

# FY2016

(Fiscal Year Ending March 31, 2017)

# Financial Results



## Contact

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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. )

# I . FY2016 Financial Results

# Consolidated financial results

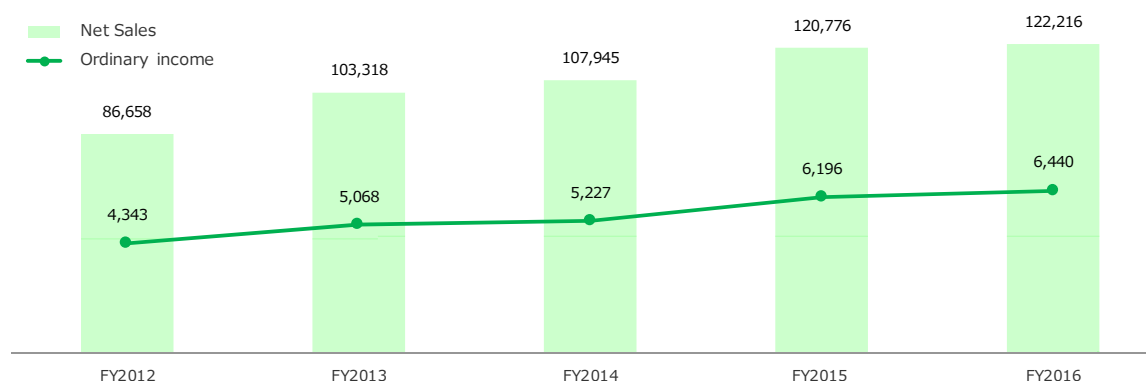
**Net sales ¥ 122,216million (up 1.2% Y/Y) , Ordinary income ¥ 6,440 million (up 3.9% Y/Y)**

- ✓ Achieved 16<sup>th</sup> consecutive fiscal year of sales growth since listing
- ✓ Operating and ordinary income increased year-on-year for the fourth consecutive fiscal year while profit attributable to owners of the parent grew for the first time in three fiscal years.
- ✓ We recorded all-time highs for operating and ordinary income, and profit attributable to owners of the parent.

(¥millions)

	FY2012	FY2013	FY2014	FY2015	FY2016 plan	FY2016	Year-on-year		Over plan	
							Change	Change (%)	Change	Change (%)
							Net Sales	86,658	103,318	107,945
Operating income	4,324	5,014	5,017	6,087	6,005	6,248	161	2.6%	243	4.0%
Ordinary income	4,343	5,068	5,227	6,196	6,020	6,440	244	3.9%	420	7.0%
Profit attributable to owners of parent	2,532	2,856	2,774	2,318	3,730	3,779	1,461	63.0%	49	1.3%
EBITDA margin	9.2	8.8	8.9	9.1	-	9.1	0.0	-	-	-
Net income per share (¥)	175.4	197.8	192.2	154.6	248.8	252.5	97.9	63.3%	3.7	1.5%

\* Dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split. Net income per share for fiscal years ended March 31, 2015, and before have been calculated adjusted for the stock split.  
 \* EBITDA Margin=EBITDA / Sales    EBITDA=Operating income + Depreciation Expense + Amortization of goodwill



## FY2016 Net sales / operating income (by business)

✓ In the medical practice support business, we posted a rise in sales and operating income year-on-year but in the pharmacy business, we booked a decline in sales and operating income due to negative impact from revisions of NHI drug prices and dispensing fees.

(¥millions)

	FY2014	FY2015	FY2016	Change		Main factors
				Change	Change (%)	
Net sales	107,945	120,776	122,216	1,440	1.2	
Medical practice support	25,811	23,302	25,305	2,002	8.6	
Consulting	1,693	1,894	2,035	140	7.4	Consulting fees +251, Transfer/Start-up supporting fees -111
Rental	5,922	5,465	6,836	1,370	25.1	Sales of rental contracts* +1,203, Rental sales +167
Leasing/Installment	15,243	11,035	10,153	-882	-8.0	Sales of leasing contracts* -916
Others	2,952	4,905	6,280	1,374	28.0	Installation and maintenance of medical equipment +616, Design and construction of hospitals, clinics and assisted living facilities +306, Healthcare information service +255, Sales at paramedical staff introduction and dispatch operations +104
Pharmacies	80,660	96,405	95,966	-438	-0.5	Existing pharmacies -5,572, Pharmacies opened in FY2015 +1,523, Pharmacies opened in FY2016 +3,755 , including Hepatitis C treatments -2,246
Others	1,473	1,068	944	-124	-11.6	
Operating income	5,017	6,087	6,248	161	2.6	
Medical practice support	1,005	137	738	601	437.3	Increase in rental sales
Pharmacies	4,805	6,655	6,316	-338	-5.1	Net sales were down due to revisions to dispensing fees and drug prices
Others	-123	-114	-52	61	—	Increase in sales of Healthcare information setvice, etc.
Reconciliation	(670)	(591)	(754)	-163	—	M&A-related expenses

\* 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.

## FY2016 Net sales / operating income (by region)

✓ In Higashinihon (east Japan), sales and operating income increased in contrast with the previous year. In Nishinihon (west Japan), sales fell while operating income rose. Meanwhile, in Kyushu, although sales rose in the medical practice support business, sales in the pharmacy business dropped sharply, dragging down operating income.

(¥millions)

	FY2014	FY2015	FY2016		Main factors	
			Change	Change (%)		
Net sales	107,945	120,776	122,216	1,440	1.2	
Higashinihon	39,614	43,838	48,054	4,215	9.6	
Medical practice support	8,617	7,750	8,969	1,219	15.7	Rental +566, Consulting fees +222, Design and construction of hospitals, clinics and assisted living facilities +109
Pharmacies	30,997	36,088	39,084	2,996	8.3	The negative impact from revisions of NHI drug prices and dispensing fees at existing pharmacies was offset by sales growth driven by pharmacies opened in FY2016.
Nishinihon	28,205	33,176	32,463	-713	-2.1	
Medical practice support	8,420	6,765	6,254	-511	-7.6	Rental +456, Leasing/Installment -1,119
Pharmacies	19,784	26,410	26,208	-202	-0.8	The decline in sales at existing pharmacies overshadowed the sales growth owing to pharmacies opened in FY2016.
Kyushu	37,793	39,905	37,541	-2,364	-5.9	
Medical practice support	8,040	6,077	7,001	924	15.2	Rental +304, Installation and maintenance of medical equipment +616
Pharmacies	29,752	33,828	30,539	-3,288	-9.7	At existing pharmacies, sales declined reflecting a substantial decline in prescriptions for Hepatitis C treatments and NHI drug price revisions.
Others	2,331	3,855	4,157	301	7.8	
Operating income	5,017	6,087	6,248	161	2.6	
Higashinihon	842	1,228	1,408	179	14.6	Medical practice support +225, Pharmacies +176, SG&A and others -257
Nishinihon	1,510	2,082	2,197	115	5.5	Medical practice support +188, Pharmacies -40
Kyushu	2,643	2,854	2,576	-277	-9.7	Medical practice support +97, Pharmacies -326
Others	620	490	856	365	74.6	Increase in sales of Healthcare information service, and Paramedical staff introduction and dispatch operations
Reconciliation	(599)	(568)	(790)	-221	-	M&A-related expenses

# Medical practice support (Consulting)

## Points

- ✓ Sales of general consulting services increased 20.4% compared with FY2015 to ¥1,483 million due to higher income from hospital bed reorganization consulting and facility leases such as healthcare malls.
- ✓ Fees from practice transfer/start-up support decreased 16.8% compared with FY2015 to ¥551 million.
- ✓ The number of doctors wishing to transfer/start-up practice using the DtoD System has increased by 6,730 persons compared with the end of the previous fiscal year to 69,159 persons.
- ✓ We opened ten healthcare malls, putting the total number of healthcare malls to 75 at the end of FY2016. We also assisted in the opening of 46 medical practices carried on by successors.

### Consulting sales (¥millions)

	FY2013	FY2014	FY2015	FY2016		
					Change	Change (%)
Total	1,672	1,693	1,894	2,035	140	7.4%
Consulting	1,044	1,061	1,232	1,483	251	20.4%
Transfer/start-up support	628	632	662	551	-111	-16.8%
Transfer support	425	440	435	347	-87	-20.2%
Start-up support	134	131	170	152	-17	-10.3%
DtoD concierge advertising	67	59	57	51	-5	-10.0%

### Succeed Members

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

	FY2013	FY2014	FY2015	FY2016		
					Change	Change (%)
Total	1,492	1,567	1,639	1,666	27	1.6%
Hospital	607	651	679	703	24	3.5%
Clinic	767	796	832	830	-2	-0.2%
Employed physicians, others	118	120	128	133	5	3.9%

### Number of doctors wishing to transfer/start-up a practice using the DtoD System (instances)

	FY2013	FY2014	FY2015	FY2016		
					Change	Change (%)
Doctors registered	48,430	56,505	62,429	69,159	6,730	10.8%

### Practice transfer support (instances)

	FY2013	FY2014	FY2015	FY2016		
					Change	Change (%)
Transfer support	5,066	5,535	5,863	5,183	-680	-11.6%
Full time	95	86	90	66	-24	-26.7%
Part time	4,971	5,449	5,773	5,117	-656	-11.4%

### Healthcare mall

#### / Support of medical practices carried on by successors

	FY2013	FY2014	FY2015	FY2016		
					Change	Change (%)
Healthcare mall (Number at the end of the fiscal year)	41	53	65	75	10	15.4%
Result for each fiscal year	5	12	12	10	-2	-16.7%
Support of medical practices carried on by successors	80	50	74	46	-28	-37.8%

### Lease contracts through practice start-up support

	FY2013	FY2014	FY2015	FY2016		
					Change	Change (%)
Lease contracts through start-up support (¥millions)	1,864	1,580	1,622	1,603	-19	-1.2%
Lease contracts through practice start-up support to total lease contracts	15.9%	15.9%	16.3%	17.8%	1.5%	-

# Medical practice support (Rental, Leasing/Installment)

## Points

- ✓ Rental sales increased 25.1% compared with FY2015 to ¥6,836 million.
- ✓ Current lease contracts totaled ¥9,008 million, a decline of 9.3% year-on-year due to negative impact from a negative interest rate, etc.

## Rental (Rental of television sets to inpatients)

### Rental sales (¥millions)

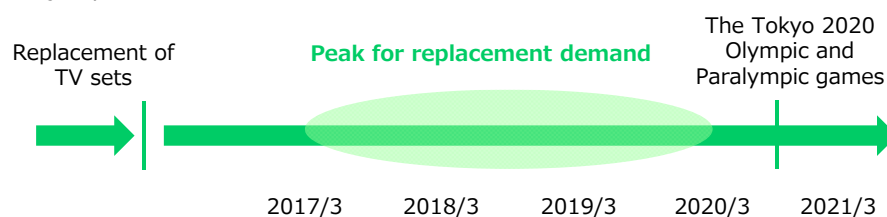
	FY2013	FY2014	FY2015	FY2016	FY2016	
					Change	Change (%)
Total	5,914	5,922	5,465	6,836	1,370	25.1%
Sales of rental contracts*	1,650	1,728	800	2,003	1,203	150.3%
Rental	4,263	4,193	4,665	4,832	167	3.6%

### Rental assets

	FY2013	FY2014	FY2015	FY2016	FY2016	
					Change	Change (%)
Rental assets (¥millions)	6,871	5,929	5,177	4,823	-354	-6.9%
Number of rental TVs (in thousands)	133	132	148	146	-2	-1.4%

### Forecast for rental business

The period for TV set rental contracts is 5-7 years.  
The majority of these contracts will come to term in 2017-2018.



## Leasing/Installment (Lease and installment sales of medical equipment)

### Leasing sales (¥millions)

	FY2013	FY2014	FY2015	FY2016	FY2016	
					Change	Change (%)
Total	19,113	15,243	11,035	10,153	-882	-8.0%
Sales of leasing contracts*	9,824	8,622	8,690	7,774	-916	-10.5%
Leasing	954	945	867	711	-156	-18.0%
Installment	568	514	554	597	43	7.8%
Sales of medical equipment	7,767	5,159	923	1,070	146	15.9%

### Lease assets (¥millions)

	FY2013	FY2014	FY2015	FY2016	FY2016	
					Change	Change (%)
Total	3,702	3,508	3,277	2,732	-543	-16.6%
Lease receivables and investment assets	2,014	1,701	1,403	911	-491	-35.1%
Accounts receivable installment sales	1,687	1,806	1,874	1,821	-52	-2.8%

### Lease contracts

	FY2013	FY2014	FY2015	FY2016	FY2016	
					Change	Change (%)
The company's lease contracts (¥millions)	11,670	9,928	9,937	9,008	-929	-9.3%
Medical equipment lease contracts in Japan (¥100millions) **	3,022	2,278	2,485	2,529	44	2.0%

\* 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.

\*\* Source: Lease Statistics (Japan Leasing Association) We estimated leasing sales for March 2017.

# Pharmacies (Sales/Number of pharmacies)

## Points

- ✓ Dispensing sales totaled ¥94,467 million, a decrease of 0.7% year-on-year. Although sales were buoyed by pharmacy openings in FY2015 and FY2016, this did not compensate for the decline in sales at existing pharmacies.
- ✓ Sales at existing pharmacies declined 6.3% versus the same period a year earlier due to a sharp fall in prescriptions for hepatitis C drugs and negative impact from revisions to NHI drug prices and dispensing fees.
- ✓ 105 new pharmacies (including 92 pharmacies in M&A) openings lifted the total to 674.

### Pharmacy sales (¥millions)

	FY2013	FY2014	FY2015	FY2016	Change	
					Change	Change (%)
Total	72,171	80,660	96,405	95,966	-438	-0.5%
Dispensing	71,008	79,271	95,119	94,467	-652	-0.7%
Prescription drugs	53,063	59,346	72,609	70,501	-2,108	-2.9%
Dispensing technical fees	17,945	19,925	22,510	23,966	1,455	6.5%
Non-prescription drugs	1,162	1,388	1,285	1,499	213	16.6%

### Dispensing sales (¥millions)

	FY2013	FY2014	FY2015	FY2016	Change	
					Change	Change (%)
Total	71,008	79,271	95,119	94,467	-652	-0.7%
Existing pharmacies	69,486	77,959	88,428	82,856	-5,572	-6.3%
Open in FY2015	-	-	6,009	7,532	1,523	25.3%
Open in FY2016	-	-	-	3,755	3,775	-
Closed pharmacies	1,522	1,312	682	322	-360	-52.8%

### Dispensing pharmacies

	FY2013	FY2014	FY2015	FY2016	Change	
					Change	Change (%)
Pharmacies	493	538	576	674	98	17.0%

### Newly open pharmacies

	FY2013	FY2014	FY2015	FY2016	Change	
					Change	Change (%)
New pharmacies	78	48	47	105	58	123.4%
organic	45	39	22	13	-9	-41.0%
including new client	28	20	12	8	-4	-33.3%
including existing client	17	19	10	5	-5	-50.0%
including M&A	33	9	25	92	67	268.0%



# FY2016 financial positions

(¥millions)

	FY2014	FY2015	FY2016	Change		Main factors
Total assets	69,811	74,621	86,760	12,138		
Current assets	36,584	39,189	44,999	5,809		
(Cash and deposits)	4,988	6,376	10,830	4,454		
(Notes and accounts receivable-trade)	17,485	19,617	21,395	1,777		Accounts receivables in the pharmacy business increased
(Inventories)	7,543	6,583	6,557	-26		
Noncurrent assets	33,226	35,431	41,760	6,329		
(Property, plant and equipment)	21,801	23,542	25,072	1,529		
(Intangible assets)	6,283	7,034	11,241	4,206		Goodwill +3,870
Total liabilities	43,290	44,975	53,879	8,903		
Current liabilities	30,109	31,237	33,228	1,990		
(Notes and accounts payable-trade)	18,841	18,590	20,258	1,667		
(Current portion of long-term loans payable)	2,903	4,046	4,607	560		
Noncurrent liabilities	13,180	13,737	20,650	6,913		
(Long-term loans payable)	6,835	9,204	15,171	5,966		New loans payable increased
(Long-term accounts payable-installment purchase)	3,055	1,938	2,160	222		
(Interest-bearing debts)	16,572	18,447	24,590	6,143		
Total net assets	26,521	29,646	32,880	3,234		Net income +3,779, Dividend payment -710
Total liabilities and net assets	69,811	74,621	86,760	12,138		
Net assets per share (¥)	1,824.1	1,967.1	2,178.4	211.3		
Capital adequacy ratio (%)	37.7	39.5	37.6	-1.9		
Net D / E ratio (times)	0.44	0.41	0.42	0.01		

\*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.

\*Dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split. Net assets per share for fiscal years ended March 31, 2015, and before has been calculated adjusted for the stock split.

# FY2016 cash flows

(¥millions)

	FY2014	FY2015	FY2016		Main factors
				Change	
Net cash provided by operating activities	6,051	7,004	10,931	3,926	
(Income before income taxes and minority interests)	5,175	4,824	6,391	1,567	
(Depreciation)	3,746	3,836	3,902	65	
(Impairment loss)	51	1,014	48	-965	
(Amortization of goodwill)	805	1,021	987	-34	
(Decrease (increase) in notes and accounts receivable-trade)	1,050	-993	1,127	2,121	
(Income taxes paid)	-2,108	-2,559	-2,222	337	
Net cash used in investing activities	-5,296	-4,981	-9,933	-4,951	
(Purchase of own-used assets)	-3,767	-4,233	-3,152	1,081	
(Purchase of property for lease)	-359	-876	-264	612	
(Purchase of investments in subsidiaries resulting in change in scope of consolidation)	-579	-147	-6,440	-6,293	M&A of pharmacies
Net cash used in financing activities	-1,637	-635	3,301	3,937	
(Proceeds from long-term loans payable)	4,749	6,485	10,933	4,448	Newly loans payable increased
(Repayment of long-term loans payable)	-3,211	-3,001	-4,446	-1,445	
(Repayments of lease obligations)	-512	-751	-324	427	
(Repayments of installment payables)	-2,094	-2,092	-1,924	167	
(Purchase of treasury stock)	-1	-708	-	708	
(Cash dividends paid)	-577	-629	-710	-81	
Net increase in cash and cash equivalents	-882	1,387	4,299	2,912	
Cash and cash equivalents at end of period	4,968	6,356	10,655	4,299	
Investment in plant and equipment	-4,127	-5,110	-3,416	1,693	

## Financial indicators

		FY2012	FY2013	FY2014	FY2015	FY2016
Profitability	Net income per share	¥175.41	¥197.82	¥192.20	¥154.65	¥252.52
	ROA	7.9%	8.2%	7.6%	8.6%	8.0%
	ROE	12.3%	12.6%	11.0%	8.3%	12.2%
	EBITDA margin	9.2%	8.8%	8.9%	9.1%	9.1%
	ROI	12.3%	13.0%	12.4%	14.6%	12.7%
Investment	PBR	1.1	1.2	1.8	1.9	1.9
	PER	9.5	10.5	17.6	24.7	16.6
Safety	Capital adequacy ratio	37.8%	35.7%	37.7%	39.5%	37.6%
	Net D/E	0.43	0.40	0.44	0.41	0.42
Dividend	Dividend per share	¥40	¥40	¥40	¥45	¥50
	Dividend payout ratio	22.8%	20.2%	20.8%	29.1%	19.8%

\* 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

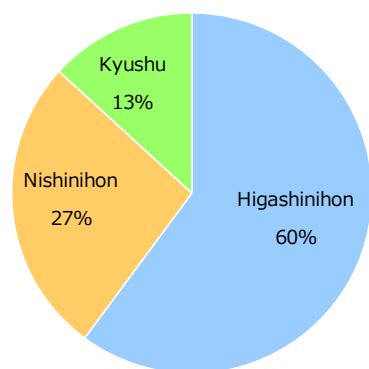
\* PER= The market capitalization / Net income

\* 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.

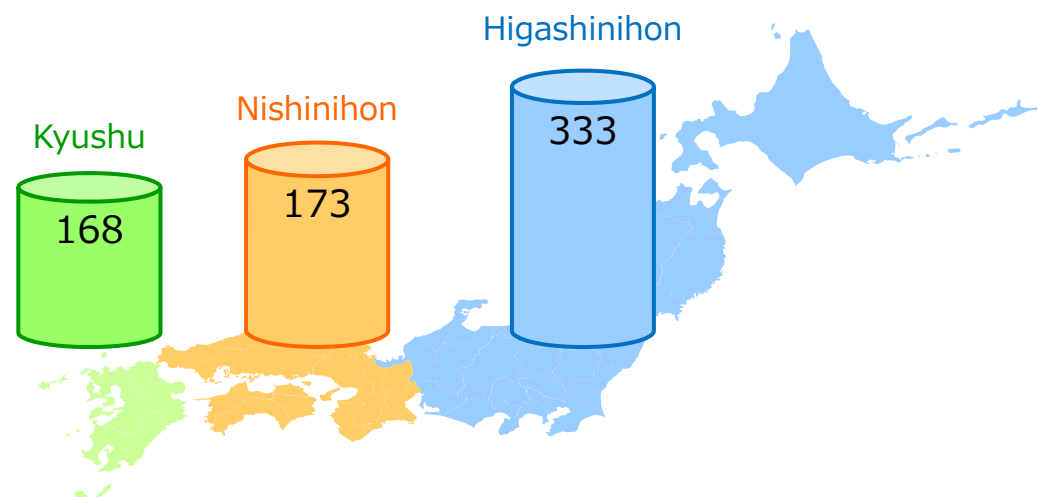
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# FY2016 operating results by region

● Number of doctors wishing to transfer/start-up a practice using the DtoD System by region



● Pharmacies



	Number of doctors wishing to transfer/start-up a practice using the DtoD System (instances) *1	Transfer support (instances) *2	Healthcare mall	Succeed Members	Pharmacies	
						Open in FY2016 (M&A)
Total	67,769	5,182	75	1,666	674	105 (92)
Higashinihon	40,759	2,065	39	408	333	94 (85)
Nishinihon	18,071	2,294	20	457	173	8 (6)
Kyushu	8,939	823	16	801	168	3 (1)

\*1 In total 69,159 doctors were registered, including 1,390 doctors not registered in a specific region.

\*2 Projects in more than one region are rounded down.

# Quarterly financial results (by business)

(¥millions)

	FY2014				FY2015				FY2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	24,896	26,845	27,268	28,933	27,506	29,511	31,453	32,304	28,102	29,217	29,388	35,507
Medical practice support	5,474	7,150	5,857	7,328	5,387	5,926	5,606	6,382	5,179	6,383	5,412	8,329
Consulting	334	419	370	569	377	513	415	588	461	499	447	625
Rental	1,085	1,499	1,265	2,071	1,345	1,643	1,162	1,314	1,492	1,851	1,391	2,100
Leasing/Installment	3,275	4,491	3,604	3,871	2,567	2,673	2,690	3,104	2,280	2,399	1,911	3,562
Others	778	739	617	816	1,097	1,095	1,337	1,375	945	1,632	1,661	2,041
Pharmacies	19,070	19,319	21,032	21,238	21,753	23,326	25,620	25,705	22,699	22,599	23,738	26,929
Others	351	376	379	366	366	258	226	216	223	234	237	248
Cost of sales	21,618	23,614	23,573	24,333	23,653	25,365	26,843	27,314	24,026	24,969	24,746	30,019
Gross profit	3,278	3,230	3,695	4,600	3,853	4,146	4,609	4,989	4,076	4,247	4,641	5,488
SG & A	2,507	2,455	2,413	2,411	2,891	2,891	2,794	2,933	2,951	2,940	2,964	3,350
Operating income	770	775	1,282	2,189	961	1,255	1,814	2,055	1,125	1,307	1,677	2,137
Medical practice support	-98	284	81	737	-98	111	-334	459	81	84	126	446
Pharmacies	1,073	688	1,375	1,668	1,244	1,328	2,252	1,829	1,198	1,378	1,730	2,009
Others	-36	-27	-19	-39	-35	-21	-14	-42	-29	-8	-10	-3
Reconciliation	(168)	(169)	(155)	(177)	(149)	(163)	(88)	(189)	(125)	(145)	(168)	(315)
Ordinary income	848	808	1,345	2,225	1,000	1,280	1,848	2,066	1,101	1,311	1,723	2,303
Profit attributable to owners of parent	471	390	796	1,116	544	509	1,063	200	616	764	982	1,416
Net income per share (¥)	32.6	27.1	55.1	77.4	37.4	33.6	70.6	13.0	41.1	51.0	65.6	94.7

\* Dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split. Net income per share for fiscal years ended March 31, 2015, and before has been calculated adjusted for the stock split.

# Quarterly data summary

(¥millions)

	FY2014				FY2015				FY2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consulting sales	334	419	370	569	377	513	415	588	461	499	447	625
Consulting	220	267	265	307	255	349	295	332	365	367	341	409
Practice transfer/start-up support	114	152	104	261	122	164	120	256	95	132	106	216
Practice transfer support	83	103	61	193	84	97	75	178	59	76	59	151
Practice start-up support	15	34	28	52	22	53	27	66	22	43	35	51
DtoD-concierge advertising	15	14	14	15	14	13	16	11	13	12	12	13
Number of doctors wishing to transfer/start-up a practice using the DtoD System (instances)	2,820	1,718	1,977	1,560	840	1,887	1,621	1,576	1,933	1,281	1,800	1,716
Practice transfer support (instances)	1,247	1,396	1,562	1,330	1,434	1,475	1,652	1,302	1,348	1,220	1,378	1,237
Full time	14	18	7	47	14	20	11	45	8	16	7	35
Part time	1,233	1,378	1,555	1,283	1,420	1,455	1,641	1,257	1,340	1,204	1,371	1,202
Support of medical practices carried on by successors	18	12	8	12	23	11	20	20	17	10	9	10
Rental sales	1,085	1,499	1,265	2,071	1,345	1,643	1,162	1,314	1,492	1,851	1,391	2,100
Sales of rental contracts*	67	406	229	1,024	279	433	86	0	314	587	216	885
Rental	1,017	1,093	1,036	1,046	1,065	1,209	1,075	1,314	1,178	1,263	1,175	1,214
Lease contracts	1,389	2,703	2,339	3,495	2,295	2,407	2,397	2,837	2,059	2,119	1,556	3,272
Leasing sales	3,275	4,491	3,604	3,871	2,567	2,673	2,690	3,104	2,280	2,399	1,911	3,562
Sales of leasing contracts *	1,245	2,275	1,961	3,139	1,946	2,160	2,213	2,369	1,764	1,911	1,389	2,709
Leasing	236	239	230	238	222	220	203	220	183	179	165	182
Installment	121	125	132	134	136	139	137	140	147	151	153	144
Sales of medical equipment	1,672	1,849	1,280	357	261	152	135	373	184	157	202	525
Dispensing pharmacies (Pharmacies)	508	525	530	538	567	574	575	576	578	580	672	674
New open	15	17	7	9	35	7	1	4	4	3	95	3
Number of prescriptions (in thousands)	2,201	2,166	2,361	2,368	2,388	2,412	2,594	2,644	2,544	2,508	2,712	3,050

\* 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.

## Ⅱ . FY2017 Financial Result Forecasts

## FY2017 Segment targets

Aim to open 25 healthcare malls, and open 18 pharmacies.

	FY2013 Results	FY2014 Results	FY2015 Results	FY2016 Results	FY2017 Targets
Healthcare mall (Number at the end of the fiscal year)	41	53	65	75	100
Result for each fiscal year	5	12	12	10	25
Pharmacies (Number at the end of the fiscal year)	493	538	576	674	692
New pharmacies (include M&A in results)	78	48	47	105	18

\* New pharmacy opening plans for FY2017 do not include M&A deals



## FY2017 Financial result forecasts

(¥millions)

	FY2016		FY2017 Forecast		Change			
	Interm	Full Year	Interm	Full Year	Interm	Interm (%)	Full Year	Full Year (%)
Net sales	57,320	122,216	64,899	135,566	7,579	13.2%	13,350	10.9%
Medical practice support	11,563	25,305	12,767	28,150	1,204	10.4%	2,845	11.2%
Consulting	961	2,035	1,019	2,455	58	6.0%	420	20.6%
Rental	3,343	6,836	3,613	7,587	270	8.1%	751	11.0%
Leasing/Installment	4,680	10,153	4,755	10,422	75	1.6%	269	2.6%
Others	2,577	6,280	3,379	7,686	802	31.1%	1,406	22.4%
Pharmacies	45,298	95,966	51,625	106,386	6,327	14.0%	10,420	10.9%
Others	458	944	506	1,030	48	10.5%	86	9.1%
Gross profit	8,324	18,454	9,229	20,165	905	10.9%	1,711	9.3%
SG & A	5,891	12,206	6,623	13,164	732	12.4%	958	7.8%
Operating income	2,432	6,248	2,605	7,001	173	7.1%	753	12.1%
Ordinary income	2,413	6,440	2,608	7,016	195	8.1%	576	8.9%
Profit attributable to owners of parent	1,380	3,779	1,434	4,029	54	3.9%	250	6.6%
Net income per share (¥)	92.2	252.5	95.8	269.1	3.6	-	16.6	-

### Ⅲ. FY2016 Medium-Term Management Plans

# Medium-term management plan (April, 2014 –March, 2017)

**“Further Challenge”** –Toward a better society in which people can live with a sense of security–

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

## Main priority initiatives



# Topics 1

## Medium-term management plan ①Undertaking New Businesses

### Medical practice support

HARUHI Respiratory Medical Hospital / SUKAGUCHI Clinic (Opened May 2016, Aichi)



▲HARUHI Respiratory Medical Hospital



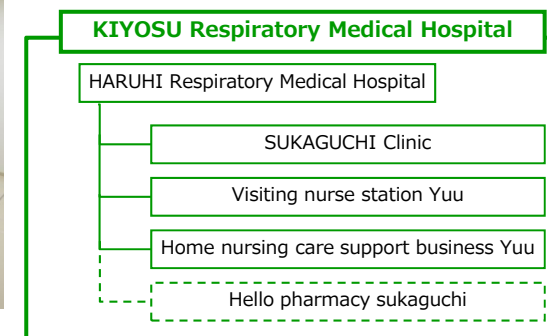
▲SUKAGUCHI Clinic



▲Hello pharmacy sukaguchi  
(Operated by Sogo Medical Pharmacy Chubu Co., Ltd., a comprehensive medical group company)



▲64-slice CT scanner



### Practice support

Management contracting, Introduction of doctor, Leasing/Installment, Rental, Risk management, Construction supervision, Facility Leasing, Pharmacy

### Key points

- Haruhi Respiratory Medical Hospital (120 beds) is the only medical facility specializing in respiratory diseases in the Tokai region.
- The hospital operates a satellite clinic (SUKAGUCHI Clinic), visiting nurse station, and home nursing care support business.
- Realize a seamless medical structure, from acute care to rehabilitation, which are necessary for surgery and post-surgery patients, to home medical services for chronic care.
- Formed a partnership with a classroom of the Department of Pathology, School of Medicine, Nagasaki University and developed an Internet system to facilitate real-time diagnostic discussions. Aiming to achieve more accurate examinations and diagnoses.

# Topics 2

## Medium-term management plan ②Improving Existing Businesses Medical practice support

### Healthcare Malls Opened in FY2016

**Hibikino Mall**  
(Opened July 2016, Fukuoka)



**Miyahara Clinic Mall**  
(Opened September 2016, Osaka)



**Ogaki-Ekimae Mall**  
(Opened October 2016, Gifu)



**Tanashi Clinic Mall**  
(Opened September 2016, Tokyo)



**Minaminagareyama Clinic Mall**  
(Opened May 2016, Chiba)



**Shingu Chuo-Ekimae Mall**  
(Opened October 2016, Fukuoka)



**Kajigaya-Ekimae Clinic Mall**  
(Opened May 2016, Kanagawa)



# Topics 3

## Medium-term management plan ②Improving Existing Businesses Medical practice support

### Creating the ideal healthcare mall

**Tanashi Clinic Mall** (Opened September 2016, Tokyo)



- The Dermatology Department opened in April 2017, in addition to a Cardiovascular Internal Medicine Department and ENT Department.
- Located in close proximity to a train station and city offices to provide easy access to local residents.
- Also plans to move ahead with collaborations with neighboring hospitals.

<Practice support>

Start-up consulting, Leasing/Installment, Sales of medical equipment, Real estate brokerage, Risk management, Design/Construction, Pharmacy

**Kajigaya Ekimae Clinic Mall** (Opened May 2016, Kanagawa)



- Set up in front of train station to offer a high level of convenience for local residents. Facilities include pediatrics, ophthalmology, and dentistry departments, pharmacy, nursery, and adult day-care services.
- Addressing a wide-range of needs for local residents from seniors to the child-rearing generation.

<Practice support>

Real estate brokerage, Risk management, Design/Construction, Pharmacy

**Ogaki-Ekimae Mall** (Opened October 2016, Gifu)



- Equipped with a urology department and psychosomatic medicine department.
- Located in the commercial facilities that were constructed in tandem with the redevelopment of the area in front of Ogaki Station. The location is easily accessible for local residents.
- The population in the area is expected to increase owing to several factors, mainly as it is within commuting distance of Nagoya and as there are plans to construct condos in the nearby area.

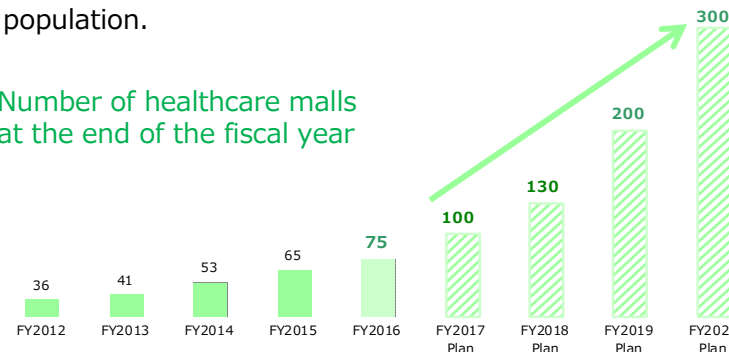
<Practice support>

Start-up consulting, Leasing/Installment, Sales of medical equipment, Real estate brokerage, Risk management, Design/Construction, Pharmacy

### Further expansion of the healthcare mall business

- Expansion, primarily in the Tokyo metropolitan area and Kansai region, where demand is particularly high, owing to an aging population.

Number of healthcare malls at the end of the fiscal year



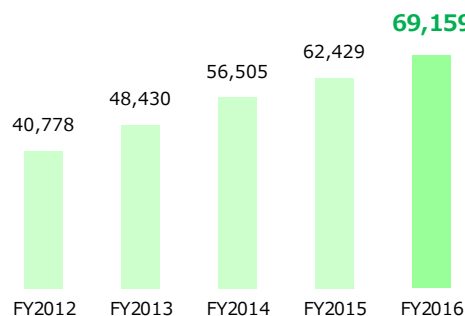
# Topics 4

## Medium-term management plan ②Improving Existing Businesses Medical practice support

### DtoD –15 years of helping doctors reach their aspirations–

- The DtoD (Doctor to Doctor) system, which supports the succession of medical practices, helps coordinate medical care, and assists doctors to finding new jobs, was launched in October 2001 and is celebrating its 15th anniversary this year.

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



Exceeded 69,000 people in total. 33% of the approximately 210,000 (※) employed physicians

\*Source: Overview of Doctors/Dentists/Pharmacists in 2014 (Ministry of Health, Labor and Welfare)

### Promoting third-party medical practice succession which contributes to local medical care

- Third-party medical practice succession refers doctors wishing to startup their own practices to private practices (clinics) that do not have a successor to take over their business. This sustains and invigorates the local medical care services.
- In the fiscal period ending March 31, 2017, we supported 46 such successions.

### Strengths of the DtoD system and reasons it is chosen

- The goal of the DtoD system is to resolve the problems and issues doctors face in the frontlines of the medical field. The system utilizes doctor information registered on the DtoD Concierge website and its cross-regional sales network, which has 28 locations nationwide, to help doctors make a smooth transition, between workplaces to open their own practice.
- The system contributes to regional medical care and also provides lifetime support to doctors with thorough follow-ups.

The screenshot shows the DtoD Concierge website interface. At the top, there is a navigation bar with the DtoD logo and contact information (0120-337-613). Below the navigation bar, there are several sections: a login area, a featured article titled 'オーダーメイド転職 支援事例' (Order-Made Job Change Support Case Study), and a section titled '4つのキャリアサポート' (4 Career Support Services). The '4つのキャリアサポート' section includes four categories: '常勤 転職' (5,175 jobs), '定期 アルバイト' (2,091 jobs), 'スポット アルバイト' (1,411 jobs), and '開業 新規・継承' (508 jobs). Each category has a '求人を探す' (Find Jobs) button.

# Topics 5

## Medium-term management plan ②Improving Existing Businesses Medical practice support

### Hospital bed reorganization consulting for medical institutions

Provide support for the reorganization of local medical functions in accordance with the MHLW's community healthcare vision.

- We receive many inquiries from medical institutions for hospital bed reorganization consulting. In FY 2016, we consulted on 20 cases.
- We present clients with options for reorganization and solutions to problems by conducting a comparison with comprehensive management diagnosis.
- There are 39 healthcare management consultants (※) at Sogo Medical that offer support to medical institutions.  
※These healthcare management consultants are all certified by the Japan Association of Healthcare Management Consultants

#### <Healthcare community vision>

- To promote the separation of hospital beds by function and cooperation between clinics and hospitals, we estimated healthcare demand for 2025 and determined the number of hospital beds that would be necessary for each healthcare function. Hospitals need to report to prefectures on the current status and future conditions of healthcare functions.

- The decision deadline is March 2018

[Number of hospital beds necessary nationwide for each hospital bed function]

	Results of calculations based on hospital bed function reporting system①	Number of hospital beds necessary based on the regional healthcare model②	①-②
Advanced acute care hospital beds	171,404	129,206	▲ 42,198
Acute care hospital beds	595,983	397,499	▲ 198,484
Rehabilitation hospital beds	140,333	373,795	233,462
Chronic care hospital beds	352,776	283,023	▲ 69,753
Overall	1,288,548	1,183,523	▲ 105,025

(bed)

### Healthcare management seminars

(held in Tokyo and Osaka in February and Fukuoka in March 2017)

We will hold seminars for hospital managers and executives.

- February 12 : Tokyo  
 What type of healthcare management is necessary to realize the healthcare community vision  
 ※The number of participants was **219**.
- February 26 : Osaka  
 Strategies essential to hospitals for realizing the healthcare community vision  
 ※The number of participants was **122**.
- March 12 : Fukuoka  
 Taking advantage of the 7th round of revisions to the Medical Care Act -Direction of proper healthcare being sought by communities-  
 ※The number of participants was **166**.





# Topics 6

## Medium-term management plan ②Improving Existing Businesses Pharmacies

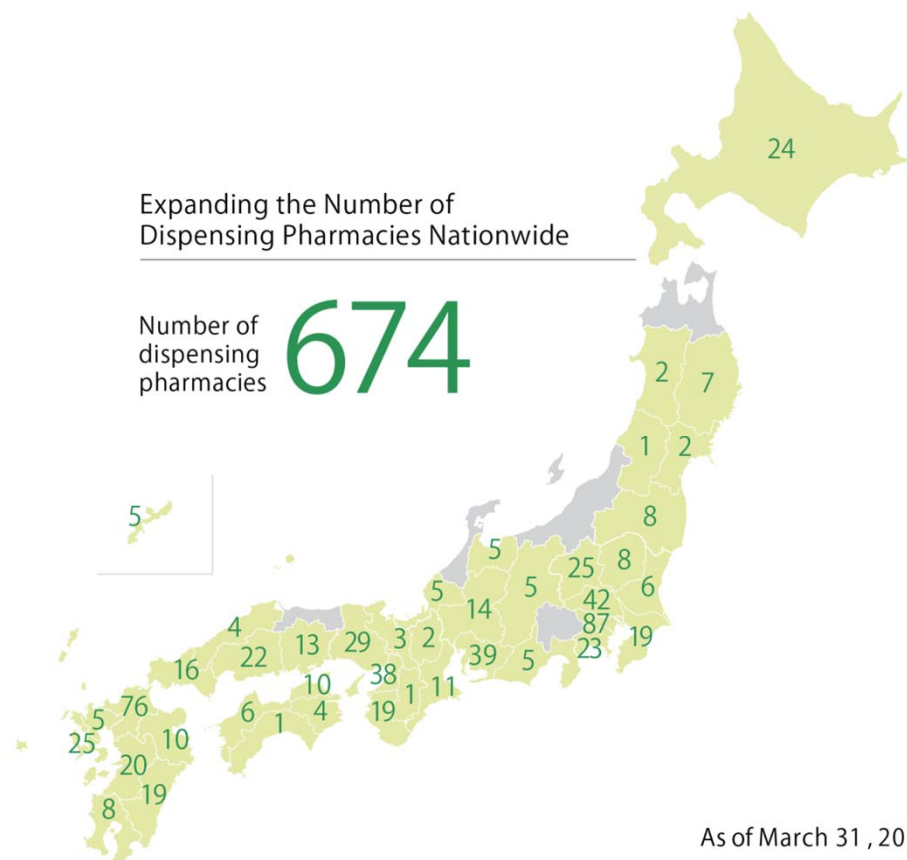
In December 2016, the Miyonodai Pharmacy Group became a member of our group. This brings the total number of pharmacies to 674.

- We aim to strengthen our function as a primary pharmacy by fully utilizing the home healthcare technologies and knowhow cultivated by the Miyonodai Pharmacy Group over many years in the Sogo Pharmacy Group's home healthcare business.
- We aim to enhance the corporate value of our group by training pharmacists that will truly contribute to society.
- On January 1, 2017, we ranked No. 3 among dispensing pharmacy chains, based on the number of pharmacies we operate.

### <Miyonodai Pharmacy Group>

- Operates 91 pharmacies in the Kanto area (Tokyo and six prefectures), primarily Tokyo, and Mie and Osaka Prefectures.
- The group's philosophy is to contribute to communities by serving as a contact point for the local community's healthcare, nursing, and welfare needs.
- The group was one of the first to offer home healthcare service by anticipating the needs of an aging society.
- The group has a top-class business platform in the Tokyo metropolitan area, in which home healthcare demand is expected to increase further going forward. The group also has a high level of technology and knowhow necessary for addressing various needs in home healthcare, including offering guidance to patients on taking medication at their homes, preparing sterilized formations, and night-time visits.

※In the Tokyo metropolitan area alone, the population of people over 75 years and older is expected to increase by 1.75 million by 2025.



# Revision and effect of Dispensing Fees in FY2016

## Review of basic dispensing fee (revision of evaluation for pharmacies located in front of large hospitals)

### 【Post revision】

Basic dispensing fee		Special exceptions (*1) (when factored in)	50/100 reduction (*2) (when factored in)
<b>Basic dispensing fee 1</b>	41 points	—	21 points
<b>Basic dispensing fee 2 (Requirement revisions)</b> <ul style="list-style-type: none"> <li>● More than 4,000 prescriptions filled per month and a concentration ratio of 70%-plus</li> <li>● More than 2,000 prescriptions filled per month and a concentration ratio of 90%-plus</li> <li>● More than 4,000 prescriptions filled per month from a designated medical institution (Concentration ratio does not factor in.)</li> </ul>	25 points	Basic fee set at 1	13 points
<b>Basic dispensing fee 3 (Newly set fee)</b> For health insurance pharmacies belonging to a pharmacy group that fills more than 40,000 prescriptions per month overall <ul style="list-style-type: none"> <li>● Prescription concentration rate of 95%-plus</li> <li>● Leases real estate from a designated medical institution</li> </ul>	20 points	Basic fee set at 1	10 points
<b>Basic dispensing fee 4</b> (Low price settlement rate for basic dispensing fee 1)	31 points	—	16 points
<b>Basic dispensing fee 5</b> (Low price settlement rate for basic dispensing fee 2)	19 points	Basic fee set at 4	10 points
<b>Special basic dispensing fee (Newly set fee)</b> (Low price settlement rate for basic dispensing fee 3)	15 points	Basic fee set at 4	8 points

※ 1 : In the event all criteria is met

- 50% or more of pharmacists working at the pharmacy conform to facility standards for primary care pharmacist guidance fees
- Is a primary care pharmacist with considerable experience in guidance fees and comprehensive management fees

※ 2 : Pharmacies that do not implement a fixed number of operations per year that are related to the basic functions of a primary care pharmacy (excluding pharmacies that fill 600 or fewer prescriptions per month)

\*Source: Excerpts from Ministry of Health, Labour and Welfare material

# Revision and effect of Dispensing Fees in FY2016

## Review premium for standard dispensing system

### [Current fees]

- Scheme to claim a premium for standard dispensing 1 12 points
- Scheme to claim a premium for standard dispensing 2 36 points

### [Post revision]

- **Scheme to claim a premium for standard dispensing** 32 points

[Calculation criteria]

- Calculation only for health insurance pharmacies using the formula for the basic dispensing fee 1 (41 points).

[Facility standards]

- Storing more than 1,200 types of pharmaceuticals.
- Open for business for more than 45 hours per week. Operates more than 8 hours a day on weekdays, and open Saturdays and Sundays for a specified amount of time.
- Either independently or in alliance with a neighboring pharmacy, operates dispensing 24 hours a day and with a system in place for work-at-home pharmacists jobs.
- Possesses a narcotics license.
- Has a work-at-home track record of one year.
- The supervising pharmacist must have more than 5 years experience working at a pharmacy. Prior to becoming a supervising pharmacist, the pharmacist must have worked at the same pharmacy for more than 1 year. And the pharmacist must work at the pharmacy for more than 32 hours.
- Submitted regulatory filing for primary care pharmacist guidance fees and comprehensive management fees.
- The pharmacy must have a prescription concentration rate of over 90% and the ratio of generics dispensed must be more than 30%.

## Requirements change for the scheme for claiming premiums for the dispensing of generics by pharmacies

### [Current fees]

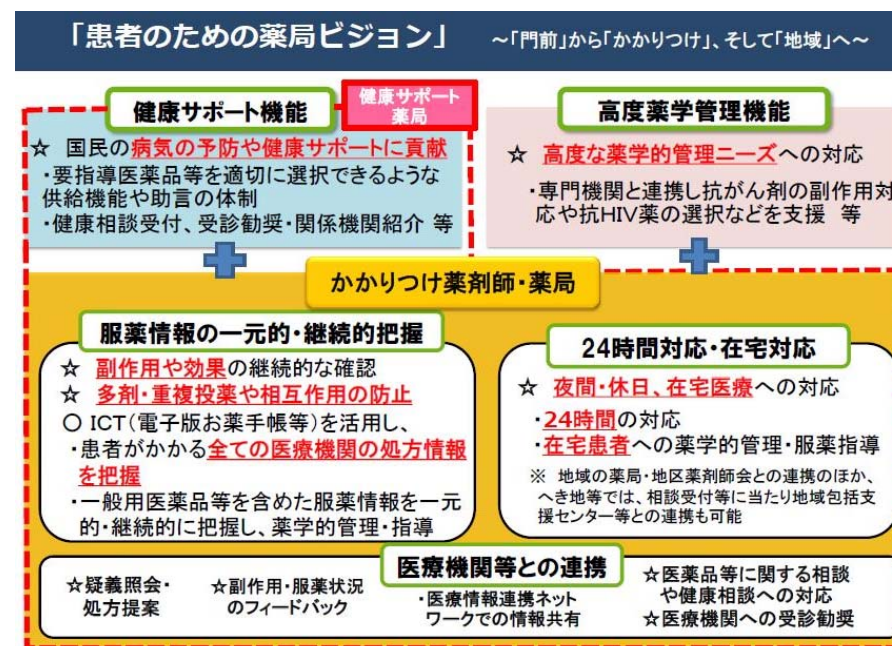
- Scheme for claiming premiums for the dispensing of generics 1 (Ratio of dispensing volume is 55% or higher) 18 points
- Scheme for claiming premiums for the dispensing of generics 2 (Ratio of dispensing volume is 65% or higher) 22 points

### [Post revision]

- **Scheme for claiming premiums for the dispensing of generics 1** (Ratio of dispensing volume is **65%** or higher) 18 points
- **Scheme for claiming premiums for the dispensing of generics 2** (Ratio of dispensing volume is **75%** or higher) 22 points

## Patient-first vision for pharmacies

Becoming a primary-care pharmacy, rather than just the pharmacy in front of the hospital, and evolving into a part of the community.



\*Source: Excerpts from Ministry of Health, Labour and Welfare material

# Topics 7

## Medium-term management plan ②Improving Existing Businesses Pharmacies

### Duties as primary care pharmacist/pharmacy

- Carry out various duties as a general health station and as the primary care pharmacist/pharmacy that is selected by patients
  - Home visits
  - Trace report
  - Bags for disposal of leftover drugs
  - Medicine calendar
  - Supporter of patients with dementia
  - Training
  - Special business card as primary care pharmacist
  - Also, advertising tools as primary care pharmacist



▲Home visits



▲Trace report  
For information such as the voice of patients, including information on drug administration and doses, create trace reports to provide feedback to doctors.



▲Medicine calendar



▲Special business card as primary pharmacist



▲Orange wristband identifying staff as supporters of Dementia patients.



▲In-pharmacy posters

### Launching field training program for primary-care pharmacists

- This program is a more hands-on field training program for our pharmacists nationwide. We plan to start implementing the program for pharmacists at Sogo Pharmacies and then expand it to include group pharmacies.
  - Main details
    - (1) Support self-medication
      - a. Selection and introduction of safe and effective OTC drugs depending on the patient's needs
      - b. Advice on preventing and improving an illness, including life-style diseases
      - c. Advice on medical exams depending on a patient's symptoms
    - (2) Improvement of communication skills
 

Videotape a mock patient interview and have pharmacists objectively review their dialogue with the patient



▲Training using mock patients

# Topics 8

## Medium-term management plan ②Improving Existing Businesses Pharmacies

### Increase the number of pharmacists specializing in cancer and diabetes treatment

- Promote the growth of pharmacists specializing in cancer and diabetes treatment (internal certification) to deal with patients that have advanced pharmacological management needs.
- From 2011, we placed pharmacists specializing in cancer and diabetes treatment at Sogo Pharmacy Tenjin Chuo to provide optimal care to individual patients.
- We aim to expand this on a company-wide basis through systematic training, including knowledge of diseases, patient psychology, and care procedures.

### Pharmacists specializing in home care getting fully underway

- Pharmacists specializing in home care (internal certification) have an advanced knowledge of pharmacology and pathology, and have a high level of expertise in providing care in cooperation with medical professionals in other fields.
- Provide advice based on the individual patient's lifestyle.
- Sogo Medical Group pharmacists visit patients in their homes or in senior living facilities to deliver prescriptions. We are actively embarking on a pharmacy home visit service to assist patients in managing and taking medications.



▲Sterilized pharmacy using a sterile workbench (Sogo Pharmacy home visit center in Aoto, Tokyo)

### Accredited Pharmacist of Ambulatory Cancer Chemotherapy

- Accredited Sogo Medical pharmacist for out-patient cancer therapy gave a lecture at the 24th Annual Meeting of The Japanese Breast Cancer Society and Annual Meeting of Japanese Society of Pharmaceutical Oncology in 2017.
- Sogo Medical has four accredited pharmacists for out-patient cancer therapy.
- A monthly meeting has been held at the Sogo Pharmacy Tenjin Chuo shop, since 2013.
- These meetings provide cancer patients and their family members with a place for frankly expressing their various thoughts and worries while having tea.



# Topics 9

## Medium-term management plan ②Improving Existing Businesses Pharmacies

### Healthcare support pharmacy initiatives

#### ●Healthcare support pharmacies

- These pharmacies are equipped with the basic functions of a primary pharmacist/pharmacy. They actively promote the health of residents in the local community.
- 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.

#### ●Sogo Medical's initiatives

- On October 18, the Sogo Pharmacy Hagi (Hagi City, Yamaguchi Prefecture) became our first healthcare support pharmacy.
- Enacted on April 1, 2016. Filings began on October 1, 2016.
- **In April, 2017, we had a total of 37 healthcare support pharmacies.** 267 filings nationwide until April, 2017.
- We plan to actively promote the healthcare support pharmacy initiative going forward as it adheres to the direction of our group's plans to develop pharmacies that work closely with the surrounding community to be a "healthcare station for all."



▲Sogo Pharmacy Hagi



#### Handling of pharmaceuticals that require guidance on dosage of intake, and other matters

On-site training to support for self-medication  
The program is open to around 1,500 pharmacists throughout Japan.



#### Pharmacy facilities

Each pharmacy has a consultation space and pharmacy windows that are partitioned off for privacy.



#### Healthcare consultation meetings and support

Various events are held related to healthcare (early detection of dementia, diabetes prevention, consultation meetings on nutrition, etc.)

# Topics 1 0

## Medium-term management plan ②Improving Existing Businesses Pharmacies

### Increasing the implementation of health events

- Packaging the content of events so that high-quality health events can be efficiently carried out at all pharmacies. We aim to pour energies into promoting health and wellbeing among local residents by further enhancing the health-support function of our pharmacies.

#### 【Content of health event packages】

Held at pharmacies, free of charge. Lend pharmacies a set that includes related tools, such as operational guidelines and devices that gauge a person's health.

#### 1. Lectures by pharmacists and nutritionists

Topics include preventing dementia and diabetes

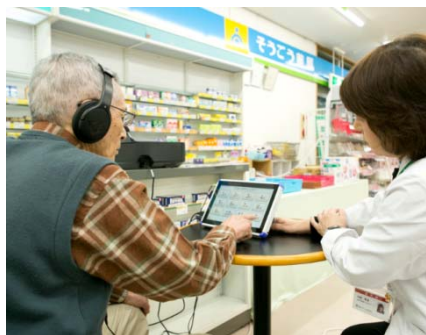
#### 2Health experience event

Take simple test for forgetfulness, thrilling art experience (activate brain cells)

#### 3. Health check

Measure blood pressure, blood vessel age, and body composition (weight, body fat (BDI), muscle, etc.)

Pharmacists help customers take measurements and offer advice based on the results



### Early detection of dementia and proper handling

#### 【Example】 Sogo Pharmacy Machida Yakushidai

- A hands-on events and consultation meeting was held on cognitive functions and simple tests for detecting dementia.
  - In October 2016, we conducted a simple test for the early detection of mild cognitive impairments. Local residents participated in the test.
  - The purpose of this test is to encourage people to make improvements to their daily lifestyle habits while in the early stages of mild cognitive impairments. Participants are also urged to share the results of the test with affiliated medical institutions so that they can receive support further out.
- Participation in the Dementia Café
  - The Yakushidai Medical Terrace hosts the Dementia Café once a month. This Pharmacy is a tenant in the Yakushidai Medical Terrace.
  - The event is jointly held by the facilities in this medical mall. (internal medicine and orthopedic clinic, pharmacy, day service, etc.)
  - The café aims to contribute to the prevention of dementia among local residents through various events, including lectures by doctors and dementia patients.



▲ Hands-on event to promote the simple testing of cognitive functions

#### Dementia supporters

- The dementia supporters offer warm support to dementia patients and their families. These supporters possess knowledge and a proper understanding of dementia.
- We are actively offering this training to new employees and others in the Sogo Medical Group.
- Around 85% of the staff that works at our pharmacies is a certified dementia supporter.

# Topics 1 1

## Medium-term management plan ②Improving Existing Businesses Pharmacies

### Manage leftover drugs and reduce medical costs by roughly ¥5 million per month

- In May 2016, we began handing out our own original “leftover drug bag” to patients for free at all Sogo Pharmacies nationwide. This step is to strengthen steps to resolve the issue of leftover drugs.
- The objective of the leftover drug bag is to reduce the amount of drugs leftover and adjust drug therapies. Patients place the drugs they forgot to take or overlapping prescriptions into the bag and bring them to their primary pharmacist.

#### [Results from verification of benefits of leftover drug management]

1. Period: About 7 months (May 10, to November 30, 2016)
2. Participating pharmacies: 442 directly-managed Sogo Pharmacies
3. Flow of steps and benefits
  - i. Adjust (reduce) the amount of drugs that are leftover  
→ 19,765 times
  - ii. Give the patient a leftover drug bag for find out what drugs go unused  
→ 4,840 times
  - iii. The bag is brought back to the pharmacy at a later date and adjustments are made based on the amount of drugs left over  
→ 913 times

The total amount of leftover drugs during the 7 months (i + iii)

→ **About ¥35 million**  
**(roughly ¥5 million per month)**



▲ Leftover drug bag

### Partner in the government’s hepatitis awareness project

- On December 1, 2016, we registered as a partner for the government’s Project which helps to raise awareness of hepatitis. The project is being conducted by the MHLW as a part of its program to raise public awareness to fight hepatitis.
- We plan to hold awareness-raising activities directed at patients and employees. This will include providing information on hepatitis and the importance of testing for the hepatitis virus.

#### <Program to Raise Public Awareness to Fight Hepatitis>

- This program was launched in response to the basic guidelines developed in 2011 on fighting the spread of hepatitis. The program is part of a campaign for the MHLW’s subsidy program for the treatment of hepatitis.
- From 2013, awareness-raising activities have been actively carried out to provide easy-to-understand information on hepatitis and the importance of getting tested for the hepatitis virus. The goal is to give the public a proper understanding of the disease and promote early detection and early treatment.



# Topics 1 2

## Medium-term management plan ②Improving Existing Businesses Pharmacies

### Private-brand products "SOGO SMILE"

- Products are jointly developed by pharmacists and senior nutritionists.

安心をつなぐ、笑顔をつなぐ。



### Virtual shop opened

- From the middle of September, we opened a virtual shop at Sogo Pharmacy Tenjin Chuo, where customers can purchase SOGO SMILE products, a medical brand of products, among other items.
- The virtual shop can be accessed by a smartphone app ExOrder.\*
- The user uses their smartphone to read a product's data matrix code on a poster or panel and then simply presses the "buy" button. Purchases are delivered to the customer's home as quickly as the next day.
- The virtual shop carries around 20 items, mainly the SOGO SMILE brand of products. We are currently considering expanding the number of products offered and rolling out virtual shops at other pharmacies.
- From late March 2017, we began distributing a leaflet version. Given home nursing care needs, we plan to further expand our product lineup by adding nursing care goods (including diapers).

\* AliveCast Co., Ltd. developed the smartphone application.



▲Posted with the product data matrix code

# Topics 1 3

Medium-term management plan ③Expanding to corporate value Improve value of human resources

## Increasing the number of female employees in leadership positions

### Training for future female managers

- The goals of this training are for female employees to learn mental preparation and the skills required of managerial staff, and to consider a clear life and career plan.
- This training develops human resources who are expected to exercise real leadership as managerial staff members and candidates for those posts in the future.

### Seminar on promoting the roles of female employees

- We share ideas on implementing OJT in the workplace to promote the roles of women in the company.



▲Seminar on promoting the roles of female employees

## Promoting the hiring of employees with disabilities

- Establishing a section devoted to the employment of challenged people, and concentrating on this section various kinds of work supporting other sections around the company, including the preparation of business cards, seals, and other office equipment.
- Aiming to raise our company to an organization that enables challenged employees to be independent, feel more confident and proud of themselves, and work as valuable assets to the company.



▲Preparing business cards



▲Enclosing and wrapping PB product samples

# Topics 1 4

## Medium-term management plan ③Expanding to corporate value

### HOKENDOHJINSHA Inc.

HOKENDOHJINSHA became a part of the Sogo Medical Group in March 2015.

Corporate profile (as of April 1, 2017)

Company name	HOKENDOHJINSHA Inc.
Representative	Hirokazu Furukawa, Representative Director and President
Founding	June 1, 1946
Address (head office)	4-4 Ichibancho, Chiyoda-ku, Tokyo
Locations	Tokyo, Osaka, Nagoya, Fukuoka
No. of Employees	159
Capital	¥59 million
Main shareholders	Sogo Medical Co., Ltd; Mitsui & Co., Ltd.
Business description	Health and mental care consultation services, provision of healthcare information over the Internet and via portable devices, EAP (employee assistance program) business, and publication of medical and healthcare related materials

### Appreciation event to commemorate the 70th anniversary of Sogo Medical's founding

- On October 21, 2016, we held an appreciation event. Over 200 people attended, including members of health insurance organizations and medical practitioners. Dr. Fukui, president of St. Luke's International Hospital, gave a lecture.
- Returned to founding spirit and aiming to become a company that fully addresses the needs of a new generation.



Appreciation event to commemorate the 70th anniversary.

We plan to offer total health management\* support by reinforcing the EAP (employee assistance program) business given that stress checks are now mandatory.

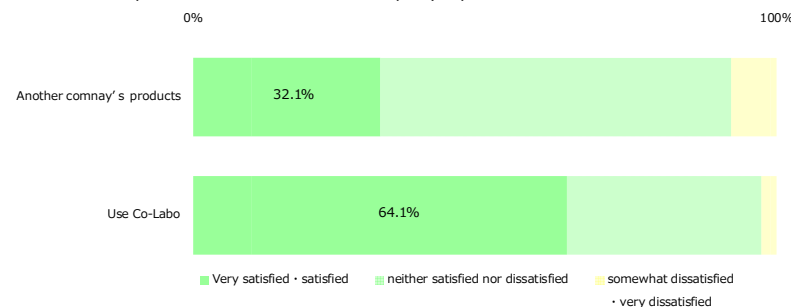
- Hokendohjinsha, Inc and Humanage, Inc. (Head office: Chiyoda-ku, Tokyo; President: Ryoza Saito) jointly supplied TEAMS, an employee assistance program (EAP) for companies that currently boasts usership of 1,561 corporations and more than 9.47 million people (as of September 2016).

### Offering Co-Labo stress-check package to support group companies

- From January 16, 2017, Hokendohjinsha, and Humanage, began providing the Co-Labo stress-check package to support group companies and facilitate the effective introduction and operation by group companies.
- The Co-Labo stress-check package to support group companies offers cost benefits. But its biggest feature is the ability to flexibly accommodate a wide range of needs, including a standard implementation method for an entire group, and the separation of announcements to employees at each group company, although the head office is in charge (or for exam period, high stress standards, etc.).

### 【Level of service satisfaction (survey by Hokendohjinsha Inc.)】

Higher level of satisfaction at companies that use Co-Labo, as opposed to those companies that use another company's products



\* Health management is a registered trademark of the Workshop for the Management of Health on Company and Employee

# Topics 1 5

## Medium-term management plan ③Expanding to corporate value

### Student seminars and internships

【Seminar for students look to work in pharmaceutical sales】

- Various seminars
  - Target: Open to all students, regardless of year in school, or whether the student is a liberal arts or science major
  - Content: Sales experience seminar, pharmaceutical industry seminar, self-awareness seminar, and consulting seminar
  - Locations: Tokyo, Osaka, and Fukuoka (total of 26 times)



【For students planning to become pharmacists】

- Target t: Pharmacy students in the 3rd-5th year
- Content: Training and workplace experience
- Locations: Tokyo, Osaka, Nagoya, Okayama, Hiroshima, and Fukuoka

\*Around 200 participants in 2016

- Seminar to prepare for national exam
  - Target: Pharmacy students that have not made it to their 5th year of studies
  - Content: In addition to the seminar to prep for the national exam, other events were held, including a round-table discussion with senior employees
  - Locations: Tokyo, Osaka, and Fukuoka (total 15 times)
  - \*Roughly 500 participants in 2016



▲Seminar for students look to work in pharmaceutical sales



▲Round-table discussion with senior employees

# Topics 1 6

## Medium-term management plan ③Expanding to corporate value

### Articles run in the newspaper, The Nikkei

- During December 8th -10th, 2016, newspaper, The Nikkei, covered our company in a three part series titled “Interpreting corporate strength.”
- “Development of healthcare mall in Osaka” on March 31, 2017.
- We uploaded the articles to our website.  
[http://www.sogo-medical.co.jp/attention/index\\_5.php](http://www.sogo-medical.co.jp/attention/index_5.php) (Articles on our company)

**企業力を 読む**  
**総合メディカル**

## 医療モール 成長の柱に

山形県で初の医療モール

医療モール開発で様々なサービスを提供する

- クリニックの付設
- 内装の設計・施工
- レントゲンなど医療機器リース
- 医師の転職・転職支援
- 調剤薬局の設置
- 医師の勤務・就業支援

総合メディカルの連結業績と医療モール数

▲ December 8, 2016 newspaper, The Nikkei, morning edition, Kyushu Economies

**企業力を 読む**  
**総合メディカル**

## 調剤薬局 数より質

### 坂本賢治社長に聞く

#### 「地域包括ケア」担い手に

調剤薬局は在宅医療を支える重要な役割を担っている。4月には調剤薬局の数を増やすだけでなく、調剤薬局の質を高めることに注力している。調剤薬局の質を高めるには、調剤薬局の数を増やすだけでなく、調剤薬局の質を高めることが重要である。調剤薬局の質を高めるには、調剤薬局の数を増やすだけでなく、調剤薬局の質を高めることが重要である。

**研修増やし知識高める**

全国の調剤薬局から在宅医療に関与する調剤師を募集し、研修を実施している。研修内容は、在宅医療の基礎知識、調剤薬局の業務、在宅医療の現場での実践などである。研修を受けた調剤師は、在宅医療の現場で活躍し、在宅医療の発展に貢献する。調剤師の知識を高めることは、在宅医療の質を高めるために不可欠である。

**調剤薬局は在宅医療を支える重要な役割を担っている。**

▲ December 9, 2016 newspaper, The Nikkei, morning edition, Kyushu Economies

**企業力を 読む**  
**総合メディカル**

## 調剤薬局 数より質

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**調剤薬局は在宅医療を支える重要な役割を担っている。**

▲ December 10, 2016 newspaper, The Nikkei, morning edition, Kyushu Economies

**企業力を 読む**  
**総合メディカル**

## 医療モール 大阪で開発

### 総合メディカル 関西都市部で加速

調剤薬局は在宅医療を支える重要な役割を担っている。4月には調剤薬局の数を増やすだけでなく、調剤薬局の質を高めることに注力している。調剤薬局の質を高めるには、調剤薬局の数を増やすだけでなく、調剤薬局の質を高めることが重要である。調剤薬局の質を高めるには、調剤薬局の数を増やすだけでなく、調剤薬局の質を高めることが重要である。

**調剤薬局は在宅医療を支える重要な役割を担っている。**

▲ March 31, 2017 newspaper, The Nikkei, morning edition, Kyushu Economies

※We received permission to upload these articles from Nikkei Inc..



## IV. Corporate Profile / Business Model / Management Principles

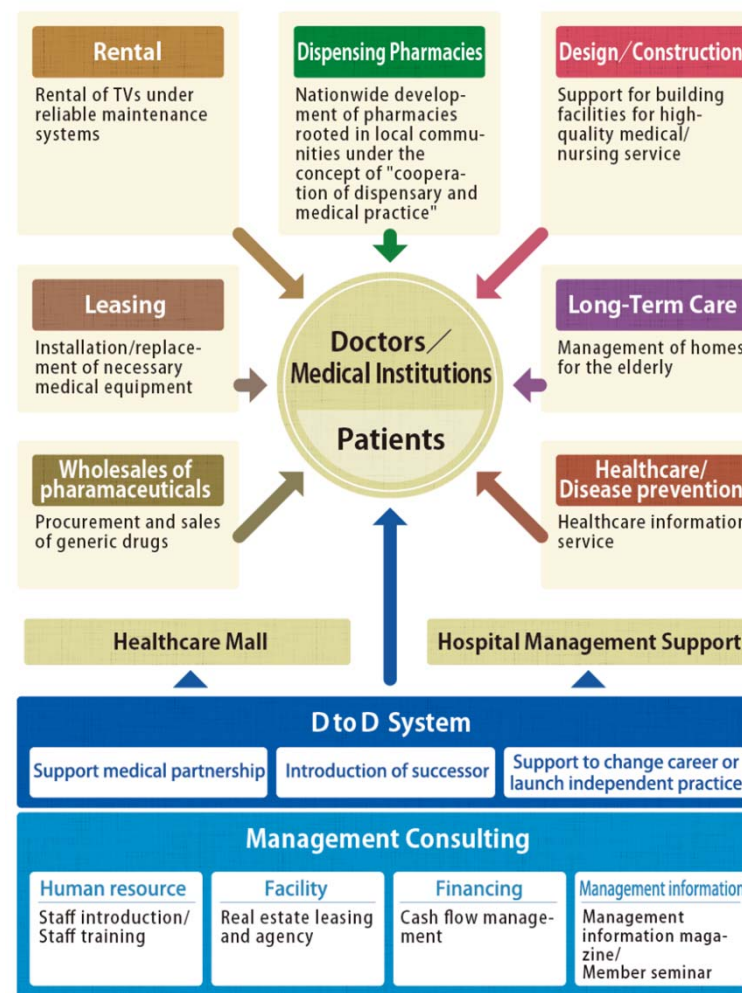
# Corporate Profile / Business model

## Corporate Profile (As of April 27, 2017)

Core Business	Comprehensive support for medical practice management
Head Office	Fukuoka Tenjin Center Bldg. 16F, 2-14-8 Tenjin, Chuo-ku, Fukuoka
Representative	Kenji Sakamoto, Representative Director, President and Chief Executive Officer  Shinya Mikita, Representative Director, Executive Vice President
Founded	June 12, 1978
Capital	¥ 3,513 million
Net Sales	¥ 122,216 million (As of March 31, 2017)
Bases	709 (Offices 3, Branches 23, Sales Offices 4, Satellite Offices 1, Dispensing pharmacies 676, in-hospital stores 2)
Employees	5,681 (4,304 full-time workers, 1,377 part-time workers) (As of April 1, 2017)
Listed	First Section, Tokyo Stock Exchange (Code:4775)

## Business model

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



# DtoD System



Introducing optimal partners from among registered doctors and medical institutions

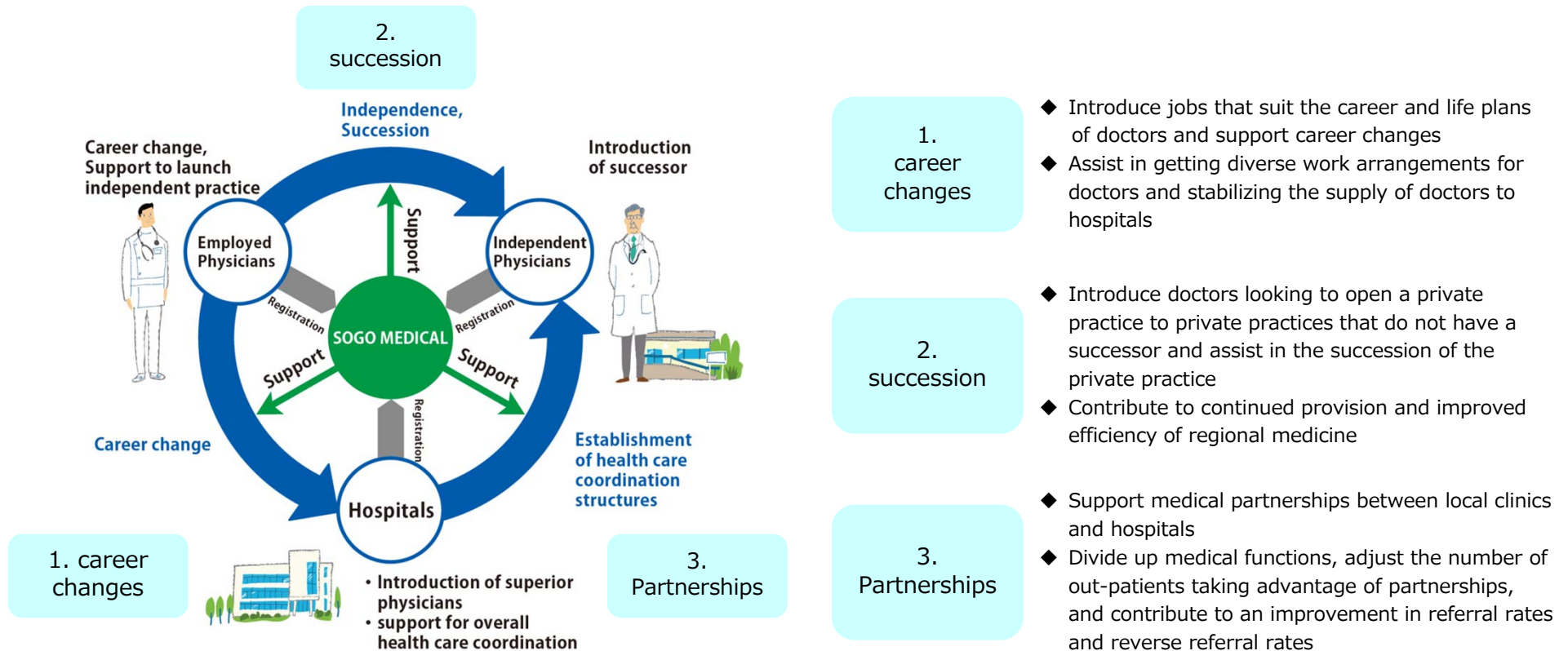
## Total support service: **career changes, succession, and partnerships**

Employed physicians: Over 8,000 new doctors enter the market every year. Meanwhile, positions at most hospitals are limited.

Private practices: Nearly one-fifth of all private practice physicians at clinics and employed physicians are over the age of 70.

5,000 clinics a year go out of business

Hospitals: More diverse work arrangements are being offered to doctors making it difficult for smaller hospitals to secure doctors.





## 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.