Summary of Consolidated Financial Results for FY2018
(Year ended March 31, 2019)〔Japanese GAAP〕

April 23, 2019

Company name:	SOGO MEDICAL HOLDINGS CO., LTD.		
Stock exchange listings:	Tokyo 1st Section		
Securities code:	9277	URL: https://www.sogo-medical-hd.co.jp/en/index.html	
Representative:	(Title) Representative Director		(Name) Kenji Sakamoto
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Date of general shareholders' meeting (as planned) : June 21, 2019
Dividend payable date (as planned) : June 24, 2019
Annual securities report filing date (as planned) :June 21, 2019
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, 2018 to March 31, 2019)

（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	%
FY2018	144,630	―	5,411	―	5,607	―	3,246	―
FY2017	―	―	―	―	―	―	―	―

Notes: Comprehensive income FY2018 ¥3,040 million (-%)
FY2017 ¥- million (-%)

	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	%	%	%
FY2018	108.47	―	8.7	6.1	3.7
FY2017	―	―	―	―	―

References: Investment profit (loss) on equity method: ¥―for FY2018 :¥―for FY2017

Note: There are no year-on-year comparisons as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

（２） Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
FY2018	93,560	38,669	41.0	1,281.82
FY2017	―	―	―	―

References: Owner's equity: ¥38,370 million for FY2018 :¥ - million for FY2017

Note: There are no year-on-year comparisons as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

（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
FY2018	3,852	(6,624)	(945)	10,733
FY2017	－	－	－	－

Note: There are no year-on-year comparisons as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

２．Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	－	－	－	－	－
FY2018	－	－	－	13.75	13.75
FY2019(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	%	%
FY2017	－	－	－
FY2018	411	12.7	1.1
FY2019(forecast)		22.4	

Note: There are no results for the previous fiscal year and for the first two quarters of FY2018 (1H) as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

３．Consolidated forecasts for FY2019 (from April 1, 2019 to March 31, 2020)

(% 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	78,161	－	2,166	－	2,236	－	1,261	－	42.12
Full-year	165,313	14.3	6,367	17.6	6,510	16.1	3,672	13.1	122.67

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):	FY2018: 30,680,312shares	FY2017: －shares
② Number of treasury stock at the end of fiscal year:	FY2018: 745,545shares	FY2017: －shares
③ Average number of shares:	FY2018: 29,934,689shares	FY2017 : －shares

Note: There are no year-on-year comparisons as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (from April 1, 2018 to March 31, 2019)

(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	%
FY2018	1,137	―	618	―	624	―	626	―
FY2017	―	―	―	―	―	―	―	―

	Net income per share	Diluted net income per share
	Yen	Yen
FY2018	20.92	―
FY2017	―	―

Note: There are no year-on-year comparisons as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

(2) Non-consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	yen
FY2018	32,739	32,653	99.7	1,090.84
FY2017	―	―	―	―

References: Owner's equity: ¥ 32,653 million for FY2018 :¥ ― million for FY2017

Note: There are no year-on-year comparisons as Sogo Medical Holdings Co., Ltd. was established on October 1, 2018 following the transfer of equity in Sogo Medical to the holding company.

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

※ Notes for using forecasted information and others

1. These forecasts are based on currently available information.Acrual financial results could differ from the forecast due to varipus factors. For precautions on using the assumptions and estimates on which the financial results are based, please refer to "(4) Future Prospects" on Page 8 of the Summary of Consolidated Financial Results (attached).
2. The consolidated financial statements for this consolidated accounting period (April 1, 2018 to March 31, 2019) are prepared as a continuation of the consolidated financial statements of Sogo Medical Co., Ltd., which has become a wholly-owned subsidiary by means of sole share transfer.

Contents

1. Operating Results

Sogo Medical Holdings Co., Ltd. (hereinafter, the “Company”) was founded on October 1, 2018 as a pure holding company of Sogo Medical Co., Ltd. by means of a transfer of Sogo Medical Co., Ltd. shares. Given that the scope of consolidation has practically not changed, comparisons with the previous period are made with the consolidated accounting period ended in March 2018 (April 1, 2017 to March 31, 2018) of Sogo Medical Co., Ltd. In addition, comparisons with the figures as of the end of the previous consolidated accounting period are made with the figures of Sogo Medical Co., Ltd. as of the end of the consolidated accounting period ended March 2018 (i.e., March 31, 2018).

Consolidated financial statements for the consolidated accounting period under review (April 1, 2018 to March 31, 2019) are prepared as a continuation of the consolidated financial statements of Sogo Medical Co., Ltd., which became the Company’s wholly-owned subsidiary following the transfer of all of its outstanding shares to the Company.

(1) Analysis of Operating Results

(in millions, except percentages)

	FY2017	Margin	FY2018	Margin	Change	Change
Sales	¥ 135,431	%	¥ 144,630	%	¥ 9,199	6.8%
Medical practice support	24,548		37,384		12,835	52.3
Consulting	2,247		2,390		143	6.4
Rental	5,676		7,929		2,252	39.7
Leasing and Installment Sales	9,700		11,156		1,455	15.0
Others	6,923		15,907		8,983	129.8
Pharmacies	109,918		106,282		(3,636)	(3.3)
Others	964		964		0	0.1
Operating Income	7,189	5.3	5,411	3.7	(1,777)	(24.7)
Medical practice support	884	3.6	995	2.7	111	12.6
Pharmacies	7,139	6.5	5,311	5.1	(1,828)	(25.6)
Others	(22)	(2.3)	(1)	(0.1)	20	-
Reconciliation	(811)	-	(892)	-	(80)	-
Ordinary Income	7,228	5.3	5,607	3.9	(1,621)	(22.4)
Profit attributable to owners of parent	4,243	3.1	3,246	2.2	(996)	(23.5)

The business year ended March 2019 marked the second year of the Action 2020 medium-term management plan. Based on the theme of the medium-term management plan, which is to realize a Japanese healthcare business model, we continued our efforts in developing healthcare malls, supporting hospital management, and creating high-value pharmacies. In addition, we strengthened the functions of the existing businesses and expanded our business domains to include peripheral medical businesses to achieve the vision set for the 50th accounting period. By doing so, we aimed to solidify the foundation for establishing a regional healthcare network.

In the accounting period under review, our sales grew 6.8% year on year to ¥144,630 million. This reflects sales contributed by the incorporation of Bunkyo Co., Ltd. into the Sogo Medical Group in the medical practice support business and higher revenues in consulting, rental, leasing, and installment sales businesses. These positive factors made up for smaller revenue in the pharmacy business, which was negatively affected by the FY2018 revisions to standard drug dispensing fees and pharmaceutical prices.

As for profits, we worked on reducing the cost of sales and controlling SG&A expenses at appropriate levels. However, these efforts were not sufficient to absorb the impact of the downward revisions to drug dispensing fees and pharmaceutical prices in the pharmacy business. As a result, operating income fell 24.7% year on year to ¥5,411 million, ordinary income shrank 22.4% year on year to ¥5,607 million, and profit attributable to owners of the parent company slid 23.5% year on year to ¥3,246 million.

Segment financial results were as follows:

① Medical practice support

A. Consulting

Medical doctors registered with our doctor-to-doctor (DtoD) system (a support system for medical doctors for succession planning of medical practices, healthcare collaboration, and career changes) increased by 4,889 from March 31, 2018 to 79,787 as of the end of the accounting period under review.

In the development of healthcare malls that can serve as a basis for helping local residents continue their lives in their hometowns with peace of mind, the number of such malls developed by our company rose by 15 from March 31, 2018 to a total of 109 as of the end of the accounting period under review.

Sales increased 6.4% year on year to ¥2,390 million, helped by larger consulting revenue from hospitals/clinics than in the previous year and increases in rental revenue of healthcare malls and hospital facilities.

B. Rental

Sales rose 39.7% year on year to ¥7,929 million thanks to an increase in rental revenue resulting from a rise in the number of TVs and other equipment installed.

C. Leasing / Installment

Sales increased 15.0% year on year to ¥11,156 million reflecting an 18.7% year-on-year growth in the value of contracts concluded to ¥11,296 million on the back of new contracts resulting from medical practice opening support and contracts for replacing medical equipment and devices.

D. Others

Bunkyo Co., Ltd., which operates shops and restaurants in hospitals, was incorporated into the Sogo Medical Group on April 26, 2018 through a 100% equity transfer. The acquisition of Bunkyo has made a significant contribution to “Other” businesses whose sales saw a 129.8% year-on-year surge to ¥15,907 million.

As a result of the above, sales in the medical practice support business rose 52.3% year on year to ¥37,384 million. Operating income in the segment also grew 12.6% year on year to ¥995 million thanks to the contributions from the rental business and Bunkyo.

② Pharmacy

Under the theme, “create high-value pharmacies,” which is one of the priority policy measures in the Action 2020 medium-term management plan, we promoted initiatives to create “general healthcare stations” that were the choice of local communities.

In April 2018, the Japanese government revised standard drug dispensing fees and pharmaceutical prices. Under the policy of establishing a comprehensive regional healthcare system, diversifying and reinforcing medical service functions, and promoting collaboration of medical and healthcare practitioners, the government’s latest revision requires pharmacies to promote so-called primary care pharmacists and to contribute to local healthcare services. In addition, the basic drug dispensing fee was lowered for pharmacies that receive a high percentage of prescription orders from specific medical institutions. This constitutes the government’s efforts to reassess pharmacies operating in the neighborhood of hospitals, and has delivered a severe blow to our group and the pharmacy chain we operate.

Against this backdrop, the Sogo Medical Group is continuing its efforts to nurture specialist pharmacists who can cater to advanced pharmaceutical management needs and to implement measures to increase pharmacies participating in health support based on primary care pharmacists and pharmacies.

In March 2019, we introduced our first remote drug dispensing consultation service in a National Strategic Special Zone (Fukuoka City). We will continue enhancing the building of a home-based medical care provision system and improving user convenience through this initiative, and at the same time, provide a new value for the environment and medical services by helping users continue to live in the familiar environment of their own house with a sense of security.

As a result of these efforts, the number of our pharmacies certified as health support pharmacists reached 128 at the end of the period under review (the total number of applications received nationwide was 1,275, and the number of certified pharmacies in our company group was 123 as of February 28, 2019). This is the result of the active promotion by the Sogo Medical Group to create pharmacies that serve their local communities as general healthcare stations and to strengthen their functions as local residents’ primary care pharmacies.

The number of dispensing pharmacies operated by our group rose to 698 following the opening of 17 outlets during the period under review. These include five outlets that became part of our group through acquisition. With the opening of three outlets on April 1, 2019, the number of dispensing pharmacies operated by our group has now exceeded 700.

Despite this achievement, however, sales in the pharmacy business shrank 3.3% year on year to ¥106,282 million and the segment’s operating income contracted 25.6% year on year to ¥5,311 million partly due to the impact of the revisions to standard drug dispensing fees and pharmaceutical prices.

③ Others

Sales rose 0.1% year on year to ¥964 million, while operating loss improved by ¥20 million from the previous period to ¥1 million.

(2) Analysis of Financial Positions

(in millions except percentages and ratios)

	FY2017	FY2018	Change
Total Assets	¥89,748	¥93,560	¥3,812
including Cash and Deposits	14,538	10,883	(3,654)
Liabilities	53,221	54,890	1,669
including Interest-Bearing Debt *1	23,529	26,616	3,086
Net Assets	36,526	38,669	2,143
Shareholders' Equity Ratio (%)	40.4	41.0	0.6
Net Debt-to-Equity Ratio (times) *2	0.25	0.41	0.16

*1. Interest-bearing liabilities include leasing liabilities, account payable-installment purchases, and so on, which are posted on the balance sheet.

*2. Net Debt-to-Equity Ratio
=(Interest-Bearing Debts－Cash and Deposits) / Shareholders' Equity

Total assets at the end of the period under review rose ¥3,812 million from March 31, 2018 to ¥93,560 million. Total current assets shrank ¥384 million during the same period to ¥47,100 million, mainly due to a ¥3,654-million decline in cash and deposits, a ¥1,474-million growth in installment receivables, a ¥755-million rise in inventories, and a ¥602-million increase in notes and accounts receivable-trade. On the other hand, total noncurrent assets increased ¥4,196 million to ¥46,460 million from March 31, 2018, primarily due to an increase of ¥2,513 million in goodwill and a ¥1,338-million growth in for-lease assets.

Total liabilities rose ¥1,669 million from March 31, 2018 to ¥54,890 million. While current liabilities contracted ¥1,008 million during the same period to ¥32,589 million chiefly due to a ¥784-million reduction in income taxes payable and a ¥393-million drop in accrued expenses, total noncurrent liabilities increased ¥2,677 million from March 31, 2018 to ¥22,300 million, mainly as a result of a ¥1,961-million rise in long-term debts and a ¥335-million increase in long-term accounts payable-installment purchases. Note that interest-bearing liabilities, including leasing liabilities and account payable-installment purchases, rose ¥3,086 million from March 31, 2018 to ¥26,616 million. As a result, the debt-to-equity ratio, which is calculated by deducting cash and deposits from interest-bearing liabilities and then dividing it by the shareholders’ equity, rose 0.16 basis points compared with March 31, 2018 to 0.41 times.

Total net assets increased ¥2,143 million from March 31, 2018 to ¥38,669 million. This reflects an increase of ¥3,246 million due to the booking of profit attributable to owners of the parent company and a decrease of ¥898 million due to dividend payments.

As a result of the above, our capital adequacy ratio rose 0.6 basis points from March 31, 2018 to 41.0%.

(3) Cash flows

Cash and cash equivalents (hereinafter, the “Funds”) as of the end of the period under review shrank 25.7%, or ¥3,717 million, from March 31, 2018 to ¥10,733 million. This is mainly attributable to the following.

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the fiscal year under review was ¥3,852 million. The main factors were ¥5,607 in income before income taxes and ¥3,893 million in depreciation and amortization, and ¥1,321 million in amortization of goodwill. Meanwhile, there was a ¥3,164 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 ¥6,624 million. This is principally due to expenditure to acquire subsidiary shares following changes made to the scope of consolidation (¥3,779 million), expenditure to acquire company assets (¥2,183 million), and expenditure to acquire for-lease assets (¥1,483 million).

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥945 million. This reflects a reduction in the Funds through the repayment of long-term debts (¥5,326 million), repayment of accounts payable-installment purchases (¥1,268 million), and payment of dividends (¥898 million), among other factors, partly offset by an increase in the Funds through long-term borrowings (¥7,200 million).

(Reference) Cash flow-Related Indicators

	FY2014	FY2015	FY2016	FY2017	FY2018
Capital adequacy ratio (%)	37.7	39.5	37.6	40.4	41.0
Capital adequacy ratio (based on fair value) (%)	69.8	76.6	72.3	100.9	54.2
Interest-bearing debt to cash flows (%)	2.8	2.6	2.2	2.2	6.9
Interest coverage ratio (times)	45.8	62.7	105.3	94.1	29.8

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 FY2019

	FY2018	FY2019 (Forecasts)	Change (amount)	Change (%)
	Millions of Yen	Millions of Yen	Millions of Yen	%
Net sales	144,630	165,313	20,682	14.3
Operating income	5,411	6,367	955	17.6
Ordinary income	5,607	6,510	903	16.1
Profit attributable to owners of parent	3,246	3,672	425	13.1
Net income per share (¥)	108.47	122.67	14.20	13.1

The business year ending March 2020 marks the final year of the Action 2020 medium-term management plan.

Based on the theme of the medium-term management plan, which is to realize a Japanese healthcare business model, we will continue our efforts in developing healthcare malls, supporting hospital management, and creating high-value pharmacies. In addition, we will strengthen the functions of the existing businesses and expand our business domains to include peripheral medical businesses to achieve the vision set for the 50th accounting period. By doing so, we aim to solidify the foundation for establishing a regional healthcare network.

In the period ending March 2020, we forecast ¥53,480 million in sales in the medical practice support business (up 43.1% year on year), ¥110,836 million in sales in the pharmacy business (up 4.3% year on year), ¥997 million in sales in “Others” (up 3.3% year on year), and total sales of ¥165,313 million (up 14.3% year on year). These figures will be achieved through the implementation of key measures under the medium-term management plan, organic growth of business companies centered on Sogo Medical Co., Ltd., synergies created through collaboration among group companies such as Sogo Medical Co., Ltd., Bunkyo Co., Ltd., and HOKENDOHJINSHA Inc., and strategic initiatives including the promotion of M&As.

As for profits, we forecast ¥6,367 million in operating income (up 17.6% year on year), ¥6,510 million in ordinary income (up 16.1% year on year) and ¥3,672 million in profit attributable to owners of the parent company (up 13.1% year on year) through the improved productivity achieved by efficient workstyles and the promotion of initiatives to control expenses at an appropriate level, in addition to the aforementioned initiatives.

In terms of our corporate structure, we will further accelerate our efforts in strengthening the group management and strategy functions and business execution system, increasing strategic partners, and developing next-generation leaders, which are the goals to be achieved under the holding company structure that we adopted in October 2018, in an effort to achieve the medium-term management plan and the vision for the 50th accounting period at an early timing.

Note that the above forecasts factor in the impact of the "Announcement of the acquisition of shares of Luft Medical Care, Inc. (as a subsidiary)" released on April 23, 2019.

2. 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions)

	FY2018 (As of March.31, 2019)
Assets	
Current assets	
Cash and deposits	¥ 10,883
Notes and accounts receivable-trade	21,138
Accounts receivable-installment sales	4,408
Lease investment assets	1,448
Inventories	6,542
Other	2,729
Allowance for doubtful accounts	(51)
Total current assets	47,100
Noncurrent assets	
Property, plant and equipment	
Property for lease, net	6,821
Buildings and structures, net	13,155
Land	4,662
Other, net	2,585
Total property, plant and equipment	27,225
Intangible assets	
Goodwill	11,633
Other	1,241
Total intangible assets	12,874
Investments and other assets	
Investment securities	1,109
Deferred tax assets	1,285
Other	3,986
Allowance for doubtful accounts	(21)
Total investments and other assets	6,360
Total noncurrent assets	46,460
Total assets	93,560

(in millions)

	FY2018 (As of March.31, 2019)
Liabilities	
Current liabilities	
Notes and accounts payable-trade	¥ 19,819
Short-term loans payable	133
Current portion of bonds	44
Current portion of long-term loans payable	5,112
Lease obligations	175
Accrued expenses	2,448
Income taxes payable	1,053
Deferred profit on installment sales	310
Other	3,491
Total current liabilities	32,589
Noncurrent liabilities	
Bonds payable	215
Long-term loans payable	15,792
Lease obligations	902
Long-term accounts payable-installment purchase	3,090
Other	2,299
Total noncurrent liabilities	22,300
Total liabilities	54,890
Net assets	
Shareholders' equity	
Capital stock	10,000
Capital surplus	38
Retained earnings	29,819
Treasury stock	(1,878)
Total shareholders' equity	37,978
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	392
Total accumulated other comprehensive income	392
Non-controlling interests	298
Total net assets	38,669
Total liabilities and net assets	93,560

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

(Consolidated Statements of Income)

(in millions)

	FY2018 (As of March.31, 2019)
Net sales	¥ 144,630
Cost of sales	121,915
Gross profit	22,715
Selling, general and administrative expenses	17,303
Operating income	5,411
Non-operating income	
Dividends income	30
Rent income	22
Other	439
Total non-operating income	491
Non-operating expenses	
Interest expenses	119
Other	177
Total non-operating expenses	296
Ordinary income	5,607
Income before income taxes	5,607
Income taxes-current	2,269
Income taxes-deferred	76
Total income taxes	2,346
Net income	3,260
Profit (loss) attributable to non-controlling interests	13
Profit (loss) attributable to owners of parent	3,246

(Consolidated Statements of Comprehensive Income)

(in millions)

	FY2018 (As of March.31, 2019)
Net income	¥ 3,260
Other comprehensive income	
Valuation difference on available-for-sale securities	(219)
Total other comprehensive income	(219)
Comprehensive income	3,040
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	3,027
Comprehensive income attributable to non-controlling interests	13

(3) Consolidated Statements of Change in Net Assets

FY2018（from April 1, 2018 to March 31, 2019） (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	27,470	(920)	35,629
Changes of items during the period					
Changes attributable to transfers of shares	6,486	(5,528)		(958)	-
Dividends from surplus			(898)		(898)
Profit attributable to owners of parent			3,246		3,246
Purchase of treasury stock				(0)	(0)
Disposal of treasury shares				0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	6,486	(5,528)	2,348	(958)	2,349
Balance at the end of current period	10,000	38	29,819	(1,878)	37,978

	Accumulated other comprehensive income	Non controlling Interest	Net assets
	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	611	285	36,526
Changes of items during the period			
Changes attributable to transfers of shares			-
Dividends from surplus			(898)
Profit attributable to owners of parent			3,246
Purchase of treasury stock			(0)
Disposal of treasury shares			0
Net changes of items other than shareholders' equity	(219)	13	(206)
Total changes of items during the period	(219)	13	2,143
Balance at the end of current period	392	298	38,669

(4) Consolidated Statements of Cash Flows

(in millions)

	FY2018 (to March.31, 2019)
Net cash provided by (used in) operating activities	
Income before income taxes	¥5,607
Depreciation and amortization	3,893
Amortization of goodwill	1,321
Interest and dividends income	(34)
Capital cost and interest expenses	131
Decrease (increase) in notes and accounts receivable-trade	(370)
Decrease (increase) in accounts receivable-installment	(1,416)
Net decrease (increase) in lease investment assets	(349)
Decrease (increase)in inventories	(306)
Increase (decrease) in notes and accounts payable-trade	(544)
Other	(819)
Subtotal	7,111
Interest and dividends income received	34
Interest expenses paid	(129)
Income taxes paid	(3,164)
Net cash provided by (used in) operating activities	3,852
Net cash provided by (used in) investing activities	
Purchase of own-used assets	(2,183)
Purchase of property for lease	(1,483)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,779)
Other	821
Net cash provided by (used in) investing activities	(6,624)

(in millions)

	FY2018 (to March.31, 2019)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	¥ (372)
Redemption of bonds	(44)
Proceeds from long-term loans payable	7,200
Repayment of long-term loans payable	(5,326)
Repayments of lease obligations	(235)
Repayments of installment payables	(1,268)
Cash dividends paid	(898)
Other	0
Net cash provided by (used in) financing activities	(945)
Net increase (decrease) in cash and cash equivalents	(3,717)
Cash and cash equivalents at beginning of period	14,450
Cash and cash equivalents at end of period	10,733

(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: 35 Companies

(Major consolidated subsidiaries)

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

The following companies are included in the scope of consolidation from the consolidated accounting period under review: K&K Pharmacy Co., Ltd. (whose entire outstanding shares were acquired as of April 1, 2018), Bunkyo Co., Ltd. (whose entire outstanding shares were acquired as of April 26, 2018), Kikawada Yakuhin K.K. (whose entire outstanding shares were acquired as of November 27, 2018), Triad Tokai Co., Ltd. (whose entire outstanding shares were acquired as of December 21, 2018) and CRUXY Co., Ltd. (whose entire outstanding shares were acquired as of March 1, 2019).

The following companies are removed from the scope of consolidation from the consolidated accounting period under review: Nikki Co., Ltd. (which was merged with Trust Co., Ltd. as of April 1, 2018) and Kitano Dispensing Pharmacy Co., Ltd. (which was merged with Sogo Medical Co., Ltd. as of November 1, 2018).

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, 2019, are used for these companies.

4. Matters concerning accounting policy

(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.

2. Information on sales, profit/loss, assets, and amounts of other items by reporting segment

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

FY2018 (from April 1, 2018 to March 31, 2019)

(in millions)

	Reportable Segments				Reconciliations *1	consolidated amounts *2
	Medical practice support	Pharmacies	Others	Total		
Sales						
Unaffiliated sales	¥ 37,384	¥ 106,282	¥ 964	¥ 144,630	-	¥ 144,630
Intersegment sales	6,572	1	12	6,585	¥ (6,585)	-
Total	43,956	106,283	976	151,216	(6,585)	144,630
Segment profit	995	5,311	(1)	6,304	(892)	5,411
Segment assets	35,564	48,692	1,694	85,951	7,609	93,560
Others						
Depreciation	2,347	1,201	65	3,615	277	3,893
Impairment loss	216	1,104	0	1,321	-	1,321
Increase in assets	6,771	2,367	31	9,170	120	9,291

*1. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥-892million) included elimination of intersegment sales (¥-57million) and overall corporate expense (¥-835million). The overall corporate expense was classified as selling general and administrative expenses and was not allocated to reportable segments.

(2) The ¥7,609 million adjustment made to segment assets includes deposits of the head office and other items that do not belong to any reporting segment.

(3) Assets included property, plant and equipment and intangible assets. Reconciliation of increase of those assets (¥120 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)

	FY2018
Net assets per share	¥ 1,281.82
Net income per share	108.47

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

(in millions)

	FY2018
Net assets	¥ 38,669
Deduction	298
(Non-controlling interests)	298
Net assets attributable to common stocks	38,370
Number of common stocks at end of FY	29,934

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

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

(in millions)

	FY2018
Profit attributable to owners of parent	¥ 3,246
(Preferred dividends)	-
Profit attributable to owners of parent attributable to common stocks	3,246
Average number of common stocks	29,934

(Significant Subsequent Events)

None.