This summary is a translation of 'KESSAN TANSHIN' which is an unaudited report.

Summary of Consolidated Financial Results for FY2016

(Year ended March 31, 2017) 〔Japanese GAAP〕

April 25, 2017

Company name: SOGO MEDICAL CO., LTD.
Stock exchange listings: Tokyo 1st Section
Securities code: 4775 URL: http://www.sogo-medical.co.jp/english/
Representative: (Title) President & Representative Director (Name) Kenji Sakamoto
Inquiries: (Title) General Manager, Finance and Accounting Department (Name) Osamu Inoue
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Date of general shareholders' meeting (as planned) : June 22, 2017
Dividend payable date (as planned) : June 23, 2017
Annual securities report filing date (as planned) :June 22, 2017
Supplemental material of annual results is available.
There will be a convening briefing of annual results for institutional investors and analysts.

(Amounts are rounded down.)

１． Consolidated Financial Results (from April 1, 2016 to March 31, 2017)

（１）Consolidated operating results

(% indicates year-on-year change.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2016	122,216	1.2	6,248	2.6	6,440	3.9	3,779	63.0
FY2015	120,776	11.9	6,087	21.3	6,196	18.5	2,318	(16.5)

Notes: Comprehensive income FY2017 ¥3,945million (80.4%)
FY2016 ¥2,186 million (-23.7%)

	Net income per share	Diluted net income per share	Net income to shareholders' equity ratio	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
FY2016	252.52	－	12.2	8.0	5.1
FY2015	154.65	－	8.3	8.6	5.0

References: Investment profit (loss) on equity method: ¥－for FY2017 :¥－for FY2016

（２）Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
FY2016	86,760	32,880	37.6	2,178.46
FY2015	74,621	29,646	39.5	1,967.14

References: Owner's equity: ¥32,605 million for FY2017 :¥ 29,442 million for FY2016

（３）Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2016	10,931	(9,933)	3,301	10,655
FY2015	7,004	(4,981)	(635)	6,356

２．Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2015	―	22.50	―	22.50	45.00
FY2016	―	25.00	―	25.00	50.00
FY2017(forecast)	―	27.50	―	27.50	55.00

	Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	Millions of Yen	%	%
FY2015	677	29.1	2.4
FY2016	748	19.8	2.4
FY2017(forecast)		20.4	

Note: Dated April 1, 2016, Sogo Medical has instituted a 2-for-1 common stock split. The interim dividend and the year-end dividend for FY2016 and FY2017 (estimate base) are therefore stated adjusted for the effects of the stock split.

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

(% indicates year-on-year change.)

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

４．Others

（１）Material changes in subsidiaries during this period
(Changes in scope of consolidations resulting from change is subsidiaries): None

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

① Changes in accounting policies based on revisions of accounting standard: Yes
② Changes in accounting policies other than ones based on revisions of accounting standard : None
③ Changes in accounting estimates: None
④ Retrospective restatement: None

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

①	Number of issued and outstanding shares at the end of fiscal year (including treasury stock):	FY2016: 15,340,156shares	FY2015: 15,340,156shares
②	Number of treasury stock at the end of fiscal year:	FY2016: 372,775shares	FY2015: 372,775shares
③	Average number of shares:	FY2016: 14,967,381shares	FY2015: 14,990,296shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated operating Results (% indicates year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2016	92,019	(2.2)	4,703	0.2	5,170	6.9	3,380	142.1
FY2015	94,078	6.5	4,692	14.3	4,838	5.0	1,396	(52.0)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2016	231.93	–
FY2015	93.18	–

(2) Non-consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	yen
FY2016	75,397	29,670	39.4	1,982.34
FY2015	66,789	26,910	40.3	1,797.91

References: Owner's equity: ¥ 29,670 million for FY2017 :¥ 26,910 million for FY2016

※Expression of implementation status of audit procedures

This summary is exempt from financial audit, to conform with "The Financial Instruments and Exchange Law" of Japan. The financial audit has not been completed.

※ Notes for using forecasted information and others

These forecasts are based on currently available information. Actual financial results could differ from the forecast due to various factors. Please refer to "1. Operating Results (1) Analysis of Operating Results" on page.6 for assumptions and cautions on the use of these financial forecasts.

Contents

1. Operating Results

(1) Analysis of Operating Results

Operating Results for FY2016

(in millions, except percentages)

	FY2015	Margin	FY2016	Margin	Change	Change
Sales	¥120,776	%	¥122,216	%	¥1,440	1.2%
Higashinihon	43,838		48,054		4,215	9.6
Medical practice support	7,750		8,969		1,219	15.7
Pharmacies	36,088		39,084		2,996	8.3
Nishinihon	33,176		32,463		(713)	(2.1)
Medical practice support	6,765		6,254		(511)	(7.6)
Pharmacies	26,410		26,208		(202)	(0.8)
Kyushu	39,905		37,541		(2,364)	(5.9)
Medical practice support	6,077		7,001		924	15.2
Pharmacies	33,828		30,539		(3,288)	(9.7)
Others	3,855		4,157		301	7.8
Operating Income	6,087	5.0	6,248	5.1	161	2.6
Higashinihon	1,228	2.8	1,408	2.9	179	14.6
Nishinihon	2,082	6.3	2,197	6.8	115	5.5
Kyushu	2,854	7.2	2,576	6.9	(277)	(9.7)
Others	490	12.7	856	20.6	365	74.6
Reconciliation	(568)	-	(790)	-	(221)	-
Ordinary Income	6,196	5.1	6,440	5.3	244	3.9
Profit attributable to owners of parent	2,318	1.9	3,779	3.1	1,461	63.0

In FY2016, the final year of the medium-term management plan (April, 2014 –March, 2017), we were undertaking the creation of solutions with our DtoD system and high-value pharmacies to deal with social issues in the medical and healthcare field.

In the development and expansion of healthcare malls, we opened 10 healthcare malls in FY2016, bringing the total number of healthcare malls to 75 at the end of March 31, 2017.

In hospital management support, there was an increase in the number of new consultation for hospital bed reorganization. In FY2016, there were 20 consultations, and we also strengthened our support for the reorganization of functions in regional healthcare systems.

In FY2016, we assisted in the opening of 46 medical practices carried on by successors, which we expect to contribute to our goal to sustain and revitalize local healthcare.

In the pharmacy business, to address the issue of the role and evaluation of primary-care pharmacists and pharmacies, as covered in the April 2016 dispensing fee revisions, we promoted efforts for each pharmacy to become a “healthcare station for all” that would fully leverage the function and capability of each pharmacist and would be chosen by the local community. As a result, we saw a rise in the number of consent forms we acquired from patients.

Also, to enhance coordination between pharmacies and medical institutions, we used trace reports to adjust the amount of leftover drugs a patient has or to prevent side-effects. In addition to this, we have been promoting the training and education of pharmacists that specialize in treating cancer and diabetes patients and pharmacists that specialize in providing home care (internal certifications) to address with the advanced pharmacological management needs of patients, aiming for the initiative for the “healthcare support pharmacy” program（As of March 31, 2017, we had a total of 35 healthcare support pharmacy）.

In addition, we welcomed the Miyonodai Pharmacy Group, a leader in in-home medical care, into the Sogo Medical Group in December 2016, to accelerate the implementation of measures to broaden our in-home care services.

As of the end of March 31, 2017, we were operating a total of 674 pharmacies, reflecting the opening of 105 pharmacies (including 92 acquired in M&A deals) in FY2016.

In the fiscal year ended March 31, 2017 (FY2016), we posted net sales of ¥122,216 million, an increase of 1.2% year-on-year. This reflects an increase in sales in consulting and rental in the medical practice support business which compensated for a decline in sales in the pharmacy business, due to NHI drug price revisions, and a decrease in the number of prescriptions for Hepatitis C treatments. Meanwhile, in the profit front, we recorded operating income of ¥6,248 million, a growth of 2.6%, and ordinary income of ¥6,440 million, a rise of 3.9%. Meanwhile, we reached a record high for profit attributable to owners of the parent, booking ¥3,779 million, an improvement of 63.0%, owing in part to a rebound from impairment losses posted in the previous fiscal year.

Segment financial results were as follows:

A　Higashinihon (East Japan)

Net sales came to ¥48,054 million, an increase of 9.6% year-on-year owing to an increase in the rental division, and the consulting division. In addition, we garnered benefit from sales growth reflecting the pharmacy openings in this fiscal year. Meanwhile, operating income in this region totaled ¥1,408 million, a growth of 14.6% year-on-year, owing to sales growth in the rental division, etc.

B　Nishinihon (West Japan)

We recorded net sales in the region of ¥32,463 million, a decline of 2.1% year-on-year. This primarily reflects a sales decline in leasing and installment, despite a growth in sales in rental and the design and construction of medical facilities.

Meanwhile, operating income in this region totaled ¥2,197 million, a growth of 5.5% year-on-year, owing to sales growth in rental and the design and construction of medical facilities as well as an increase in operating income in consulting.

C　Kyushu

Net sales in this region stood at ¥37,541 million, a decline of 5.9% year-on-year. This mainly reflects a decline in sales due to a lower unit prescription price at existing pharmacies, which offset the rise in sales in rental, leasing/installment, and design and construction. Operating income in the region totaled ¥2,576 million, a decline of 9.7%, due to a decline in sales in this business.

(2) Analysis of Financial Positions

Analysis of Assets, Liabilities, and Net Assets

(in millions except percentages and ratios)

	FY2015	FY2016	Change
Total Assets	¥74,621	¥86,760	¥12,138
including Cash and Deposits	6,376	10,830	4,454
Liabilities	44,975	53,879	8,903
including Interest-Bearing Debt *1	18,447	24,590	6,143
Net Assets	29,646	32,880	3,234
Shareholders' Equity Ratio (%)	39.5	37.6	(1.9)
Net Debt-to-Equity Ratio (times) *2	0.41	0.42	0.01

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

*2. Net Debt-to-Equity Ratio

=(Interest-Bearing Debts－Cash and Deposits) / Shareholders' Equity

Total assets at the end of the fiscal year stood at ¥86,760 million, an increase of ¥12,138 million versus the end of FY2015. Current assets totaled ¥44,999 million, an increase of ¥5,809 million year-on-year. This reflects an increase in cash and deposits of ¥4,454 million, and notes and accounts receivable-trade of ¥1,777 million. Meanwhile, noncurrent assets totaled ¥41,760 million an increase of ¥6,329 million. This reflects an increase in buildings and structures of ¥1,595 million and an increase in goodwill of ¥3,870 million.

As of March 31, 2016, our total liabilities stood at ¥53,879 million, an increase of ¥8,903 million versus the same time a year earlier. Current liabilities were ¥33,228 million an increase of ¥1,990 million. This reflects an increase in notes and accounts payable-trade of ¥1,667 million. Noncurrent liabilities totaled ¥20,650 an increase of ¥6,913 million. This was primarily attributable to an increase in long-term loans payable of ¥5,966 million. It should be noted that interest-bearing debt (including lease obligations and accounts payable-installment purchases) increased ¥6,143 million to ¥24,590 million. Consequently, the net debt-to-equity ratio (interest-bearing debt less cash and deposits divided by shareholders’ equity) was 0.42, compared to 0.01 as of the previous fiscal year-end.

Net assets at the end of FY2016 totaled ¥32,880 million, an increase of ¥3,234 million versus the end of FY2015. Despite a decrease due to dividend payments of ¥710 million, net assets were buoyed an increase in net income attributable to owners of the parent of ¥3,779 million. Extrapolating from this, the equity ratio was 37.6% at the end of FY2016, owing to a 1.9% decrease from 39.5% at the end of FY2015.

(3) Cash Flows

Cash and cash equivalents ("funds") at the end of the fiscal year under review totaled ¥10,655 million, which was ¥4,299 million (67.6%) more than at the end of the previous fiscal year. This was due to the following main factors.

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the fiscal year under review was ¥10,931 million. Main factors were ¥6,391 in income before income taxes and ¥3,902 million in depreciation and amortization and ¥987 million in amortization of goodwill, ¥2,222 million in expenditure for income tax payments.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the fiscal year under review was ¥9,933 million. Main factors were ¥6,440 million in purchase of investments in subsidiaries resulting in change in scope of consolidation, and ¥3,152 million in purchase of property for lease.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥3,301 million. Main factors were ¥10,933 million in income from long-term loans, ¥4,446 million in expenditure for the redemption of long-term loans, and ¥1,924 million in repayments of installment payables .

(Reference) Cash flow-Related Indicators

	FY2012	FY2013	FY2014	FY2015	FY2016
Capital adequacy ratio (%)	37.8	35.7	37.7	39.5	37.6
Capital adequacy ratio (based on fair value) (%)	41.9	44.6	69.8	76.6	72.3
Interest-bearing debt to cash flows (%)	2.0	2.1	2.8	2.6	2.2
Interest coverage ratio (times)	49.1	57.1	45.8	62.7	105.3

Capital adequacy ratio: Shareholders' equity / Total assets
Capital adequacy ratio (based on fair value): Market capitalization / Total assets
Interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest paid
(Notes) 1. Each ratio is calculated using consolidated amounts.
2. Market capitalization is calculated using outstanding shares less treasury stock.
3. Cash flows and interest paid are clarified as net cash provided by (used in) operating activities.
4. Interest-bearing debt is all debt for which interest is paid interest.

(4) Forecasts for FY2017

	FY2016	FY2017 (Forecasts)	Change (amount)	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net sales	122,216	135,566	13,350	10.9
Operating income	6,248	7,001	752	12.0
Ordinary income	6,440	7,016	575	8.9
Profit attributable to owners of parent	3,779	4,029	249	6.6
Net income per share (¥)	252.52	269.19	16.67	-

We launched Action 2020, a three-year, medium-term management plan in April 2017. In FY2017, which is the first year of this plan, our focus will be on healthcare mall development、 hospital management support, and the creation of valuable pharmacies, as well as the development of an infrastructure for a regional healthcare network by adding functions to and strengthening existing businesses, and expanding business domains to healthcare related fields to achieve our vision for FY2027.
Through these initiatives, we plan to achieve net sales of ¥135,566 million, a growth of 10.9% year-on-year. We aim to attain operating income of ¥7,001 million, an increase of 12.0%, ordinary income of ¥7,016 million, a rise of 8.9%, and profit attributable to owners of the parent of ¥4,029 million, an improvement of 6.6%.

The forecasts above were created based on information available as of the date these materials were released. Actual financial results could possibly differ from these forecasts due to various factors.

2. Management Policies

(1) Basic management policy

In accordance with the concept of "Good Medical Practice through Good Management", the basic policy of Sogo Medical is to "work to build a better society through good medical practice" while receiving the total healthcare management support that is backed by our consulting business.

(2) Management indicators which serve as goals

We launched Action 2020, a three-year, medium-term plan, from April 2017. The goals for this plan, which will wrap up in the fiscal year ending March 31, 2020, are as follows.

- Consolidated net sales of ¥160,000 million (organic growth)
- EBITDA margin of 9% or higher
- Appropriation of ¥20,000 million for capital investments during the three years of the plan (separate capital to be actively used for M&A and partnerships)
- Maintain a dividend payout ratio of 20% or higher

(3) Medium/long-term corporate strategy

①Positioned as the medium-term management plan for the fiscal year ending March 31, 2028 (FY2027)

○Mission

We shall work to build a better society through good medical practice.

○Vision for FY2027

Completion of a Japanese healthcare business model that supports a regional comprehensive healthcare system

○Image of the Japanese healthcare business model once completed

Development of an infrastructure for a regional healthcare network by offering hospital management assistance and ideal healthcare malls through the creation of the DtoD system and valuable pharmacies

○Position of the medium-term management plan Action 2020

This plan aims to realize a Japanese healthcare business model. It is positioned as a three-year plan that is a stepping stone toward the achievement our vision for FY2027. This plan builds on those initiatives we carried out through and the results we attained by the end of March 31, 2017.

②Vision for the fiscal year ending March 31, 2020

Adding home medical and home nursing care functions to healthcare malls, developing a system for efficient and effective healthcare by dividing healthcare functions, and strengthening primary pharmacy functions, thereby contributing to the creation of regional comprehensive healthcare system. In addition, taking into account future population demographics, healthcare demand, and urban development, healthcare malls will support the formation of compact cities.

Promoting the creation of an infrastructure for a regional healthcare network

1. Developing healthcare malls

Central role in a healthcare complex, which offers medical and nursing functions, and assistance in everyday life as a social infrastructure

～Growing to 200 healthcare malls～

2. Supporting hospital management

Assisting in the division of hospital functions and supporting collaborations to build a regional comprehensive care system

～Offering management support to 37 hospitals～

3. Creating valuable pharmacies

Supporting regional comprehensive care systems as a healthcare station for all

～Increase by 2.3 million prescriptions (20% rise) owing to organic growth～

4. To achieve our vision for FY2027

Adding functions to and strengthening existing businesses and expanding business domains to healthcare related fields

See our corporate website for details on our medium-term management plan, Action 2020.

(Corporate website of Sogo Medical)

http://www.sogo-medical.co.jp/english/

3. Basic Approach to Selection of Accounting Standards

Since the business activities of Sogo Medical Group are currently confined to Japan, consolidated financial statements are prepared according to Japanese accounting standards. However, Sogo Medical will consider the implementation of International Financial Reporting Standards (IFRS) taking into account a rising foreign shareholder percentage in the future as well as circumstances in Japan and internationally.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions)

	FY2015 (As of March.31, 2016)	FY2016 (As of March.31, 2017)
Assets		
Current assets		
Cash and deposits	¥ 6,376	¥ 10,830
Notes and accounts receivable-trade	19,617	21,395
Accounts receivable-installment sales	1,874	1,821
Lease receivables and investment assets	1,403	911
Inventories	*1 6,583	*1 6,557
Deferred tax assets	789	811
Other	2,566	2,710
Allowance for doubtful accounts	(20)	(38)
Total current assets	39,189	44,999
Noncurrent assets		
Property, plant and equipment		
Property for lease, net	5,177	4,823
Buildings and structures, net	11,716	13,312
Land	4,109	4,720
Other, net	2,539	2,216
Total property, plant and equipment	*2 23,542	*2 25,072
Intangible assets		
Goodwill	5,833	9,703
Other	1,201	1,537
Total intangible assets	7,034	11,241
Investments and other assets		
Investment securities	1,134	1,327
Deferred tax assets	507	445
Other	3,231	3,673
Allowance for doubtful accounts	(19)	(0)
Total investments and other assets	4,853	5,446
Total noncurrent assets	35,431	41,760
Total assets	74,621	86,760

(in millions)

	FY2015 (As of March.31, 2016)	FY2016 (As of March.31, 2017)
Liabilities		
Current liabilities		
Notes and	¥ 18,590	¥ 20,258
Short-term	610	415
Current portion	4,046	4,607
Lease	267	256
Accrued	2,972	2,629
Income taxes	1,572	1,762
Deferred profit	182	187
Other	2,994	3,112
Total current	31,237	33,228
Noncurrent		
Long-term	9,204	15,171
Lease	714	920
Long-term accounts	1,938	2,160
Other	1,880	2,397
Total noncurrent	13,737	20,650
Total liabilities	44,975	53,879
Net assets		
Shareholders'		
Capital stock	3,513	3,513
Capital surplus	5,566	5,566
Retained	20,944	24,012
Treasury stock	(920)	(920)
Total	29,104	32,172
Accumulated		
Valuation difference on	338	432
Total	338	432
Minority interests	203	275
Total net assets	29,646	32,880
Total liabilities and	74,621	86,760

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

(Consolidated Statements of Income)

(in millions)

	FY2015 (to March.31, 2016)	FY2016 (to March.31, 2017)
Net sales	¥ 120,776	¥ 122,216
Cost of sales	103,178	103,761
Gross profit	17,598	18,454
Selling, general and administrative expenses	*1 11,511	*1 12,206
Operating income	6,087	6,248
Non-operating income		
Dividends income	22	25
Rent income	31	21
Dividends income of life insurance	36	21
Gain on valuation of investment securities	-	168
Other	196	209
Total non-operating income	287	447
Non-operating expenses		
Interest expenses	75	81
Loss on valuation of investment securities	-	35
Other	103	137
Total non-operating expenses	178	254
Ordinary income	6,196	6,440
Extraordinary loss		
Impairment loss	*2 1,014	*2 48
Loss on sales of shares of subsidiaries and associates	87	-
Loss on valuation of investment securities	270	-
Total extraordinary loss	1,371	48
Income before income taxes	4,824	6,391
Income taxes-current	2,569	2,452
Income taxes-deferred	(68)	87
Total income taxes	2,501	2,540
Net income	2,323	3,851
Profit (loss) attributable to non-controlling interests	4	71
Profit (loss) attributable to owners of parent	2,318	3,779

(Consolidated Statements of Comprehensive Income)

(in millions)

	FY2015 (to March.31, 2016)	FY2016 (to March.31, 2017)
Net income	¥ 2,323	¥ 3,851
Other comprehensive income		
Valuation difference on available-for-sale securities	(136)	94
Total other comprehensive income	(136)	94
Comprehensive income	2,186	3,945
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,181	3,873
Comprehensive income attributable to non-controlling interests	4	71

(3) Consolidated Statements of Change in Net Assets

FY2015（from April 1, 2015 to March 31,2016） (in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,513	4,136	19,255	(1,044)	25,861
Changes of items during the period					
Dividends from surplus			(629)		(629)
Profit attributable to owners of parent			2,318		2,318
Purchase of treasury stock				(708)	(708)
Disposal of treasury stock		1,429		832	2,262
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	1,429	1,688	124	3,242
Balance at the end of current period	3,513	5,566	20,944	(920)	29,104

	Accumulated other comprehensive income	Non controlling Interest	Net assets
	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	475	184	26,521
Changes of items during the period			
Dividends from surplus			(629)
Profit attributable to owners of parent			2,318
Purchase of treasury stock			(708)
Disposal of treasury stock			2,262
Net changes of items other than shareholders' equity	(136)	18	(117)
Total changes of items during the period	(136)	18	3,124
Balance at the end of current period	338	203	29,646

FY2016（from April 1, 2016 to March 31, 2017） (in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,513	5,566	20,944	(920)	29,104
Changes of items during the period					
Dividends from surplus			(710)		(710)
Profit attributable to owners of parent			3,779		3,779
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	3,068	-	3,068
Balance at the end of current period	3,513	5,566	24,012	(920)	32,172

	Accumulated other comprehensive income	Non controlling Interest	Net assets
	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	338	203	29,646
Changes of items during the period			
Dividends from surplus			(710)
Profit attributable to owners of parent			3,779
Purchase of treasury stock			
Disposal of treasury stock			
Net changes of items other than shareholders' equity	94	71	166
Total changes of items during the period	94	71	3,234
Balance at the end of current period	432	275	32,880

(4) Consolidated Statements of Cash Flows

(in millions)

	FY2015 (to March.31, 2016)	FY2016 (to March.31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	¥4,824	¥6,391
Depreciation and amortization	3,836	3,902
Amortization of goodwill	1,021	987
Impairment loss	1,014	48
Interest and dividends income	(23)	(27)
Capital cost and interest expenses	112	105
Decrease (increase) in notes and accounts receivable-trade	(993)	1,127
Decrease (increase) in accounts receivable-installment	(75)	57
Net decrease (increase) in lease receivables and investment assets	298	491
Decrease (increase) in inventories	1,253	751
Increase (decrease) in notes and accounts payable-trade	(1,436)	(670)
Increase/decrease/ in other assets/liabilities	(798)	(193)
Other	620	258
Subtotal	9,652	13,230
Interest and dividends income received	23	27
Interest expenses paid	(111)	(103)
Income taxes paid	(2,559)	(2,222)
Net cash provided by (used in) operating activities	7,004	10,931
Net cash provided by (used in) investing activities		
Purchase of own-used assets	(4,233)	(3,152)
Proceeds from sales of own-used assets	172	4
Purchase of property for lease	(876)	(264)
Purchase of investment securities	(11)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(147)	(6,440)
Other	115	(80)
Net cash provided by (used in) investing activities	(4,981)	(9,933)

(in millions)

	FY2015 (to March.31, 2016)	FY2016 (to March.31, 2017)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ 64	¥ (224)
Proceeds from long-term loans payable	6,485	10,933
Repayment of long-term loans payable	(3,001)	(4,446)
Repayments of lease obligations	(751)	(324)
Repayments of installment payables	(2,092)	(1,924)
Cash dividends paid	(629)	(710)
Purchase of treasury stock	(708)	-
Net cash provided by (used in) financing activities	(635)	3,301
Net increase (decrease) in cash and cash equivalents	1,387	4,299
Cash and cash equivalents at beginning of period	4,968	6,356
Cash and cash equivalents at end of period	*1 6,356	*1 10,655

(5) Notes to Consolidated Financial Statements

(Note on the Going-Concern Assumption)

None.

(Basic Information of Consolidated Financial Statements)

1. Scope of Consolidation

Number of Consolidated Subsidiaries: 28 Companies

・Somtech Co., Ltd.
・Sogo Medical Pharmacy Chubu Co., Ltd.
・Aoba Pharmacy Co., Ltd.
・Maeda & Co., Ltd.
・Taikodo yakkyoku honten Co., Ltd.
・Beauty Drug Saito Co., Ltd.
・Shokando Co., Ltd.
・Sun Villa Co., Ltd.
・Hokendohjinsha Inc.
・Miyonodai Pharmacy Co. Ltd.
・Motoki Pharmacy Co. Ltd.

From FY2016, Miyonodai Pharmacy Co. Ltd., Motoki Pharmacy Co. Ltd., Ai Dispensing pharmacy Co. Ltd., Kanamecho Pharmacy Co. Ltd., Tsukasa Dispensing pharmacy Co. Ltd., Koyu Co. Ltd., Mitsuhira Co. Ltd., Flower Dispense Co. Ltd., Green Pharmacy Co. Ltd., Koyama Co. Ltd. (100% of total shares outstanding acquired on December 26, 2016), Mitsuyasu Dispensing pharmacy Co. Ltd. (100% of total shares outstanding acquired on February 14, 2017), were included into the scope of consolidation.

Meanwhile, from FY2016, Dradok Co. Ltd., (absorbed into Sogo Medical via a merger on August 1, 2016) were removed from the scope of consolidation.

2. Equity-Method

None

3. Fiscal Periods of Consolidated Subsidiaries

Consolidated subsidiaries with fiscal-year ends different from that of the Company:

April 30	Green Pharmacy Co. Ltd.
May 31	One other company in addition to Nakano Pharmacy Co., Ltd.
June 30	Three other company in addition to Phrma systems Co., Ltd.
July 31	Two other company in addition to GM Co., Ltd.
August 31	One other company in addition to Miyonodai Pharmacy Co. Ltd.
September 30	Two other company in addition to Beauty Drug Saito Co., Ltd.

When preparing consolidated financial statements, financial statements as of March 31, 2015, are used for these companies.

4. Significant Financial Accounting Principles

(1) Valuation basis and method of major assets

①Investment Securities

With market value:

By the mark-to-market method based on average market value over a period of one month prior to the date of settlement of the consolidated accounts (valuation differences are reported as a separate component of net assets and the sale price is determined by the moving-average method).

Without market value:

At cost, using the moving-average method

Investments in a limited investment partnership or a similar partnership (that can be considered as marketable securities in accordance with the Article 2 (2) of the Financial Instruments and Exchange Act) are stated at their net equity value on the most recent financial statements that are available on the settlement report day as specified in the partnership agreement.

②Inventories

Inventories are mainly reported using the lower of cost or market price. The costs are calculated using the gross average method.

(2)Depreciation

①Property for lease

Depreciation is calculated by use of the straight-line method over each rental term of the assets.

②Plant, Property and Equipment and Intangible assets (Excluding rental assets, leasd assets (lessee) and plant property and equipment related to pharmacies opened after April 1, 2012)

Depreciation for plant, property and equipment is calculated by use of the declining balance method. Depreciation for intangible assets is calculated by use of the straight-line method.

Useful lives of building and structures range from 10 to 47 years.

③Leased Assets (Lessee)

Leased assets are classified as property, plant and equipment and intangible assets. Depreciation is calculated by use of the straight-line method over each asset’s lease term of the assets and with no estimated salvage value.

④Plant property and equipment related to pharmacies opened after April 1, 2012

Depreciation is calculated by use of the straight-line method.

(3)Allowance

Allowance for Doubtful Accounts

Allowances are recognized for doubtful accounts. General provisions are determined on the basis of past credit loss experience, and specific provisions, such as loss apprehensive credits, are determined by considering individual collectability.

(4)Revenue and Expense Recognition

①Financing Leases (Lessor)

When the Company receives a lease payment, the Company recognizes the sale amount and cost of sale.

②Installment Sales

When the Company delivers a product through an installment contract, the Company recognizes the full contract amount as accounts receivable-installment sales. When a due date arrives, the Company reports both the installment sale and the installment cost. Additionally, the Company recognizes an unrealized income corresponding to accounts receivable-installment sales for which the due date has not arrived at year end as deferred profit on installment sales.

(5)Amortization of Goodwill Method and Period

Goodwill is amortized using the straight-line method over a period of no more than 20 years, with the reasonable period being decided for individual items.

(6) Scope of Funds Used to Prepare Consolidated Cash Flow Statements

Funds used to prepare the consolidated cash flow statements (cash and cash equivalents) include cash on hand, deposits withdrawable at immediate notice, and easily convertible short-term investments redeemable within 3 months of acquisition with minimal risk of fluctuations in value.

(7) Others

Consumption and Local Consumption Tax

The Company applies the tax exclusion method for consumption and local consumption tax. The consumption tax amount not subject to tax credit related to property, plant and equipment is classified as an investment and other assets. The other assets are depreciated using the straight-line method over five years. The other consumption tax amount not subject to tax credit is classified as a period expense.

(Consolidated Balance Sheet)

*1. Inventories

(in millions)

	FY2015	FY2016
Medical supplies	¥ 6,279	¥ 6,300
Merchandise	140	82
Costs on uncompleted construction contracts	13	31
Raw materials and supplies	150	142

*2. Accumulated Depreciation

(in millions)

	FY2015	FY2016
Accumulated depreciation	¥ 19,687	¥ 21,701

3. Contingent Liabilities

(in millions)

FY2015		FY2016	
Kaze-No-Suzuran-Kai, etc (7 people)	¥ 2,111	Kaze-No-Suzuran-Kai, etc (8 people)	¥ 2,735

(Consolidated Statements of Income)

*1. Main Selling General and Administrative Expenses

(in millions)

	FY2015	FY2016
Salaries and allowances	¥ 3,776	¥ 3,872

*2. Impairment Losses

FY2015（from April 1, 2015 to March 31,2016）

For internal management, the Sogo Medical Group conducts asset grouping based on the minimum unit generating cash flows. In the pharmacy business, groupings are conducted for each pharmacy. For some affiliates, we implemented account groupings based on a company as a single unit, taking into account factors such as scale.

We reported impairment loss for following groups:

Business	Place	Use	Classification	Amount (in millions)
Higashinihon	8 Pharmacy (4 MinamiKanto, 4 Tokai)	Pharmacies	Land, etc	¥ 135
	3Subsidiaries and associates (1 Hokkaido, 2 kanto)	–	Goodwill	868
Nishinihon	1 Pharmacy (Kinki)	Pharmacies	Buildings and structures	0
Kyushu	2 Pharmacy (1 Kitakyushu, 1 Nanbukyushu)	Pharmacies	Buildings and structures, etc	9
			Total	1,014

We are reducing the book value to a recoverable amount for those pharmacies that continue to generate losses from operating activities and for which we do not expect a return to profit moving forward, or which are scheduled for relocation. We are posting an impairment loss stemming from this of ¥145 million as extraordinary loss. This breaks down to an impairment loss on buildings and structures of ¥58 million, land of ¥82 million, and other assets of ¥4 million. Note that the recoverable amount for pharmacies takes into account the importance of an asset to operations and is measured using the net realizable sales price based primarily on the roadside land price and appraised value of the fixed asset.

In addition, we revised our business plan for affiliates taking into account that earnings have been underperforming the initial business plan since shares were acquired. In line with this revision, we calculated the recoverable amount by factoring in a discount of 4.2% to future cash flow. We posted an impairment loss of ¥868 million, which is the unamortized portion of goodwill that exceeded the recoverable amount.

FY2016（from April 1, 2016 to March 31,2017）

For internal management, the Sogo Medical Group conducts asset grouping based on the minimum unit generating cash flows. In the pharmacy business, groupings are conducted for each pharmacy and for leased assets, for each facility.

We reported impairment loss for following groups:

Business	Place	Use	Classification	Amount (in millions)
Higashinihon	3 Pharmacy (2 MinamiKanto, 1 Tokai) 1 Property for lease (1 MinamiKanto)	Pharmacies Property for lease	Buildings and structures, etc	¥ 31
Nishinihon	1 Pharmacy (1 Shikoku)	Pharmacies	Buildings and structures, etc	9
Kyushu	1 Pharmacy (1 Hokubukyushu)	Pharmacies	Buildings and structures	7
			Total	48

We plan to reduce the book value to a recoverable amount for pharmacies that continue to generate losses from operating activities and for which we do not expect a return to profit moving forward, pharmacies that are scheduled to be relocated, and leasing assets slated for disposal. Reflecting this reduction in book value, we are posting an impairment loss of ¥48 million under extraordinary loss. This impairment loss consists of an impairment loss of ¥33 million to buildings and structures and a ¥15 million loss on other assets. Note that the recoverable amount for pharmacies takes into account the importance of an asset to operations and is measured using the net realizable sales price based primarily on the roadside land price and appraised value of the fixed asset. In addition, the recoverable amount for leasing assets slated for disposal is measured using the net realizable sales price based on the disposal price.

(Consolidated Statements of Cash Flows)

*1. Items of Cash and Cash Equivalents

(in millions)

	FY2015	FY2016
Cash and deposits	¥ 6,376	¥ 10,830
Over three-month time deposit	(20)	(174)
Cash and Cash Equivalents	6,356	10,655

2. Significant Non-Cash Transactions

FY2015 (from April 1, 2015 to March 31, 2016)

Assets and liabilities as a result of this fiscal year's financing lease transactions were ¥313million, and ¥347 million respectively. Assets and liabilities as a result of this fiscal year's installment sales transactions were ¥570 million, and ¥633 million respectively.

FY2016 (from April 1, 2016 to March 31, 2017)

Assets and liabilities as a result of this fiscal year's financing lease transactions were ¥687 million, and ¥758 million respectively. Assets and liabilities as a result of this fiscal year's installment sales transactions were ¥1,418 million, and ¥1,540 million respectively.

(Segment Information)

1. Outline of Segment

Reportable segment are components of the Company for which separate financial information is available. The board of directors regularly evaluates these segments to make decisions about how to allocate resources and assess performance.

Our businesses consist of management consulting for medical institutions and medical doctors, DtoD (support system for medical practice succession, medical cooperatives, and practitioner recruitment), TV rental for patients in hospitals, leasing and installment payment sales of medical equipment, design and construction of medical institutions, pharmacies, managing fee-based residential homes for the elderly.

Our reportable segments are now 'Higashinihon', 'Nishinihon' and 'Kyushu' to allow for development of regional strategies and rapid decision-making about business operations.

2. Accounting Method for Segment Sales, Profit (Loss), and Assets

The accounting method for reportable segments was almost the same as the 'Basic Information of Consolidated Financial Statements'.

Each segment profit (loss) is calculated based on operating income.

Intersegment sales and transfer pricing are calculated by market prices.

3. Segment Sales, Profit (Loss), and Assets

FY2015 (from April 1, 2015 to March 31, 2016)

(in millions)

	Reportable Segments				Others *1	Total	Reconciliations *2	consolidated amounts *3
	Higashinihon	Nishinihon	Kyushu	Total				
Sales								
Unaffiliated sales	¥ 43,838	¥ 33,176	¥ 39,905	¥ 116,920	¥ 3,855	¥120,776	−	¥ 120,776
Intersegment sales	40	560	0	601	6,020	6,622	¥ (6,622)	−
Total	43,879	33,737	39,906	117,522	9,875	127,398	(6,622)	120,776
Segment profit	1,228	2,082	2,854	6,165	490	6,655	(568)	6,087
Segment assets	25,823	18,720	16,635	61,180	4,745	65,926	8,695	74,621
Others								
Depreciation	1,314	1,043	919	3,277	194	3,471	364	3,836
Amortization of goodwill	678	321	20	1,020	0	1,021	−	1,021
Impairment loss	1,004	0	9	1,014	−	1,014	−	1,014
Increase in assets	4,989	2,764	1,136	8,890	103	8,994	484	9,479

*1. Others include items such as wholesales of pharmaceuticals and healthcare information service, which are not classified as reportable segments.

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥568million) included elimination of intersegment sales (¥1million) and overall corporate expense (¥570million). 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 (¥8,695 million) included elimination investment against equity (¥-9,562 million) and overall corporate assets (¥18,902 million). The overall assets were classified as parent company's deposits and were not allocated to reportable segments.

(3) Assets included property, plant and equipment and intangible assets. Reconciliation of increase of those assets (¥484 million) was classified as head office's networking systems and allocation of other reportable segments.

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

FY2016 (from April 1, 2016 to March 31, 2017)

(in millions)

	Reportable Segments				Others *1	Total	Reconciliations *2	consolidated amounts *3
	Higashinihon	Nishinihon	Kyushu	Total				
Sales								
Unaffiliated sales	¥ 48,054	¥ 32,463	¥ 37,541	¥ 118,059	¥ 4,157	¥122,216	-	¥ 122,216
Intersegment sales	1	368	-	369	5,455	5,825	¥ (5,825)	-
Total	48,055	32,831	37,541	118,428	9,613	128,042	(5,825)	122,216
Segment profit	1,408	2,197	2,576	6,182	856	7,038	(790)	6,248
Segment assets	37,691	18,056	15,045	70,793	5,239	76,032	10,727	86,760
Others								
Depreciation	1,486	1,021	905	3,414	163	3,578	324	3,902
Amortization of goodwill	652	319	14	986	0	987	-	987
Impairment loss	31	9	7	48	-	48	-	48
Increase in assets	8,673	790	884	10,347	73	10,421	498	10,920

*1. Others include items such as wholesales of pharmaceuticals and healthcare information service, which are not classified as reportable segments.

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥790million) included elimination of intersegment sales (¥18million) and overall corporate expense (¥809million). 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 (¥10,727 million) included elimination investment against equity (¥-17,598 million) and overall corporate assets (¥29,410 million). The overall assets were classified as parent company's deposits and were not allocated to reportable segments.

(3) Assets included property, plant and equipment and intangible assets. Reconciliation of increase of those assets (¥498 million) was classified as head office's networking systems and allocation of other reportable segments.

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

(Per Share Information)

	FY2015	FY2016
Net assets per share	¥ 1,967.14	¥ 2,178.46
Net income per share	154.65	252.52

Notes:

1. We calculate net assets per share according to the following financial information:

(in millions)

	FY2015	FY2016
Net assets	¥ 29,646	¥ 32,880
Deduction	203	275
(Non-controlling interests)	203	275
Net assets attributable to common stocks	29,442	32,605
Number of common stocks at end of FY	14,967	14,967

2. We did not issue dilutive potential common shares.
   Therefore we did not report diluted earnings per share information.

3. We calculate net income per share according to the following financial information：

(in millions)

	FY2015	FY2016
Profit attributable to owners of parent	¥ 2,318	¥ 3,779
(Preferred dividends)	-	-
Profit attributable to owners of parent attributable to common stocks	2,318	3,779
Average number of common stocks	14,990	14,967

(Significant Subsequent Events)

None.