



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

Summary of Consolidated Financial Results for FY2015 (Year ended March 31, 2016) [Japanese GAAP]

April 21, 2016

Company name: SOGO MEDICAL CO., LTD.
 Stock exchange listings: Tokyo 1st Section
 Securities code: 4775 URL: <http://www.sogo-medical.co.jp/english/>
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Date of general shareholders' meeting (as planned) : June 22, 2016

Dividend payable date (as planned) : June 23, 2016

Annual securities report filing date (as planned) : June 22, 2016

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, 2015 to March 31, 2016)

(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	%
FY2015	120,776	11.9	6,087	21.3	6,196	18.5	2,318	(16.5)
FY2014	107,945	4.5	5,017	0.1	5,227	3.1	2,774	(2.8)

Notes: Comprehensive income FY2015 ¥2,186million (-23.7%)

FY2014 ¥3,009million (4.6%)

	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	%	%	%
FY2015	154.65	—	8.3	8.6	5.0
FY2014	192.20	—	11.0	7.6	4.6

References: Investment profit (loss) on equity method: ¥— for FY2015 ¥— for FY2014

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
FY2015	74,621	29,646	39.5	1,967.14
FY2014	69,811	26,521	37.7	1,824.14

References: Owner's equity: ¥ 29,442 for FY2015 ¥ 26,336 million for FY2014

(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
FY2015	7,004	(4,981)	(635)	6,356
FY2014	6,051	(5,296)	(1,637)	4,968

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2014	—	40.00	—	40.00	80.00
FY2015	—	22.50	—	22.50	45.00
FY2016(forecast)		25.00		25.00	50.00

	Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	Millions of Yen	%	%
FY2014	577	20.8	2.3
FY2015	677	29.1	2.4
FY2016(forecast)		20.1	

Note: Dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split. The interim dividend and the year-end dividend for FY2015 and FY2016 (estimate base) are therefore stated adjusted for the effects of the stock split.

3. Consolidated forecasts for FY2016 (from April 1, 2016 to March 31, 2017)

(% 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	59,121	3.7	2,261	2.0	2,254	(1.2)	1,327	25.9	88.59
Full-year	126,507	4.7	6,005	(1.3)	6,020	(2.8)	3,730	60.9	248.89

4. Others

(1) Material changes in subsidiaries during this period

(Changes in scope of consolidations resulting from change in 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): FY2015: 15,340,156shares FY2014: 15,340,156shares

② Number of treasury stock at the end of fiscal year: FY2015: 372,775shares FY2014: 902,282shares

③ Average number of shares: FY2015: 14,990,296shares FY2014: 14,438,064shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (from April 1, 2015 to March 31, 2016)

(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	%
FY2015	94,078	6.5	4,692	14.3	4,838	5.0	1,396	(52.0)
FY2014	88,350	2.0	4,105	7.8	4,608	7.0	2,908	3.1

	Net income per share	Diluted net income per share
	Yen	Yen
FY2015	93.18	—
FY2014	201.42	—

Note: Dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split. Consolidated net income per share has been calculated assuming that the stock split was instituted at the start of the previous fiscal year.

(2) Non-consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	yen
FY2015	66,789	26,910	40.3	1,797.91
FY2014	63,483	24,724	38.9	1,712.48

References: Owner's equity: ¥ 26,910 million for FY2015 ¥ 24,724 million for FY2014

※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.5 for assumptions and cautions on the use of these financial forecasts.

Note that dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split.

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1. Operating Results

(1) Analysis of Operating Results

① Operating Results for FY2015

(in millions, except percentages)

	FY2014	Margin	FY2015	Margin	Change	Change
Sales	¥107,945	%	¥120,776	%	¥12,831	11.9%
Higashinohon	39,614		43,838		4,224	10.7
Medical practice support	8,617		7,750		(867)	(10.1)
Pharmacies	30,997		36,088		5,091	16.4
Nishinohon	28,205		33,176		4,970	17.6
Medical practice support	8,420		6,765		(1,655)	(19.7)
Pharmacies	19,784		26,410		6,626	33.5
Kyushu	37,793		39,905		2,111	5.6
Medical practice support	8,040		6,077		(1,963)	(24.4)
Pharmacies	29,752		33,828		4,075	13.7
Others	2,331		3,855		1,524	65.4
Operating Income	5,017	4.6	6,087	5.0	1,069	21.3
Higashinohon	842	2.1	1,228	2.8	386	45.9
Nishinohon	1,510	5.4	2,082	6.3	571	37.8
Kyushu	2,643	7.0	2,854	7.2	210	8.0
Others	620	26.6	490	12.7	(129)	(20.9)
Reconciliation	(599)	-	(568)	-	31	-
Ordinary Income	5,227	4.8	6,196	5.1	969	18.5
Profit attributable to owners of parent	2,774	2.6	2,318	1.9	(456)	(16.5)

In April 2014, Sogo Medical launched a three-year medium-term management plan which was dubbed “Further Challenge —Toward a better society in which people can live with a sense of security—.” The plan outlines medium-term goals and specific priority initiatives. In the year ending March 31, 2016, which is the second year of our current medium-term plan, the Sogo Medical Group is tackling the challenge of solving the problems confronted by society by further expanding and advancing the initiatives carried out thus far and by developing new services that are needed around the world.

In the fiscal year, Sogo Medical supported the start-up of 304 private practices, including succession start-ups and health care malls. At the end of the fiscal year, the number of doctors wishing to

transfer/start-up a practice via the DtoD System stood at 62,429 doctors, an increase of 5,924 doctors compared with the end of FY2014.

In the dispensing pharmacies business, there were 47 new openings in the fiscal year, including 25 pharmacies acquired via M&A deals. The total number of pharmacies at the end of the fiscal year is 576. In a breakdown of pharmacy openings by region, 17 pharmacies were opened in East Japan, 24 in West Japan, and six in Kyushu. Of the 47 pharmacies opened in the fiscal year, 12 were opened by doctors using the Sogo Medical practice start-up support system.

In the fiscal year under review, although sales in the medical practice support business decreased reflecting a decline in sales in the lease and installments division, Sogo Medical posted net sales of ¥120,776 million, an increase of 11.9% year-on-year, primarily attributable to an increase in sales at existing pharmacies and benefits from sales growth owing to the opening of new pharmacies. In the profit front, the Company booked operating income of ¥6,087 million, a growth of 21.3%, and ordinary income of ¥6,196 million, an expansion of 18.5%. However, net income attributable to shareowners of the parent came to ¥2,318 million, a decline of 16.5%, due to negative impact from impairment losses.

Segment financial results were as follows:

A Higashinihon (East Japan)

Although sales declined in the leasing and installment division, sales rose in the consulting and rental divisions. In addition, we garnered benefit from sales growth reflecting new pharmacy openings in the pharmacy division. Altogether, we posted net sales of ¥43,838 million, a growth of 10.7% year-on-year. Meanwhile, we recorded operating income of ¥1,228 million, an increase of 45.9% reflecting an increase in gross profit from a rise in sales in the consulting, rental and pharmacy divisions.

B Nishinihon (West Japan)

Although sales declined in the rental, leasing and installment divisions, sales rose in the consulting division. In addition, we garnered benefit from sales growth reflecting new pharmacy openings in the pharmacy division (including sales contribution from subsidiaries in which we acquired equity). Altogether, we posted net sales of ¥33,176 million, a growth of 17.6% year-on-year. Meanwhile, we recorded operating income of ¥2,082 million, an increase of 37.8% reflecting an increase in gross profit from a rise in sales in the consulting and pharmacy divisions.

C Kyushu

Although sales decreased in the rental, leasing and installment divisions, net sales reached ¥39,905 million, a growth of 5.6% year-on-year, due in part to an increase in sales from existing pharmacies and sales growth benefits from the opening of new pharmacies. Meanwhile, operating income totaled ¥2,854 million, a rise of 8.0%, owing to an increase in gross profit on the back of a growth in sales in the consulting and pharmacy divisions.

②Forecasts for FY2016

	FY2015	FY2016 (Forecasts)	Change (amount)	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net sales	120,776	126,507	5,730	4.7
Operating income	6,087	6,005	(81)	(1.3)
Ordinary income	6,196	6,020	(175)	(2.8)
Profit attributable to owners of parent	2,318	3,730	1,412	60.9
Net income per share (¥)	154.65	248.89	94.24	-

FY2016 is the final year of the current medium-term management plan. The Company plans to continue to undertake its priority initiatives of undertaking new businesses, improving and deepening existing businesses, and expanding corporate value, based on the theme of further challenge.

In FY2016 (April 1, 2016 to March 31, 2017), the Company forecasts net sales of ¥126,507 million, a rise of 4.7% year-on-year. Sales growth in the medical practice support business is expected to offset negative impact from a revision to dispensing fees in the pharmacy business.

Meanwhile, the Company estimates operating income of ¥6,005 million, a decline of 1.3% year-on-year, and ordinary income of ¥6,020 million, a fall of 2.8%, as it does not expect to absorb an increase in SG&A costs. Note that in FY2016, the Company forecasts net income of ¥3,730 million, an increase of 60.9%, as the impairment losses in the previous fiscal year are expected to disappear.

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) Analysis of Financial Positions

① Analysis of Assets, Liabilities, and Net Assets

(in millions except percentages and ratios)

	FY2014	FY2015	Change
Total Assets	¥69,811	¥74,621	¥4,810
including Cash and Deposits	4,988	6,376	1,387
Liabilities	43,290	44,975	1,685
including Interest-Bearing Debt *1	16,572	18,447	1,874
Net Assets	26,521	29,646	3,124
Shareholders' Equity Ratio (%)	37.7	39.5	1.7
Net Debt-to-Equity Ratio (times) *2	0.44	0.41	(0.03)

*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 ¥74,621 million, an increase of ¥4,810 million versus the end of FY2014. Current assets totaled ¥39,189 million, an increase of ¥2,605 million year-on-year. This reflects an increase in notes and accounts receivable-trade of ¥2,131 million. Meanwhile, noncurrent assets totaled ¥35,431, an increase of ¥2,205 million. This reflects an increase in buildings and structures of ¥2,953 million and decrease in property for lease of ¥752 million.

As of March 31, 2016, our total liabilities stood at ¥44,975 million, an increase of ¥1,685 million versus the same time a year earlier. Current liabilities were ¥31,237 million an increase of ¥1,128 million. This reflects an increase in current portion of long-term loans payable of ¥1,143 million. Noncurrent liabilities totaled ¥13,737 an increase of ¥557 million. This was primarily attributable to an increase in long-term loans payable of ¥2,368 million, although long-term accounts payable-installment purchases declined ¥1,117 million. It should be noted that interest-bearing debt (including lease obligations and accounts payable-installment purchases) increased ¥1,874 million to ¥18,447 million. Consequently, the net debt-to-equity ratio (interest-bearing debt less cash and deposits divided by shareholders' equity) was 0.41, compared to 0.03 as of the previous fiscal year-end.

Net assets at the end of the fiscal year under review stood at ¥29,646 million, an increase of ¥3,124 million compared with the end of the previous fiscal year. This reflects a decline of ¥708 million due to the repurchase of shares, and a decrease of ¥629 million owing to dividend payments. Meanwhile,

there was an increase of ¥2,262 million due to the retirement of treasury stock in tandem with a stock swap, and an increase of ¥2,318 million, reflecting the posting of net income attributable to the shareowners of the parent. Extrapolating from this, the equity ratio was 39.5% at the end of the fiscal year, owing to a 1.7percentage point increase from 37.7% at the end of FY2014.

②Cash Flows

Cash and cash equivalents ("funds") at the end of the fiscal year under review totaled ¥6,356 million, which was ¥1,387 million (27.9%) 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 ¥7,004 million. Main factors were ¥4,824 million in income before income taxes and minority interest, ¥3,836 million in depreciation charges, ¥1,253 million decrease in deferred tax assets, ¥2,559 million in expenditure for income tax payments and ¥1,436 million increase in accounts payable-trade.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the fiscal year under review was ¥4,981 million. Main factors were ¥4,233 million in expenditure for the acquisition of assets for use by Sogo Medical, and ¥876 million in purchase of property for lease.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥635 million. Main factors were ¥6,485 million in income from long-term loans, ¥3,001 million in expenditure for the redemption of long-term loans, ¥2,092 million in expenditure for the settlement of installment obligations, ¥751 million in expenditure for the settlement of lease obligations, ¥708 million in purchase of treasury stock, and ¥629 million in expenditure for dividend payments.

(Reference) Cash flow-Related Indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Capital adequacy ratio (%)	36.7	37.8	35.7	37.7	39.5
Capital adequacy ratio (based on fair value) (%)	40.5	41.9	44.6	69.8	76.6
Interest-bearing debt to cash flows (%)	3.3	2.0	2.1	2.8	2.6
Interest coverage ratio (times)	34.2	49.1	57.1	45.8	62.7

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.

2. Management Policies

- (1) Medium-Term Management Plan “Further Challenge”
- (2) Long-Term Vision and Medium-Term Management Plan
- (3) Priority Initiatives

Disclosure has been omitted due to the absence of material change in the information disclosed in the Summary of Financial Statements for the Fiscal Year to March 2014 (released on April 17, 2014).

The above-mentioned Summary of Financial Statements is available for viewing at the following URL.

(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. Summary Information

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

From 1Q FY2015, Sogo Medical began applying the Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013). Accordingly, the Company has changed its booking method and will now post acquisition-related expenses in the consolidated fiscal year in which they are incurred. In addition, the disclosure terminology (change in reporting method) has been changed for quarterly net income and minority interest has been changed to non-controlling interest.

Consequently, the consolidated financial statements for FY2014 have been restated to reflect this

change in reporting method.

In the consolidated statements of cash flows for the fiscal year under review, cash flows for expenses related to the acquisition of equity in subsidiaries which entailed a change in the scope of consolidation were classified as net cash used in operating activities.

Sogo Medical, as of the start of 1Q FY2015, has adopted the Accounting Standard for Business Combinations in accordance with the transitional treatment set forth in Paragraph 58-2 (4) of Accounting Standard for Business Combinations, Paragraph 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of Accounting Standard for Business Divestitures.

In light of this, the negative impact to operating income, ordinary income, and income before income taxes was ¥53 million, respectively, in FY2015.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions)

	FY2014 (As of March.31, 2015)	FY2015 (As of March.31, 2016)
Assets		
Current assets		
Cash and deposits	¥ 4,988	¥ 6,376
Notes and accounts receivable-trade	17,485	19,617
Accounts receivable-installment sales	1,806	1,874
Lease receivables and investment assets	1,701	1,403
Inventories	*1 7,543	*1 6,583
Deferred tax assets	628	789
Other	2,450	2,566
Allowance for doubtful accounts	(19)	(20)
Total current assets	36,584	39,189
Noncurrent assets		
Property, plant and equipment		
Property for lease, net	5,929	5,177
Buildings and structures, net	8,763	11,716
Land	3,992	4,109
Other, net	3,116	2,539
Total property, plant and equipment	*2 21,801	*2 23,542
Intangible assets		
Goodwill	5,252	5,833
Other	1,031	1,201
Total intangible assets	6,283	7,034
Investments and other assets		
Investment securities	1,566	1,134
Deferred tax assets	468	507
Other	3,107	3,231
Allowance for doubtful accounts	(0)	(19)
Total investments and other assets	5,141	4,853
Total noncurrent assets	33,226	35,431
Total assets	69,811	74,621

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

(in millions)

	FY2014 (As of March.31, 2015)	FY2015 (As of March.31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	¥ 18,841	¥ 18,590
Short-term loans payable	360	610
Current portion of long-term loans	2,903	4,046
Lease obligations	363	267
Accrued expenses	2,072	2,972
Income taxes payable	1,452	1,572
Deferred profit on installment sales	190	182
Other	3,925	2,994
Total current liabilities	30,109	31,237
Noncurrent liabilities		
Long-term loans payable	6,835	9,204
Lease obligations	1,028	714
Long-term accounts payable-installment purchase	3,055	1,938
Other	2,260	1,880
Total noncurrent liabilities	13,180	13,737
Total liabilities	43,290	44,975
Net assets		
Shareholders' equity		
Capital stock	3,513	3,513
Capital surplus	4,136	5,566
Retained earnings	19,255	20,944
Treasury stock	(1,044)	(920)
Total shareholders' equity	25,861	29,104
Accumulated other comprehensive		
Valuation difference on available-for-sale securities	475	338
Total accumulated other	475	338
Minority interests	184	203
Total net assets	26,521	29,646
Total liabilities and net assets	69,811	74,621

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

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

	FY2014 (to March.31, 2015)	FY2015 (to March.31, 2016)
	(in millions)	
Net sales	¥ 107,945	¥ 120,776
Cost of sales	93,139	103,178
Gross profit	14,805	17,598
Selling, general and administrative expenses	*1 9,787	*1 11,511
Operating income	5,017	6,087
Non-operating income		
Dividends income	20	22
Rent income	38	31
Dividends income of life insurance	106	36
Other	202	196
Total non-operating income	368	287
Non-operating expenses		
Interest expenses	75	75
Loss on valuation of investment securities	17	-
Other	65	103
Total non-operating expenses	159	178
Ordinary income	5,227	6,196
Extraordinary loss		
Impairment loss	*2 51	*2 1,014
Loss on sales of shares of subsidiaries and associates	-	87
Loss on valuation of investment securities	-	270
Total extraordinary loss	51	1,371
Income before income taxes	5,175	4,824
Income taxes-current	2,236	2,569
Income taxes-deferred	163	(68)
Total income taxes	2,400	2,501
Net income	2,774	2,323
Profit (loss) attributable to non-controlling interests	0	4
Profit (loss) attributable to owners of parent	2,774	2,318

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

(Consolidated Statements of Comprehensive Income)

(in millions)

	FY2014 (to March.31, 2015)	FY2015 (to March.31, 2016)
Net income	¥ 2,774	¥ 2,323
Other comprehensive income		
Valuation difference on available-for-sale securities	234	(136)
Total other comprehensive income	234	(136)
Comprehensive income	3,009	2,186
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,009	2,181
Comprehensive income attributable to non-controlling interests	0	4

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

(3) Consolidated Statements of Change in Net Assets

FY2014 (from April 1, 2014 to March 31, 2015)

(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	17,058	(1,043)	23,665
Changes of items during the period					
Dividends from surplus			(577)		(577)
Profit attributable to owners of parent			2,774		2,774
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	2,197	(1)	2,196
Balance at the end of current period	3,513	4,136	19,255	(1,044)	25,861

	Accumulated other comprehensive income	Non controlling Interest	Net assets
	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	240	28	23,934
Changes of items during the period			
Dividends from surplus			(577)
Profit attributable to owners of parent			2,774
Purchase of treasury stock			(1)
Disposal of treasury stock			
Net changes of items other than shareholders' equity	234	156	390
Total changes of items during the period	234	156	2,587
Balance at the end of current period	475	184	26,521

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

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

(4) Consolidated Statements of Cash Flows

(in millions)

	FY2014 (to March.31, 2015)	FY2015 (to March.31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	¥5,175	¥4,824
Depreciation and amortization	3,746	3,836
Amortization of goodwill	805	1,021
Impairment loss	51	1,014
Loss (gain) on sales of shares of subsidiaries and associates	-	87
Loss (gain) on valuation of investment securities	-	270
Interest and dividends income	(22)	(23)
Capital cost and interest expenses	131	112
Decrease (increase) in notes and accounts receivable-trade	1,050	(993)
Decrease (increase) in accounts receivable-installment	(104)	(75)
Net decrease (increase) in lease receivables and investment assets	313	298
Decrease (increase) in inventories	(953)	1,253
Increase (decrease) in notes and accounts payable-trade	(1,735)	(1,436)
Increase/decrease/ in other assets/liabilities	(223)	(798)
Other	33	262
Subtotal	8,269	9,652
Interest and dividends income received	22	23
Interest expenses paid	(131)	(111)
Income taxes paid	(2,108)	(2,559)
Net cash provided by (used in) operating activities	6,051	7,004
Net cash provided by (used in) investing activities		
Purchase of own-used assets	(3,767)	(4,233)
Proceeds from sales of own-used assets	-	172
Purchase of property for lease	(359)	(876)
Purchase of investment securities	(270)	(11)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(579)	(147)
Other	(318)	115
Net cash provided by (used in) investing activities	(5,296)	(4,981)

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

(in millions)

	FY2014 (to March.31, 2015)	FY2015 (to March.31, 2016)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	¥ 9	¥ 64
Proceeds from long-term loans payable	4,749	6,485
Repayment of long-term loans payable	(3,211)	(3,001)
Repayments of lease obligations	(512)	(751)
Repayments of installment payables	(2,094)	(2,092)
Cash dividends paid	(577)	(629)
Purchase of treasury stock	(1)	(708)
Net cash provided by (used in) financing activities	(1,637)	(635)
Net increase (decrease) in cash and cash equivalents	(882)	1,387
Cash and cash equivalents at beginning of period	5,851	4,968
Cash and cash equivalents at end of period	*1 4,968	*1 6,356

(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: 18 Companies

- Somtech Co., Ltd.
- Sogo Medipro Co., Ltd.
- Sogo Real Estate Co., Ltd.
- SME Co., Ltd.
- Sogo Medical Pharmacy Chubu Co., Ltd.
- Aoba Pharmacy Co., Ltd.
- Maeda & Co., Ltd.
- Yataya Pharmacy Co., Ltd.
- Taikodo yakkyoku honten Co., Ltd.
- Beauty Drug Saito Co., Ltd.
- Nakano Pharmacy Co., Ltd.
- Pharma systems Co., Ltd.
- Shokando Co., Ltd.
- Dradok Co., Ltd.
- Sogo Care Network Co., Ltd.
- Sun Villa Co., Ltd.
- Hokendohjinsha Inc.
- GM Co., Ltd.

From FY2015, Pharma Systems Co., Ltd. (100% of total shares outstanding acquired on May 20, 2015), Shokando Co., Ltd. (100% of total shares outstanding acquired on June 15, 2015), Dradok Co., Ltd. (100% of total shares outstanding acquired on July 27, 2015), and GM Co., Ltd. (75% of total shares outstanding acquired on February 10, 2016) were included into the scope of consolidation.

Meanwhile, from FY2015, Sogo Media Supply Co., Ltd. (sold on August 10, 2015), Matsumura Co., Ltd. (absorbed into Sogo Medical via a merger on October 1, 2015), Akatsuki Pharmacy Co., Ltd. (absorbed into Sogo Medical via a merger on October 1, 2015), and Care Medical Co., Ltd.

(absorbed into Sogo Medical via a merger on January 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:

Nakano Pharmacy Co., Ltd.	May 31
Pharma systems Co., Ltd.	June 30
Taikodo yakkyoku honten Co., Ltd.	July 31
Dradok Co., Ltd.	July 31
GM Co., Ltd.	July 31
Beauty Drug Saito Co., Ltd.	September 30
Yataya Pharmacy Co., Ltd.	October 31

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

① Investment 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, leased 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)	
	FY2014	FY2015
Medical supplies	¥ 7,220	¥ 6,279
Merchandise	119	140
Costs on uncompleted construction contracts	37	13
Raw materials and supplies	167	150

*2. Accumulated Depreciation

	(in millions)	
	FY2014	FY2015
Accumulated depreciation	¥ 18,103	¥ 20,258

3. Contingent Liabilities

(in millions)

	FY2014		FY2015
Kaze-No-Suzuran-Kai, etc (7 people)	¥ 2,245	Kaze-No-Suzuran-Kai, etc (7 people)	¥ 2,111

(Consolidated Statements of Income)

*1. Main Selling General and Administrative Expenses

(in millions)

	FY2014	FY2015
Salaries and allowances	¥ 3,237	¥ 3,774
Depreciation and amortization	¥ 1,189	¥ 1,454

*2. Impairment Losses

FY2014 (from April 1, 2014 to March 31, 2015)

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)
Higashinohon	2 Pharmacy (Kanto)	Pharmacies	Buildings and structures, etc	¥ 4
Nishinohon	1 Property for lease (Kinki)	Property for lease	Buildings and structures	20
Kyushu	5 Pharmacy (Kyushu)	Pharmacies	Buildings and structures, etc	26
			Total	51

The book value has been reduced to a recoverable amount for the following assets: pharmacies posting losses due to business activities and which do not forecast profit going forward, pharmacies that are scheduled to be relocated, and leased assets scheduled to be sold. The amount of the reduction is being posted as an impairment loss (¥51 million) under extraordinary losses. This ¥51 million was posted to buildings and structures.

Note that the recoverable amount for assets related to pharmacies is determined based on the net selling price which reflects the significance of the asset and roadside land prices, tax assessments of noncurrent assets, and other items. In addition, the recoverable amount for assets related to leased assets that are scheduled to be sold is determined based on the net selling price which factors in the expected sale price and other factors.

FY2014 (from April 1, 2014 to March 31, 2015)

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.

In addition, a portion of goodwill at group companies is grouped based on units used for internal management monitoring.

We reported impairment loss for following groups:

Business	Place	Use	Classification	Amount (in millions)
Higashinohon	8 Pharmacy (4 MinamiKanto, 4 Tokai)	Pharmacies	Buildings and structures, etc	¥ 135
	3Subsidiaries and associates	—	Goodwill	868
Nishinohon	1 Pharmacy (Kinki)	Pharmacies	Buildings and structures	0
Kyushu	2 Pharmacy (1 Kitakyushu, 1 Nannbukyushu)	Pharmacies	Buildings and structures, etc	9
			Total	1,014

The book value has been reduced to a recoverable amount for the following assets: pharmacies posting losses due to business activities and which do not forecast profit going forward, and pharmacies that are scheduled to be relocated. The amount of reduction, ¥145 million, is being posted as an impairment loss under extraordinary losses. This amount was broken down and posted as follows: ¥58 million under buildings and structures, ¥82 million under land, and ¥4 million under other. Note that the recoverable amount for assets related to pharmacies is determined based on the net selling price which reflects the significance of the asset and roadside land prices, tax assessments of noncurrent assets, and other items.

In addition, given that earnings at affiliates trended below initial business plans at the time of stock acquisition, business plans for earnings going forward were revised. In accordance with this, the recoverable amount was calculated by employing a 4.2% discount to future cash flows. The ¥868 million in unamortized portion of goodwill, which exceeded the recoverable amount, was posted as an impairment loss.

(Consolidated Statements of Cash Flows)

*1. Items of Cash and Cash Equivalents

	(in millions)	
	FY2014	FY2015
Cash and deposits	¥ 4,988	¥ 6,376
Over three-month time deposit	(20)	(20)
Cash and Cash Equivalents	4,968	6,356

2. Significant Non-Cash Transactions

FY2013 (from April 1, 2013 to March 31, 2014)

Assets and liabilities as a result of this fiscal year's financing lease transactions were ¥433 million, and ¥463 million respectively. Assets and liabilities as a result of this fiscal year's installment sales transactions were ¥715 million, and ¥767 million respectively.

FY2014 (from April 1, 2014 to March 31, 2015)

Assets and liabilities as a result of this fiscal year's financing lease transactions were ¥313 million, 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.

(Segment Information)

1. Outline of Segment

Reportable segments 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 'Higashinohon', 'Nishinohon' 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

FY2014 (from April 1, 2014 to March 31, 2015)

(in millions)

	Reportable Segments				Others	Total	Reconciliations *2	consolidated amounts *3
	Higashinohon	Nishinohon	Kyushu	Total	*1			
Sales								
Unaffiliated sales	¥ 39,614	¥ 28,205	¥ 37,793	¥ 105,613	¥ 2,331	¥107,945	—	¥ 107,945
Intersegment sales	55	738	2	796	4,823	5,620	¥ (5,620)	—
Total	39,670	28,943	37,796	106,410	7,155	113,565	(5,620)	107,945
Segment profit	842	1,510	2,643	4,996	620	5,617	(599)	5,017
Segment assets	25,029	15,854	15,272	56,156	5,698	61,855	7,955	69,811
Others								
Depreciation	1,154	998	957	3,111	294	3,406	340	3,746
Amortization of goodwill	578	206	20	805	0	805	—	805
Impairment loss	4	20	26	51	—	51	—	51
Increase in assets	2,679	1,617	991	5,289	118	5,407	194	5,601

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

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥599million) included elimination of intersegment sales (¥26million) and overall corporate expense (¥572million). The overall corporate expense was classified as selling general and administrative expenses and was not allocated to reportable segments.

(2) Reconciliation for reportable segment assets (¥7,955 million) included elimination investment against equity (¥-8,464 million) and overall corporate assets (¥17,150 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 (¥194 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.

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2015

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

(in millions)

	Reportable Segments				Others	Total	Reconciliations *2	consolidated amounts *3
	Higashinohon	Nishinohon	Kyushu	Total	*1			
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.

(Per Share Information)

	FY2014	FY2015
Net assets per share	¥ 1,824.14	¥ 1,967.14
Net income per share	192.20	154.65

Notes:

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

(in millions)

	FY2014	FY2015
Net assets	¥ 26,521	¥ 29,646
Deduction	184	203
(Non-controlling interests)	184	203
Net assets attributable to common stocks	26,336	29,442
Number of common stocks at end of FY	14,437	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)

	FY2014	FY2015
Profit attributable to owners of parent	¥ 2,774	¥ 2,318
(Preferred dividends)	-	-
Profit attributable to owners of parent attributable to common stocks	2,774	2,318
Average number of common stocks	14,438	14,990

(Significant Subsequent Events)

None.