Summary of Consolidated Financial Results for FY2017
(Year ended March 31, 2018)〔Japanese GAAP〕

April 24, 2018

Company name: SOGO MEDICAL CO., LTD.
Stock exchange listings: Tokyo 1st Section
Securities code: 4775 URL: http://www.sogo-medical.co.jp/english/
Representative: (Title) Representative Director, President and Chief Executive Officer (Name) Kenji Sakamoto
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Date of general shareholders' meeting (as planned) : June 22, 2018
Dividend payable date (as planned) : June 25, 2018
Annual securities report filing date (as planned) :June 22, 2018
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, 2017 to March 31, 2018)

（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	%
FY2017	135,431	10.8	7,189	15.1	7,228	12.2	4,243	12.3
FY2016	122,216	1.2	6,248	2.6	6,440	3.9	3,779	63.0

Notes: Comprehensive income FY2017 ¥4,432 million (12.3%)
FY2016 ¥3,945 million (80.4%)

	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	%	%	%
FY2017	141.74	―	12.3	8.2	5.3
FY2016	126.26	―	12.2	8.0	5.1

References: Investment profit (loss) on equity method: ¥―for FY2017 :¥―for FY2016
Note: Dated April 1, 2018, 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） Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
FY2017	89,748	36,526	40.4	1,210.69
FY2016	86,760	32,880	37.6	1,089.23

References: Owner's equity: ¥36,241 million for FY2017 :¥ 32,605 million for FY2016
Note: Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. Consolidated net assets per share has been calculated assuming that the stock split was instituted at the start of the previous fiscal year.

（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
FY2017	10,630	(2,963)	(3,871)	14,450
FY2016	10,931	(9,933)	3,301	10,655

２．Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	－	25.00	－	25.00	50.00
FY2017	－	27.50	－	32.50	60.00
FY2018(forecast)	－	13.75	－	13.75	27.50

	Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	Millions of Yen	%	%
FY2016	748	19.8	2.4
FY2017	898	21.2	2.6
FY2018(forecast)		24.2	

The breakdown of the year-end dividend for the fiscal year ending March 31, 2018 is 27.50 per common share plus 5.00 yen per share as a commemorative dividend.

Note: Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. The interim dividend and the year-end dividend for the fiscal year ending March 31, 2019(estimate base) are therefore stated adjusted for the effects of the stock split.

３．Consolidated forecasts for FY2018 (from April 1, 2018 to March 31, 2019)

(% 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	69,534	4.6	2,263	(27.0)	2,188	(29.8)	1,284	(30.2)	42.89
Full-year	144,928	7.0	5,762	(19.8)	5,800	(19.8)	3,405	(19.8)	113.74

Note: Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split.

４．Others

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

（２）Changes in accounting policies and accounting estimates, retrospective restatement
① Changes in accounting policies based on revisions of accounting standard: None
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):	FY2017: 30,680,312shares	FY2016: 30,680,312shares
② Number of treasury stock at the end of fiscal year:	FY2017: 745,686shares	FY2016: 745,550shares
③ Average number of shares:	FY2017: 29,934,678shares	FY2016 : 29,934,762shares

Note: Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. The number of shares in issue (including treasury stock) at the end of the fiscal year under review, the number of treasury stock at the end of the fiscal year under review, and the average number of shares in issue during the fiscal year under review have been calculated assuming that the stock split was instituted at the start of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (from April 1, 2017 to March 31, 2018)

(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	%
FY2017	94,199	2.4	4,441	(5.6)	4,832	(6.5)	3,161	(6.5)
FY2016	92,019	(2.2)	4,703	0.2	5,170	6.9	3,380	142.1

	Net income per share	Diluted net income per share
	Yen	Yen
FY2017	105.62	－
FY2016	112.94	－

Note: Dated April 1, 2018, 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
FY2017	79,956	32,217	40.3	1,076.28
FY2016	75,397	29,670	39.4	991.17

References: Owner’s equity: ¥ 32,217 million for FY2017 :¥ 29,670 million for FY2016

Note: Dated April 1, 2018, Sogo Medical has instituted a 2-for-1 common stock split. Consolidated net assets per share has been calculated assuming that the stock split was instituted at the start of the previous fiscal year.

※This summary of consolidated financial results is not subject to examination by a certified public accountant or audit by an auditing firm.

※Explanation on the Appropriate Use of Forecasts, and Other Matters of Special Note

The forecasts set forth herein are based on information currently available to Sogo Medical as of the date these materials were released. Accordingly, actual performance may vary due to various factors. For notes on the assumptions underlying the forecasts herein and the use of these forecasts, refer to “1. Operating Results (4) Forecasts page 8 of the attachment.

Contents

1. Operating Results

(1) Analysis of Operating Results

(in millions, except percentages)

	FY2016	Margin	FY2017	Margin	Change	Change
Sales	¥122,216	%	¥ 135,431	%	¥13,215	10.8%
Medical practice support	25,305		24,548		(756)	(3.0)
Consulting	2,035		2,247		212	10.4
Rental	6,836		5,676		(1,159)	(17.0)
Leasing and Installment Sales	10,153		9,700		(452)	(4.5)
Others	6,280		6,923		642	10.2
Pharmacies	95,966		109,918		13,951	14.5
Others	944		964		20	2.1
Operating Income	6,248	5.1	7,189	5.3	940	15.1
Medical practice support	986	3.9	884	3.6	(101)	(10.3)
Pharmacies	6,069	6.3	7,139	6.5	1,070	17.6
Others	(52)	(5.6)	(22)	(2.3)	29	-
Reconciliation	(754)	-	(811)	-	(57)	-
Ordinary Income	6,440	5.3	7,228	5.3	787	12.2
Profit attributable to owners of parent	3,779	3.1	4,243	3.1	463	12.3

We launched Action 2020, a three-year, medium-term management plan in April 2017.

In FY2017, which is the first year of this plan, we implemented the development of a regional comprehensive healthcare system to actualize a Japanese healthcare business model, which is the theme of our medium-term management plan. We carried out healthcare mall development, hospital management support, and the creation of valuable pharmacies, and also undertook the addition of functions to, and strengthening of existing businesses, and the expansion of business domains to healthcare related fields to achieve our vision for FY2027.

In the fiscal year ended March 31, 2018 (FY2017), we posted net sales of ¥135,431 million, an expansion of 10.8% year-on-year. This overall growth was driven by the pharmacy business. In the profit front, operating income totaled ¥7,189 million, a rise of 15.1%, ordinary income was ¥7,228 million, an increase of 12.2%., and profit attributable to owners of the parent was ¥4,243 million, an improvement of 12.3%.

① Medical practice support

A. Consulting

As of the end of FY2017, the number of registered doctors wanting to transfer/start-up a practice using the DtoD system (a support scheme for the succession, partnership and job-hunting for medical professionals) totaled 74,898 doctors, an increase of 5,739 people from the end of FY2016.

We are committed to developing regional healthcare malls, which enable local residents to continue to live safely and securely in places they are familiar with. As of the end of FY2017, there are 94 healthcare malls in operation. In the medium-term management plan, we aim to operate 200 healthcare malls by the end of March 2020. We established a system to achieve this goal by strengthening dedicated healthcare mall departments in the Tokyo area and setting up new departments in the Kansai area. We also opened a DtoD healthcare mall website (https://www.clinic-mall.com/) to support the opening of new healthcare malls. Meanwhile, as a part of our consulting for medical professionals to support the diverse workstyles of doctors, we implemented measures to address the various needs of doctors. In addition to traditional medical practice start-up seminars, to help doctors build an ideal career path, we held seminars aimed at making doctor's dreams become reality and also for female medical professionals.

Note that on October 2, 2017, we opened the Akasaka Toranomon Clinic. This is a specialized treatment clinic-type healthcare mall that contributes to the division of duties with advanced acute-phase hospitals. This is our first cutting-edge initiative to support medical practice start-ups and hospital management.

Owing to these and other measures, sales in the consulting business totaled ¥2,247 million, a growth of 10.4% versus a year earlier. This reflects an increase in consulting revenue, including that for management support, and revenue from consulting on start-ups, including healthcare malls.

B. Rental

In product development, on January 5, 2018 we launched the EAST VIEW, a long TV arm for bed use by dialysis patients. This is our own original product which features new functions based on requests from people in the medical frontlines. This is the only product in Japan where the arm has been integrated as a single unit with the TV.

In the sales front, continuing on from the previous fiscal year, we responded to contract renewal needs following the transition by hospitals (rental customers) to terrestrial digital broadcasting. Sales of goods (sublease rental), which is recorded as flow income, declined in FY2017 due to impact from the extension of rental contracts and conversion to a stock-style business. Consequently, net sales were ¥5,676 million, a decrease of 17.0% year-on-year.

C. Leasing / Installment

The market environment remains weak due to impact from negative interest rates. We newly installed and replaced medical equipment at healthcare malls, medical practice start-ups, and hospital reconstruction projects, by leveraging our consulting strength. Although leasing contracts increased compared with a year earlier, there was negative impact from a conversion to the stock-style business for leasing contracts and a decline in sales of goods (sublease rental). Accordingly, sales totaled ¥9,700 million, a drop of 4.5% year-on-year.

D. Others

Sales totaled ¥6,923 million, an expansion of 10.2% in contrast with a year earlier, in part reflecting an increase in sales related to the design and construction of medical facilities.

In light of the above performance, we posted sales in the medical practice support business of ¥24,548 million, a decline of 3.0% year-on-year. Meanwhile, operating income was ¥884 million, a decrease of 10.3%. Although profit in the consulting business rose on the back of an increase in sales, this was mainly offset by negative impact from the conversion to a stock-style business for rental and leasing contracts.

② Pharmacy

We undertook our “healthcare station for all” initiative to manage pharmacies that are chosen by the local community.

We also put into action measures to promote primary-care pharmacists and pharmacies, as proposed in the Ministry of Health, Labour and Welfare’s “Vision of Community Pharmacies for Patients.” We also undertook the training of pharmacists that specialize in certain areas and healthcare support pharmacy measures to address the advanced pharmacological management needs of patients. The number of certified healthcare support pharmacies totaled 89 pharmacies, or roughly 10% of pharmacies nationwide as of the end of FY2017. Healthcare support pharmacy measures included the distribution of healthcare-support leaflets and the hosting of healthcare consultations at pharmacies.

We are now operating a total of 687 pharmacies, including 18 locations opened in FY2017 (six of which were through M&A).

Consequently, in the pharmacy business, we booked segment sales of ¥109,918 million, a growth of 14.5% versus a year earlier, and operating income of ¥7,139 million, an increase of 17.6%. This reflects substantial full-year contribution from the acquisition of the Miyonodai Yakkyoku Group (91 pharmacies) in December 2016 as well as benefits from primary pharmacist and pharmacy measures, mainly at existing pharmacies.

③ Others

Segment sales totaled ¥964 million, a rise of 2.1% year-on-year, and an operating loss of ¥22 million, an improvement of ¥29 million compared with the loss in the same period a year earlier.

(Change in the business segment classification method)

Beginning in FY2017, we aim to carry out business activities propelled by faster decision-making by developing strategies for each business in accordance with the medium-term management plan. To this end, we revamped our organizational and management structure so as to pivot around our businesses, and we revised the method we use to classify our business segments. Our reporting segments are now the “medical practice support,” “pharmacies,” and “others,” as opposed to our previous segments (Higashinihon (East Japan), Nishinihon (West Japan), and Kyushu).

We have reshuffled our business segments for the previous fiscal year to make it possible to conduct year-on-year comparisons.

(2) Analysis of Financial Positions

(in millions except percentages and ratios)

	FY2016	FY2017	Change
Total Assets	¥86,760	¥89,748	¥2,988
including Cash and Deposits	10,830	14,538	3,707
Liabilities	53,879	53,221	(657)
including Interest-Bearing Debt *1	24,590	23,529	(1,060)
Net Assets	32,880	36,526	3,645
Shareholders' Equity Ratio (%)	37.6	40.4	2.8
Net Debt-to-Equity Ratio (times) *2	0.42	0.25	(0.17)

*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 under review stood at ¥89,748 million, an increase of ¥2,988 million versus the end of FY2016. Current assets totaled ¥48,299 million, a decrease of ¥3,300 million. This is primarily attributable to an increase in cash and deposits of ¥3,707 million. Meanwhile, noncurrent assets totaled ¥41,448, a decrease of ¥311 million. This mainly reflects a decrease of goodwill of ¥584 million.

Total liabilities totaled ¥53,221 million, a decrease of ¥657 million versus the end of FY2016. Current liabilities stood at ¥33,598 million, an increase of ¥369 million. Noncurrent liabilities stood at ¥19,623 million, a decrease of ¥1,026 million. This was primarily attributable to a decrease of long-term loans payable of ¥1,340 million.

Note that interest-bearing debt (including (including lease obligations and accounts payable-installment purchases) totaled ¥23,529 million, a decrease of ¥1,060 million. Reflecting this, the net debt-to-equity ratio (interest-bearing debt less cash and deposits divided by shareholders' equity) was 0.25, a decrease of 0.17 points compared with the end of the previous fiscal year-end.

Net assets at the end of the fiscal year under review stood at ¥36,526 million, an increase of ¥3,645 million versus the end of FY2016. This primarily reflects a decline of ¥785 million due to dividend payments and an increase of ¥4,243 million owing to a rise in net income attributable to owners of the parent.

In light of the above performance, the equity ratio stood at 40.4%, a rise of 2.8 points versus 37.6% at the end of the previous fiscal year.

(3) Cash flows

Cash and cash equivalents ("funds") at the end of the fiscal year under review totaled ¥14,450 million, an increase of ¥3,795 million (35.6%) than at the end of the previous fiscal year. This is primarily attributable to following factors.

(Cash Flows from Operating Activities)
Net cash provided by operating activities in the fiscal year under review was ¥10,630 million. The main factors were ¥7,105 in income before income taxes and ¥3,971 million in depreciation and amortization, and ¥1,243 million in amortization of goodwill. Meanwhile, there was a ¥2,778 million in expenditure for income tax payments.

(Cash Flows from Investing Activities)
Net cash used in investing activities in the fiscal year under review was ¥2,963 million. The main factors were ¥1,875 million to purchase corporate assets, and ¥745 million in purchase of property for lease.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥3,871 million. Although there were ¥3,000 million in funds from long-term loans, there was ¥4,614 million for the repayment of long-term loans, and ¥1,266 million in repayment of installment payables.

(Reference) Cash flow-Related Indicators

	FY2013	FY2014	FY2015	FY2016	FY2017
Capital adequacy ratio (%)	35.7	37.7	39.5	37.6	40.4
Capital adequacy ratio (based on fair value) (%)	44.6	69.8	76.6	72.3	100.9
Interest-bearing debt to cash flows (%)	2.1	2.8	2.6	2.2	2.2
Interest coverage ratio (times)	57.1	45.8	62.7	105.3	94.1

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

(4) Forecast for FY2018

	FY2017	FY2018 (Forecasts)	Change (amount)	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net sales	135,431	144,928	9,497	7.0
Operating income	7,189	5,762	-1,427	-19.8
Ordinary income	7,228	5,800	-1,428	-19.8
Profit attributable to owners of parent	4,243	3,405	-838	-19.8
Net income per share (¥)	141.74	113.74	-28.00	-

FY2018 is the second year of Action 2020, our three-year, medium-term management plan. We will continue to implement the development of a regional comprehensive healthcare system to actualize a Japanese healthcare business model, which is the theme of our medium-term management plan. We carried out healthcare mall development, hospital management support, and the creation of valuable pharmacies, and also undertook the addition of functions to, and strengthening of existing businesses, and the expansion of business domains to healthcare related fields to achieve our vision for FY2027.

In FY2018, we forecast net sales of ¥144,928 million, an increase of 7.0% year-on-year. Although we estimate a decline in sales in the pharmacy segment due to negative impact from revisions t NHI drug prices and dispensing fees in April 2018, we believe this will be offset by sales in the medical practice support segment. We anticipate sales growth in each business in the medical practice support segment and earnings contribution from the addition of the Bunkyou Corporation (fully acquired on April 26, 2018) to the Sogo Medical Group.

Meanwhile, in the profit front, we do not expect to absorb in the negative impact from NHI price revisions in the pharmacy segment. We therefore anticipate operating income of ¥5,762 million, a decrease of 19.8%, ordinary income of ¥5,800 million, a decline of 19.8%, and profit attributable to owners of the parent of ¥3,405 million, a fall of 19.8%.

On April 1, 2018, we implemented a 2:1 stock split for common shares. The per-share profit attributable to owners of the parent (EPS) was calculated based on the assumption that this stock split was implemented at the start of the prior consolidated fiscal year.

Note that the Board of Directors, at a meeting held on March 22, 2018, decided to begin full-fledged preparations for transition into a holding company (tentatively set for October 1, 2018).

Moving forward, to attain our vision for FY2027 earlier than scheduled, improve our corporate value, and achieve continuous growth, we believe it necessary to expand the scale of our business operations and create new businesses by accelerating the speed of the evolution and progress of our existing businesses and through active M&A and alliances. We arrived at the decision that the optimal method for accomplishing these goals is to switch to a holding company structure. In addition, from the perspective of strengthening our governance as well, it is our opinion that a holding company structure is suitable for separating oversight functions and business execution functions.

The earnings forecasts above were prepared based on information available to use as of the date of the release of these materials. Actual earnings results may differ from our forecasts due to various factors.

2. Management Policies

(1) Basic management policy

In accordance with the concept of "Good Medical Practice through Good Management", the basic policy of Sogo Medical is to "contribute to building a better society through good medical practice" underpinned by total healthcare management support which is backed by our consulting business.

(2) Management indicators which serve as goals

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

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

(3) Medium/long-term corporate strategy

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

○Mission

We shall work to contribute to the building of a better society through good medical practice.

○Vision for FY2027

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

○Image of the completed Japanese healthcare business model

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

○Position of the medium-term management plan Action 2020

This plan aims to realize a Japanese healthcare business model. It is positioned as a three-year plan that is a stepping stone toward the achievement our vision for FY2027.

②Vision for the fiscal year ending March 31, 2020

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

Promoting the creation of an infrastructure for a regional healthcare network

1.	Developing healthcare malls	Central role in a healthcare complex, which offers medical and nursing functions, and assistance in everyday life as a social infrastructure ～Growing to 200 healthcare malls～
2.	Supporting hospital management	Assisting in the division of hospital functions and supporting collaborations to build a regional comprehensive care system ～Offering management support to 37 hospitals～
3.	Creating valuable pharmacies	Supporting regional comprehensive care systems as a healthcare station for all ～Increase by 2.3 million prescriptions (20% rise) owing to organic growth～
4.	To achieve our vision for FY2027	Adding functions to and strengthening existing businesses and expanding business domains to healthcare related fields

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

(Website)

http://www.sogo-medical.co.jp/information/plan.php

3. Basic Approach to Selection of Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions)

	FY2016 (As of March.31, 2017)	FY2017 (As of March.31, 2018)
Assets		
Current assets		
Cash and deposits	¥ 10,830	¥ 14,538
Notes and accounts receivable-trade	21,395	20,536
Accounts receivable-installment sales	1,821	2,934
Lease investment assets	911	1,098
Inventories	6,557	5,787
Deferred tax assets	811	814
Other	2,710	2,643
Allowance for doubtful accounts	(38)	(53)
Total current assets	44,999	48,299
Noncurrent assets		
Property, plant and equipment		
Property for lease, net	4,823	5,483
Buildings and structures, net	13,312	12,898
Land	4,720	4,707
Other, net	2,216	2,351
Total property, plant and equipment	25,072	25,440
Intangible assets		
Goodwill	9,703	9,119
Other	1,537	1,383
Total intangible assets	11,241	10,502
Investments and other assets		
Investment securities	1,327	1,465
Deferred tax assets	445	361
Other	3,673	3,716
Allowance for doubtful accounts	(0)	(39)
Total investments and other assets	5,446	5,504
Total noncurrent assets	41,760	41,448
Total assets	86,760	89,748

(in millions)

	FY2016 (As of March.31, 2017)	FY2017 (As of March.31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	¥ 20,258	¥ 20,037
Short-term loans payable	415	490
Current portion of long-term loans payable	4,607	4,429
Lease obligations	256	275
Accrued expenses	2,629	2,842
Income taxes payable	1,762	1,837
Deferred profit on installment sales	187	251
Other	3,112	3,433
Total current liabilities	33,228	33,598
Noncurrent liabilities		
Long-term loans payable	15,171	13,831
Lease obligations	920	731
Long-term accounts payable-installment purchase	2,160	2,754
Other	2,397	2,306
Total noncurrent liabilities	20,650	19,623
Total liabilities	53,879	53,221
Net assets		
Shareholders' equity		
Capital stock	3,513	3,513
Capital surplus	5,566	5,566
Retained earnings	24,012	27,470
Treasury stock	(920)	(920)
Total shareholders' equity	32,172	35,629
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	432	611
Total accumulated other comprehensive income	432	611
Non-controlling interests	275	285
Total net assets	32,880	36,526
Total liabilities and net assets	86,760	89,748

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

(Consolidated Statements of Income)

(in millions)

	FY2016 (to March.31, 2017)	FY2017 (to March.31, 2018)
Net sales	¥ 122,216	¥ 135,431
Cost of sales	103,761	115,077
Gross profit	18,454	20,354
Selling, general and administrative expenses	12,206	13,164
Operating income	6,248	7,189
Non-operating income		
Dividends income	25	26
Rent income	21	22
Dividends income of life insurance	21	-
Gain on valuation of investment securities	168	-
Other	209	360
Total non-operating income	447	409
Non-operating expenses		
Interest expenses	81	103
Loss on valuation of investments securities	-	37
Provision of allowance for doubtful accounts	-	51
Loss on valuation of investment securities	35	-
Other	137	178
Total non-operating expenses	254	370
Ordinary income	6,440	7,228
Extraordinary loss		
Impairment loss	48	123
Total extraordinary loss	48	123
Income before income taxes	6,391	7,105
Income taxes-current	2,452	2,859
Income taxes-deferred	87	(7)
Total income taxes	2,540	2,851
Net income	3,851	4,253
Profit (loss) attributable to non-controlling interests	71	10
Profit (loss) attributable to owners of parent	3,779	4,243

(Consolidated Statements of Comprehensive Income)

(in millions)

	FY2016 (to March.31, 2017)	FY2017 (to March.31, 2018)
Net income	¥ 3,851	¥ 4,253
Other comprehensive income		
Valuation difference on available-for-sale securities	94	178
Total other comprehensive income	94	178
Comprehensive income	3,945	4,432
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,873	4,421
Comprehensive income attributable to non-controlling interests	71	10

(3) Consolidated Statements of Change in Net Assets

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

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

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

FY2017（from April 1, 2017 to March 31, 2018） (in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,513	5,566	24,012	(920)	32,172
Changes of items during the period					
Dividends from surplus			(785)		(785)
Profit attributable to owners of parent			4,243		4,243
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	3,457	(0)	3,456
Balance at the end of current period	3,513	5,566	27,470	(920)	35,629

	Accumulated other comprehensive income	Non controlling Interest	Net assets
	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	432	275	32,880
Changes of items during the period			
Dividends from surplus			(785)
Profit attributable to owners of parent			4,234
Purchase of treasury stock			(0)
Net changes of items other than shareholders' equity	178	10	189
Total changes of items during the period	178	10	3,645
Balance at the end of current period	611	285	36,526

(4) Consolidated Statements of Cash Flows

(in millions)

	FY2016 (to March.31, 2017)	FY2017 (to March.31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes	¥6,391	¥7,105
Depreciation and amortization	3,902	3,971
Amortization of goodwill	987	1,243
Impairment loss	48	123
Interest and dividends income	(27)	(28)
Capital cost and interest expenses	105	118
Decrease (increase) in notes and accounts receivable-trade	1,127	1,016
Decrease (increase) in accounts receivable-installment	57	(1,048)
Net decrease (increase) in lease investment assets	491	(187)
Decrease (increase)in inventories	751	846
Increase (decrease) in notes and accounts payable-trade	(670)	(400)
Increase/decrease/ in other assets/liabilities	(193)	310
Other	258	421
Subtotal	13,230	13,492
Interest and dividends income received	27	28
Interest expenses paid	(103)	(113)
Income taxes paid	(2,222)	(2,778)
Net cash provided by (used in) operating activities	10,931	10,630
Net cash provided by (used in) investing activities		
Purchase of own-used assets	(3,152)	(1,875)
Purchase of property for lease	(264)	(745)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(6,440)	(485)
Other	(76)	142
Net cash provided by (used in) investing activities	(9,933)	(2,963)

(in millions)

	FY2016 (to March.31, 2017)	FY2017 (to March.31, 2018)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ (224)	¥ 71
Proceeds from long-term loans payable	10,933	3,000
Repayment of long-term loans payable	(4,446)	(4,614)
Repayments of lease obligations	(324)	(276)
Repayments of installment payables	(1,924)	(1,266)
Cash dividends paid	(710)	(785)
Other	-	(0)
Net cash provided by (used in) financing activities	3,301	(3,871)
Net increase (decrease) in cash and cash equivalents	4,299	3,795
Cash and cash equivalents at beginning of period	6,356	10,655
Cash and cash equivalents at end of period	10,655	14,450

(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: 31 Companies

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

In the fiscal year under review, we added the following companies to the scope of consolidation: Kitano Dispensing Pharmacy Co., Ltd. (100% of total shares outstanding acquired on April 3, 2017), KSmedicine Co., Ltd. (100% of total shares outstanding acquired on June 1, 2017), Trust Co., Ltd. (100% of total shares outstanding acquired on September 1, 2017), Nikki Co., Ltd. (100% of total shares outstanding acquired on September 1, 2017), and Triad Japan ((100% of total shares outstanding acquired on December 26, 2017).
Meanwhile, Nakano Pharmacy Co., Ltd. (merged and absorbed in Sogo Medical on April 2, 2017) and Mitsuyasu Dispensing pharmacy Co. Ltd. (merged and absorbed in Sogo Medical on December 1, 2017) were removed from the scope of consolidation.

2. Equity-Method
None

3. Fiscal Periods of Consolidated Subsidiaries

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

April 30 One other company in addition to Green Pharmacy Co. Ltd.

May 31 Ai Dispensing pharmacy Co., Ltd.

June 30 Four other company in addition to Pharma Systems Co., Ltd.

July 31 Two other company in addition to GM Co., Ltd.

August 31 One other company in addition to Miyonodai Pharmacy Co. Ltd.

September 30 Two other company in addition to Beauty Drug Saito Co., Ltd.

When preparing consolidated financial statements, financial statements as of March 31, 2018, are used for these companies.

4. Significant Financial Accounting Principles

(1) Valuation basis and method of major assets

①Investment Securities

With market value:

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

Without market value:

At cost, using the moving-average method

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

② Inventories

Stated at historical cost mainly based on the weighted average method (Values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

(2)Depreciation

① Property for lease

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

② Plant, 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)
The straight-line method is applied for depreciation where the lease period is taken as useful economic life and the residual value is zero.
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
To provide for losses on doubtful accounts, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables for each individual case.

(4)Revenue and Expense Recognition
① Financing Leases (Lessor)
Standards for recording revenues related to financing leases
When the Company receives a lease payment, the Company recognizes the sale amount and cost of sale.
② Installment 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.

(Segment Information)

1. Overview of Segments

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.

There are three reportable segments are now medical practice support, pharmacy and others to enable us to develop individual segment strategies and facilitate rapid decision-making about business operations.

Matters related to the change of reportable segments

We aim to carry out business activities propelled by faster decision-making by developing strategies for each business starting in FY2018. To this end, we revamped our organizational and management structure so as to pivot around our businesses, and we revised the method we use to classify our business segments. Our reporting segments are now the “medical practice support,” “pharmacies,” and “others,” as opposed to our previous segments (Higashinihon (East Japan), Nishinihon (West Japan), and Kyushu).

Note that segment information for the previous fiscal year was prepared based on the classification method after revisions. See previous fiscal year figures in 3. Accounting Method for Segment Sales, Profit (Loss), and Assets.

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

The accounting method for reportable segments is similar to that described in the 'Basic Information of Consolidated Financial Statements'.

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

Intersegment sales and transfer pricing are calculated based on prices for transactions with third parties.

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

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

(in millions)

	Reportable Segments				Reconciliations *1	consolidated amounts *2
	Medical practice support	Pharmacies	Others	Total		
Sales						
Unaffiliated sales	¥ 25,305	¥ 95,966	¥ 944	¥ 122,216	-	¥ 122,216
Intersegment sales	6,278	370	-	6,649	¥ (6,649)	-
Total	31,584	96,337	944	128,865	(6,649)	122,216
Segment profit	986	6,069	(52)	7,003	754	6,248
Segment assets	25,809	49,864	1,932	77,606	9,153	86,760
Others						
Depreciation	2,391	1,186	71	3,649	252	3,902
Impairment loss	77	909	0	987	-	987
Increase in assets	3,711	6,712	62	10,486	433	10,920

*1. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥-754million) included elimination of intersegment sales (¥114million) and overall corporate expense (¥-868million). 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 (¥9,153 million) included elimination investment against equity (¥-17,598 million) and overall corporate assets (¥26,752 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 (¥433 million) was classified as head office's networking systems and allocation of other reportable segments.

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

FY2017 (from April 1, 2017 to March 31, 2018)

(in millions)

	Reportable Segments				Reconciliations *1	consolidated amounts *2
	Medical practice support	Pharmacies	Others	Total		
Sales						
Unaffiliated sales	¥ 24,548	¥ 109,918	¥ 946	¥ 135,431	-	¥ 135,431
Intersegment sales	7,144	411	12	7,567	¥ (7,567)	-
Total	31,693	110,329	976	142,999	(7,567)	135,431
Segment profit	884	7,139	(22)	8,001	(811)	7,189
Segment assets	27,080	48,809	1,818	77,709	12,039	89,748
Others						
Depreciation	2,313	1,305	71	3,690	281	3,971
Impairment loss	77	1,166	0	1,243	-	1,243
Increase in assets	2,739	2,295	57	5,091	110	5,201

*1. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥-811million) included elimination of intersegment sales (¥37million) and overall corporate expense (¥-849million). 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 (¥12,039 million) included elimination investment against equity (¥-18,195 million) and overall corporate assets (¥30,234 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 (¥110 million) was classified as head office's networking systems and allocation of other reportable segments.

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

(Per Share Information)

	FY2016	FY2017
Net assets per share	¥ 1,089.23	¥ 1,210.69
Net income per share	126.26	141.74

Note: The following is the basis for the calculation of net assets per share.

(in millions)

	FY2016	FY2017
Net assets	¥ 32,880	¥ 36,526
Deduction	275	285
(Non-controlling interests)	275	285
Net assets attributable to common stocks	32,605	36,241

Number of common stocks at end of FY	29,934	29,934

2 There is no mention of per-share net income after adjustment for residual shares as there are no residual shares.

3 A 2:1 stock split of common shares was implemented on April 1, 2018. Net assets per share and net income per share were calculated assuming that the stock split was conducted at the start of the previous consolidated fiscal year.

4 The following is the basis for the calculation of net income per share.

(in millions)

	FY2016	FY2017
Profit attributable to owners of parent	¥ 3,779	¥ 4,243
(Preferred dividends)	-	-
Profit attributable to owners of parent attributable to common stocks	3,779	4,243
Average number of common stocks	29,934	29,934

(Significant Subsequent Events)

None.