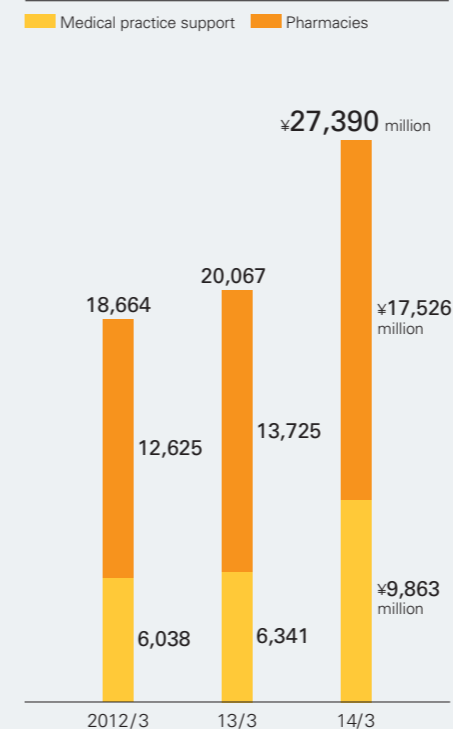
As for human resource development, we are continuing our efforts to thoroughly spread understanding of Our Pledge, Mission Statement, and Corporate Credo among all employees, and we are training the kind of employees who can alleviate customer uneasiness and dissatisfaction.

We will also enhance teamwork so that each employee can improve by learning from those around them. The Nishinohon office will unite as one in our aim to become regional leaders.

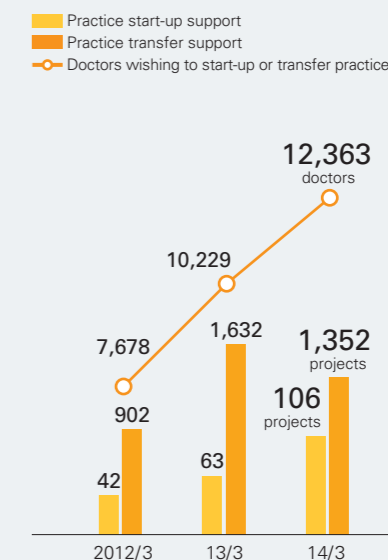
Performance for the year ended March 2014



Net Sales



Practice Start-up/Transfer Support and Number of Doctors Registered



Number of Pharmacies



Nishinohon Office

On the Scene:
Report

1

Higashihara Orthopedic Rheumatology Clinic (Sennan, Osaka)

Promoting physical and mental health for even more patients

The Higashihara Orthopedic Rheumatology Clinic was opened in September 2013. Since its founding, this clinic has taken initiatives to be the “regional family doctor,” to ensure that patients from the regional community can live with a sense of security, both physically and mentally. In the following, we would like to introduce how this clinic came into practice.

Offering assistance from start-up to follow up

Practice start-up support for the Higashihara Orthopedic Rheumatology Clinic started from the introduction of Dr. Higashihara to Sogo Medical by a business partner. At that time, Mr. Nishijima, the Kobe branch manager, was in charge of the project, but due to personnel transfers, I took on the project in cooperation with the real estate, design, construction, and pharmacy divisions.

In this project, a particular point of concern was deciding on where to build the clinic. Under the request of Dr. Higashihara, we cooperated with our business partners and collected information on various locations. Thanks to this, we were able to propose an optimal location for building, which was only a five-minute walk from the nearby train station.

Of course, starting the practice was only the beginning. We are regularly communicating with the clinic, and we are continuing to support the medical treatment that Dr. Higashihara is aiming to provide.

With the success of this practice start-up support project, we are receiving introductions to other doctors hoping to start their own practices, and the Nishinohon office and the Osaka branch are uniting as one to take on future practice start-up support projects.

Putting “good medicine through good management” into practice, without forgetting the importance

When starting a new practice, there are various hurdles a doctor must clear, due to the fact that they have yet to experience the lifestyle of a hospital doctor. For myself, I must never forget the important role the help we provide plays for those doctors who have made this once-in-a-lifetime decision. By acquiring further knowledge and experience, I will continue efforts to meet the needs of the doctors we support, and to fulfill Sogo Medical’s mission and reason for existence, “to build a better society through good medicine.”



Waiting room



Rehabilitation room

Takaya Fujimoto Osaka Branch

On the Scene:
Report

2

K’s HAT Kobe Medical Mall (Kobe, Hyogo)

Striving for enhancement of our healthcare network

K’s HAT Kobe Medical Mall was founded with the hopes of enhancing a close-to-home healthcare network. In the following, we will introduce Kamo Dermatology, one clinic inside this mall, which is composed of six different clinics and the Sogo Pharmacy HAT Kobe.



Implementing extensive medical treatment and meticulous patient correspondence

At the time of this clinic’s opening, Sogo Medical provided focused assistance with the selection of the proposed site. Now, after five years from opening our practice, due to the fact that we have a broad age-range of patients—from children to the elderly, with various conditions—we are conducting a vast range of medical treatments such as surgery and outpatient care. Also, keeping meticulous correspondence in mind, I personally test the medications we prescribe to patients to verify the sensations of taking or applying the medication.

From the perspective of regional healthcare, we want to capitalize on the advantages the health care mall provides going forward. Combined study meetings are regularly held between the clinics inside the mall and Sogo Pharmacy HAT Kobe. Therefore, we are able to share beneficial information, make advancements in new medical information, and observe the trends of patients from each clinic.



Entrance



Operating room



Tsuneyoshi Kamo Kamo Dermatology Clinic Director

Sogo Pharmacy HAT Kobe

Toshihide Ishioka
PharmacistRie Matsuo
Pharmacist

A health care mall has the great advantage of allowing patients to be able to have medical treatment from multiple clinics smoothly, all within the same building. To provide this advantage, cooperation between the clinic directors is a necessity. With the purpose of deepening this cooperation, the jointly established Sogo Medical HAT Kobe carries out regular meetings with the clinic directors every three months. Also, at our pharmacy, we have nutrition consultations from nationally registered nutritionists in order to create a space where patients, even those without previous illnesses, can have a casual consultation about their health. In doing so, we are further contributing to regional healthcare.

Kyushu Office



Aiming for further growth under “improving ourselves, enhancing productivity, and satisfying our customers” theme

Joji Haraguchi Director, Senior Managing Officer, Kyushu Office Manager

Based in the founding location for Sogo Medical, the Kyushu Office has considerable resources built up over 36 years of operations. In the fiscal year ended March 31, 2014, resources like our practice start-up support, our succeed members*, and our locations for consulting helped us strengthen the relationship and deepen the bonds of trust with existing customers, which led to meeting new customers.

Specifically, we worked actively on a variety of projects such as facility leasing and support for finding successors to practices, as well as projects relating to our pharmacies and health care malls.

Also, to accomplish our goals, we once again pursued ways to improve work efficiency and productivity. We made diligent efforts in human resource development by having our employees polish their talents and skills, in order to analyze and solve problems in the workplace.

In addition, by strengthening cooperation between the head office, our regional offices and branches, and

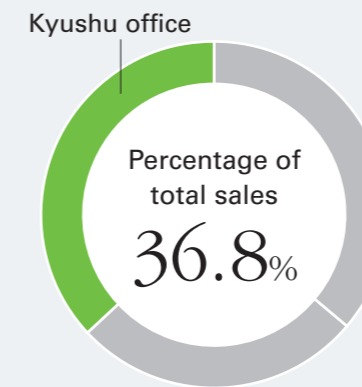
our pharmacies, and by enhancing regional office functions, we made strides in establishing a base for becoming regional healthcare leaders.

The fiscal year ending March 31, 2015, marks the start of our current medium-term management plan. We will return to our origins by adopting “improving ourselves, enhancing productivity, and satisfying our customers” as our theme. To accomplish the tasks set in our theme, it is necessary to be able to remove the negatives, such as worries, dissatisfaction, insufficiency, discomfort, and inconvenience, in the lives of our customers. Our employees will polish their talents and skills even further toward accomplishing our purpose made clear by our theme.

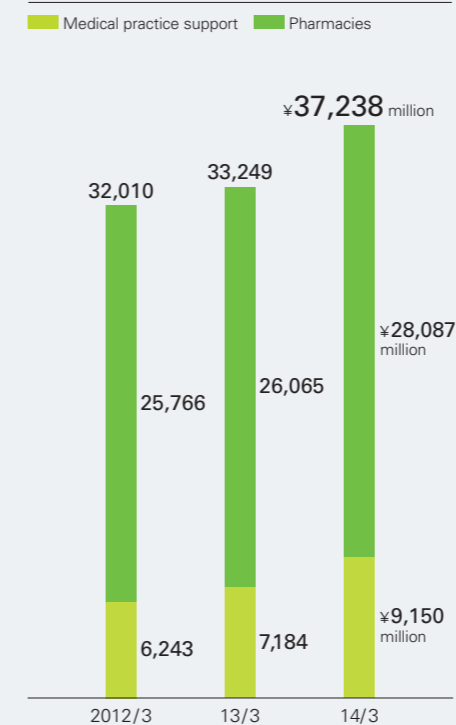
To achieve the goals stated in our medium-term management plan, our entire office will combine our efforts to aim for further growth.

* “Succeed Members” is a membership system through which we provide business information related to private practice.

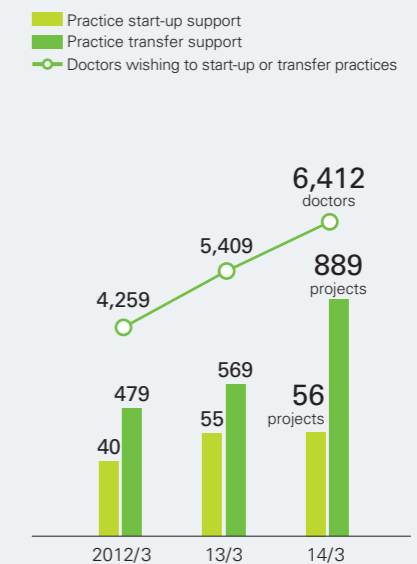
Performance for the year ended March 2014



Net Sales



Practice Start-up/Transfer Support and Number of Doctors Registered



Number of Pharmacies



Kyushu Office

On the Scene:
Report

1

Susenji Medical Mall
(Fukuoka, Fukuoka)

Building community for peaceful living

The Susenji Medical Mall is composed of a variety of clinics, from internal medicine and pediatrics to orthopedics, and is also home to our Sogo Pharmacy Susenji. In the following, we would like to introduce this mall, which contributes to improving patient convenience in order to make a community where people can live with a sense of security.

Aiming to create base for regional healthcare network

At Susenji Medical Mall, we established an internal medicine practice in April 2008, a pediatrics practice in September of the same year, and we opened an orthopedics practice in December 2011.

Upon opening this mall, rather than just concerning ourselves with the joint establishment of the Sogo Pharmacy Susenji, we took great consideration into the arrangement of the mall's interior, to ensure that each clinic was easy for the community members to find. We also gave forethought into making a uniform appearance to all of the clinics and the pharmacy to create a sense of unity so that the facility could be recognized as a true health care mall. At the Sogo

Pharmacy Susenji, we conduct periodic study and information exchange meetings. With the cooperation of each clinic, we are establishing a structure for the frequent exchange of information, in order to provide the best care for our patients.

I personally pay periodic visits to this mall to aid in problem solving and to give support to the medical care that the doctors of these clinics aim to provide. In the six years since this mall's establishment, the level of local recognition has rose, and there has been a favorable transition in the number of patients. In order to build a platform for regional healthcare networks, I would like to further promote the development of health care malls, and I want to help in making an environment where the local community can live with a sense of security.



Sogo Pharmacy Susenji



Mai Higashi Fukuoka Branch

On the Scene:
Report

2

Iwasaki Orthopedic Clinic
(Fukuoka, Fukuoka)

Practice Succession: Attracting attention as an option for starting a practice

Currently, medical practice succession is being viewed as one option when starting a practice. Doctors who want to turn over their practice are having trouble due to the lack of successors in recent years. Therefore, cases where practices are passed along through the help of a third party are increasing. In the following we would like to introduce the director of Iwasaki Orthopedic Clinic, Dr. Iwasaki, who inherited his clinic from the former director of the Matoba Orthopedic Clinic, Dr. Matoba.



Inheriting a practice in an ideal location

What made me decide to start my own practice was the fact that I wanted to have a deeper involvement with my patients, and I wanted to take more time to properly treat them. When I made the decision to do so, I considered both the options of starting a new practice or inheriting an existing one. But taking into account my personal finances at the time, I made the decision to inherit an existing practice. I communicated my requirements to a representative at Sogo Medical, and began start-up preparations. Then, through an introduction by Sogo Medical, I met with Dr. Matoba, who was thinking about transferring his clinic. Dr. Matoba greatly understood the kind of medical treatment I wanted to provide, and since his clinic was in an ideal location, I took the honor of inheriting his clinic.

Support with scrupulous care

The preparations for opening my practice went on for nearly two years. Thanks to the help from the Sogo Medical representative, the procedures related to starting up a practice went smoothly. After leaving the hospital I previously worked at, I spent one year working at another hospital. Sogo Medical helped set up those arrangements, which was a tremendous help at that time.

Even now, Sogo Medical is providing regular follow-up support. A short while after opening my practice, Sogo Medical carried out a patient survey. Thanks to this survey, I found out several ways to improve my practice that I hadn't thought of before. This was tremendously beneficial to me. I am extremely thankful to Sogo Medical for taking such initiatives, and the partnership I have with Sogo Medical is very reassuring to me.



Toshihiro Iwasaki Iwasaki Orthopedic Clinic Director



Reception



Rehabilitation room

CSR for the Sogo Medical Group

The Sogo Medical Group's corporate social responsibility (CSR) initiatives comprise four principal elements.

- 1 We shall understand and share our management principles and fulfill the corporate mission through our work.
- 2 We shall provide services that surpass customer expectations.
- 3 We shall create an environment in which employees feel secure and derive fulfillment in their work.
- 4 As a member of society, we shall respect compliance and earn the trust of customers and other people.

The Sogo Medical Group's CSR activities are the same as its business activities, to build a better society through good medicine.

Our job is to support good medical care, and that is connected to the development of society and improving the lives of many people. Through supporting good medical care in the future, we aim to fulfill our social mission as a company.

Our Approach toward and Stance on Compliance

Standards of Behavior



The Pledge of the Sogo Medical Group

In accordance with Our Pledge and the Company Credo, the officers and employees of the Sogo Medical Group vow to respect all laws, regulations, and internal rules and fulfill the Group's social responsibility as a good corporate citizen conducting a life of high value.

The Sogo Medical Group's Perspective on Compliance

Compliance is generally thought of in the sense of "regulatory compliance," or conforming with laws and internal regulations. However, we undertake compliance in a broader sense. In addition to complying with laws, we consider compliance to mean acting in an ethical manner and eschewing any activity that would inconvenience society as we strive aggressively to meet society's expectations.

Our compliance goes beyond obeying the letter of the law, and our actions extend to a respect for the social norms

that form the background for these laws. We endeavor to be a company that delivers essential value to all people. As such, we remain sensitive to changes in society, considering individually what society requires and following through with actions to satisfy these needs.

For our employees, compliance does not simply mean "do not do bad things." Rather, they see compliance as a means for making a better society, a better company, and better lives for all.

Further Challenge: Making an organization that employees can take pride in their work and a feel a sense of purpose

One of the priority initiatives of our current medium-term management plan is to "grow with our employees, fostering a corporate atmosphere that allows the free expression of opinions, and become a company that meets the needs of regional communities." From fiscal 2011, we undertook the task of reconstructing our personnel systems. Specifically, we have gradually introduced various human resource development systems (grading, evaluation, reward systems, and human cultivation), and as of April 2014, we had put these systems into full-scale implementation.

In the same month, we also introduced a new personnel IT system. By gathering, analyzing, and applying in-house human resources information, we will design the establishment of job training, appointment, and rotation. In doing so, we will create a structure that enables Sogo Medical to grow with its employees.

With this new personnel system as our foundation, we will continue the challenge of "making an organization that employees can take pride in their work and a feel a sense of purpose."

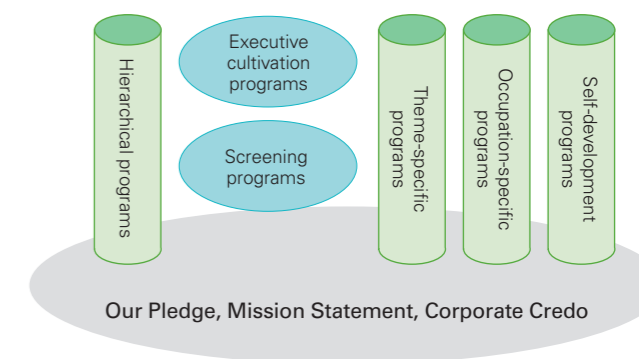
Our Perspective on Human Resource Cultivation

To promote OJT and cultivate human resources on an ongoing basis, we have introduced a training program that is designed for employee growth and implemented as appropriate to each employee's position. Our overall training is divided into hierarchical, executive cultivation, and other programs, but our management principles form the bedrock

for all our training. From new employees to directors, our founder personally communicates our corporate philosophy and corporate ideals through Our Pledge and the Company Credo. These are instilled into each individual through our various types of training, enabling us to realize the type of human resources we require.



Training Structure



Corporate Governance

Basic Policy

Sogo Medical considers one of its most important issues facing management to be recognizing the importance of corporate ethics based on legal compliance, while also making prompt decisions in response to the ever-changing business environment and working to make management sounder in order to record continued corporate value. To achieve that, it is necessary to build good relationships with customers, clients, local communities, employees, and other

stakeholders, at the same time as enhancing corporate governance by strengthening, improving, and implementing functional systems required by law, including the general meeting of shareholders, board of directors, audit & supervisory board, and independent external auditors.

We also aim to increase management transparency by providing fast, accurate, and wide-ranging information disclosure to all our shareholders and investors.

Corporate Governance System (As of June 20, 2014)

The board of directors is made up of 12 members, of which one is an outside director, reflecting the company's size while emphasizing mobility.

Sogo Medical has adopted an audit & supervisory board system with a board of auditors and believes including an external auditor allows for the effective monitoring of management.

Board of directors' meetings are held every month as a general rule with decisions made about important company matters.

Managing directors' meetings attended by full-time directors are held twice a month as a general rule with decisions about which matters to discuss at board of directors' meetings and about important matters that are not decided at board meetings. Management meetings and individual item meetings attended by full-time directors (excluding the senior advisor and vice chairman) are held once a month, respectively, as a general rule with deliberation about which matters to discuss at managing directors' meetings and discussion and information exchange about various management issues.

Sogo Medical has adopted a corporate executive officer system in which officers selected by the board of directors appointed performs the executive and the board of directors has directed this.

The Company also holds regular new employee training and gradable training through the year as well as working to improve compliance with workplace training on the subject of corporate ethics and compliance management given by staff responsible for promoting compliance.

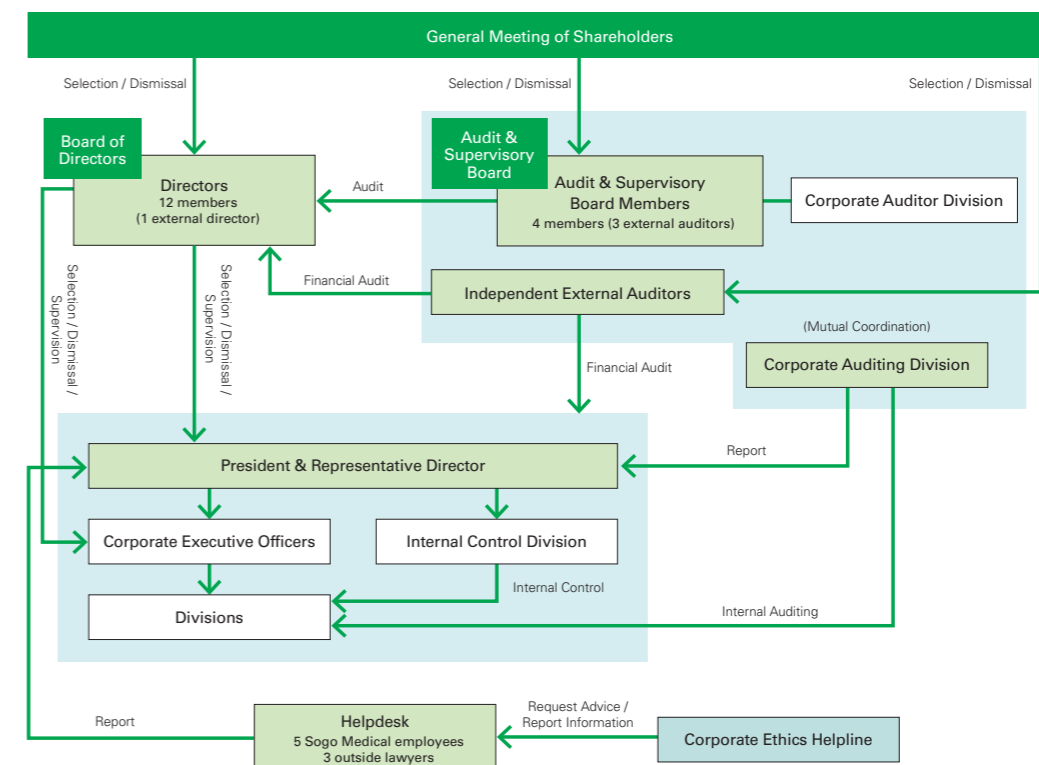
Sogo Medical declares the following basic policy, "We do not involve ourselves with anti-social forces or client companies who have a relationship with anti-social forces, under any circumstances."

For the purpose of removing anti-social forces, together with the cooperation of outside expert organizations such as lawyers and relevant administrative bodies, we will create a corresponding structure.

reporting the results directly to the president. Audited departments are given guidance on where they need to improve, with further reporting required on whether improvement has been made or not, ensuring an efficient audit process.

Collectively, audit & supervisory board member, auditing division, independent external auditors, and internal control division exchange information as required regarding audit planning and audit results, working to achieve efficient and effective audits.

Governance Systems (As of June 20, 2014)



Officer Remuneration

Although Sogo Medical has no specific policies regarding the amount of remuneration for officers, or the method for calculating that amount, shareholders monitor remuneration through a limit to the total amount of remuneration for directors and auditors (including bonuses) decided through resolutions at a General Meeting of Shareholders.

The president decides remuneration for directors after consulting with the board of directors and compensation for auditors is decided after discussion among auditors, in both cases within the limits decided at the general meeting of shareholders.

Auditing System (As of June 20, 2014)

Audit & supervisory board comprises four auditors, of which two are standing auditors and three are external auditors to ensure fairness and transparency. Each auditor attends board of directors' meetings, while standing auditors also attend and offer opinions at managing directors' meetings, management meetings, and individual item meetings.

Auditors monitor the legality of operations based on financial standards, audit planning, and task divisions.

Internal audits are held systematically by the audit department, consisting of 11 members, auditing all departments and

Total Remuneration of Each Category of Officers in Fiscal 2013

Officer category	Number of recipients	Total by form of remuneration (Millions of Yen)	Total by form of remuneration (Millions of Yen)		
			Basic compensation	Stock options	Bonuses
Directors (not including external directors)	13	238	238	—	—
Audit & supervisory board members (not including external auditors)	1	9	9	—	—
Outside officers	6	18	16	—	1
Total	20	265	263	—	1

Notes:
 1. The total remuneration for directors does not include employee salaries for those directors who are also employed as employees.
 2. Remuneration for Sogo Medical officers only includes the amount paid by Sogo Medical, excluding payments from subsidiaries.
 3. No Sogo Medical officer receives a consolidated salary of more than ¥100 million.
 4. Annual remuneration for directors (not including employee salaries for people who are both directors and employees) was given a firm limit of ¥300 million with a limit to increases of 2% of the previous fiscal year's consolidated net income in a resolution at the 34th General Meeting of Shareholders held on June 20, 2012.
 5. Annual compensation for audit & supervisory board members was limited to ¥50 million in a resolution at the 24th General Meeting of Shareholders held on June 18, 2002.

Corporate Governance

Internal Control System and Compliance System

Sogo Medical is striving to build up its compliance system by establishing a corporate charter and a code of ethics.

In order for directors and employees to perform their duties with corporate social responsibility and corporate ethics in mind, we put our corporate policy (Sogo Medical action standards) into practice, while making the policy thoroughly understood and enforced. In order for directors and employees to perform their duties in accordance with the law and the articles of association, we have placed a director in charge of compliance (legal department management officer) as well as formed an internal control committee, which is managed by the compliance division (according to policies of dividing duties). We have also set up a help desk (corporate ethics helpline), which employees can contact with requests for advice or to report information and get a speedy response. In order to enhance compliance knowledge among directors and employees, we are upgrading director and employee training, as part of our efforts to improve knowledge of respecting compliance.

Information Management System

Sogo Medical has a system in place for storing and managing information related to work duties. Based on the law and its own internal regulations, directors make and keep the minutes of Board meetings and other information related to important work duties as well as

the decisions made, which are collectively recorded and managed appropriately. We have also established document management regulations for directors' decisions and reports, based on which we store and manage this information. The management of information is conducted appropriately based on our regulations for information management and our information system management regulations.

Risk Management System

We have installed a function in the compliance division that supervises risk management and placed a director in charge of it. In order to establish fundamental policy and promotion systems for risk management, we have determined risk management regulations, and constructed and operated risk management systems. The compliance division evaluates the effectiveness of the establishment and operations of risk management. In the case a problem is seen, the division provides recommendations for improvement to the respective departments to enhance effective monitoring.

Also, to make precise response guidelines for the occasion a crisis occurs, we have determined standard crisis management regulations, created a business continuity plan and a disaster prevention manual, and are preparing a system that allows accurate response in times of emergency.

Comments from the External Audit & Supervisory Board Member



Kiyotaka Watanabe
Auditor

A whole year has passed since I was appointed as Sogo Medical's external auditor. With the sense of purpose that comes from Sogo Medical's Mission, "good medicine through good management," Sogo Medical is taking initiatives in healthcare businesses.

I always attend the regularly held meetings of the Board of Directors and Audit & Supervisory Board. I am proactive in stating my personal opinions, and I confirm that corporate governance and compliance are thoroughly enforced, and that the management principles, which are based on the founding pledge, mission statement, and corporate credo, are permeated throughout to all company employees.

Sogo Medical is taking on new and bold challenges. Simply conducting business as usual cannot be called a challenge. As a new solution provider to the healthcare industry, who are propelled with a sense of purpose, I am anticipating brave new ideas and challenges from Sogo Medical. When it comes to the company name Sogo Medical, I would like to see the further application of the "Sogo" part (which means comprehensive in Japanese), and I would like to see global development in the "medical" part of it. From the position of external auditor, it is my intention to actively make observations, proposals, and recommendations, for the enhancement of Sogo Medical's corporate value.

Directors, Audit & Supervisory Board Members and Corporate Executive Officers (As of June 20, 2014)

Board of Directors



Itsuo Tashiro

President & Representative Director



Kenji Sakamoto

Executive Vice President & Representative Director



Shinya Mikita

Director & Senior Executive Managing Officer



Takao Nakashima

Director & Executive Managing Officer



Makoto Kuroda

Director & Executive Managing Officer



Takahide Terada

Director & Senior Managing Officer



Masatoshi Sadahisa

Director & Senior Managing Officer



Joji Haraguchi

Director & Senior Managing Officer



Moritaka Nakashima

Director & Senior Managing Officer



Hirosada Oyamada

Senior Advisor & Director



Kentaro Kannou

Vice Chairman & Director



Makoto Nogami

Director

Directors, Audit & Supervisory Board Members and Corporate Executive Officers

■ Audit & Supervisory Board Members



Minoru Ohno

Standing Auditor



Shoji Hirao

Standing Auditor



Kiyotaka Watanabe

Auditor



Naomasa Mitsukado

Auditor

■ Corporate Executive Officers

Shinya Mikita

Senior Executive Managing Officer

Takao Nakashima

Executive Managing Officer

Makoto Kuroda

Executive Managing Officer

Kohichi Hashimoto

Executive Managing Officer

Takahide Terada

Senior Managing Officer

Masatoshi Sadahisa

Senior Managing Officer

Joji Haraguchi

Senior Managing Officer

Moritaka Nakashima

Senior Managing Officer

Genichi Shimmura

Senior Managing Officer

Kazuya Watabe

Senior Managing Officer

Yuriko Tanigawa

Senior Managing Officer

Takamichi Okuno

Managing Officer

Nobuo Fujii

Managing Officer

Toshikazu Matsuo

Managing Officer

Osamu Yamasaki

Managing Officer

Masatomo Hara

Managing Officer

Shigeyuki Nakano

Managing Officer

Katsuyuki Honda

Managing Officer

Akihiro Shitozawa

Managing Officer

Five-Year Summary of Consolidated Financial Statements

Years Ended March 31		2010	2011	2012	2013	2014
Net sales	(¥ million)	70,427	72,789	80,222	86,658	103,318
Operating income	(¥ million)	3,268	4,148	4,848	4,324	5,014
Ordinary income	(¥ million)	3,297	4,212	4,881	4,343	5,068
Net income	(¥ million)	1,541	2,167	2,504	2,532	2,856
Total net assets	(¥ million)	15,932	17,421	19,511	21,636	23,934
Total assets	(¥ million)	36,273	43,057	53,160	57,138	66,982
Net assets per share	(yen)	2,170.05	2,413.16	2,702.78	2,993.28	3,311.46
Net income per share	(yen)	210.70	299.33	346.93	350.81	395.64
Cash dividends per share (Includes interim dividend)	(yen)	50.00 (25.00)	60.00 (30.00)	70.00 (35.00)	80.00 (40.00)	80.00 (40.00)
Dividend payout ratio	(%)	23.7	20.0	20.2	22.8	20.2
Capital adequacy ratio	(%)	43.3	40.5	36.7	37.8	35.7
Net income to shareholders' equity ratio	(%)	10.0	13.1	13.6	12.3	12.6
Price-earnings ratio	(times)	9.8	7.3	8.6	9.5	10.5
Price-to-book-ratio	(times)	0.9	0.9	1.1	1.1	1.2
Number of shares outstanding	(thousand of shares)	7,670	7,670	7,670	7,670	7,670
Cash flows from operating activities	(¥ million)	3,237	4,179	4,484	7,269	7,461
Cash flows from investing activities	(¥ million)	(1,535)	(4,111)	(4,086)	(3,380)	(5,335)
Cash flows from financing activities	(¥ million)	(158)	(1,275)	(170)	(2,777)	(1,370)
Cash and cash equivalents at end of period	(¥ million)	4,963	3,756	3,984	5,095	5,851
Number of regular employees	(people)	1,914	2,097	2,195	2,508	2,650
Number of part-time employees	(people)	546	602	623	735	1,064

Note: The number of regular and part-time employees indicates the average number of people employed during the year (excluding members of the Sogo Medical Group dispatched outside the Group and including personnel dispatched from outside the Group to the Sogo Medical Group). Part-time employees indicates people working part-time, contract employees, and dispatched personnel.

■ Other Financial Data (Consolidated)

Years Ended March 31		2010	2011	2012	2013	2014
Operating income to net sales ratio	(%)	4.6	5.7	6.0	5.0	4.9
Ordinary income to net sales ratio	(%)	4.7	5.8	6.1	5.0	4.9
Net income to net sales ratio	(%)	2.2	3.0	3.1	2.9	2.8
Total assets turnover	(times)	1.9	1.7	1.5	1.5	1.5
Return on assets	(%)	10.0	10.6	10.2	7.9	8.2
Current ratio	(%)	143.7	129.6	131.7	128.8	122.0
Fixed assets to capitalization	(%)	64.2	77.1	78.1	80.0	81.7
Interest-bearing debt ratio	(%)	14.2	19.4	27.4	25.1	23.2
Net debt-to-equity ratio	(times)	0.1	0.3	0.5	0.4	0.4

Notes: 1. Interest-bearing debt includes lease obligations and installment purchase accounts payable that are included in the consolidated balance sheet.
2. Method of calculating the net debt-to-equity ratio: (Interest-bearing debt – cash and deposits)/shareholders' equity

Management's Discussion and Analysis

1. Operation Results

Overview of Performance During the Year

During the fiscal year under review, the year ended March 31, 2014, net sales rose 19.2% year on year, to ¥103,318 million, due to the increase in new openings in the pharmacy division, and a rise in sales in the leasing/installment division. In profits, operating income rose 16.0%, to ¥5,014 million, ordinary income rose 16.7%, to ¥5,068 million, and net income for the year rose 12.8%, to ¥2,856 million.

Our medium-term management plan to “Grow as an attractive company through leveraging our DtoD system and creating high-value pharmacies,” which spanned three years, started in April 2011. We continued to strive to build a base from which we can become the leader in all our business domains. To achieve this, we bolstered practice start-up support and expanded high-value pharmacies. Additionally, we enhanced our human resources through practice process innovation (PPI) systems for practice start-up support, personnel introduction, and pharmacies management.

In practice start-up support, we conducted 314 projects, 99 projects more than in the previous fiscal year. This included support for doctors who planned to retire their practices through introduction of doctors who wish to start-up their own practices and support for new practices in health care malls. These projects have led to new lease contracts and 28 new openings of pharmacies. The number of registered doctors who wish to transfer or start-up practices was 48,430 as of March 31, 2014, an increase of 7,652 compared to March 31, 2013. We opened 78 new pharmacies (including 33 opened through M&A activities). As a result, the total number of pharmacies was 493 on March 31, 2014, 76 more than a year earlier. Of these 35 new pharmacies are in Higashinohon, 32 in Nishinohon, and 11 in Kyushu. On April 1, 2014, we opened 10 new pharmacies. As a result, we operated a total of 503 pharmacies. We also advanced other projects, such as health care mall operation, management contracting of medical institutions, and facility leasing.

Segment Financial Results by Business and Region

From the fiscal year ended March 2013, Sogo Medical reformed its organizational and management structure, adopting a region-based structure, in order to draw up strategies and conduct business through prompt decision making at a regional level. Accompanying this reform, the

previous reportable segments, “Medical Practice Support”, “Pharmacies”, and “Others”, were abounded in favor of the region-based reportable segments “Higashinohon”, “Nishinohon”, and “Kyushu”.

In this report, for the convenience of readers and to allow for comparison between years there is analysis based on the previous segments in the “By Business” section and based on the new segments in the “By Region” section.

By Business Medical Practice Support

The Medical Practice Support segment comprises the provision of such services as medical management consulting for medical institutions and doctors, the DtoD system, TV rental for patients in hospital, leasing and installment sales of medical equipment, and the planning, designing, and construction of medical facilities.

During the fiscal year under review, net sales from medical practice support rose 35.0% year on year, to ¥29,779 million. This growth reflects the increase in consulting sales, which rose 25.3%, to ¥1,672 million, and leasing/installment sales, which rose 47.3%, to ¥19,113 million. Meanwhile, operating income expanded greatly rising 187.4%, to ¥959 million. Results by division are provided below.

(1) Consulting

Net sales from the consulting division posted a 25.3% increase year on year, to ¥1,672 million. Of this amount, medical institution management consulting sales rose 29.5%, to ¥1,044 million. Sales related to support for doctors who wish to transfer or start-up practice rose 18.8%, to ¥628 million, which exceeded last year's results. In addition to supporting 5,066 transfer projects, a year-on-year rise of 787 projects, we also supported 314 practice start-up support projects, a rise of 99 projects, which extended into leasing contracts, and the opening of 28 new pharmacies.

(2) Rental

Net sales in the rental division rose 2.0% year on year, to ¥5,914 million. Thanks to the negative effects from the last period's drop in TV replacement demand diminishing, net product sales rose 20.2%, to ¥1,650 million. However, rental sales dipped 3.6%, to ¥4,263 million.

(3) Leasing and Installment

Net sales in the leasing/installment division rose 47.3% year on year, to ¥19,113 million.

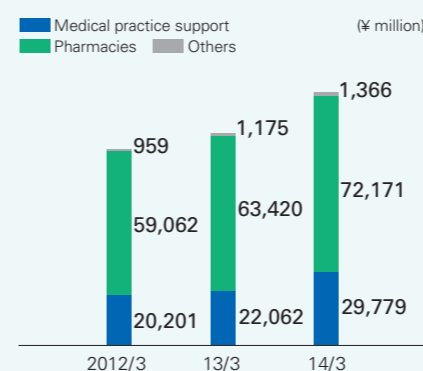
The 258.2% increase of ¥7,767 million in medical equipment sales contributed to this. Despite lease receivables and investment assets dropping 5.0%, to ¥2,014 million, accounts receivables-installment sales rose 22.5%, to ¥1,687 million, and operating assets rose 5.8%, to ¥3,702 million. With a solid transition, leasing contracts rose 7.3%, to ¥11,670 million.

(4) Others (Including the Design and Construction of Medical Facilities)

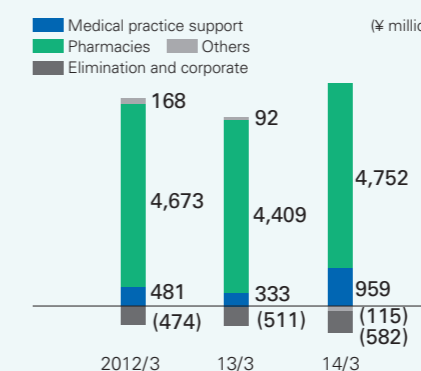
Net sales in others division rose 57.7% year on year, to ¥3,079 million.

Years Ended March 31	2012	2013	2014
Net sales (¥ million)	80,222	86,658	103,318
Medical Practice Support	20,201	22,062	29,779
Consulting	1,289	1,334	1,672
Rental	7,333	5,795	5,914
Leasing and Installment Sales	9,104	12,979	19,113
Others	2,473	1,952	3,079
Pharmacies	59,062	63,420	72,171
Others	959	1,175	1,366
Operating income (¥ million)	4,848	4,324	5,014
Medical Practice Support	481	333	959
Pharmacies	4,673	4,409	4,752
Others	168	92	(115)
Elimination and Corporate	(474)	(511)	(582)

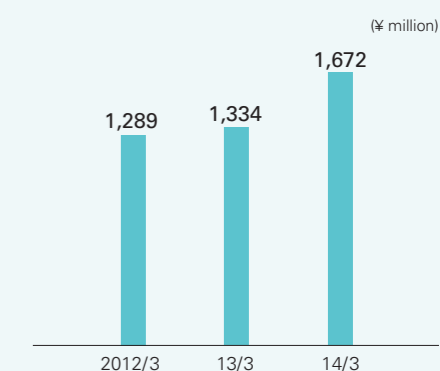
Sales by Business



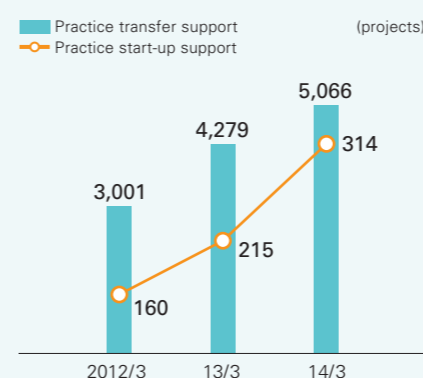
Operating Income by Business



Sales of Consulting Division



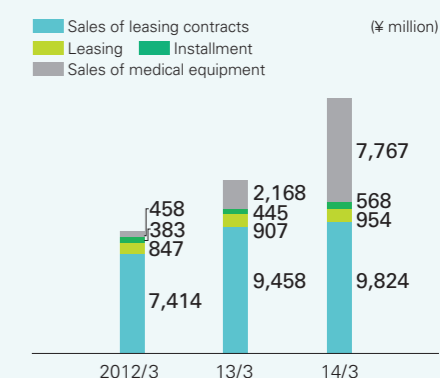
Practice Transfer/Start-up Support



Sales of Rental Division



Sales in Leasing and Installment Sales

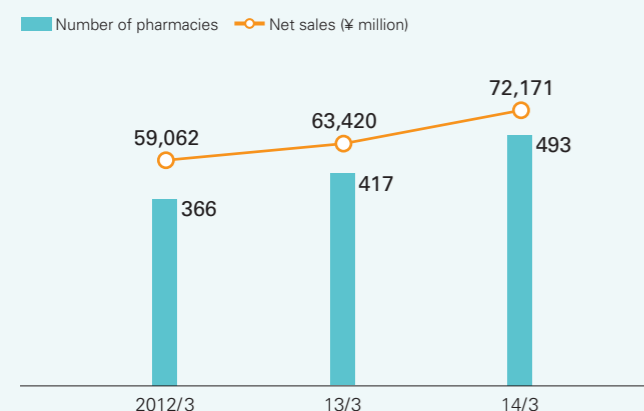


Management's Discussion and Analysis

Pharmacies

The pharmacy division comprises dispensing pharmacies that target patients who have received diagnoses from medical institutions. We opened 78 new dispensing pharmacies (including 33 pharmacies from M&A activities), and as a result the number of pharmacies at year-end was 493, up 76 from last year, which contributed to ¥3,188 million in net sales. Net sales from existing pharmacies rose 4.9%, to ¥63,095 million. Sales from the 53 pharmacies opened in the previous fiscal year was ¥4,634 million. As a result, net sales from the pharmacy division rose 13.8%, to ¥72,171 million. Also, operating income rose 7.8%, to ¥4,752 million.

Number of Pharmacies / Pharmacy Sales



By Region

Higashinohon (West Japan)

Net sales for the year ended March 31, 2014, were ¥36,700 million, an increase of 15.6% year on year. The major factors for the increased net sales were higher pharmacy sales in the pharmacy division, a result of contributions from new openings and higher sales from existing pharmacies, as well as a rise in sales in the leasing/installment division. Operating income was ¥1,289 million, an increase of 0.5%. The major factors for the increased operating income were rises in income in the consulting division and in net sales in the leasing/installment division, which offset an increase in selling, general and administrative expenses, such as amortization of goodwill and allocation amount of common expenses.

Nishinohon (East Japan)

Net sales for the year ended March 31, 2014, were ¥27,390 million, an increase of 36.5% year on year. The major factors for the increased net sales were a large increase in sales in the leasing/installment division boosted and pharmacy sales in the pharmacy division due to contributions from new openings, including those conducted through M&A activities, and higher sales from existing pharmacies.

Operating income was ¥1,324 million, an increase of 33.8%. The major factors were a large increase in net sales in the pharmacy division.

Kyushu

Net sales for the year ended March 31, 2014, were ¥37,238 million, an increase of 12.0% year on year. The major factors for the increased net sales were higher pharmacy sales in the pharmacy division, a result of higher sales from existing pharmacies and contributions from new openings, as well as a rise in sales in the leasing/installment division.

Operating income was ¥2,611 million, an increase of 15.7%. The major factors included the rise in income from higher sales in the pharmacy division and increased income in the consulting division.

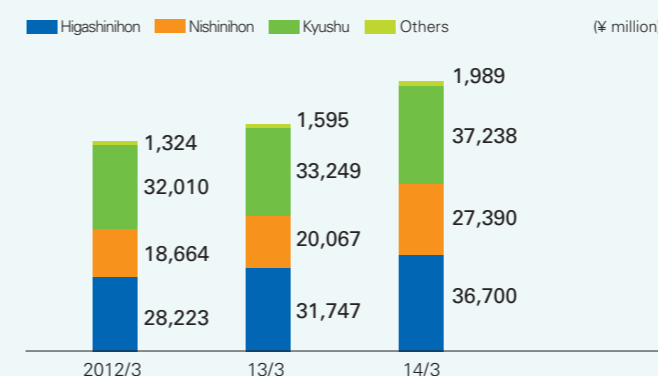
Others

Net sales for the year ended March 31, 2014, were ¥1,989 million, an increase of 24.7% year on year.

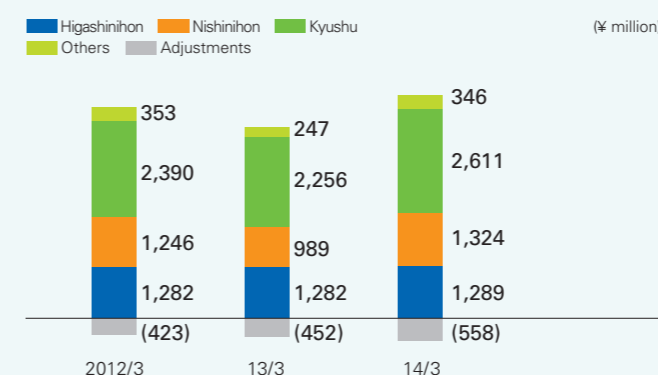
Operating income was ¥346 million, an increase of 40.2%. These increases were due to the opening of fee-based homes for the elderly.

Years Ended March 31	2012	2013	2014
Net sales (¥ million)	80,222	86,658	103,318
Higashinohon	28,223	31,747	36,700
Medical Practice Support	7,621	8,145	10,177
Pharmacies	20,601	23,601	26,522
Nishinohon	18,664	20,067	27,390
Medical Practice Support	6,038	6,341	9,863
Pharmacies	12,625	13,725	17,526
Kyushu	32,010	33,249	37,238
Medical Practice Support	6,243	7,184	9,150
Pharmacies	25,766	26,065	28,087
Others	1,324	1,595	1,989
Operating income (¥ million)	4,848	4,324	5,014
Higashinohon	1,282	1,282	1,289
Nishinohon	1,246	989	1,324
Kyushu	2,390	2,256	2,611
Others	353	247	346
Adjustments	(423)	(452)	(558)

Net Sales by Region



Operating Income by Region



Forecast for the Fiscal Year Ending March 31, 2015

In April 2014, we launched a new medium-term management plan. Under the theme of our new plan “Further Challenge—Toward a better society in which people can live with a sense of security—”, we will take three priority initiatives. Those are “Under taking New Businesses,” “Improving Existing Businesses,” and “Enhancing Corporate Value.”

In fiscal 2014, there will certainly be influences from factors such as revisions of medical reimbursement of dispensing fees and drug prices, and the rise of the consumption tax rate. However, by further promoting our DtoD system and high-value pharmacies, we are expecting increased net sales and profit. One of the tasks, which is from a previous medium-term management plan, is to aim for achievements that better reflect market size. In order to do so, we will strengthen regional office systems, carry out planned personnel rotations and training consultants, develop human resource through the promotion of our internal certification PPI system, and accumulate assets that do not appear on the balance sheet, which will make a base for the future.

As for specific initiatives Sogo Medical will take, we offer medical management support and coordination to major regional medical institutions, design the promotion of projects such as health care malls, and actively make efforts in continuing our practice start-up support and new pharmacies openings. We are expecting to take on 422 practice start-up support projects (34.3% year-on-year rise), and to open 85 new pharmacies (8.9% increase).

As a result of these initiatives, we forecast net sales to rise 7.5%, to ¥111,027 million. On the profit front, we anticipate operating income to rise 4.0%, to ¥5,214 million, ordinary income to rise 0.8%, to ¥5,111 million, and net income for the year to rise 2.6%, to ¥2,929 million.

Management's Discussion and Analysis

2. Financial Position

Assets

As of March 31, 2014, total assets were ¥66,982 million, a year-on-year increase of ¥9,844 million. Current assets were ¥37,047 million, an increase of ¥6,863 million, owing principally to a year-on-year increase of ¥757 million increase in cash and deposits, ¥3,999 million in notes and accounts receivable-trade, and ¥1,502 million in inventories.

Non-current assets were ¥29,934 million, an increase of ¥2,981 million. This was due primarily to increases of ¥2,015 million in goodwill related to M&A of pharmacies and ¥1,214 million in buildings and structures, which counteracted a decrease in property for lease of ¥1,114 million.

Liabilities

As of March 31, 2014, total liabilities were ¥43,048 million, an increase of ¥7,547 million year on year. Current liabilities were ¥30,358 million, an increase of ¥6,920 million, owing principally to increases of ¥5,306 million in notes and accounts payable-trade, and ¥476 million in current portion of long-term loans payable. Non-current liabilities were ¥12,689 million, a year-on-year increase of ¥626 million. This was due to an increase of ¥1,621 million in the long-term loans payable, which offset a decrease of ¥1,153 million in long-term accounts payable-installment purchase. Although interest-bearing debts (including lease obligations and accounts payable-installment purchases) were ¥15,552 million, an increase of ¥1,221 million. The net debt-to-equity ratio, which is calculated by dividing interest-bearing debt less cash and deposits by shareholders' equity, was 0.40 times, a year-on-year, decrease of 0.02 times.

Net Assets

As of March 31, 2014, net assets, were ¥23,934 million, a year-on-year increase of ¥2,297 million. Net income increased net assets by ¥2,856 million and dividends payment decreased net assets by ¥577 million. As a result, the capital adequacy ratio was 35.7%, a decrease of 2.1 percentage points compared to 37.8% on March 31, 2013.

Cash Flows

As of March 31, 2014, cash and cash equivalents totaled ¥5,851 million, a year-on-year increase of ¥755 million (14.8%). The primary factors are described below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥7,461 million. The major cash increases were ¥5,046 million from income before income taxes, ¥3,522 million from adjustment for depreciation and amortization, and ¥4,932 million from increase in notes and accounts payable-trade. The major cash decreases were ¥3,468 million from increase in notes and accounts receivable-trade, ¥1,222 million from increase in inventories, and ¥1,842 million from income taxes paid.

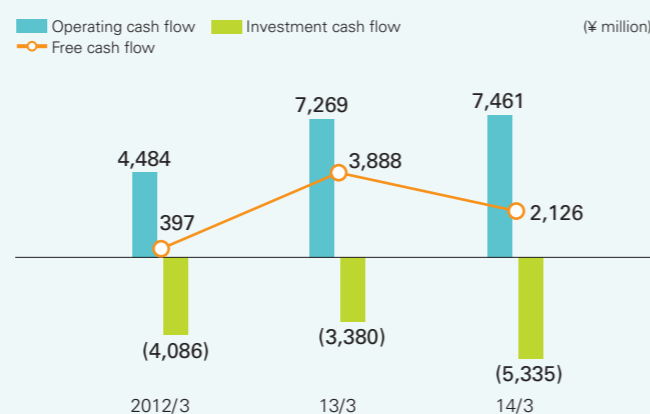
Cash Flows from Investing Activities

Net cash used by investing activities was ¥5,335 million. Major cash outflows were ¥3,308 million for purchase of own-used assets and ¥2,277 million for purchase of investments in subsidiaries resulting in charge in scope of consolidation.

Cash Flows from Financing Activities

Net cash used by financing activities was ¥1,370 million. Major cash inflows came in the form of ¥3,650 million in proceeds from long-term loans payable. Major cash outflows were ¥1,910 million for repayment of long-term loans payable, ¥1,963 million for repayments of accounts installments payable, ¥573 million for repayments of lease obligations, and ¥577 million for cash dividends paid.

Trends in Cash Flows



Note: "Free cash flow = cash flows from operating activities + cash flows from investing"

3. Financial Strategies

Issues on the Financial Front

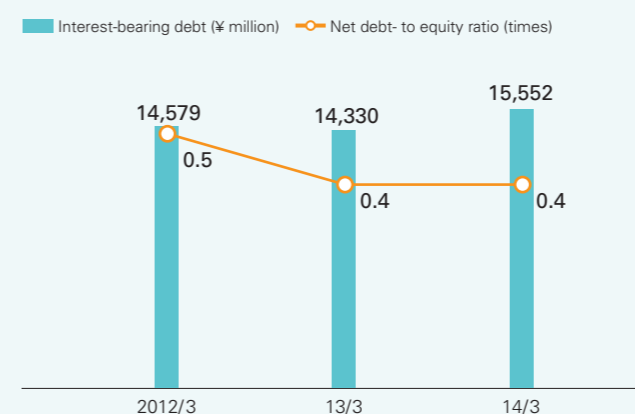
On March 31, 2014, despite an increase in cash and deposits due to factors including cash flows from operating activities, there were also long-term loans payable from financing, which led to the net-debt-to-equity ratio staying at 0.4 times, the same as last year.

Under our previous medium-term management plan, we aimed to be leaders in practice start-up support and in the number of high-value pharmacies. With our DtoD system as our starting point, we made efforts to expand business. We accelerated the openings of new pharmacies, and we also actively took challenges in new fields like the long-term care business and management contracting. In our new medium-term management plan, we plan on continuing these plans. Therefore, we are anticipating that suitable funds will be needed to achieve these goals in the year to come.

Capital for the 78 new pharmacies (including 33 pharmacies from M&A transactions), that we opened in the fiscal year ended March, 2014, was provided from our retained earnings as well as financial institution loans and leasing.

To realize good medicine, Sogo Medical must not only target the stable management of medical institutions; we must also achieve stable management ourselves. Holding to the basic principle of expanding shareholders' equity through the accumulation of income, while considering an appropriate level of debt leveraging, we seek to maintain a net debt-to-equity ratio of 0.5 times. While making steady progress in line with our growth strategies, we must at the same time shore up our financial base. We recognize that in the future, we must step up our efforts to create a balanced capital structure.

Interest-Bearing Debt / Net Debt-to Equity Ratio

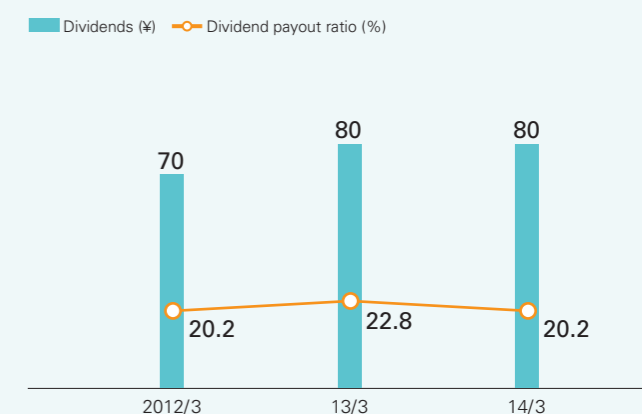


Shareholder Returns

Our basic policy on shareholder returns is to maintain a payout ratio of approximately 20%. Owing to our increase in net income during the year under review, our dividend remained the same as last year, ¥80 per share. We recognize that there are calls to raise our payout ratio further, but at present we consider it important to retain earnings to avoid degrading our financial base over the long term, and we intend to apply the cash on hand toward investment in growth in order to expand the scale of our business operations. Through this investment in growth, we expect our stock price to rise, and we aim to pay back shareholders through increases in the value of their shares.

We also recognize raising the liquidity of our shares as an important issue from the standpoint of capital policy. We expect the number of Sogo Medical shareholders to increase in the future as our trading volume grows and to achieve this increase. In order to attract the attention of numerous investors, we are hoping to expand our market capitalization to ¥50 billion in the short term, and then to ¥100 billion in the medium-to-long term. The first step to realizing this goal is to work toward the achievement of our new medium-term management plan.

Trends in Dividends



Risk Information

Business Risks

Business risks related to the operational performance reported in this annual report that have a possibility of materially affecting investor decisions are listed below.

Points regarding future events are based on judgments made as of June 20, 2014.

1. Pharmacies

A. Dispensing pharmacies and separation of dispensing and prescribing functions

In order to increase the quality of healthcare, the Japanese government is pursuing policies encouraging the separation of prescribing and dispensing functions so that medical institutions focus on medical activities such as medical treatment and dispensing pharmacies provide drug history management, patient compliance instructions, and other services. However, if the degree of separation reduces in the future, this could have an effect on new pharmacy openings and the overall performance of pharmacies.

B. Dispensing pharmacy regulations

To perform dispensing duties within our group, it is necessary to receive permission to open a new pharmacy and designation as a health insurance pharmacy from the prefectural or city governor, as well as other kinds of designation as necessary. In the unlikely event that a pharmacy was forced to suspend business or was closed down as the result of a legal infraction or some other reason, this could have an effect on the performance of pharmacies.

C. Drug price and dispensing fee revisions

Dispensing sales comprise revenue from drugs and dispensing fees. Revenue from drugs is based on official prices called the Drug Price Standards decided under the Health Insurance Act, while revenue from dispensing fees is also based on fees decided under the same act. Changes in drug prices and dispensing fees as a result of official revisions could have an effect on the performance of pharmacies.

D. Dispensing errors

Our Group treats the prevention of dispensing errors as an important issue, therefore we increase the skill and knowledge of pharmacists through training and implement multiple checks and a dispensing error prevention system. Our Group has also taken out liability insurance for pharmacists in all its pharmacies as a precautionary measure. However, in the case of a major dispensing error leading to loss of public trust, financial losses from lawsuits, or other losses, this could have an effect on the performance of pharmacies.

E. Consumption tax

Under the Consumption Tax Act, dispensing sales are not subject to consumption tax, but pharmaceuticals purchased by our Group are taxable under the act. Consequently, consumption tax paid by our Group on purchases is recorded as consumption tax on the statement of income as part of dispensing cost of sales. When consumption tax was introduced and later increased, the increase was taken into account in drug price revisions and the Company was also able to have it taken into account when negotiating with our suppliers. However, if future rises in consumption tax are not reflected in drug prices or our suppliers' prices, this could have an effect on the performance of pharmacies.

F. Recruitment of pharmacists and the pharmacy opening plan

Under the Pharmaceutical Affairs Act, a fixed number of pharmacists are required at dispensing pharmacies and under the Pharmacists Act dispensing duties must be performed by pharmacists. Our Group presently has enough pharmacists at all its pharmacies to meet the criteria of the Pharmaceutical Affairs Act. Our Company also has a pharmacist recruitment plan based on its new pharmacy opening plan and by implementing recruitment activities and supplementing the main period of hiring in recruitment season with initiatives throughout the year, our Group expects to recruit enough pharmacists such that there will be no obstacles to its pharmacy opening plan. However, if it proves impossible to recruit enough pharmacists or if our Group's pharmacy opening plan is delayed and recruitment nonetheless goes ahead, so that for a time there are more pharmacists than are needed, this could have an effect on the performance of pharmacies.

2. Rental

A. Rental transactions

Sogo Medical operates a system whereby patients pay to use TVs and other items that are placed in medical institutions based on rental contracts. Net sales from rental transactions (revenue from rental fees) vary based on the number of TVs and the rental fee. Presently, there is a downward trend in the number of beds, which is having a knock-on effect on the number of TVs in medical institutions. Revenue from rental fees is affected by the number of beds, how much they are used, and how many hours patients watch TV.

B. Responding to technological advances

The shift to digital-only terrestrial broadcasting in July 2011 is now complete, but if it became necessary to respond to a similar advance in technology, while there would be the possibility of exploiting new business opportunities, such as through product development, obsolescence of existing equipment and subsequent investment could have an effect on the performance of the rental division.

C. Consumption tax

When consumption tax is increased, if it is impossible to reflect that in TVs rental fees for patients or to absorb it through the cutting of costs, it could have an effect on the performance of the rental division.

3. Leasing / installment

A. Changes in interest rates

Ultralow interest rate policies in the leasing/installment business environment have led to increasingly fierce competition with other companies over lease fees. Leasing/installment contracts and profit margins are affected by changes in interest rates.

B. Sales

To increase the efficiency of funds collection, Sogo Medical sells part of the equipment from the contracts it acquires during the fiscal year and records this on the statement of income as sales. These sales transactions refer to sales to another leasing company of the equipment from the leasing contracts or installment contracts agreed with customers. We collect receivables from customers and pay that money to the leasing company. We make profit from the difference between the purchasing price from the supplier and the selling price to the leasing company. If sales increase, unearned lease contract and installment receivables decrease and revenue from lease fee and installment sales also decrease.

4. DtoD promotion

The DtoD system supports practice succession, healthcare cooperation, and doctors changing practice. The system helps to solve problems by comprehensively providing assistance to doctors wishing to start or change practice, doctors in practice seeking successors, and medical institutions looking for excellent doctors and healthcare partners. Revenues from the DtoD system come not only directly in such forms as introduction fees as part of doctor transfer support and consulting fees for doctors starting new practices but also indirectly through related business expansion that increases productivity and profitability.

As the number of doctors in public practice, medical practice owners, and medical institutions registered in the system increases, DtoD results will steadily improve. As a fundamental strategy, Sogo Medical plans to further promote and strengthen the DtoD system and expand its business. However, if DtoD business expansion does not go according to plan, it could have an effect on our performance.

5. Personal information protection

The Group handles personal information as defined in the Protection of Personal Information Act in all of its various businesses. In 2006, our Group acquired privacy mark certification and we are working to prevent personal information leaks. However, if it should happen that personal information was leaked, loss of public trust, financial losses from lawsuits, or other losses could affect our performance.

Consolidated Financial Statements

Consolidated Balance Sheet

	(Millions of Yen)		
	2012 (Apr.1, 2011– Mar.31, 2012)	2013 (Apr.1, 2012– Mar.31, 2013)	2014 (Apr.1, 2013– Mar.31, 2014)
Assets			
Current assets			
Cash and deposits	4,004	5,115	5,873
Notes and accounts receivable-trade	14,823	14,327	18,326
Accounts receivable-installment sales	1,404	1,377	1,687
Lease receivables and investment assets	2,175	2,120	2,014
Inventories	3,928	4,973	6,475
Deferred tax assets	746	687	762
Other	1,532	1,595	1,933
Allowance for doubtful accounts	(23)	(13)	(26)
Total current assets	28,592	30,184	37,047
Noncurrent assets			
Property, plant and equipment			
Property for lease	8,723	7,985	6,871
Buildings and structures, net	4,398	6,203	7,418
Land	2,650	3,018	3,078
Other, net	1,544	1,591	2,065
Total property, plant and equipment	17,315	18,799	19,433
Intangible assets			
Goodwill	2,736	3,279	5,294
Other	812	711	953
Total intangible assets	3,548	3,990	6,248
Investments and other assets			
Investment securities	1,321	1,290	1,008
Deferred tax assets	664	587	568
Other	1,717	2,294	2,681
Allowance for doubtful accounts	(0)	(8)	(5)
Total investments and other assets	3,703	4,163	4,252
Total noncurrent assets	24,568	26,953	29,934
Total assets	53,160	57,138	66,982

	(Millions of Yen)		
	2012 (Apr.1, 2011– Mar.31, 2012)	2013 (Apr.1, 2012– Mar.31, 2013)	2014 (Apr.1, 2013– Mar.31, 2014)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	13,414	15,065	20,372
Short-term loans payable	260	330	350
Current portion of long-term loans payable	1,297	1,679	2,155
Lease obligations	547	519	503
Accrued expenses	1,381	1,541	1,725
Income taxes payable	1,156	1,077	1,333
Deferred profit on installment sales	157	129	175
Other	3,493	3,093	3,743
Total current liabilities	21,709	23,437	30,358
Noncurrent liabilities			
Long-term loans payable	3,747	3,570	5,191
Lease obligations	912	824	944
Long-term accounts payable-installment purchase	6,240	5,604	4,450
Other	1,038	2,064	2,103
Total noncurrent liabilities	11,939	12,063	12,689
Total liabilities	33,648	35,501	43,048
Net assets			
Shareholders' equity			
Capital stock	3,513	3,513	3,513
Capital surplus	4,136	4,136	4,136
Retained earnings	12,788	14,779	17,058
Treasury stock	(1,043)	(1,043)	(1,043)
Total shareholders' equity	19,395	21,386	23,665
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	116	222	240
Total accumulated other comprehensive income	116	222	240
Subscription rights to shares	—	1	—
Minority interests	—	26	28
Total net assets	19,511	21,636	23,934
Total liabilities and net assets	53,160	57,138	66,982

Consolidated Financial Statements

■ Consolidated Statements of Income

	(Millions of Yen)		
	2012 (Apr.1, 2011– Mar.31, 2012)	2013 (Apr.1, 2012– Mar.31, 2013)	2014 (Apr.1, 2013– Mar.31, 2014)
Net sales	80,222	86,658	103,318
Cost of sales	67,186	73,503	88,889
Gross profit	13,035	13,155	14,428
Selling, general and administrative expenses	8,187	8,831	9,414
Operating income	4,848	4,324	5,014
Non-operating income	140	151	183
Dividends income	21	15	16
Dividends income of life insurance	10	12	—
Rent income	29	30	35
Other	78	93	130
Non-operating expenses	107	132	128
Interest expenses	53	67	57
Other	53	65	71
Ordinary income	4,881	4,343	5,068
Extraordinary income	—	201	48
Gain on sales of investment securities	—	178	41
Contributed income	—	23	7
Extraordinary loss	118	85	70
Impairment loss	20	4	34
Loss on sales of investment securities	—	—	26
Loss on valuation of investment securities	53	6	—
Dismantlement expense	44	—	—
Litigation expenses	—	39	—
Office transfer expenses	—	35	9
Income before income taxes	4,762	4,460	5,046
Income taxes-current	1,949	1,747	2,082
Income taxes-deferred	308	175	105
Total income taxes	2,258	1,922	2,187
Income before minority interests	2,504	2,537	2,858
Minority interests in income	—	5	2
Net income	2,504	2,532	2,856

■ Consolidated Statements of Comprehensive Income

	(Millions of Yen)		
	2012 (Apr.1, 2011– Mar.31, 2012)	2013 (Apr.1, 2012– Mar.31, 2013)	2014 (Apr.1, 2013– Mar.31, 2014)
Income before minority interests	2,504	2,537	2,858
Other comprehensive income			
Valuation difference on available-for-sale securities	55	106	18
Total other comprehensive income	55	106	18
Comprehensive income	2,560	2,643	2,876
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	2,560	2,638	2,874
Comprehensive income attributable to minority interests	—	5	2

■ Consolidated Statements of Change in Net Assets

	(Millions of Yen)								
	Shareholders' equity					Accumulated other compre- hensive income	Subscription rights to shares	Minority interests	Net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities			
Balance at the end of 2011	3,513	4,136	10,753	(1,043)	17,360	60	—	—	17,421
Dividends from surplus	—	—	(469)	—	(469)	—	—	—	(469)
Net income	—	—	2,504	—	2,504	—	—	—	2,504
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	55	—	—	55
Balance at the end of 2012	3,513	4,136	12,788	(1,043)	19,395	116	—	—	19,511
Dividends from surplus	—	—	(541)	—	(541)	—	—	—	(541)
Net income	—	—	2,532	—	2,532	—	—	—	2,532
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	106	1	26	133
Balance at the end of 2013	3,513	4,136	14,779	(1,043)	21,386	222	1	26	21,636
Dividends from surplus	—	—	(577)	—	(577)	—	—	—	(577)
Net income	—	—	2,856	—	2,856	—	—	—	2,856
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	18	(1)	2	18
Balance at the end of 2014	3,513	4,136	17,058	(1,043)	23,665	240	—	28	23,934

Consolidated Financial Statements

Consolidated Statements of Cash Flows

	(Millions of Yen)		
	2012 (Apr.1, 2011– Mar.31, 2012)	2013 (Apr.1, 2012– Mar.31, 2013)	2014 (Apr.1, 2013– Mar.31, 2014)
Net cash provided by (used in) operating activities			
Income before income taxes	4,762	4,460	5,046
Depreciation and amortization	2,821	3,267	3,522
Impairment loss	20	4	34
Interest and dividends income	(21)	(17)	(18)
Capital cost and interest expenses	131	148	126
Decrease (increase) in notes and accounts receivable-trade	(3,408)	622	(3,468)
Decrease (increase) in accounts receivable-installment	(268)	(1)	(264)
Net decrease (increase) in lease receivables and investment assets	(234)	54	106
Decrease (increase) in inventories	29	(1,003)	(1,222)
Increase (decrease) in notes and accounts payable-trade	856	1,529	4,932
Increase /decrease/ in other assets/liabilities	1,256	(118)	181
Other, net	496	261	439
Subtotal	6,444	9,207	9,416
Interest and dividends income received	21	17	18
Interest expenses paid	(130)	(148)	(130)
Income taxes paid	(1,850)	(1,807)	(1,842)
Net cash provided by (used in) operating activities	4,484	7,269	7,461
Net cash provided by (used in) investing activities			
Purchase of own-used assets	(1,476)	(3,032)	(3,308)
Proceeds from sales of own-used assets	—	349	88
Purchase of property for lease	(225)	(74)	(69)
Purchase of investment securities	(429)	—	(97)
Proceeds from sales of investment securities	—	341	444
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,971)	(455)	(2,277)
Payments of loans receivable	—	(191)	—
Other, net	15	(317)	(115)
Net cash provided by (used in) investing activities	(4,086)	(3,380)	(5,335)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(10)	(12)	6
Proceeds from long-term loans payable	3,150	1,500	3,650
Repayment of long-term loans payable	(950)	(1,376)	(1,910)
Repayments of lease obligations	(517)	(593)	(573)
Repayments of installment payables	(1,372)	(1,755)	(1,963)
Cash dividends paid	(469)	(541)	(577)
Purchase of treasury stock	(0)	(0)	(0)
Other, net	—	1	(1)
Net cash provided by (used in) financing activities	(170)	(2,777)	(1,370)
Net increase (decrease) in cash and cash equivalents	227	1,111	755
Cash and cash equivalents at beginning of period	3,756	3,984	5,095
Cash and cash equivalents at end of period	3,984	5,095	5,851

Segment Information

	Reportable Segments				Others*1	Total	Reconciliations*2	Consolidated amounts*3
	Higashinohon	Nishinohon	Kyushu	Total				
2012 (from April 1, 2011 to March 31, 2012) (Millions of Yen)								
Sales								
Unaffiliated sales	28,223	18,664	32,010	78,898	1,324	80,222	—	80,222
Intersegment sales	46	16	7	71	512	583	(583)	—
Total	28,269	18,681	32,018	78,969	1,836	80,806	(583)	80,222
Segment profit	1,282	1,246	2,390	4,918	353	5,272	(423)	4,848
Segment assets	16,316	11,795	15,841	43,953	1,584	45,538	7,622	53,160

Notes:

*1. Others include items such as TV rental for hotels, which are not classified as reportable segments.

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥423 million) included elimination of intersegment sales (¥11 million) and overall corporate expense (¥435 million). The overall corporate expense was classified as selling, general and administrative expenses and was not allocated to reportable segments.

(2) Reconciliation for reportable segment assets (¥7,622 million) included elimination investment against equity (¥4,656 million) and overall corporate assets (¥12,801 million). The overall assets were classified as parent company's deposits and were not allocated to reportable segments.

*3. Reportable segment profits were reconsolidated with the operating income of the consolidated income statement.

	Reportable Segments				Others*1	Total	Reconciliations*2	Consolidated amounts*3
	Higashinohon	Nishinohon	Kyushu	Total				
2013 (from April 1, 2012 to March 31, 2013) (Millions of Yen)								
Sales								
Unaffiliated sales	31,747	20,067	33,249	85,063	1,595	86,658	—	86,658
Intersegment sales	25	11	3	41	810	851	(851)	—
Total	31,772	20,079	33,253	85,104	2,406	87,510	(851)	86,658
Segment profit	1,282	989	2,256	4,529	247	4,776	(452)	4,324
Segment assets	19,093	11,547	15,123	45,764	3,278	49,042	8,095	57,138

Notes:

*1. Others include items such as TV rental for hotels, which are not classified as reportable segments.

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥452 million) included elimination of intersegment sales (¥6 million) and overall corporate expense (¥459 million). The overall corporate expense was classified as selling, general and administrative expenses and was not allocated to reportable segments.

(2) Reconciliation for reportable segment assets (¥8,095 million) included elimination investment against equity (¥5,114 million) and overall corporate assets (¥13,985 million). The overall assets were classified as parent company's deposits and were not allocated to reportable segments.

*3. Reportable segment profits were reconsolidated with the operating income of the consolidated income statement.

	Reportable Segments				Others*1	Total	Reconciliations*2	Consolidated amounts*3
	Higashinohon	Nishinohon	Kyushu	Total				
2014 (from April 1, 2013 to March 31, 2014) (Millions of Yen)								
Sales								
Unaffiliated sales	36,700	27,390	37,238	101,329	1,989	103,318	—	103,318
Intersegment sales	19	346	3	369	2,457	2,826	(2,826)	—
Total	36,719	27,737	37,241	101,698	4,446	106,145	(2,826)	103,318
Segment profit	1,289	1,324	2,611	5,225	346	5,572	(558)	5,014
Segment assets	22,936	15,651	16,524	55,112	3,285	58,398	8,584	66,982

Notes:

*1. Others include items such as TV rental for hotels, which are not classified as reportable segments.

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥558 million) included elimination of intersegment sales (¥5 million) and overall corporate expense (¥563 million). The overall corporate expense was classified as selling, general and administrative expenses and was not allocated to reportable segments.

(2) Reconciliation for reportable segment assets (¥8,584 million) included elimination investment against equity (¥7,529 million) and overall corporate assets (¥17,040 million). The overall assets were classified as parent company's deposits and were not allocated to reportable segments.

*3. Reportable segment profits were reconsolidated with the operating income of the consolidated income statement.

Corporate Information (As of June 1, 2014)

Corporate Outline

Company Name	SOGO MEDICAL CO., LTD.
Head Office	Fukuoka Tenjin Center Bldg. 16F, 2-14-8 Tenjin, Chuo-ku, Fukuoka
Founded	June 12, 1978
Capital	¥3,513 million
Listed	First Section, Tokyo Stock Exchange. (Code 4775)
Banking Relationships	The Bank of Fukuoka, Ltd., Mizuho Bank, Ltd., The Kitakyushu Bank, Ltd., Sumitomo Mitsui Banking Corp., The Kiyo Bank, Ltd., The Norinchukin Bank, The Miyazaki Bank, Ltd., The Oita Bank, Ltd., The Gunma Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, The San-in Godo Bank, Ltd., The Hiroshima Bank, Ltd., The Senshu Ikeda Bank, Ltd., The 77 Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Bank of Yokohama, Ltd., The Nishi-Nippon City Bank, Ltd., The Kita-Nippon Bank, Ltd., The Joyo Bank, Ltd., The Chiba Bank, Ltd., The Bank of Kyoto, Ltd., The Shizuoka Bank, Ltd., The Hachijuni Bank, Ltd., The Bank of Saga, Ltd., The Eighteenth Bank, Ltd., The Higo Bank, Ltd., The Kagoshima Bank, Ltd., The Chikuho Bank, Ltd., etc.
Group Companies	Somtech Co., Ltd. (design and construction of hospitals, clinics and assisted living facilities) Sogo Medical Pharmacy Chubu Co., Ltd. (dispensing pharmaceuticals) Aoba Pharmacy Co., Ltd. (dispensing pharmaceuticals) Maeda & Co., Ltd. (dispensing pharmaceuticals) Yataya Pharmacy Co., Ltd. (dispensing pharmaceuticals) Sumiredo Pharmacy Co., Ltd. (dispensing pharmaceuticals) Taikodo yakkyoku honten Co., Ltd. (dispensing pharmaceuticals) T-M Yakkyoku Co., Ltd. (dispensing pharmaceuticals) Care Medical Co., Ltd. (dispensing pharmaceuticals) Beauty Drug Saito Co., Ltd. (dispensing pharmaceuticals) Nakano Pharmacy Co., Ltd. (dispensing pharmaceuticals) Sogo Media Supply Co., Ltd. (TV rental service for hotels) Sogo Medipro Co., Ltd. (temporary service, placement service) Sogo Real Estate Co., Ltd. (lease and management business for medical facilities) SME Co., Ltd. (wholesale of pharmaceuticals) Sogo Care Network Co., Ltd. (assisted living facility related business) Sun Villa Co., Ltd. (assisted living)
Bases	558 (Offices 3, Branches 23, Sales Offices 4, Satellite Offices 1, Pharmacies 509, in-hospital stores 18)
Employees (People)	2,846 full-time workers, 1,192 part-time workers

Certified Professionals (Including part-time workers)

Pharmacists	1,547 people
Nurses	11 people
Public health nurses	1 person
Nutritionists	9 people
Clinical test technicians	7 people
Certified social worker	5 people
Certified care worker	25 people
LTC support specialists (care managers)	46 people
Grade 1 architects	17 people
Interior coordinators	7 people
Real estate dealers	49 people
SMEC (Small and Medium Enterprise Management Consultants)	3 people
Medical management consultants certified and registered by the Japan Association of Health Service Management Consultants	30 people
Affiliated financial planners certified by the Japan Association for Financial Planners	30 people
Start-up Support Certification (PPI) above level III	89 people
Personnel Introduction Certification (PPI) above level III	101 people
Pharmacy Management Certification (PPI) above level III	86 people

Note:
Level V is the highest level of the Practice Process Innovation (PPI) internal certification. Numbers are from the end of March 2014.

Corporate Timeline

Jun. 1978	Established Sogo Medical Leasing Co., Ltd. with a capitalization of ¥20 million, for business purposes of leasing medical equipment and consulting for medical institutions.	Jan. 2011	Started wholesale marketing of medical and pharmaceutical products.
Oct. 1987	Started real estate agency and practice inheritance businesses.	Oct. 2011	Acquired all outstanding shares of Maeda Pharmacy Co., Ltd., a dispensing pharmacy.
Nov. 1987	Started the TV rental business for patients.	Nov. 2011	Started long-term care service businesses, such as residential homes for the elderly.
Jun. 1988	Established the first "Sogo Pharmacy," a dispensing pharmacy.	Jun. 2012	Acquired all outstanding shares of Sun Villa Co., Ltd., a fee-based homes for the elderly.
Oct. 1989	Name changed to SOGO MEDICAL CO., LTD.	Nov. 2012	Acquired all outstanding shares of Yataya Pharmacy Co., Ltd.
Nov. 1989	Started the "Green Members" (now "Succeed Members") member system targeted to medical personnel.	Dec. 2012	Acquired all outstanding shares of Sumiredo Pharmacy Co., Ltd., a dispensing pharmacy.
Oct. 1994	Started the planning, design, and construction of medical facilities.	Apr. 2013	Absorption-type merger with Sogo Medical Pharmacy Kanto Co., Ltd., a dispensing pharmacy.
Aug. 2000	Listed on Second Section of Tokyo Stock Exchange.	Aug. 2013	Acquired all outstanding shares of Taikodo yakkyoku honten Co., Ltd. and TM Yakkyoku Co., Ltd., which are dispensing pharmacy companies.
Apr. 2001	Acquired all outstanding shares of Orix Media Supply Co., Ltd., a company that carried out TV rentals for hospitals, etc. Opened stores within hospitals.	Dec. 2013	Acquired all outstanding shares of Care Medical Co., Ltd., a dispensing pharmacy.
Sep. 2001	Listed on First Section of Tokyo Stock Exchange.	Mar. 2014	Acquired all outstanding shares of Beauty Drug Saito Co., Ltd. and Nakano Pharmacy Co., Ltd., a dispensing pharmacy.
Oct. 2001	Started the DtoD system.	Apr. 2014	Absorption-type merger with Sogo Healthcare Service Co., Ltd.
Jan. 2002	Acquired all outstanding shares of Hello Medical Co., Ltd., Hello Network Co., Ltd. and Hase Dispensing Pharmacy Co., Ltd., which are dispensing pharmacy companies.		
Dec. 2003	Started temporary introduction and placement service of other medical staff.		
Apr. 2005	Started hospital operational management contracting.		
Aug. 2007	Formed business alliance with MITSUI & CO., LTD.		
Jun. 2010	Acquired all outstanding shares of Aoba Pharmacy Co., Ltd., a dispensing pharmacy.		

Stock Information (As of March 31, 2014)

Shareholder Composition

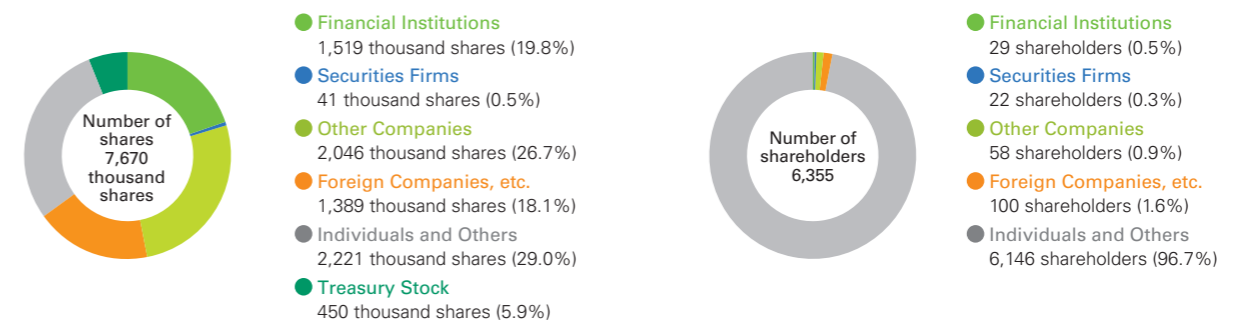
Total Number of Issued Shares	7,670,078 shares
Number of Shareholders	6,355 shareholders
Number of Unit Shareholders	5,777 shareholders

Major Shareholders (Top 10 Largest Shareholders)

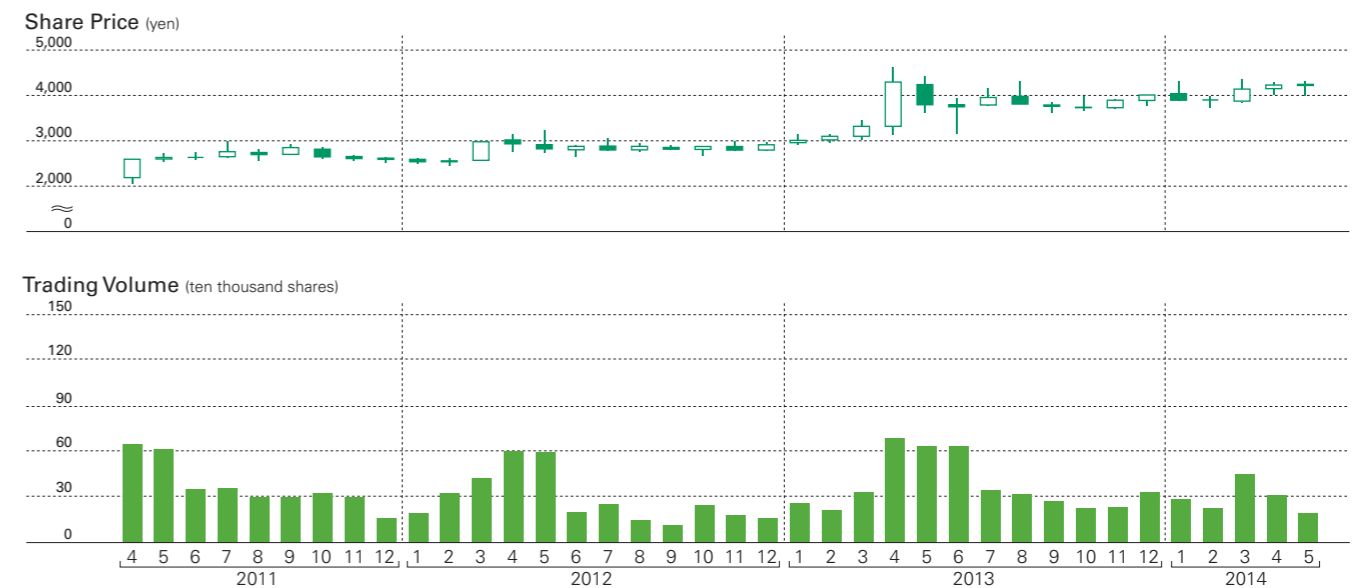
Name of Shareholders	Number of Shares Held (thousands of shares)	Shareholding Ratio
MITSUI & CO., LTD.	1,550	21.5%
Century Tokyo Leasing Corporation	361	5.0%
THE SFP VALUE REALIZATION MASTER FUND LIMITED (Standing proxy: Citybank Japan Ltd.)	316	4.4%
The Bank of Fukuoka, Ltd.	307	4.3%
Hirosada Oyamada	226	3.1%
The Kitakyushu Bank, Ltd.	202	2.8%
Employees Shareholders' Association of Sogo Medical	137	1.9%
Japan Trustee Services Bank, Ltd. (Trust account)	117	1.6%
The Master Trust Bank of Japan, Ltd. (Trust account)	106	1.5%
Kentaro Kannou	96	1.3%

Ratio of controlling shares are calculated excluding Sogo Medical treasury stocks (450 thousands shares).

Breakdown of Shares by Type of Shareholder



Share Price and Trading Volume



For further inquiries, please contact: SOGO MEDICAL CO., LTD., Management Strategy Division, Public and Investor Relations Division
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