

FY2013
(Fiscal Year Ending March 31, 2014)

Financial Results

 **SOGO MEDICAL**

(Securities code: 4775)



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I . FY2013 Financial Results

Net sales ¥103,318 million (up 19.2% YoY), Ordinary income ¥5,068 million (up 16.7% YoY)

(Consulting Division)

- General consulting sales increased ¥238 million due to the recording of consultant fees for staff training.
- Consulting fees for practice transfer/start-up support were ¥628 million (up ¥99 million YoY).
- Practice transfer support projects increased by 787 projects.
- We conducted 314 practice start-up support projects (up 99 projects YoY), leading to lease contracts and 28 new pharmacies.

(Rental Division)

- Rental sales increased ¥118 million YoY.

(Leasing/Installment Division)

- Lease contracts increased 7.3% YoY.
- Leasing sales were ¥19,113 million (up 47.3% YoY), due to the recording of ¥7,767 million in sales of medical equipment (up ¥5,598 million YoY).

(Pharmacy Division)

- We opened 78 new pharmacies (25 more than in FY2012), bringing our total number of pharmacies to 493 as of March 31, 2014.
- Pharmacy sales increased ¥8,750 million (up 13.8% YoY). Major factors were a 4.9% increase in sales from existing pharmacies as well as sales contributions from new pharmacies.
(We have operated 503 pharmacies as of April 1, 2014.)
- The number of pharmacy prescriptions increased 9.4 % mainly due to contributions from new pharmacies.

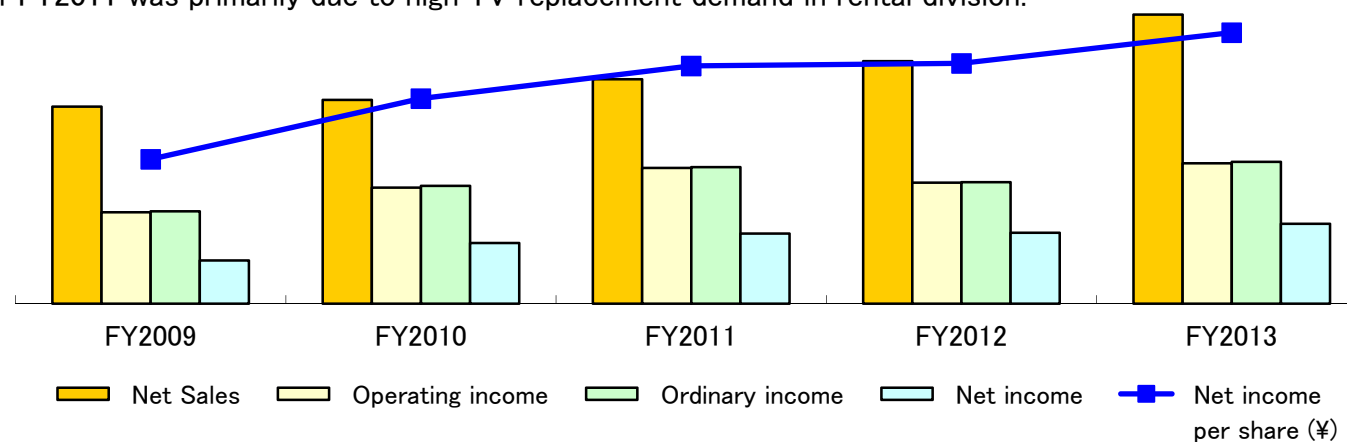
Consolidated financial results



(¥Millions)

	FY2009	FY2010	FY2011	FY2012	FY2013
Net Sales	70,427	72,789	80,222	86,658	103,318
Operating income	3,268	4,148	4,848 (※)	4,324	5,014
Ordinary income	3,297	4,212	4,881 (※)	4,343	5,068
Net income	1,541	2,167	2,504	2,532	2,856
Net income per share (¥)	210.7	299.3	346.9	350.8	395.6

※Increase of net income of FY2011 was primarily due to high TV replacement demand in rental division.



FY2013 Net sales / operating income (by business)



(¥Millions)

	FY2011	FY2012	FY2013	Change		Main factors
				Change	Change (%)	
Net sales	80,222	86,658	103,318	16,659	19.2	
Medical practice support	20,201	22,062	29,779	7,717	35.0	
Consulting	1,289	1,334	1,672	337	25.3	Consulting fees, Practice transfer/start-up supporting fees increased
Rental	7,333	5,795	5,914	118	2.0	
Leasing/Installment	9,104	12,979	19,113	6,134	47.3	Sales of medical equipment +5,598
Others	2,473	1,952	3,079	1,126	57.7	Design/Construction sales +929
Pharmacies	59,062	63,420	72,171	8,750	13.8	Existing pharmacies' sales +2,928 Open in FY2012 pharmacies' sales +2,868 Open in FY2013 pharmacies' sales +3,188
Others	959	1,175	1,366	191	16.3	Sales at fee-based homes for the elderly +273
Operating income	4,848	4,324	5,014	689	16.0	
Medical practice support	481	333	959	625	187.4	Consulting sales +219, Leasing sales +77 Design/Construction sales +108
Pharmacies	4,673	4,409	4,752	343	7.8	Sales increased
Others	168	92	(115)	(207)	-	Sales at fee-based residential homes for the elderly -142
Reconciliation	(474)	(511)	(582)	(70)	-	

FY2013 Net sales / operating income (by region)



(¥Millions)

	FY2011	FY2012	FY2013	Change		Main factors
				Change	Change (%)	
Net sales	80,222	86,658	103,318	16,659	19.2	
Higashinohon	28,223	31,747	36,700	4,953	15.6	
Medical practice support	7,621	8,145	10,177	2,032	24.9	Sales of medical equipment +1,210 Design/Construction sales +332
Pharmacies	20,601	23,601	26,522	2,920	12.4	Existing pharmacies' sales +4.3% 21 pharmacies opened in FY2012 and 35 opened in FY2013
Nishinohon	18,664	20,067	27,390	7,323	36.5	
Medical practice support	6,038	6,341	9,863	3,522	55.5	Sales of medical equipment +3,123 Design/Construction sales +278
Pharmacies	12,625	13,725	17,526	3,801	27.7	Existing pharmacies' sales +5.3% 20 pharmacies opened in FY2012 and 32 opened in FY2013
Kyushu	32,010	33,249	37,238	3,988	12.0	
Medical practice support	6,243	7,184	9,150	1,966	27.4	Design/Construction sales +320, Sales * +329 Sales of medical equipment +1,265
Pharmacies	25,766	26,065	28,087	2,022	7.8	Existing pharmacies' sales +4.4% 12 pharmacies opened in FY2012 and 11 opened in FY2013
Others	1,324	1,595	1,989	394	24.7	Sales at fee-based homes for the elderly +273
Operating income	4,848	4,324	5,014	689	16.0	
Higashinohon	1,282	1,282	1,289	6	0.5	SG & A increase such as amortization of goodwill and allocation amount of common expenses
Nishinohon	1,246	989	1,324	334	33.8	Sales increased
Kyushu	2,390	2,256	2,611	355	15.7	Sales increased
Others	353	247	346	99	40.2	
Reconciliation	(423)	(452)	(558)	-105	-	

- Sales are recognized when the company sells leasing contracts and rental contracts to other leasing companies. The company receives lease payments from the original lessee on behalf of the leasing companies, and pays the lease payments to the leasing companies. The company's income from sales is the difference between the sales price to the leasing companies and the purchase price from suppliers of underlying assets.

Quarterly financial results (by business)



(¥Millions)

	1Q FY2011	2Q FY2011	3Q FY2011	4Q FY2011	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013
Net sales	19,147	19,193	19,399	22,481	19,697	20,305	21,358	25,296	23,063	26,047	25,373	28,833
Medical practice support	4,924	4,985	3,854	6,436	4,294	4,991	4,401	8,375	5,716	8,360	6,194	9,508
Consulting	295	290	248	455	283	292	282	476	335	406	324	606
Rental	2,511	1,702	1,068	2,051	1,253	1,489	1,265	1,787	1,436	1,291	1,341	1,844
Leasing/Installment	1,759	2,310	1,730	3,303	2,391	2,621	2,506	5,461	3,524	5,628	3,877	6,083
Others	357	682	807	626	367	588	347	649	419	1,033	651	973
Pharmacies	13,970	13,962	15,307	15,821	15,191	14,992	16,630	16,605	17,031	17,339	18,830	18,970
Others	253	245	236	222	211	321	326	315	315	347	348	354
Cost of sales	16,115	16,123	16,312	18,635	16,748	17,312	18,020	21,422	19,873	22,809	21,773	24,432
Gross profit	3,032	3,070	3,087	3,845	2,949	2,993	3,338	3,873	3,189	3,238	3,599	4,400
SG & A	1,985	1,989	2,066	2,145	2,253	2,153	2,244	2,179	2,352	2,317	2,293	2,450
Operating income	1,047	1,081	1,020	1,700	695	839	1,094	1,694	836	920	1,306	1,950
Medical practice support	23	36	-251	673	-135	107	21	339	-21	322	5	653
Pharmacies	1,124	1,092	1,342	1,113	944	814	1,170	1,478	1,010	766	1,497	1,476
Others	15	64	53	34	25	37	28	1	-21	-42	-31	-20
Reconciliation	(116)	(111)	(123)	(122)	(139)	(119)	(127)	(125)	(130)	(126)	(164)	(160)
Ordinary income	1,054	1,083	1,045	1,698	712	852	1,107	1,671	841	919	1,355	1,952
Net income	547	595	462	898	391	553	613	974	478	471	800	1,105
Net income per share (¥)	75.8	82.5	64.0	124.5	54.2	76.6	84.9	134.9	66.2	65.3	110.8	153.1

Quarterly data summary (Consulting /Rental /Leasing/Pharmacies)



(¥Millions)

	1Q FY2011	2Q FY2011	3Q FY2011	4Q FY2011	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013
Consulting sales	295	290	248	455	283	292	282	476	335	406	324	606
Consulting	147	166	168	250	167	197	192	249	229	278	214	321
Practice transfer/start-up support	147	124	80	204	115	95	90	227	106	127	109	284
Practice transfer support	114	87	51	148	74	48	59	165	78	74	73	199
Practice start-up support	14	17	10	36	24	29	13	42	10	36	20	67
DtoD-concierge advertising	19	19	18	19	17	17	17	18	17	16	16	17
Doctors wishing to transfer/start-up practice	2,398	1,635	519	1,328	1,609	1,080	4,499	1,536	2,419	1,766	1,611	1,856
Practice transfer support (projects)	727	790	763	721	1,024	1,014	1,107	1,134	1,212	1,271	1,445	1,138
Full time	28	20	10	40	13	8	12	41	19	12	12	52
Part time	699	770	753	681	1,011	1,006	1,095	1,093	1,193	1,259	1,433	1,086
Practice start-up support (projects)	33	28	39	60	62	40	59	54	74	45	70	125
Rental sales	2,511	1,702	1,068	2,051	1,253	1,489	1,265	1,787	1,436	1,291	1,341	1,844
Sales *	1,359	484	—	1,020	214	349	131	677	397	196	294	762
Rental	1,151	1,217	1,068	1,031	1,038	1,139	1,134	1,110	1,039	1,095	1,046	1,082
Lease contracts	1,796	2,684	1,786	3,080	2,448	2,471	2,054	3,897	2,484	3,001	2,107	4,077
Leasing sales	1,759	2,310	1,730	3,303	2,391	2,621	2,506	5,461	3,524	5,628	3,877	6,083
Sales *	1,420	1,906	1,363	2,724	2,041	2,199	1,744	3,472	2,030	2,563	1,731	3,499
Leasing	195	223	201	226	212	227	223	243	229	262	208	253
Installment	90	99	105	88	104	109	116	114	121	135	119	192
Sales of medical equipment	53	81	59	265	32	85	420	1,630	1,143	2,667	1,817	2,138
Dispensing pharmacies (pharmacies)	335	340	352	366	374	378	403	417	436	458	472	493
New open	9	5	12	22	9	4	25	15	19	23	14	22
Number of prescriptions (in thousands)	1,649	1,585	1,730	1,808	1,795	1,721	1,943	1,940	1,953	1,928	2,097	2,115

*: See slide No.6.

Medical practice support (Consulting)



Consulting sales (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Total	1,419	1,234	1,289	1,334	1,672	25.3%
Consulting	719	641	733	806	1,044	29.5%
Transfer/start-up support	700	593	556	528	628	18.8%

Practice transfer/start-up support sales (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Total	700	593	556	528	628	18.8%
Transfer support	518	452	401	348	425	22.2%
Start-up support	90	60	78	110	134	22.2%
DtoD concierge advertising	90	81	76	70	67	-3.4%

Succeed Members

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

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Total	1,368	1,366	1,376	1,434	1,492	58
Hospital	564	569	576	591	607	16
Clinic	705	698	695	726	767	41
Doctors in public practice, others	99	99	105	117	118	1

Doctors wishing to transfer/start-up practice (projects)

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Doctors registered	16,842	26,174	32,054	40,778	48,430	7,652

Key points

- ✓ General consulting sales increased ¥238 million due to the recording of consultant fees for staff training.
- ✓ Doctors wishing to transfer/start-up practice were 48,430 (up 7,652 YonY). Practice transfer supports were 5,066 projects (up 787 projects YonY).
- ✓ We conducted 314 practice start-up support projects (up 99 projects YonY), leading to lease contracts and 28 new pharmacies.

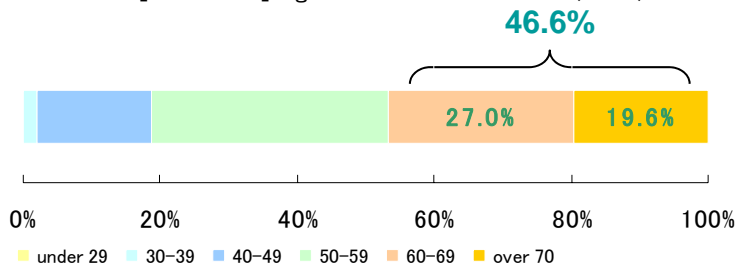
Practice transfer/start-up support (projects)

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Transfer support	1,703	2,585	3,001	4,279	5,066	787
Full time	121	115	98	74	95	21
Part time	1,582	2,470	2,903	4,205	4,971	766
Start-up support	120	147	160	215	314	99
Consulting	56	47	36	52	79	27
Non-consulting	64	100	124	163	235	72

Lease contracts through practice start-up support

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Lease contracts through start-up support (¥millions)	1,033	1,349	1,486	1,910	1,864	-2.4%
Lease contracts through practice start-up support to total lease contracts	11.0%	17.2%	15.9%	17.6%	15.9%	-1.7%

[Reference] Age of doctors in clinics* (2012)



*Clinics are defined as medical institutions which have 19 beds or less.

Doctor is defined as the founder or representative of a clinic.

Source: Overview of Doctors/Dentists/Pharmacists in 2012 (Ministry of Health, Labor and Welfare)

Medical practice support (Rental, Leasing/Installment)

Rental

Rental sales (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
					5,914	Change
Total	6,608	7,851	7,333	5,795	5,914	2.0%
Sales *	1,951	3,609	2,864	1,373	1,650	20.2%
Rental	4,657	4,241	4,468	4,422	4,263	-3.6%

Rental assets

	FY2009	FY2010	FY2011	FY2012	FY2013	
					6,871	Change
Rental assets (¥millions)	1,954	5,722	8,723	7,985	6,871	-14.0%
Number of rental TVs (in thousands)	161	140	137	134	133	-0.4%

Key points

- ✓ In the rental division, the effects of the reactionary drop after high TV replacement demand disappeared.
- ✓ Leasing/installment sales were ¥19,113 million, due to the recording of ¥7,767 million in sales of medical equipment (up ¥5,598 million YoY).
- ✓ Lease contracts amounted to ¥11,670 million (up 7.3% YoY).

Leasing/Installment

Leasing sales (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
					19,113	Change
Total	10,024	7,623	9,104	12,979	19,113	47.3%
Sales *	7,704	6,273	7,414	9,458	9,824	3.9%
Leasing	733	801	847	907	954	4.9%
Installment	294	363	383	445	568	27.5%
Sales of medical equipment	1,291	185	458	2,168	7,767	258.2%

Lease assets (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
					3,702	Change
Total	2,301	2,643	3,580	3,498	3,702	5.8%
Lease receivables and investment assets	1,254	1,527	2,175	2,120	2,014	-5.0%
Accounts receivable installment sales	1,046	1,116	1,404	1,377	1,687	22.5%

Lease contracts

	FY2009	FY2010	FY2011	FY2012	FY2013	
					11,670	Change
The company's lease contracts (¥millions)	9,361	7,856	9,347	10,871	11,670	7.3%
Medical equipment lease contracts in Japan (¥100millions) **	2,641	2,557	2,606	2,762	2,812	1.8%

* See slide No.6.

** Source: Lease Statistics (Japan Leasing Association)
We estimated leasing sales for March, 2014.

Pharmacies (Sales/Number of pharmacies)

Pharmacy sales (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Total	48,983	52,916	59,062	63,420	72,171	13.8%
Dispensing	48,148	52,081	58,198	62,337	71,008	13.9%
Prescription drugs	36,504	38,725	43,688	46,212	53,063	14.8%
Dispensing technical fees	11,644	13,355	14,509	16,125	17,945	11.3%
Non-prescription drugs	835	835	864	1,082	1,162	7.4%

Dispensing sales (¥millions)

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Total	48,148	52,081	58,198	62,337	71,008	13.9%
Existing pharmacies	47,562	51,655	57,658	60,166	63,095	4.9%
Open in FY2012	-	-	-	1,766	4,634	162.4%
Open in FY2013	-	-	-	-	3,188	-
Closed pharmacies	586	425	539	405	90	-77.8%

Dispensing pharmacies

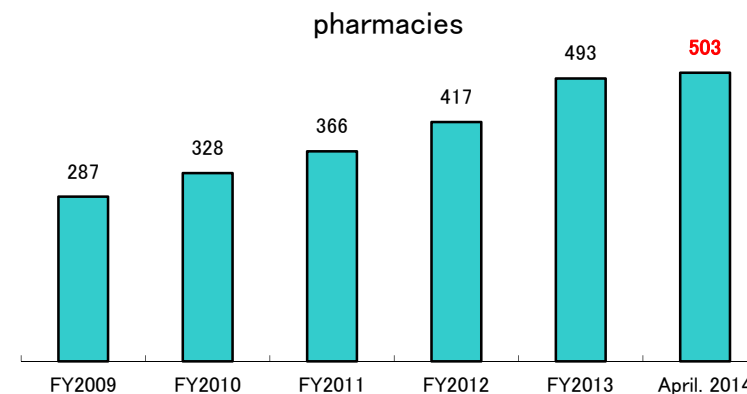
	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
Pharmacies	287	328	366	417	493	76

Newly open pharmacies

	FY2009	FY2010	FY2011	FY2012	FY2013	
						Change
New pharmacies	31	46	40	53	78	25
including M&A	8	10	10	16	33	17

Key points

- ✓ Sales from existing pharmacies were ¥2,928 million (up 4.9% YoY).
- ✓ Sales from 53 new pharmacies during FY2012 increased ¥2,868 million.
- ✓ We opened 78 new pharmacies (up 25 more than in FY2012). Sales from new pharmacies totaled ¥3,188 million.
- ✓ 28 pharmacies were opened by doctors to whom we provided practice start-up support and 33 pharmacies were opened through merger and acquisition.



FY2013 financial positions



(¥Millions)

	FY2011	FY2012	FY2013		Main factors
				Change	
Total assets	53,160	57,138	66,982	9,844	
Current assets	28,592	30,184	37,047	6,863	
(Cash and deposits)	4,004	5,115	5,873	757	
(Notes and accounts receivable-trade)	14,823	14,327	18,326	3,999	
(Inventories)	3,928	4,973	6,475	1,502	Inventories increased due to increase in pharmacies
Noncurrent assets	24,568	26,953	29,934	2,981	
(Property, plant and equipment)	17,315	18,799	19,433	634	Buildings and structures +1,214
(Intangible assets)	3,548	3,990	6,248	2,258	Goodwill due to M&A +2,015
Total liabilities	33,648	35,501	43,048	7,547	
Current liabilities	21,709	23,437	30,358	6,920	
(Notes and accounts payable-trade)	13,414	15,065	20,372	5,306	Accounts payable-trade for medical supplies increased
Noncurrent liabilities	11,939	12,063	12,689	626	Long-term loans payable +1,621, Long-term accounts payable-installment purchase -1,153
(Interest-bearing debts)	14,579	14,330	15,552	1,221	
Total net assets	19,511	21,636	23,934	2,297	Net income +2,856 Dividend payment -577
Total liabilities and net assets	53,160	57,138	66,982	9,844	
Net assets per share (¥)	2,702.7	2,993.2	3,311.4	318.2	
Capital adequacy ratio (%)	36.7	37.8	35.7	-2.1	
Net D/E ratio (times)	0.54	0.43	0.40	-0.02	

※Net D/E ratio = Net interest-bearing debts (Interest-bearing debts - Cash and deposits) / Shareholders' equity
Interest-bearing debts include lease obligations and accounts payable-installment purchase.

FY2013 consolidated cash flows



(¥Millions)

	FY2011	FY2012	FY2013		Main factors
				Change	
Net cash provided by operating activities	4,484	7,269	7,461	192	
(Income before income taxes and minority interests)	4,762	4,460	5,046	585	
(Depreciation)	2,821	3,267	3,522	255	
(Decrease (increase) in notes and accounts receivable-trade)	-3,408	622	-3,468	-4,090	Notes and accounts receivable-trade increased due to medical equipment sales and pharmacies sales
(Income taxes paid)	-1,850	-1,807	-1,842	-35	
Net cash used in investing activities	-4,086	-3,380	-5,335	-1,955	
(Purchase of own-used assets)	-1,476	-3,032	-3,308	-276	
(Purchase of investments in subsidiaries resulting in change in scope of consolidation)	-1,971	-455	-2,277	-1,822	M&A of Pharmacies
Net cash used in financing activities	-170	-2,777	-1,370	1,406	
(Proceeds from long-term loans payable)	3,150	1,500	3,650	2,150	New borrowings
(Repayment of long-term loans payable)	-950	-1,376	-1,910	-533	Repayment of borrowings
(Repayments of lease obligations)	-517	-593	-573	20	
(Repayments of installment payables)	-1,372	-1,755	-1,963	-208	
(Cash dividends paid)	-469	-541	-577	-36	
Net increase in cash and cash equivalents	227	1,111	755	-355	
Cash and cash equivalents at end of period	3,984	5,095	5,851	755	
Investment in plant and equipment	-1,702	-3,107	-3,378	-270	

Financial indicators

		FY2009	FY2010	FY2011	FY2012	FY2013
Profitability	Net income per share	¥210.70	¥299.33	¥346.93	¥350.81	¥395.64
	ROA	9.9%	10.5%	10.1%	7.9%	8.2%
	ROE	10.0%	13.1%	13.6%	12.3%	12.6%
	EBITDA margin	6.4%	8.2%	9.7%	9.0%	8.4%
	ROI	15.8%	16.5%	14.5%	12.3%	13.0%
Investment	PBR	0.9	0.9	1.1	1.1	1.2
	PER	9.8	7.3	8.6	9.5	10.5
Safety	Capital adequacy ration	43.3%	40.5%	36.7%	37.8%	35.7%
	Net D/E	0.1	0.3	0.5	0.4	0.4
Dividend	Dividend per share	¥50	¥60	¥70	¥80	¥80
	Dividend payout ratio	23.7%	20.0%	20.2%	22.8%	20.2%

※ROA=Ordinary income / Average of total assets Average of total assets=(Total assets at the beginning of FY + Total assets at the end of FY) /2

※EBITDA Margin=EBITDA / Sales

※ROI=(Ordinary income+ Interest expense·Discount expense) / (Interest-bearing debts+ Shareholders' equity)

※PBR=The market capitalization / Net assets at the end of FY

The market capitalization=(Number of shares issued at the end of FY—Number of treasury stocks at the end of FY) × Stock price at the end of FY

※PER= The market capitalization / Net income

The company has calculated PER by using actual net income for before FY2011, and FY2012 net income forecast for FY2013.

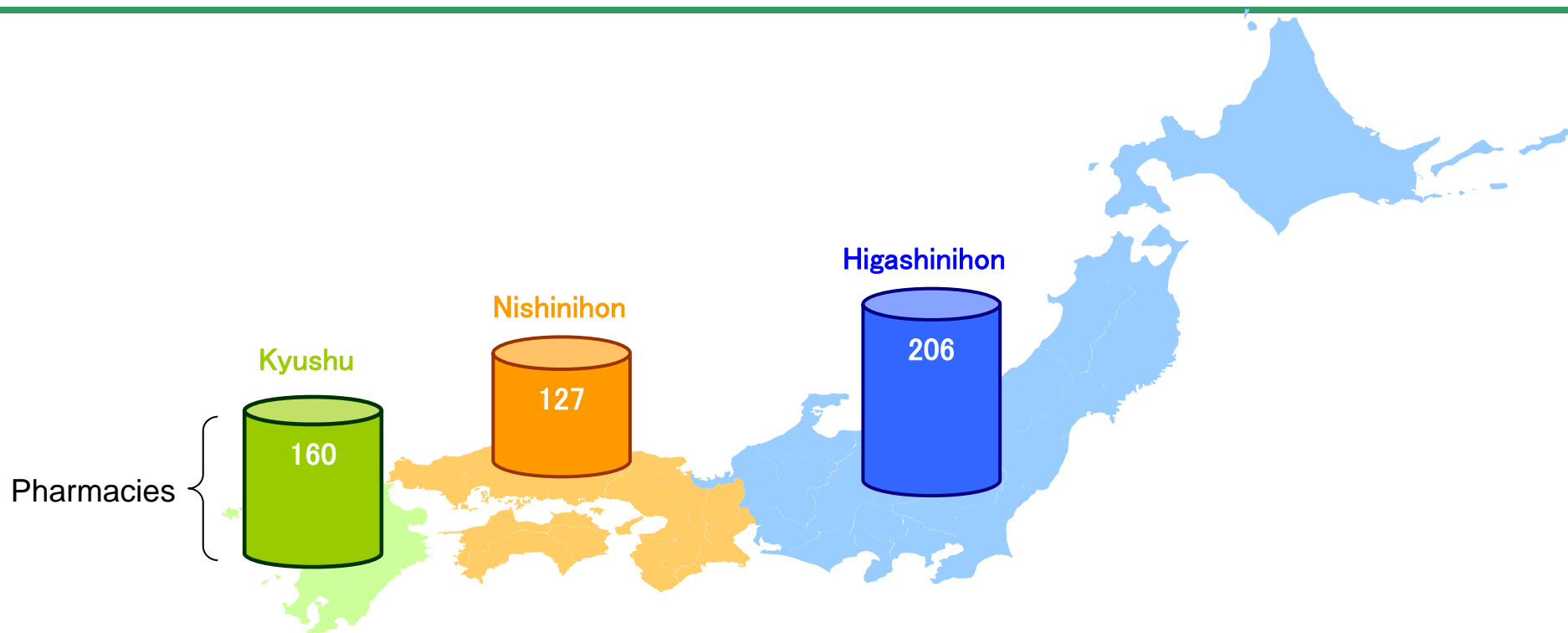
※Net D/E= Net interest-bearing debts (Interest-bearing debts—Cash and deposits —negotiable deposits) / Shareholders' equity

Interest-bearing debts include lease obligations and accounts payable-installment purchase.

II . Segments by Region



FY2013 operating results by region

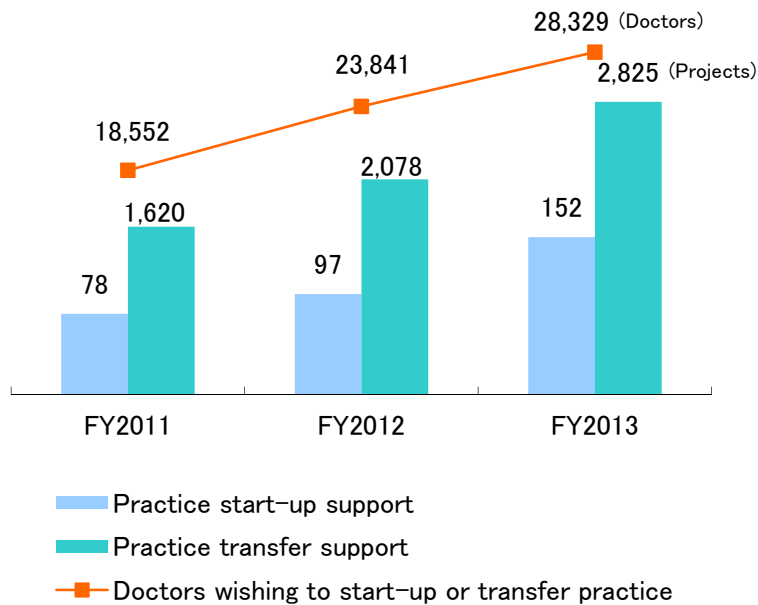


	Transfer support (projects)	Start-up support (projects)	Doctors wishing to transfer/start-up practice *	Pharmacies		Lease contracts through start-up support (¥millions)	Lease contracts through start-up support to total lease contracts	Succeed Members
					Open in FY2013 (M&A)			
Total	5,066	314	47,104	493	78(33)	1,864	15.9%	1,492
Higashinihon	2,825	152	28,329	206	35(13)	1,012	26.7%	294
Nishinihon	1,352	106	12,363	127	32(19)	483	18.3%	402
Kyushu	889	56	6,412	160	11(1)	368	7.0%	796

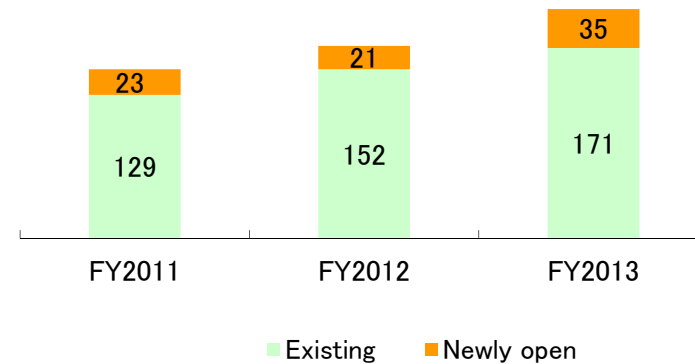
*: In total 48,430 doctors were registered, including 1,326 doctors not registered in a specific region.

We are targeting growth in line with market expansion and working to be seen as a regional leader.

【Start-up /Transfer supports and doctors registered】



【Pharmacies】

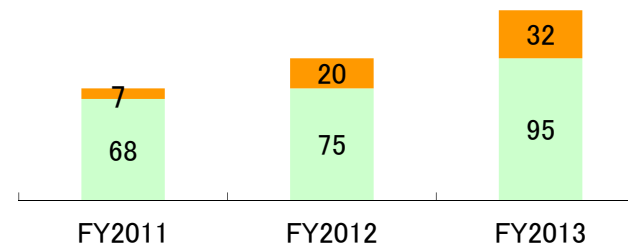
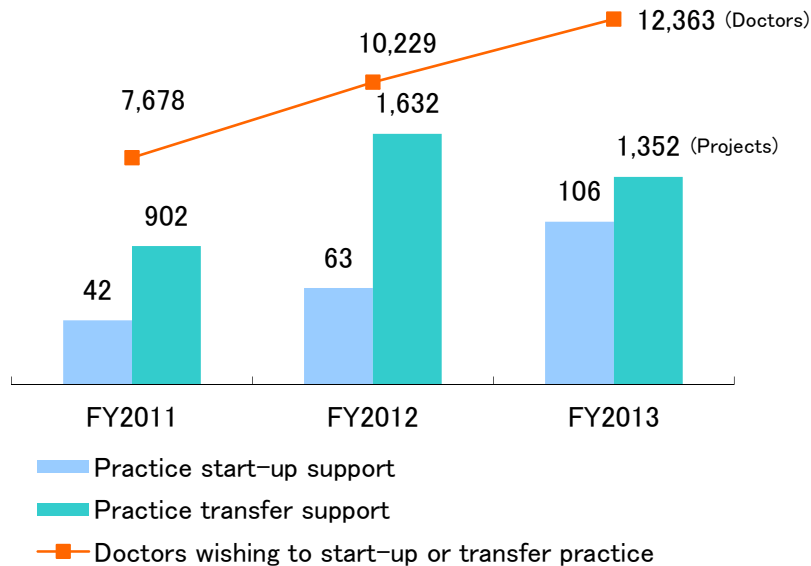


※Including M&A

We are going on the offensive by leveraging the DtoD system and Sogo Pharmacies with the goal of achieving the top share in regions of operation.

【 Start-up /Transfer supports and doctors registered 】

【 Pharmacies 】

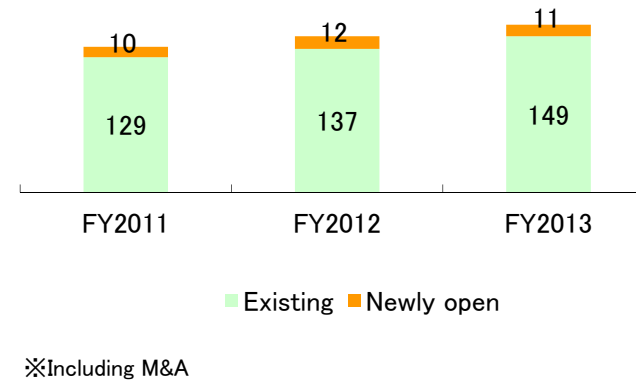
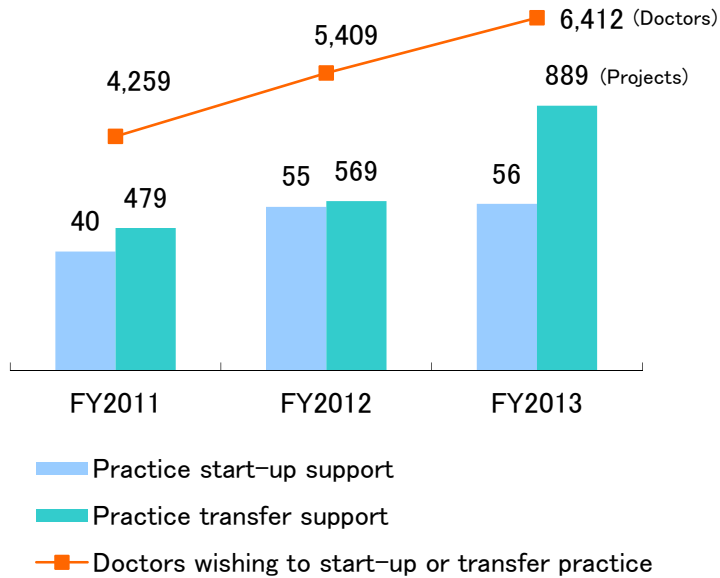


※Including M&A

We are effectively utilizing our resources in order to reach the next stage of growth.

【 Start-up /Transfer supports and doctors registered 】

【 Pharmacies 】





III. FY2014 Medium-Term Management Plan & Financial Forecasts

Medium-term management plan “Further Challenge”



In Japan, rebuilding government finances has become a matter of utmost importance. As such, the consumption tax rate was raised in April 2014 as a means of helping secure stable financing resources for social security spending.

In the medical services area, medical spending is forecast to exceed ¥50 trillion by 2025. Patients have thus come to expect efficient and high-quality medical services. In light of these factors, in April 2014, the government revised reimbursement systems for medical services to better separate medical functions and promote increased coordination between these functions, improve in-home medical care, and establish comprehensive regional health-care systems.

We consider this significant turning point as an opportunity to better contribute to the 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 corporate concept 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 concept 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 will 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)

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.

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.

Improving Existing Businesses

- We will provide medical support based around DtoD systems 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.

Expanding to corporate growth

- 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.

FY2014 financial result forecasts



(¥Millions)

	FY2013		FY2014 Forecast		Change			
	Interm	Full Year	Interm	Full Year	Interm	Interm (%)	Full Year (%)	Full Year
Net sales	49,111	103,318	52,481	111,027	3,370	6.9%	7,709	7.5%
Medical practice support	14,076	29,779	13,832	30,089	-243	-1.7%	309	1.0%
Consulting	741	1,672	799	1,999	57	7.7%	327	19.6%
Rental	2,728	5,914	2,835	6,172	106	3.9%	258	4.4%
Leasing/Installment	9,153	19,113	8,206	17,960	-946	-10.3%	-1,153	-6.0%
Others	1,453	3,079	1,991	3,956	538	37.0%	877	28.5%
Pharmacies	34,370	72,171	37,870	79,299	3,499	10.2%	7,127	9.9%
Others	663	1,366	778	1,639	115	17.4%	272	19.9%
Gross profit	6,427	14,428	6,641	14,904	213	3.3%	475	3.3%
SG & A	4,670	9,414	4,913	9,690	242	5.2%	275	2.9%
Operating income	1,757	5,014	1,727	5,214	-29	-1.7%	200	4.0%
Ordinary income	1,760	5,068	1,655	5,111	-104	-6.0%	43	0.8%
Net income	950	2,856	878	2,929	-72	-7.6%	73	2.6%
Net income per share (¥)	131.6	395.6	121.6	405.8	-	-	-	-

※Ordinal income for first half of FY2014 is forecast to decrease 6.0% YoY due to revision of medical fee reimbursement systems and increase of consumption tax, both instituted in April 2014. Response measures for the medical fee reimbursement system revision will kick in during the second half of FY2014, leading to an increase in income.

Outline of revision of reimbursement of medical fees of FY2014

- Reformation of medical care provision system, establishment of comprehensive regional health care system by 2025
- Division of medical institution functions, including inpatient care and outpatient treatment, and enhancement of inter-function coordination, improvement of in-home medical care

Overall revision rate +0.10% (+1.36%)

Medical fees (Core) +0.73% (+0.63%)

{ Medical service +0.82% (+0.71%)
Dental service +0.99% (+0.87%)
Dispensations +0.22% (+0.18%)

Drug price - 0.58% (+0.64%)

Material price - 0.05% (+0.09%)

Reference : Outline of revision of reimbursement of medical fees of FY2014, April 3, 2014 (Ministry of Health, Labor and Welfare)

Outline (medical services)

1. Preparation for the aging of society (2025)
2. Clarification of hospital functions, establishment of stricter standards for acute medical care
3. Unification of medical and long-term care
4. Promotion of comprehensive regional health care

Support for medical institutions

- Verification of objectives of medical institutions, support for selecting medical functions
- Support to enhance medical cooperation
- Support for using funding systems

Outline (dispensations)

1. Promotion of in-home drug management
2. Improvement of pharmaceutical management and guidance at pharmacies
3. Promotion of generic drug usage
4. Establishment of more reasonable dispensing fees
5. Response to the consumption tax rate increasing to 8%

Our business

- Response measures for increased usage of pharmacies covering large areas, instruction to use nearby medical institutions
- Promotion of usage of multiple facilities to obtain prescriptions (health care malls)
- Early compromise with medical wholesalers
- Increase in visitation of in-home patients
- Cooperation with long-term care institutions
- Promotion of generic drug usage
- Enhancement of medication notebooks

IV. Management Principles & Concept

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.

A good company has principles that everyone can agree with. SOGO MEDICAL's pledge dedicates our lives to valuing human life through our vocation and putting our hearts into our work. The Mission Statement, on the other hand, declares the company's purpose, while our Corporate Credo outlines the assurances and promises we make to society.

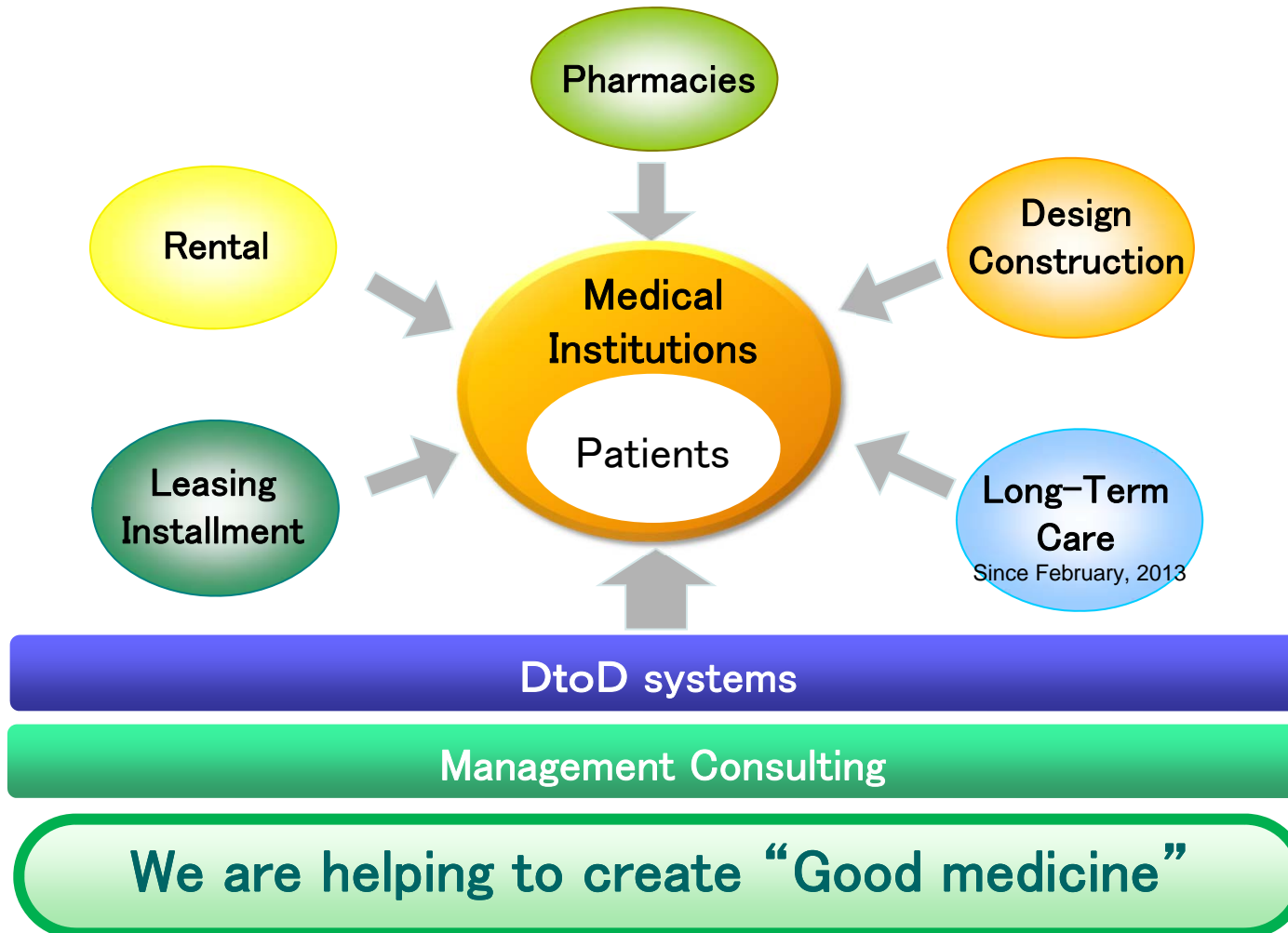
Good Medicine through Good Management

Medical institutions like hospitals and clinics need good management to practice good medicine. Practicing good medicine from the outset, however, also results in good management. Therefore, good medicine and good management are both essential to the provision of efficient, high-quality health care. 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 medicine.

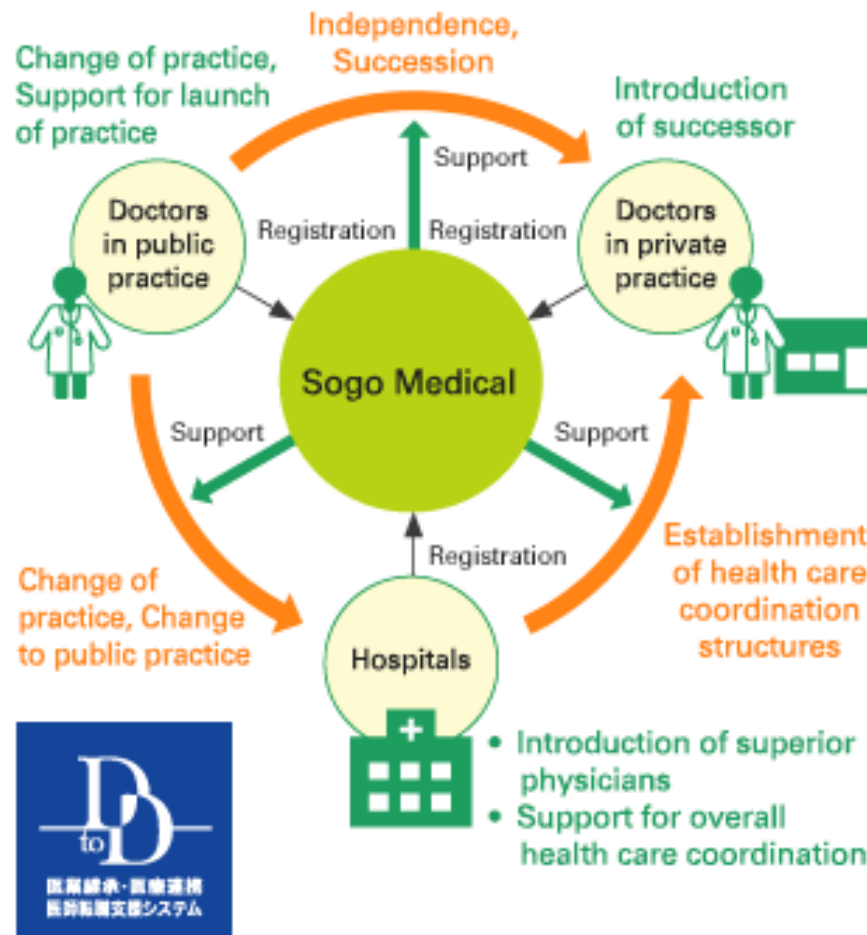
What is "Good Medicine"?

Medical care is based on patients. Health care is recognized by society and provides peace of mind to regional communities. Medical care is high-quality and efficient, meeting people's needs at the time. Medical care is ongoing. Health care includes related areas such as preventive medicine and nursing care.

The company will provide comprehensive medical management support based on consulting services.



The company will continuously support regional health care services both actively and efficiently through establishing health care networks.

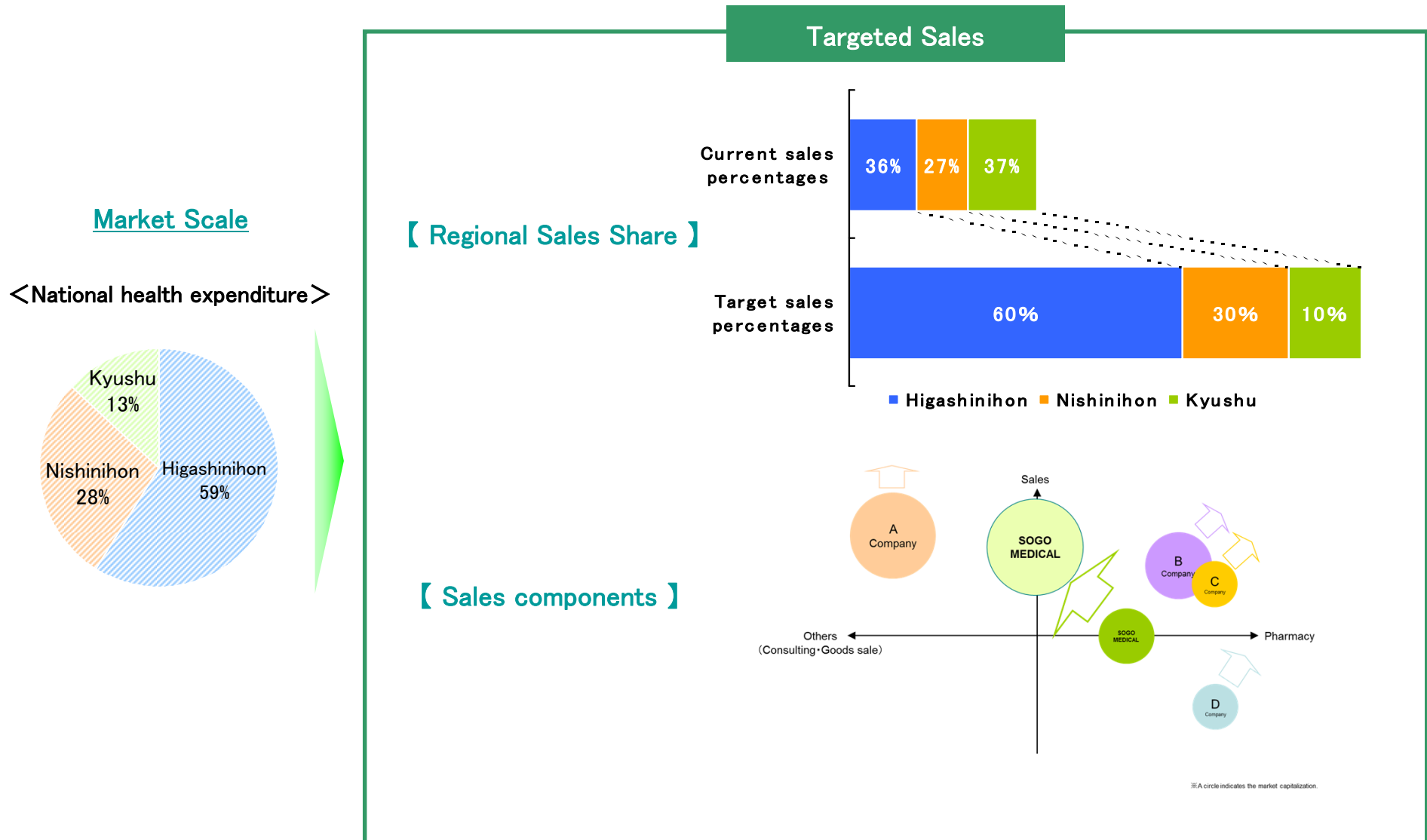


DtoD systems encourage doctors and medical institutions to

- Discover their own way
- Dream up their own future
- Direct their own vision
- Decide by themselves
- pursue Dynamic progress
- Develop their own business.

DtoD embodies these meanings.

Targeted sales structure corresponding to the market scale



※Resource: Overview of Japanese medical care expenditure in 2008 (Ministry of Health, Labor and Welfare)



Explanation of the appropriate use of financial result forecasts.

These financial result forecasts are based on currently available information.
Actual financial results could differ from these forecasts due to various factors.

(The amounts are rounded down.)

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These presentation materials have been released on the following web page:

URL : <http://www.sogo-medical.co.jp/english/>