

FY2017

(Fiscal Year Ending March 31, 2018)

Financial Results



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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.)

FY2017 Consolidated financial results

Net sales ¥ 135,431 million (up 10.8% Y/Y) , Ordinary income ¥ 7,228 million (up 12.2% Y/Y)

- ✓ Sales and profit rose year on year.
- ✓ Sales were up year on year for the 17th consecutive fiscal year since we first listed our shares. We also posted all-time highs for operating and ordinary income, and profit attributable to owners of the parent.

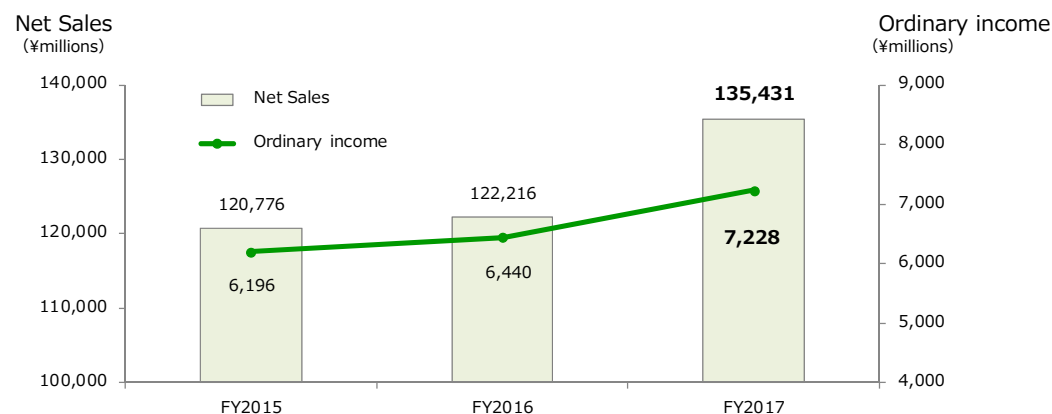
Consolidated financial results

(¥millions)

	FY2015	FY2016	FY2017 plan	FY2017	Year-on-year		Over plan	
					Change	Change (%)	Change	Change (%)
Net Sales	120,776	122,216	135,566	135,431	13,215	10.8%	-135	-0.1%
Operating income	6,087	6,248	7,001	7,189	940	15.1%	188	2.7%
Ordinary income	6,196	6,440	7,016	7,228	787	12.2%	212	3.0%
Profit attributable to owners of parent	2,318	3,779	4,029	4,243	463	12.3%	214	5.3%
EBITDA margin	9.1	9.1	-	9.2	-	-	-	-
Net income per share (¥)	77.3	126.2	134.5	141.7	15.5	12.3%	7.2	5.4%

* EBITDA Margin=EBITDA / Sales EBITDA=Operating income + Depreciation Expense + Amortization of goodwill

* Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. Net income per share for fiscal years ended March 31, 2018, and before have been calculated adjusted for the stock split.



FY2018 Financial result forecasts

(¥millions)

	FY2017		FY2018 Forecast		Change			
	Interim	Full Year	Interim	Full Year	Interim	Interim (%)	Full Year	Full Year (%)
Net sales	66,491	135,431	69,534	144,928	3,043	4.6%	9,497	7.0%
Medical practice support	12,627	24,548	-	37,401	-	-	12,853	52.4%
Pharmacies	53,389	109,918	-	106,489	-	-	-3,429	-3.1%
Others	474	964	-	1,038	-	-	74	7.7%
Gross profit	9,729	20,354	10,470	22,757	741	7.6%	2,403	11.8%
SG & A	6,628	13,164	8,207	16,995	1,579	23.8%	3,831	29.1%
Operating income	3,101	7,189	2,263	5,762	-838	-27.0%	-1,427	-19.8%
Ordinary income	3,118	7,228	2,188	5,800	-930	-29.8%	-1,428	-19.8%
Profit attributable to owners of parent	1,839	4,243	1,284	3,405	-555	-30.2%	-838	-19.8%
Net income per share (¥)	61.4	141.7	42.8	113.7	-19	-	-28	-

FY2018 Major goals & growth initiatives

Major goals

	FY2015 Results	FY2016 Results	FY2017 Plan	FY2017 Results	FY2018 Targets
Healthcare mall (Number at the end of the fiscal year)	65	75	100	94	130
Result for each fiscal year	12	10	25	20	36
Management support (number of cases at the end of the fiscal year)	5	5	8	9	17
Number of new openings	1	0	3	4	8
Pharmacies (Number at the end of the fiscal year)	576	674	692	687	732
New pharmacies (include M&A in results)	47	105	18	18	45

I . FY2017 Consolidated Financial Results

FY2017 Net sales / operating income (by business)

(¥millions)

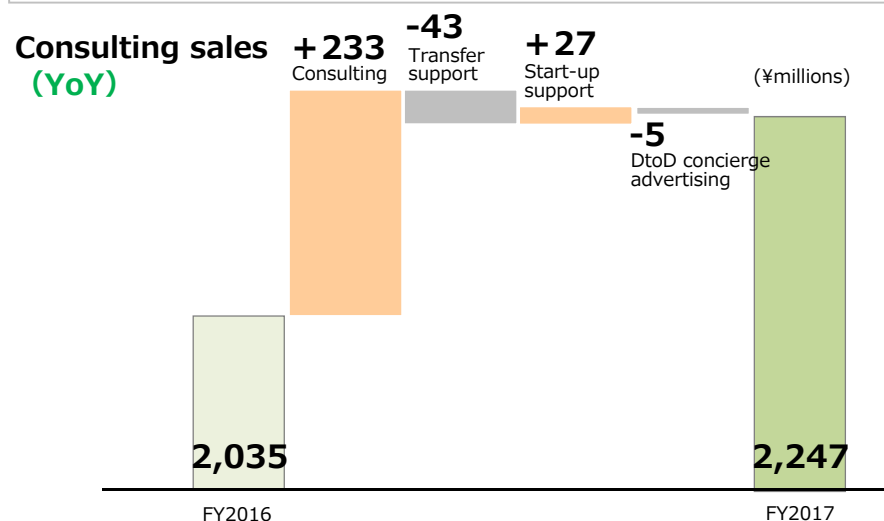
	FY2016	FY2017		Main factors	
			Change		Change (%)
Net sales	122,216	135,431	13,215	10.8%	
Medical practice support	25,305	24,548	-756	-3.0%	
Consulting	2,035	2,247	212	10.4%	Consulting fees +233, Transfer support fees -43, Start-up support +27
Rental	6,836	5,676	-1,159	-17.0%	Sales of rental contracts* -1,085, Rental sales -73
Leasing/Installment	10,153	9,700	-452	-4.5%	Sales of leasing contracts* -631, Leasing / Installment -93,
Others	6,280	6,923	642	10.2%	
Pharmacies	95,966	109,918	13,951	14.5%	Existing pharmacies +2,508, Pharmacies opened in FY2016 +10,358 (of which the portion of sales contribution from the Miyonodai Pharmacy Group was +9,862) , Pharmacies opened in FY2017 +1,316
Others	944	964	20	2.1%	
Operating income	6,248	7,189	940	15.1%	
Medical practice support	986	884	-101	-10.3%	Consulting +82, rental -233
Pharmacies	6,069	7,139	1,070	17.6%	Contribution from pharmacies opened in FY2016, increase in technical fee revenue, rise in prescription volume at existing pharmacies
Others	-52	-22	29	-	
Reconciliation	(754)	(811)	(57)	-	

* 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.

Medical practice support (Consulting)

Points

- Sales in consulting totaled ¥2,247 million, an increase of 10.4% YoY. Although there was a decline in sales from assisting doctors wanting to change jobs, there was an increase in sales from consulting and start-up support.
- ✓ Consulting sales totaled ¥1,717 million, a growth of 15.8% year on year owing to consulting revenue from management support and other consulting, and an increase in revenue from the leasing of assets, including healthcare malls.
- ✓ In assistance for doctors wanting to transfer/start-up, we posted sales of ¥530 million, a decline of 3.9% YoY, due to a decline in successful contracts for both full- and part-time positions.



Consulting Sales (¥millions)

	FY2014	FY2015	FY2016	FY2017	Change	Change (%)
Total	1,693	1,894	2,035	2,247	212	10.4%
Consulting	1,061	1,232	1,483	1,717	233	15.8%
Transfer/start-up support	632	662	551	530	-21	-3.9%
Transfer support	440	435	347	304	-43	-12.5%
Start-up support	131	170	152	180	27	18.1%
DtoD concierge advertising	59	57	51	45	-5	-11.0%

Support of medical practices carried on by successors / Practice transfer support (instances)

	FY2014	FY2015	FY2016	FY2017	Change
Support of medical practices carried on by successors	50	74	46	35	-11
Transfer support	5,535	5,863	5,183	4,963	-220
Full time	86	90	66	50	-16
Part time	5,449	5,773	5,117	4,913	-204

Number of doctors wishing to transfer /start-up a practice using the DtoD System / Succeed Members

	FY2014	FY2015	FY2016	FY2017	Change
Doctors registered (No. of people)	56,505	62,429	69,159	74,898	5,739
Succeed Members (instances)	1,567	1,639	1,666	1,680	14

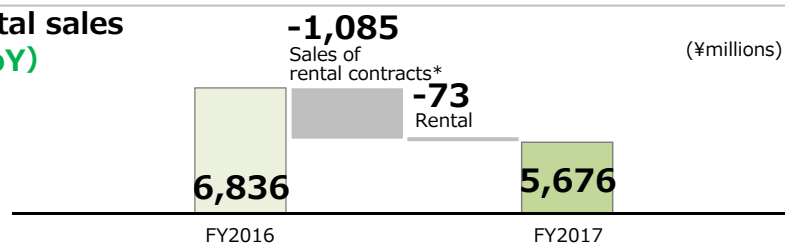
"Succeed Members" is a membership system through which we provide business information related to private practice.

Medical practice support (Rental, Leasing/Installment)

Points

- Rental sales came to ¥5,676 million, a decline of 17.0% year on year due to curbed sales of rental contracts and a decrease in rentals.
- In leasing and installment sales, sales stood at ¥9,700 million, a drop of 4.5% year on year due to a fall in sales of leasing contracts, leasing and installment.

Rental sales (YoY)



Rental assets

	FY2014	FY2015	FY2016	FY2017	Change	Change (%)
Rental assets (¥millions)	5,929	5,177	4,823	5,483	660	13.7%
Number of rental TVs (in thousands)	132	148	146	152	6	4.1%

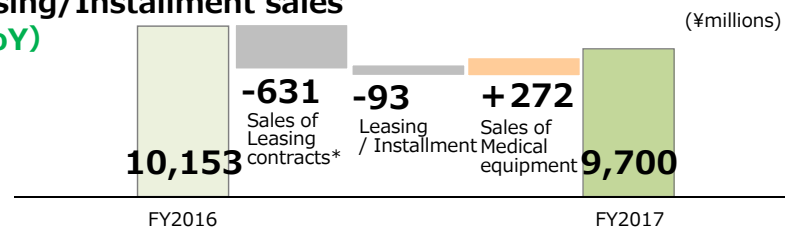
Rental sales (¥millions)

	FY2014	FY2015	FY2016	FY2017	Change	Change (%)
Total	5,922	5,465	6,836	5,676	-1,159	-17.0%
Sales of rental contracts*	1,728	800	2,003	917	-1,085	-54.2%
Rental	4,193	4,665	4,832	4,758	-73	-1.5%

Lease assets (¥millions)

	FY2014	FY2015	FY2016	FY2017	Change	Change(%)
Total	3,508	3,277	2,732	4,032	1,300	47.6%
Lease investment assets	1,701	1,403	911	1,098	187	20.6%
Accounts receivable installment sales	1,806	1,874	1,821	2,934	1,112	61.1%

Leasing/Installment sales (YoY)



Leasing/Installment sales (¥millions)

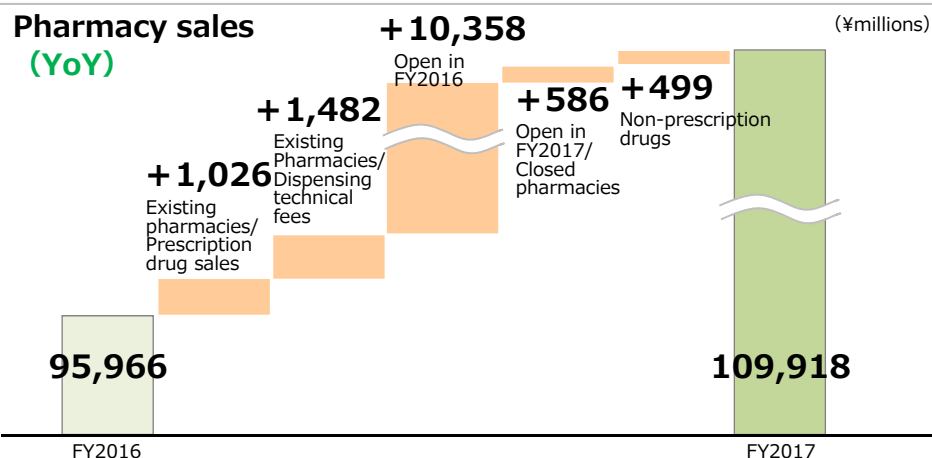
	FY2014	FY2015	FY2016	FY2017	Change	Change(%)
Total	15,243	11,035	10,153	9,700	-452	-4.5%
Sales of leasing contracts*	8,622	8,690	7,774	7,142	-631	-8.1%
Leasing / Installment	1,459	1,421	1,308	1,215	-93	-7.1%
Sales of medical equipment	5,159	923	1,070	1,342	272	25.5%

* 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.

Pharmacies (Sales/Number of pharmacies)

Points

- Pharmacy sales came to ¥109,918 million, an expansion of 14.5% YoY, mainly reflecting contribution from technical fee income from existing pharmacies and an increase in sales at pharmacies opened in the previous fiscal year (including those acquired through M&A).
 - ✓ Prescription drug sales at existing pharmacies totaled ¥68,032 million, a rise of 1.5% year on year owing in part to an increase in the number of prescriptions.
 - ✓ Dispensing technical fees at existing pharmacies came to ¥24,260 million, an increase of 6.5%, reflecting progress in securing a premium for basic dispensing fees.
- In FY2017, 18 pharmacies were newly opened (six of which were acquired through M&A), and five were closed. This brought the total number of pharmacies to 687 as of March 2018, an increase of 13 from the end of the previous fiscal year.



Pharmacy sales (¥millions)

	FY2014	FY2015	FY2016	FY2017	Change	Change (%)
Total	80,660	96,405	95,966	109,918	13,951	14.5%
Dispensing	79,271	95,119	94,467	107,919	13,452	14.2%
Existing pharmacies	77,373	93,804	89,784	92,292	2,508	2.8%
Prescription drug sales	57,925	71,605	67,006	68,032	1,026	1.5%
Dispensing technical fees	19,448	22,199	22,778	24,260	1,482	6.5%
Open in FY2016	-	-	3,755	14,113	10,358	275.8%
Open in FY2017	-	-	-	1,316	1,316	-
Closed pharmacies	1,898	1,315	927	197	-730	-
Non-prescription drugs	1,388	1,285	1,499	1,998	499	33.3%

Dispensing pharmacies

	FY2014	FY2015	FY2016	FY2017	Change
Pharmacies	538	576	674	687	13

Newly open pharmacies / No. of pharmacies closed

	FY2014	FY2015	FY2016	FY2017	Change
New pharmacies	48	47	105	18	-87
including new client	20	12	8	8	0
including existing client	19	10	5	4	-1
including M&A	9	25	92	6	-86
No. of pharmacies closed	5	9	7	5	-2

FY2017 financial positions

(¥millions)

	FY2015	FY2016	FY2017	Change		Main factors
Total assets	74,621	86,760	89,748	2,988		
Current assets	39,189	44,999	48,299	3,300		
(Cash and deposits)	6,376	10,830	14,538	3,707		
(Notes and accounts receivable-trade)	19,617	21,395	20,536	-858		Decrease in sales of leasing contracts claims
(Inventories)	6,583	6,557	5,787	-769		
Noncurrent assets	35,431	41,760	41,448	-311		
(Property, plant and equipment)	23,542	25,072	25,440	368		
(Intangible assets)	7,034	11,241	10,502	-738		Decrease in Goodwill
Total liabilities	44,975	53,879	53,221	-657		
Current liabilities	31,237	33,228	33,598	369		
(Notes and accounts payable-trade)	18,590	20,258	20,037	-221		
(Current portion of long-term loans payable)	4,046	4,607	4,429	-177		
Noncurrent liabilities	13,737	20,650	19,623	-1,026		
(Long-term loans payable)	9,204	15,171	13,831	-1,340		Reflecting contractual repayment
(Long-term accounts payable-installment purchase)	1,938	2,160	2,754	594		
(Interest-bearing debts)	18,447	24,590	23,529	-1,060		
Total net assets	29,646	32,880	36,526	3,645		Net income, Dividend payment
Total liabilities and net assets	74,621	86,760	89,748	2,988		
Net assets per share (¥)	983.5	1,089.2	1,210.6	121.5		
Capital adequacy ratio (%)	39.5	37.6	40.4	2.8		
Net D / E ratio (times)	0.41	0.42	0.25	-0.17		

*Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. Net assets per share for fiscal years ended March 31, 2018, and before has been calculated adjusted for the stock split.

*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.

FY2017 cash flows

(¥millions)

	FY2015	FY2016	FY2017	Change
Net cash provided by operating activities	7,004	10,931	10,630	-301
(Income before income taxes and minority interests)	4,824	6,391	7,105	714
(Depreciation)	3,836	3,902	3,971	69
(Impairment loss)	1,014	48	123	75
(Amortization of goodwill)	1,021	987	1,243	256
(Decrease (increase) in notes and accounts receivable-trade)	-993	1,127	1,016	-111
(Income taxes paid)	-2,559	-2,222	-2,778	-556
Net cash used in investing activities	-4,981	-9,933	-2,963	6,970
(Purchase of own-used assets)	-4,233	-3,152	-1,875	1,277
(Purchase of property for lease)	-876	-264	-745	-481
(Purchase of investments in subsidiaries resulting in change in scope of consolidation)	-147	-6,440	-485	5,955
Net cash used in financing activities	-635	3,301	-3,871	-7,172
(Proceeds from long-term loans payable)	6,485	10,933	3,000	-7,933
(Repayment of long-term loans payable)	-3,001	-4,446	-4,614	-168
(Repayments of lease obligations)	-751	-324	-276	48
(Repayments of installment payables)	-2,092	-1,924	-1,266	658
(Purchase of treasury stock)	-708	-	-	-
(Cash dividends paid)	-629	-710	-785	-75
Net increase in cash and cash equivalents	1,387	4,299	3,795	-504
Cash and cash equivalents at end of period	6,356	10,655	14,450	3,795
Investment in plant and equipment	-5,110	-3,416	-2,620	796

Financial indicators

		FY2015	FY2016	FY2017
Profitability	Net income per share	¥77.32	¥126.26	¥141.74
	ROA	8.6%	8.0%	8.2%
	ROE	8.3%	12.2%	12.3%
	EBITDA margin	9.1%	9.1%	9.2%
	ROI	14.6%	12.7%	14.3%
Investment	PBR	1.9	1.9	2.8
	PER	24.7	16.6	21.3
Safety	Capital adequacy ratio	39.5%	37.6%	40.4%
	Net D/E	0.41	0.42	0.25
Dividend	Dividend per share	¥45	¥50	¥60
	Dividend payout ratio	29.1%	19.8%	21.2%

* 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 EBITDA=Operating income + Depreciation Expense + Amortization of goodwill

* 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

* 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.

* Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. Net income per share, PBR, PER, and Dividends per share for fiscal years ended March 31, 2018, and before have been calculated adjusted for the stock split.

Quarterly financial results (by business)

(¥millions)

	FY2015				FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	27,506	29,511	31,453	32,304	28,102	29,217	29,388	35,507	33,191	33,300	33,730	35,210
Medical practice support	5,387	5,926	5,606	6,382	5,179	6,383	5,412	8,329	6,092	6,535	5,404	6,517
Consulting	377	513	415	588	461	499	447	625	489	550	528	680
Rental	1,345	1,643	1,162	1,314	1,492	1,851	1,391	2,100	1,539	1,759	1,157	1,221
Leasing/Installment	2,567	2,673	2,690	3,104	2,280	2,399	1,911	3,562	2,334	2,603	2,016	2,747
Others	1,097	1,095	1,337	1,375	945	1,632	1,661	2,041	1,729	1,622	1,703	1,869
Pharmacies	21,753	23,326	25,620	25,705	22,699	22,599	23,738	26,929	26,853	26,536	28,086	28,443
Others	366	258	226	216	223	234	237	248	245	229	241	249
Cost of sales	23,653	25,365	26,843	27,314	24,026	24,969	24,746	30,019	28,492	28,270	28,675	29,640
Gross profit	3,853	4,146	4,609	4,989	4,076	4,247	4,641	5,488	4,699	5,030	5,055	5,570
SG & A	2,891	2,891	2,794	2,933	2,951	2,940	2,964	3,350	3,312	3,316	3,215	3,321
Operating income	961	1,255	1,814	2,055	1,125	1,307	1,677	2,137	1,387	1,714	1,839	2,249
Ordinary income	1,000	1,280	1,848	2,066	1,101	1,311	1,723	2,303	1,332	1,786	1,842	2,268
Profit attributable to owners of parent	544	509	1,063	200	616	764	982	1,416	807	1,032	1,113	1,291

Quarterly data summary

(¥millions)

	FY2015				FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consulting sales	377	513	415	588	461	499	447	625	489	550	528	680
Consulting	255	349	295	332	365	367	341	409	404	420	430	463
Practice transfer/start-up support	122	164	120	256	95	132	106	216	85	130	97	218
Practice transfer support	84	97	75	178	59	76	59	151	55	63	46	140
Practice start-up support	22	53	27	66	22	43	35	51	17	56	40	67
DtOD-concierge advertising	14	13	16	11	13	12	12	13	11	12	11	11
Number of doctors wishing to transfer/start-up a practice using the DtOD System (instances)	840	1,887	1,621	1,576	1,933	1,281	1,800	1,716	1,312	1,796	1,563	1,068
Practice transfer support (instances)	1,434	1,475	1,652	1,302	1,348	1,220	1,378	1,237	1,349	1,135	1,322	1,157
Full time	14	20	11	45	8	16	7	35	5	11	4	30
Part time	1,420	1,455	1,641	1,257	1,340	1,204	1,371	1,202	1,344	1,124	1,318	1,127
Support of medical practices carried on by successors	23	11	20	20	17	10	9	10	13	7	8	7
Rental sales	1,345	1,643	1,162	1,314	1,492	1,851	1,391	2,100	1,539	1,759	1,157	1,221
Sales of rental contracts*	279	433	86	0	314	587	216	885	372	545	0	0
Rental	1,065	1,209	1,075	1,314	1,178	1,263	1,175	1,214	1,166	1,214	1,157	1,221
Leasing sales	2,567	2,673	2,690	3,104	2,280	2,399	1,911	3,562	2,334	2,603	2,016	2,747
Sales of leasing contracts *	1,946	2,160	2,213	2,369	1,764	1,911	1,389	2,709	1,683	1,985	1,528	1,946
Leasing / Installment	358	359	340	360	330	330	318	326	307	293	294	321
Sales of medical equipment	261	152	135	373	184	157	202	525	342	326	193	481
Dispensing pharmacies (Pharmacies)* *	567	574	575	576	578	580	672	674	677	687	689	687
New open	35	7	1	4	4	3	95	3	4	11	3	0
Number of prescriptions (in thousands)	2,388	2,412	2,594	2,644	2,544	2,508	2,712	3,050	3,010	2,929	3,135	3,202
Healthcare mall * *	57	58	60	65	67	70	72	75	76	80	92	94
Number of management support cases* *	4	4	4	5	5	5	5	5	6	7	8	9

* 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.

* * As of the end of the quarter

II . Topics

Topics 1 Medium-Term management plan Hospital management support

Supporting the management of medical corporations

Koshikan Lake Town Hospital of Orthopaedics

(opened April 2017; Koshigaya City, Saitama)

Points

- Provide medical services, specializing in orthopedics, ranging from outpatient treatment to surgery, hospitalization (30 beds), and rehabilitation.
- The director is highly experienced and has performed more than 1,200 surgeries on hip and knee joints and provides high quality healthcare based by expert knowledge and technology. (From April to September 166 cases)
- Treatments are designed to suit the background and needs of each individual patient.
- On September 30 hosted a free healthcare class on osteoporosis.
(Basic knowledge of osteoporosis, dietary and nutritional needs, and exercises to check level of locomotion)

Practice support

Consulting (medical practice succession), Consulting (Management subcontracting) 、
Construction work on the interior of facilities, Leasing/installment sales, Rental, Risk management, Facilities leasing, Pharmacy start-ups



▲Lake Town Hospital of Orthopaedics



▲Sogo Pharmacy, Koshigaya Lake Town



▲Operating room



▲Rehabilitation center

Topics 2 Medium-Term management plan Creation of valuable pharmacies

Healthcare support pharmacy measures

In March, opened 89 healthcare-support pharmacies, nearly one year after filing for certification with regulatory authorities.

- What is a healthcare support pharmacy (Started on April 1, 2016 and applications filed from October 1, 2016)
 - A pharmacies that provide the basic functions of a primary care pharmacist/pharmacy, plus actively play an independent role in promoting the health of local residents.
 - These pharmacies have met certain standards, including those for advice on pharmaceuticals and health consultations, and multi-occupational alliances. These pharmacies must meet criteria and file with regulatory authorities to become certified as a healthcare support pharmacy.
- Measure being carried out by Sogo Medical
 - As of March 31, 2018, there were 89 healthcare-support pharmacies and 641 pharmacists that have completed the healthcare-support pharmacist training. (Nationwide, 879 pharmacies as of March 31, 2018 have had applications accepted. Sogo Medical Group pharmacies accounts for 10% of this total.)
 - The policy of the healthcare support pharmacy is the same as our policy for developing pharmacies that are healthcare stations for all and close-knit with the local community, a measure we have been carrying out for some time. We plan to actively promote this policy going forward.



▲Poster

Awareness and prevention of becoming frail (decline in muscle strength, and mental and physical energy)

Starting June 1, 2017, pharmacists at 70 pharmacies, including Sogo Pharmacies nationwide, have begun offering advice using tool to test frailty and carrying out awareness activities on frailty.



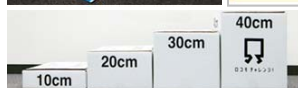
▲ Tools to test frailty and a dynamometer to measure grip



▼ Locomotive syndrome check



◀ Body composition measurement (InBody)



Home healthcare

- The Miyonodai Pharmacy Group, which became part of the Sogo Medical Group in December 2016, has a high level of technical expertise and knowhow in addressing various home healthcare needs, including home visits to provide guidance on taking drugs, sterilized drug dispensing, and late night visits.
- We are improving the Group's home healthcare services by holding regular joint study groups and sharing examples of undertakings at meetings.
- Presentation conducted at the 10th Annual Meeting of the Japanese Association of Home Care Pharmacies. (Presentation was on bedsores assessments by pharmacists during home visits)

Percentage of pharmacies that make home visits
73%
(as of April 30, 2017)

Percentage of pharmacies that make home visits
86%
(as of March 31, 2018)



◀ Proof of dementia supporter (orange band)



◀ Nov. 12 home healthcare service training (Cooperate with many different occupations and support drug administration)

Topics 2 Medium-Term management plan Creation of valuable pharmacies

Undertakings as a primary care pharmacist/pharmacy

- As a healthcare station for all, we carry out various activities as a primary-care pharmacist/pharmacy that is selected by the patient
 - Home visits
 - Trace reports (roughly 117,000 annually)
 - Drug management (medication notebook, bags for untaken drugs, medication calendar, etc.)
 - Café where people can gather to discuss cancer issues and concerns, etc. (total 50 cases)
 - Training for fostering primary-care pharmacist.



▲The café where pharmacists specializing in specific types of cancer talk with patients

687 primary care pharmacists (as of March 31, 2017)

770 primary care pharmacists (as of March 31, 2018)

Number of primary care pharmacists consent forms obtained, number of cases of guidance fees charged by primary care pharmacists

	FY2016	FY2017	Change	Change (%)
Number of primary care pharmacists consent forms obtained	34,741	55,959	21,218	61.1%
Number of cases of guidance fees charged by primary care pharmacists (number)	28,813	40,044	11,231	39.0%
Number of primary care pharmacists	687	770	83	12.1%

*Excluding Miyonodai Pharmacy Group

Number of registrations for the medication notebook (e-medication notebook)

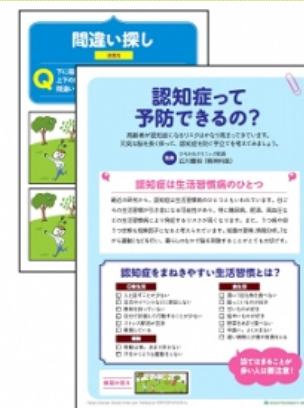
	FY2016	FY2017	Change	Change (%)
Number of registrations for the medication notebook (e- medication notebook)(number)	52,915	82,523	29,608	56.0%

*FY2016 excludes impact from Miyonodai Pharmacy Group.

Developed a Brain Training tool under the supervision of a specialist for distribution at pharmacies

Support the maintenance/improvement of health for members of the local community through measures to strengthen capabilities for dealing with patients suffering from dementia

- Developed an all original Brain Training tool to energize the brain and started distributing it free of charge from March 2018 at Sogo Medical Group pharmacies
- Implemented as a part of the initiatives of the Dementia Working Team that was set up in 2017.
- The tool was developed under the supervision of a specialist and in cooperation with Hokendohjinsha Inc., a group company. The tool is comprised of two sections, one covering questions and the other providing answers and advice. The questions focus on capabilities, including memory, judgment, thinking, learning, discerning, and concentration. There are a total of 12 questions.
- The answer and advice section provides information helpful in energizing the brain, including a checklist of lifestyle behaviors that easily trigger dementia and training methods to improve memory.



▲“Brain Training” (Example of questions, answers & advice)

Topics 3 Other

On April 26, 2018, acquired equity in company dealing in-hospital facilities, including shops, restaurants and TV systems (turned into a subsidiary)

Bunkyo Co., Ltd. (established October 1983, Shibuya-ku, Tokyo)

Profile of Bunkyo

Head office	Office Bunkyo, 3-1-13 Uehara, Shibuya-ku, Tokyo
Business description	Hospital facilities: shops, restaurants, employee cafeteria, TV systems, etc.
Capital	¥15 million
Established	October 12, 1983
Number of employees	Full-time employees: 76; Part-time employees: 1,000 (current as of the end of January 2018)
Shareholder	Sogo Medical (100%)

Points

- Bunkyo operates a business that handles shops, convenience stores, restaurants, rental TVs and other facilities for hospitals, mainly in the Kanto, Chubu and Kyushu areas. The company currently serves around 100 hospitals.
- The mainstay business of Bunkyo is shops (including convenience stores). The majority of its shops are located in large-scale hospitals with more than 400 beds (hospitals that are not yet clients of Sogo Medical). In light of this, we expect benefits from synergies with our hospital management support, which is a field of focus in our medium-term management plan and we plan to fortify the medical practice support business in the group overall.
- We aim to secure revenue sources in fields outside of the pharmacy business to diversify our earnings.
- Sogo Medical plans to provide backup to Bunkyo to develop shops in the Kansai and Tohoku areas, markets it has not yet entered.

Dealings

- Shops and convenience stores in hospitals: 77 hospitals; restaurants and cafés in hospitals: 46 hospitals
→ Mainly in the Kanto, Chubu and Kyushu areas
- Rental TVs: 24 hospitals, roughly 4,200 TV sets
→ Mainly in Yamanashi Prefecture but also around Kanto area
- Vending machines in hospitals: 45 hospitals
→ Mainly in the Kanto, Chubu and Kyushu areas

Fiscal year-end	Unit	November 30, 2015	November 30, 2016	November 30, 2017
Net assets	Million yen	666	801	952
Total assets	Million yen	1,886	2,222	2,459
Net assets per share	1,000 yen	2,222	2,672	3,173
Sales	Million yen	7,185	8,101	8,430
Operating income	Million yen	170	193	272
Ordinary income	Million yen	165	207	255
Net income	Million yen	2	134	150
Net income per share	1,000 yen	9	449	501



▲ Shops and convenience stores in hospitals



▲ Restaurants in hospitals

Topics 3 Other

Transition to a holding company structure/October 1, 2018 (tentative)

We plan to establish Sogo Medical Holdings (working name)

—Aim to achieve our vision for FY2027 earlier than scheduled, improve corporate value and realize continuous growth—

- We are slated to implement this assuming we receive approval for related resolutions at the shareholders meeting scheduled to be held in June 2018 and obtain authorization from related government agencies.

Aim

1. Strengthen our group management strategic functions and business execution structure

- The holding company will be dedicated to managing the entire Sogo Medical Group. It will develop medium- and long-term growth strategies, take full advantage of group synergies by optimally allocating management resources, and maximize the Group's corporate value.
- Authority will be substantially delegated to the operating companies. Roles and responsibilities will be clarified to further speed up the decision-making process and to fortify the value creation capabilities of each business.

2. Increase the number of strategic partners

- We plan to expand the scale of our business operations as well as create new businesses by actively utilizing M&A and capital and business affiliations to accelerate the completion of our Japanese healthcare business model.

3. Nurture next-generation management

- To speed up the training of management personnel, next-generation management candidates will be assigned to operating companies to gain experience.

Business partnership with Fukuda Denshi Co., Ltd.

We aim to leverage the strengths both companies possess in the home healthcare field to contribute to the promotion of home healthcare.

- Signed a basic agreement regarding a business affiliation on January 29, 2018

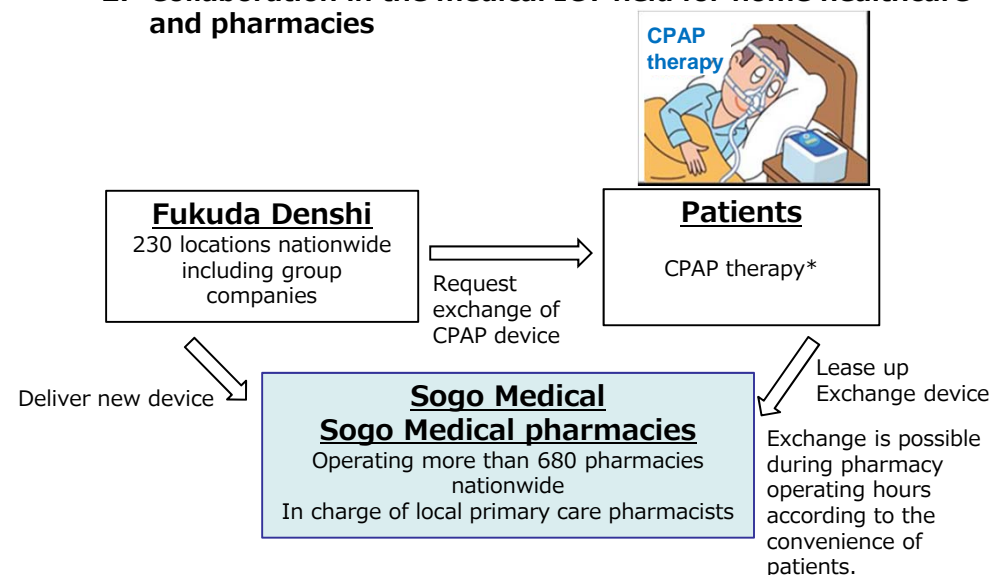
[About our business partnership]

1. Collaboration in the field of home healthcare

Collaboration between the Sleep Apnea Syndrome (SAS) related business and the pharmacy business. Provide service counter functions, including exchange of related devices at pharmacies operated by Sogo Medical. Offer healthcare consultations with pharmacists.

※SAS…Sleep Apnea Syndrome

2. Collaboration in the medical ICT field for home healthcare and pharmacies



*CPAP therapy : SAS therapy consisting of a mask placed on the nose which places pressure on the respiratory tract

Topics 3 Other

Launched Easy View, a bedside, long TV arm for use by dialysis and other patients

Provide an environment where patients can comfortably watch TV thereby help alleviate any burden on the patient

- Easy View, a bedside, long TV arm for use by dialysis patients, was launched on January 5, 2018.
- This original product features new functions based on requests from dialysis clinics. This is the only product in Japan where the arm has been integrated as a single unit with the TV.
- The arm can be attached bedside allowing the patient to freely adjust the position and angle of the TV while they lay on the bed.
- There are around 130,000 beds nationwide that are used for dialysis. We expect to sell 5,000 units of Easy View in the first year to hospitals and other medical institutions.
- The number of dialysis patients in Japan is over 320,000 and is increasing, mainly due to the aging population. Dialysis treatments pose a huge burden to patients. On average, patients go for dialysis 3 times a week and each treatment takes around 4 hours.



▲ Size: 1.16 m (maximum length); Weight: 5.7 kg; Suggested retail price: Open

Start-up seminars for female doctors to develop healthcare malls mainly staffed by female doctors

Aims to support female doctors in the creation of career paths and the improvement of QOL, and to develop healthcare malls mainly staffed by female doctors

- We plan, for the first time, to develop a healthcare mall mainly staffed by female doctors (aim to open a mall in Tokyo by April 2019).
- On February 4, 2018, we held a start-up seminar for female doctors at Otemachi Sankei Plaza in Chiyoda-ku, Tokyo.
- In July 2016, launched JOY Working Team which is a project consisting mainly of female employees to further expand opportunities for female doctors. To date, we have recommended workstyles for female doctors and provided support, including holding start-up seminars for female doctors and looking into opening a healthcare mall mainly staffed by female doctors.
- The number of female doctors is increasing. The employment rate for female doctors declines sharply in tandem with a rise in age. By age 35, the employment rate has dropped to 76.0%. The work environment is not conducive to female doctors, given factors such as marriage, childbirth and raising children.
- In the future, we aim to open healthcare malls mainly staffed by female doctors that offer workshare programs for doctors raising children.



▲ Previous seminar for female doctors



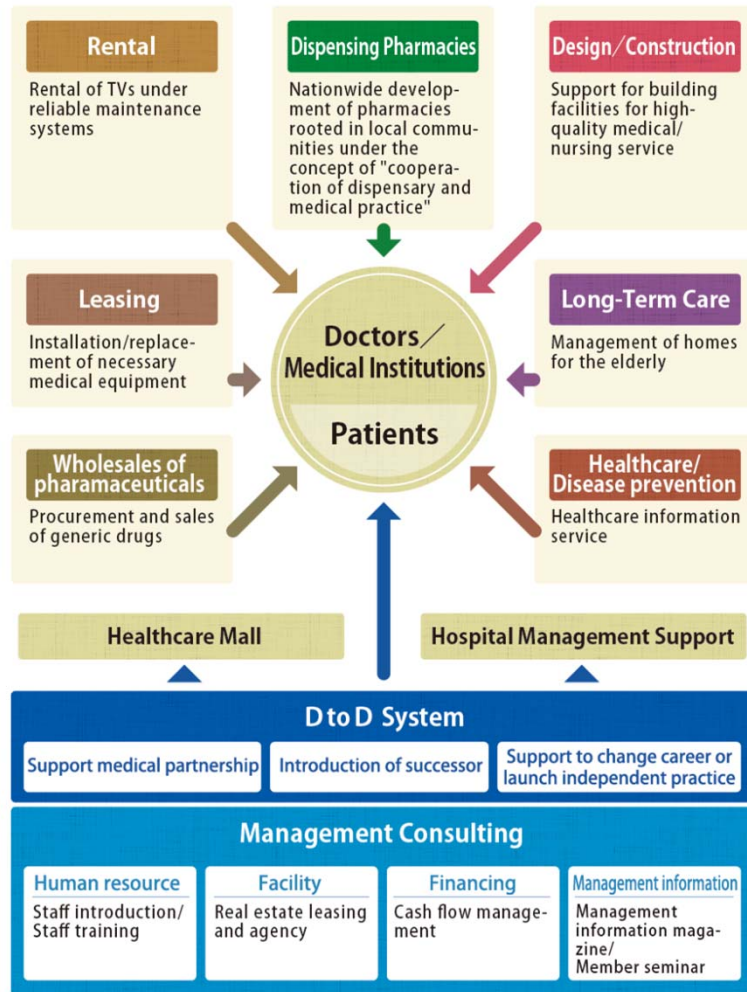


II . Business Model / Long-term vision /
Medium-Term Management Plans /
Management Principles / Concept

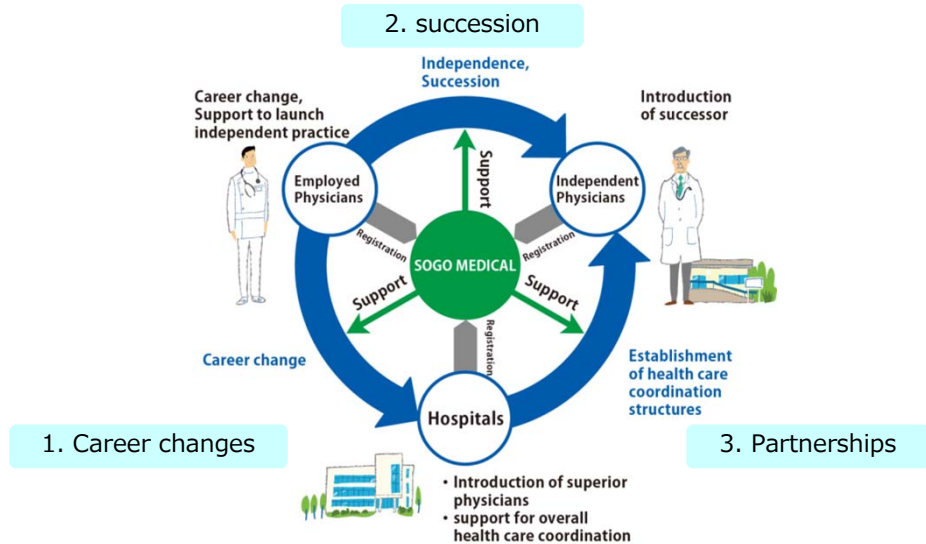
Business model

Business model

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



Introducing optimal partners from among registered doctors and medical institutions
Total support service: career changes, succession, and partnerships

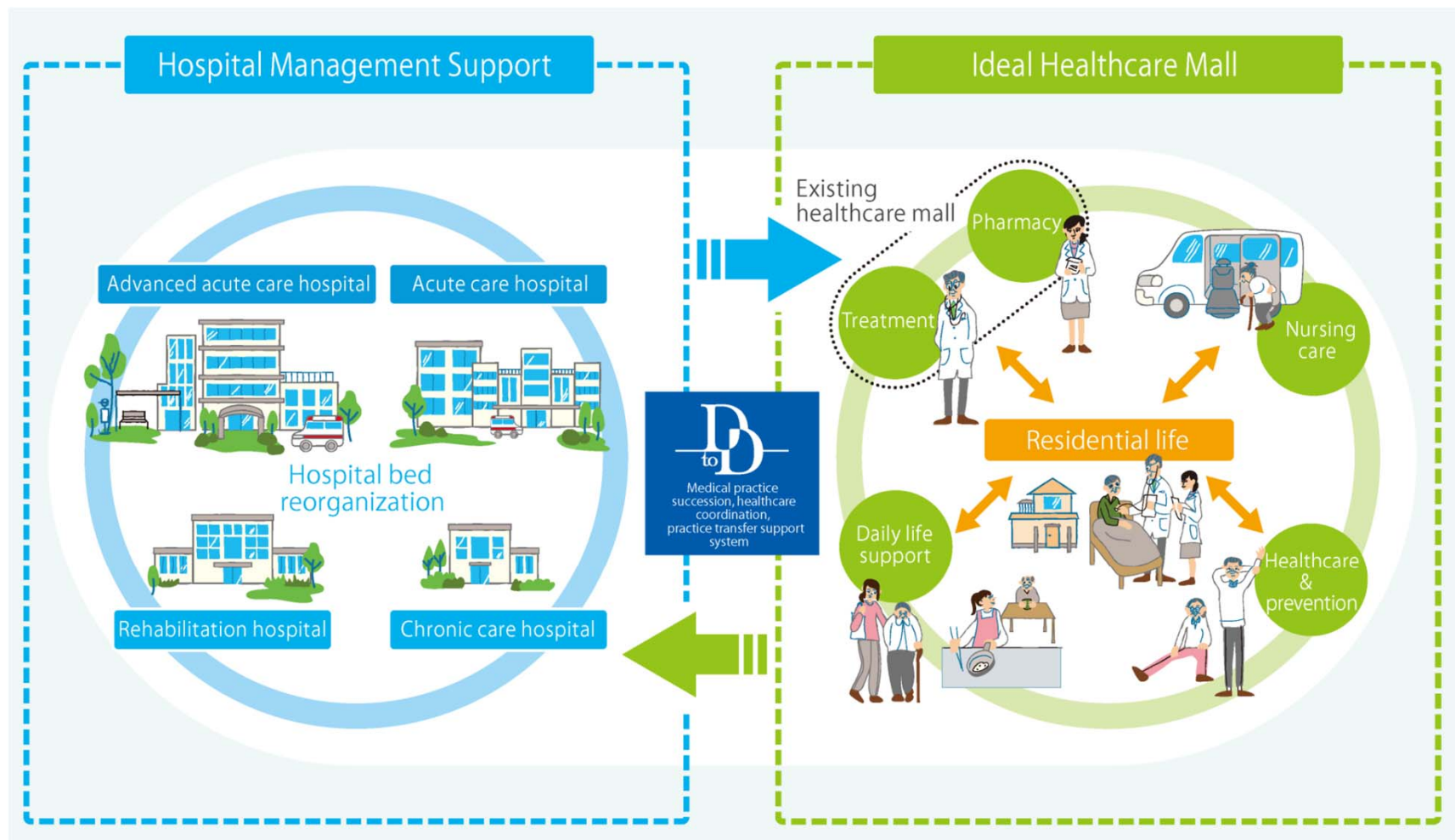


- 1. Career changes**
 - ◆ Introduce jobs that suit the career and life plans of doctors and support career changes
 - ◆ Assist in getting diverse work arrangements for doctors and stabilizing the supply of doctors to hospitals
- 2. Succession**
 - ◆ Introduce doctors looking to open a private practice to private practices that do not have a successor and assist in the succession of the private practice
 - ◆ Contribute to continued provision and improved efficiency of regional medicine
- 3. Partnerships**
 - ◆ Support medical partnerships between local clinics and hospitals
 - ◆ Divide up medical functions, adjust the number of out-patients taking advantage of partnerships, and contribute to an improvement in referral rates and reverse referral rates

Long-term vision (FY2027)

Finished version of a Unique Japanese Healthcare Business Model that supports regional comprehensive healthcare systems

Create an infrastructure for regional healthcare networks through creation via the DtoD system and high-value pharmacies, and through alliances with other companies



Source: Compiled by Sogo Medical based on MHLW materials

Medium - Term management plan

Action 2020 medium-term management plan Vision for FY2019



Promoting the creation of an infrastructure for regional healthcare networks

Good Medical Practice through Good Management

Our business concept is to support good medical practice by resolving the management issues faced by medical institutions and helping them realize sound medical business management by responding to their various needs. We also seek to practice good management ourselves so we can continue to provide better services to our customers.

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 medical practice.

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.