



FY2018

(Fiscal Year Ending March 31, 2019)

Financial Results

 **SOGO MEDICAL HOLDINGS**

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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.)



Consolidated Financial Results for Fiscal Year Ended March 31, 2019

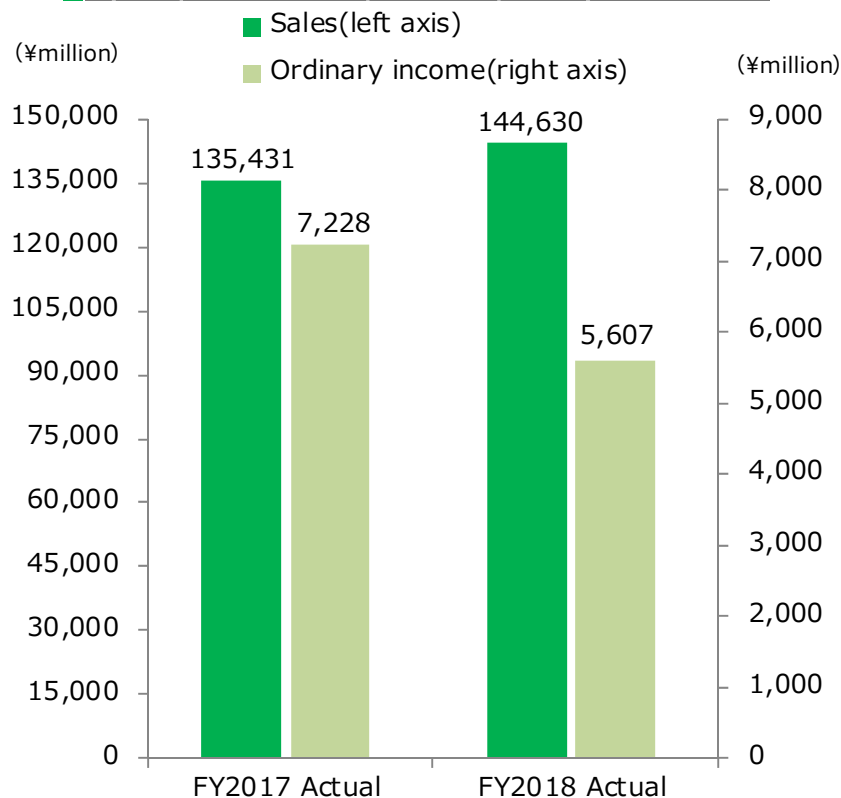
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Consolidated Earnings(YoY)

- ✓ Sales grew 6.8% year on year to ¥144,630 million as higher revenue in the medical practice support segment made up for a drop in revenue in the pharmacies segment.
- ✓ Although efforts were made to reduce the cost of sales and control SG&A expenses at appropriate levels, they were not sufficient to absorb the impact of the downward revisions to drug dispensing fees and pharmaceutical prices in the pharmacies segment. As a result, ordinary income fell 22.4% year on year to ¥5,607 million.

Full year consolidated financial results
(compared to the previous period)



	FY2017 Actual	FY2018 Actual	YoY	YoY (%)	FY2018 Act/Plan (%)
Net sales	135,431 (100.0%)	144,630 (100.0%)	9,199	6.8%	99.8%
Operating income	7,189 (5.3%)	5,411 (3.7%)	-1,777	-24.7%	93.9%
Ordinary income	7,228 (5.3%)	5,607 (3.9%)	-1,621	-22.4%	96.7%
Quarterly Profit attributable to owners of parent	4,243 (3.1%)	3,246 (2.2%)	-996	-23.5%	95.3%
Quarterly net income per share (¥)	141.74	108.47	-33.27	-23.5%	95.4%

*On April 1, 2018, Sogo Medical implemented a 2:1 common stock split.

Net income per share prior to this date was calculated based on the assumption this stock split had been carried out.

*The figures in parentheses represent the ratio to total sales.0

FY2018 Profit & Losses (by Business Segment)

- ✓ Sales in the medical practice support segment rose 52.3% year on year to ¥37,384 million driven by consulting, rental and others.
- ✓ Sales in the pharmacies segment shrank 3.3% year on year to ¥106,282 million.
- ✓ Operating income grew 12.6% year on year to ¥995 million in the medical practice support segment, while it shrank 25.6% year on year to ¥5,311 million in the pharmacies segment.

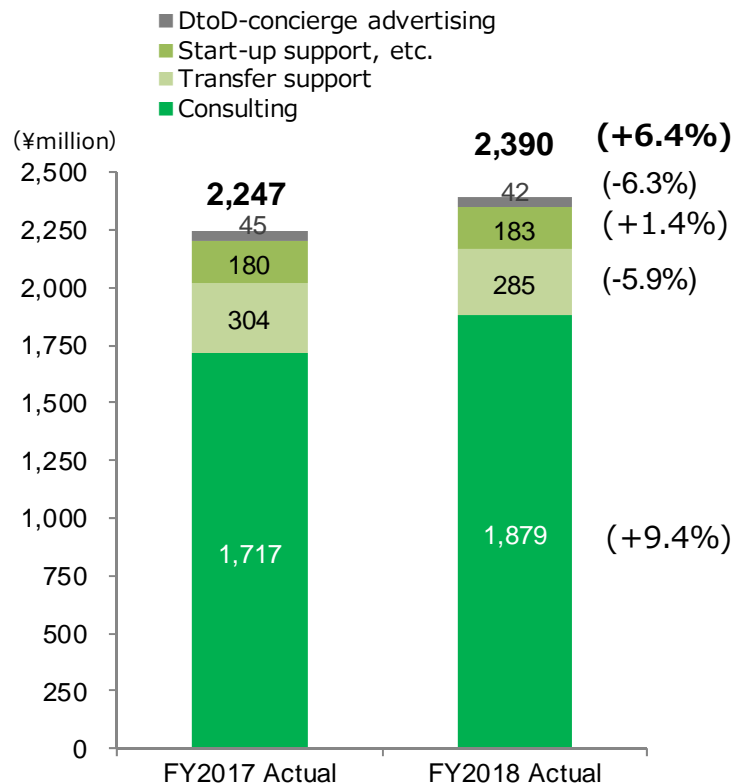
(¥million)

	FY2017 Actual	FY2018 Actual	YoY	YoY (%)	Year-on-year fluctuation factors
Net 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%	Consulting +161
Rental	5,676	7,929	2,252	39.7%	Rental +1,502, sales of subrental +750
Leasing/Installment	9,700	11,156	1,455	15.0%	sales of sublease +771, Leasing/installment +360, merchandise sales +323
Others	6,923	15,907	8,983	129.8%	In-hospital store sales, etc. +9,458
Pharmacies	109,918	106,282	-3,636	-3.3%	Existing pharmacy sales -4,951, pharmacies opened in FY2017 +825, pharmacies opening FY2018 +790
Others	964	964	0	0.1%	
Operating income	7,189	5,411	-1,777	-24.7%	
Medical practice support	884	995	111	12.6%	In-hospital store sales, etc. +76
Pharmacies	7,139	5,311	-1,828	-25.6%	Profit decline in tandem with sales drop
Others	-22	-1	20	-	
Elimination & Corporate	(811)	(892)	-80	-	

Medical Practice Support Data (Consulting)

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

Breakdown of consulting sales (million yen)



Start-up support,
Number of cases to support medical practice succession and opening of private practices,
Total for transfer support (cases)

	FY2017 Actual	FY2018 Actual	YoY
Start-up support	179	185	6
Number of cases to support medical practice succession and opening of private practices	35	42	7
Total for transfer support	4,963	4,591	-372
Full-time	50	47	-3
Part-time	4,913	4,544	-369

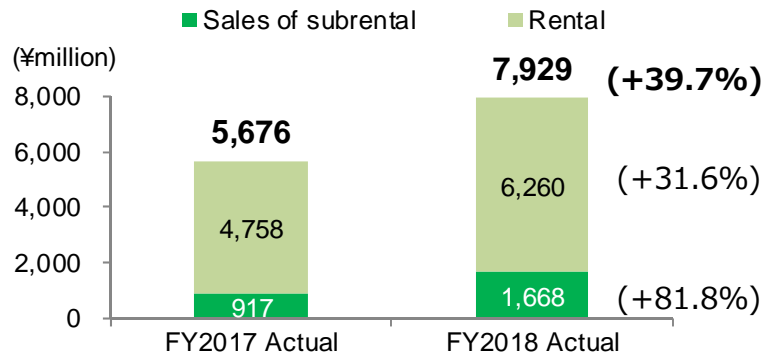
Doctors registered for DtoD (No. of people),
Succeed Members (cases)

	March 31, 2018	March 31, 2019	YoY
Doctors registered for DtoD (No. of people)	74,898	79,787	4,889
Succeed Members (cases)	1,680	1,728	48

Medical Practice Support Data (Rental, Leasing & Installment)

- ✓ Sales in the rental business rose 39.7% year on year to ¥7,929 million thanks to an increase in the number of TVs and other equipment installed.
- ✓ Sales in the leasing and installment business increased 15.0% year on year to ¥11,156 million due to new contracts resulting from medical practice opening support and contracts for replacing medical equipment and devices.

Rental sales (million yen)

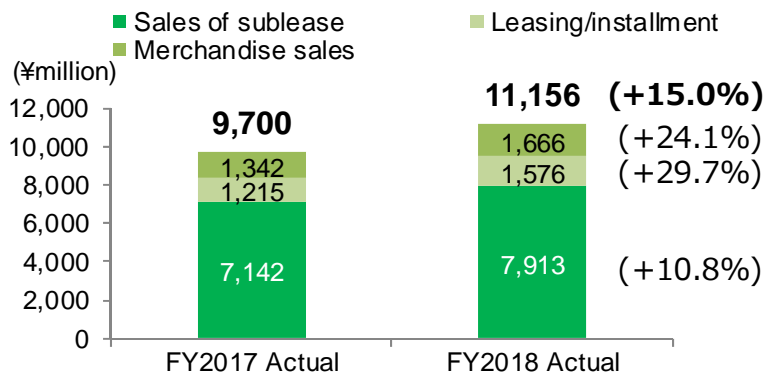


Number of rental TVs in operation (TVs)

	March 31,	March 31,		
	2018	2019	YoY	YoY (%)
Number of rental TVs in operation (TVs)	216,520	217,116	596	0.3%

*Includes sub-rental.

Leasing/installment sales (million yen)



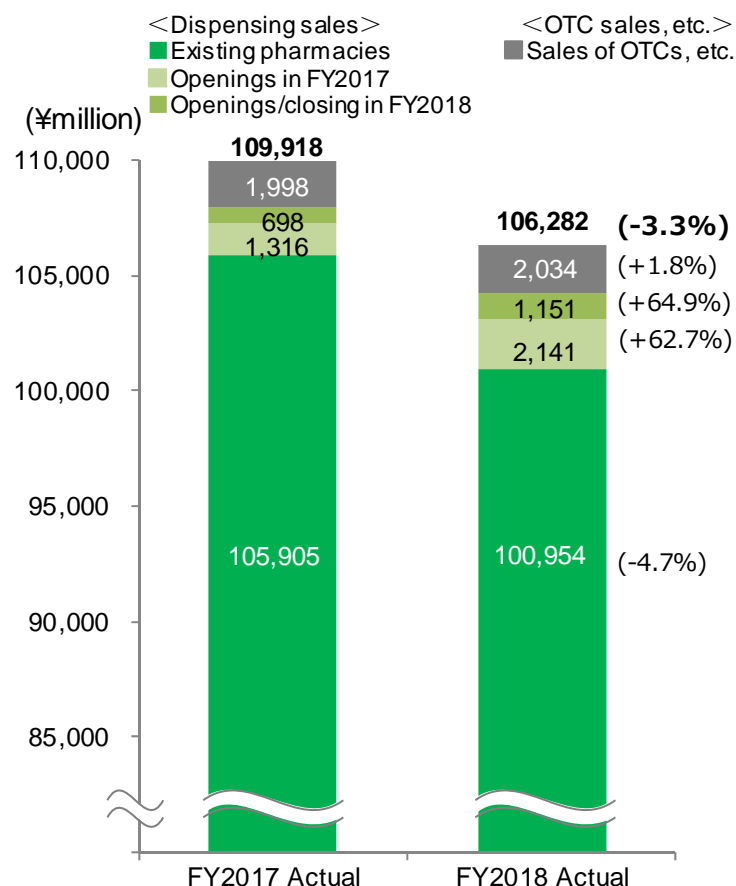
Leasing/installment volume (million yen)

	FY2017 Actual	FY2018 Actual		
			YoY	YoY (%)
Leasing/installment volume	9,515	11,296	1,780	18.7%

Pharmacy Data (Sales & Number of Pharmacies)

- ✓ Seventeen pharmacies were newly opened during the period under review, including those that became part of our group through acquisition, and six pharmacies were closed.
- ✓ The pharmacies opened in the previous period performed strongly.

Breakdown of pharmacy sales (million yen)



Breakdown of pharmacy sales (million yen)

	FY2017 Actual	FY2018 Actual	YoY	YoY (%)
Pharmacies	109,918	106,282	-3,636	-3.3%
Dispensing sales	107,919	104,247	-3,672	-3.4%
Existing pharmacies	105,905	100,954	-4,951	-4.7%
Pharmacies opened in FY2017	1,316	2,141	825	62.7%
Pharmacies opened/closed in FY2018	698	1,151	453	64.9%
OTC sales	1,998	2,034	36	1.8%

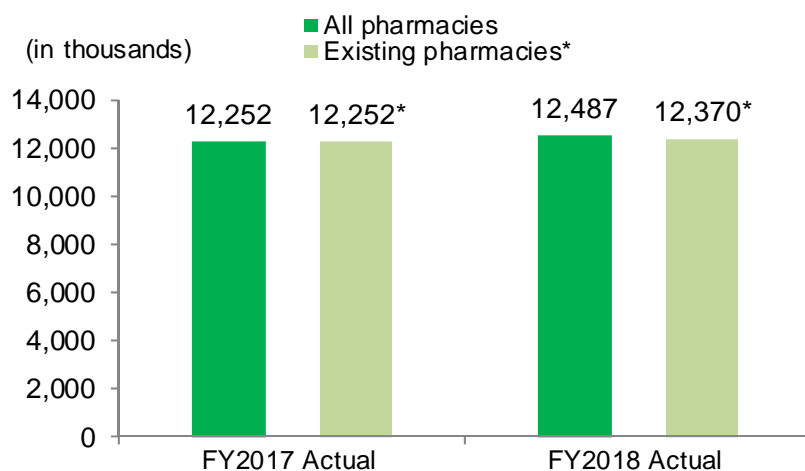
Number of dispensing pharmacies, new openings and closings

	FY2017 Actual	FY2018 Actual
Number of pharmacies	687	698
Number of new openings	18	17
Start-up support portion	8	7
Existing pharmacy portion	4	5
M&A portion	6	5
Number of closings	5	6

Pharmacy Data (Prescriptions & Unit Price)

- ✓ The number of prescriptions prepared by pharmacies in our group rose 1.9% year on year to 12,487 thousand partly thanks to an increase in the number of prescriptions prepared by the existing pharmacies.
- ✓ Drug unit price dropped 5.8% year on year to ¥6,105 and technical fees (dispensing fees) also slid 2.9% year on year to ¥2,243 due to the impact of revisions to pharmaceutical prices and a shift to generic products.

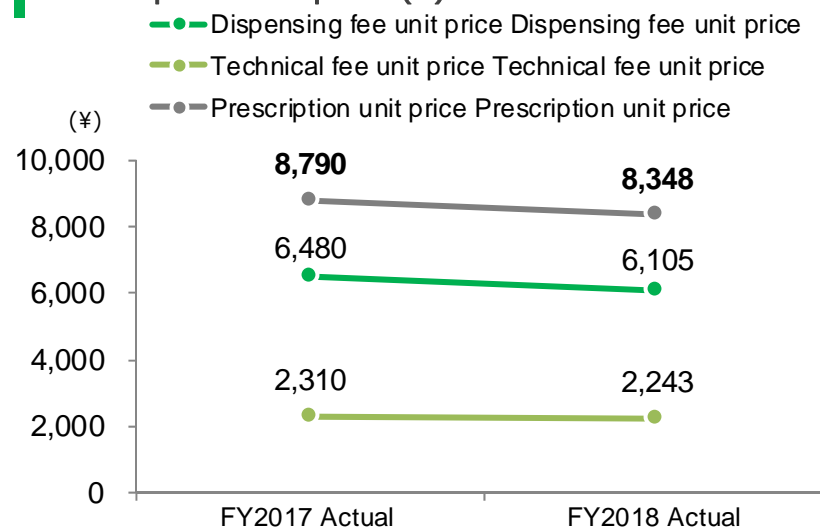
Prescription volume (1,000)



	FY2017 Actual	FY2018 Actual	YoY	YoY(%)	vs. Plan(%)
All pharmacies	12,252	12,487	235	1.9%	99.4%
Existing pharmacies*	12,252	12,370	118	1.0%	-

*Comparison with the pharmacies that were opened in or before the year ended March 31, 2018.
Excluding the pharmacies that were closed during the year ended March 31, 2018.

Prescription unit price (¥)



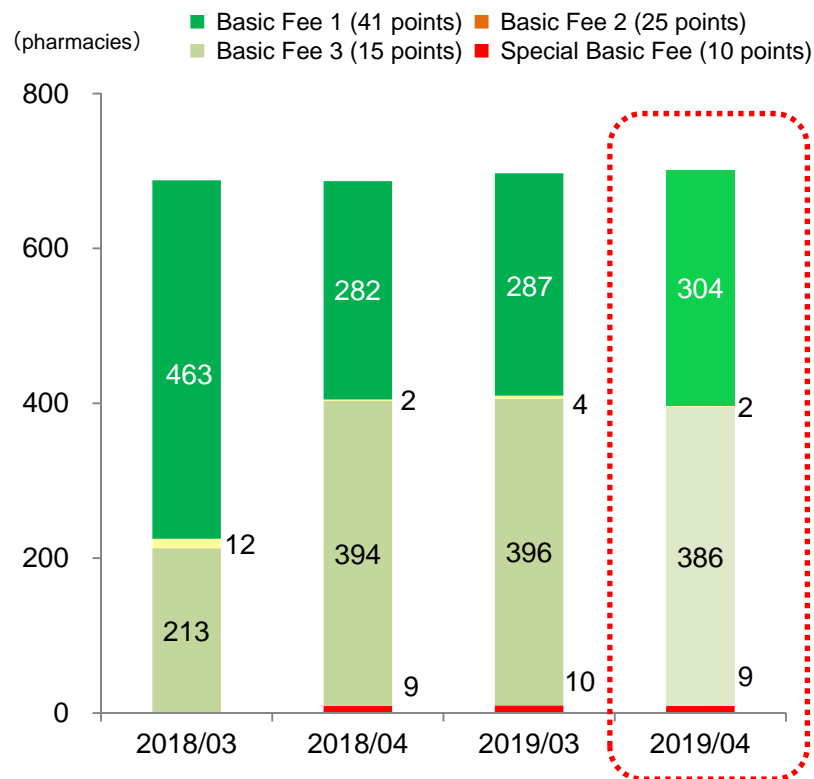
	FY2017 Actual	FY2018 Actual	YoY	YoY (%)	vs. Plan(%)
Prescription unit price	8,790	8,348	-442	-5.0%	100.8%
Dispensing fee unit price	6,480	6,105	-375	-5.8%	100.2%
Technical fee unit price	2,310	2,243	-67	-2.9%	102.7%

* Prescription unit price = Dispensing fee unit price + Technical fee unit price

Trends for Major Items in the Basic Dispensing Fee and Technical Fee Components

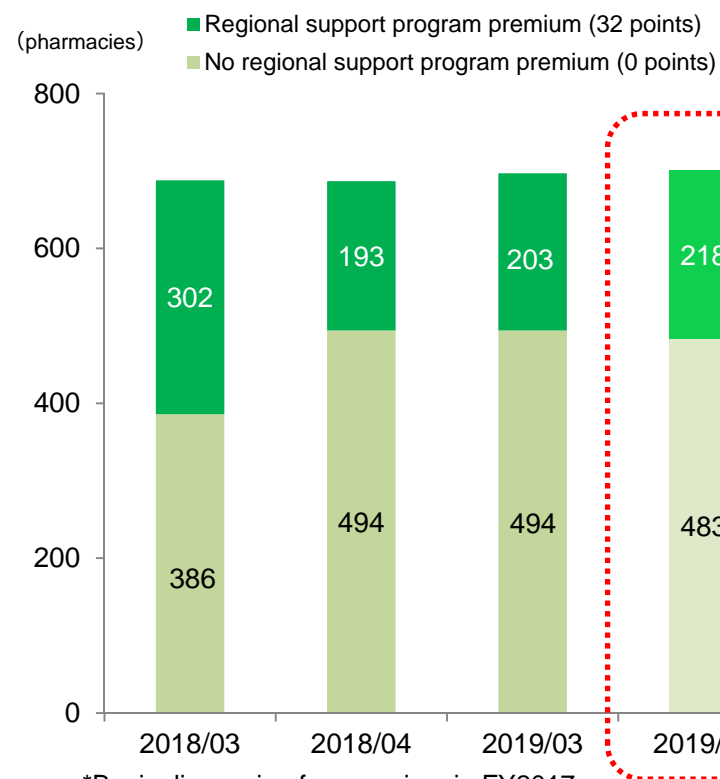
- ✓ We promoted the acquisition of prescription business in a wide area through the provision of home drug dispensing services and strategic personnel allocation.
- ✓ As of April 2019, the number of pharmacies in our group that charge Basic Drug Dispensing Fee 1 increased by 22 from April 2018, while the number of pharmacies that receive additional points for supporting community-based support system rose by 24.

Basic Drug Dispensing Fee



*The figures for March 2018 include two pharmacies that were closed and exclude one pharmacy that was temporarily closed.
 *The figures for April 2018, March 2019, and April 2019 exclude one pharmacy that was temporarily closed.

Number of pharmacies that earned a premium under the regional support program



*Basic dispensing fee premium in FY2017
 *The figures for March 2018 include two pharmacies that were closed and exclude one pharmacy that was temporarily closed.
 *The figures for April 2018, March 2019, and April 2019 exclude one pharmacy that was temporarily closed.

Trends for Major Items in the Basic Dispensing Fee and Technical Fee Components

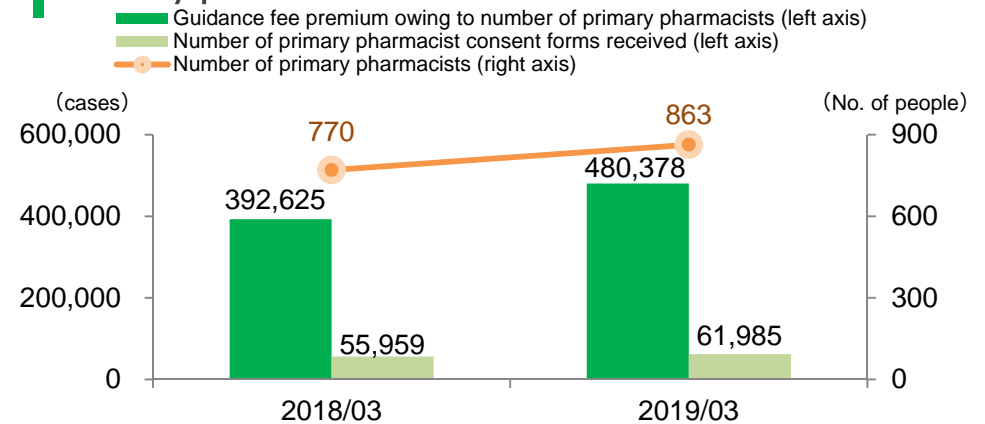
- ✓ The number of pharmacies in our group that receive additional points for having a dispensing system for generic products (Additional Fee 3) increased by 164 due to the proactive switchover to generic products.
- ✓ The number of pharmacies whose prescription concentration rate is less than 85% increased by 30 as a result of the promotion of opening pharmacies in healthcare malls and primary care pharmacists.

Number of pharmacies that earned a premium under the generic drug dispensing program



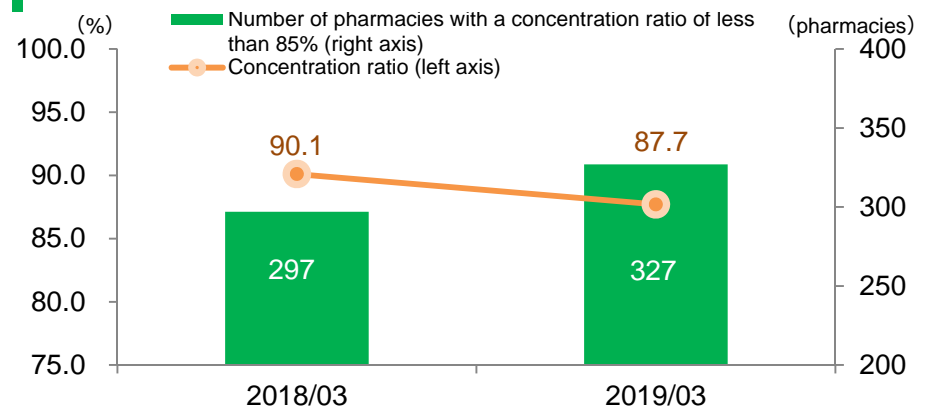
*The figures for March 2018 include two pharmacies that were closed and exclude one pharmacy that was temporarily closed.
 *The figures for April 2018, March 2019, and April 2019 exclude one pharmacy that was temporarily closed.

Primary pharmacist data



*The number of primary care pharmacists is on a single-month basis.

Concentration ratio data



* The concentration rates reflect the results of Sogo Medical Co., Ltd. on a stand-alone basis.

Balance Sheet as of March 31, 2019

(¥million)

	FY2017	FY2017	YoY	Main sources of changes
Total assets	89,748	93,560	3,812	
Current assets	47,485	47,100	-384	
(Cash and deposits)	14,538	10,883	-3,654	Acquisition of equity in Bunkyo -3,575
(Notes and accounts receivable-trade)	20,536	21,138	602	
(Inventories)	5,787	6,542	755	
Noncurrent assets	42,263	46,460	4,196	
(Property, plant and equipment)	25,440	27,225	1,784	For-lease assets (rental assets) +1,338
(Intangible assets)	10,502	12,874	2,371	Goodwill +2,530
Total liabilities	53,221	54,890	1,669	
Current liabilities	33,598	32,589	-1,008	
(Notes and accounts payable-trade)	20,037	19,819	-217	
(Current portion of long-term loans payable)	4,429	5,112	682	
Noncurrent liabilities	19,623	22,300	2,677	
(Long-term loans payable)	13,831	15,792	1,961	New loans +7,200, repayments -5,370
(Long-term accounts payable-installment purchase)	2,754	3,090	335	
(Interest-bearing debts)	23,529	26,616	3,086	
Total net assets	36,526	38,669	2,143	Net income +3,246, Dividends from retained earnings -898
Total liabilities and net assets	89,748	93,560	3,812	
Net assets per share (¥) *1	1,210.6	1,281.8	71.1	
Capital adequacy ratio (%)	40.4	41.0	0.6	
Net D/E ratio (times) *2	0.25	0.41	0.16	

*1: On April 1, 2018, Sogo Medical implemented a 2:1 common stock split. Net income per share prior to this date was calculated based on the assumption this stock split had been carried out.

*2: Net D/E ratio = Net interest-bearing liabilities (interest-bearing liabilities – cash and deposits) / shareholders' equity + interest-bearing debt; this includes the leasing receivables and installment receivables posted to the balance sheet

Statement of Cash Flows as of March 31, 2019

(¥millions)

	FY2016	FY2017	FY2018	Change
Net cash provided by operating activities	10,931	10,630	3,852	-6,777
Income before income taxes and minority interests	6,391	7,105	5,607	-1,498
Depreciation	3,902	3,971	3,893	-78
Impairment loss	48	123	0	-123
Amortization of goodwill	987	1,243	1,321	77
Decrease (increase) in notes and accounts receivable-trade	1,127	1,016	-370	-1,386
Income taxes paid	-2,222	-2,778	-3,164	-385
Net cash used in investing activities	-9,933	-2,963	-6,624	-3,660
Purchase of own-used assets	-3,152	-1,875	-2,183	-307
Purchase of property for lease	-264	-745	-1,483	-738
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-6,440	-485	-3,779	-3,293
Net cash used in financing activities	3,301	-3,871	-945	2,926
Proceeds from long-term loans payable	10,933	3,000	7,200	4,200
Repayment of long-term loans payable	-4,446	-4,614	-5,326	-711
Repayments of lease obligations	-324	-276	-235	40
Repayments of installment payables	-1,924	-1,266	-1,268	-2
Purchase of treasury stock	-	-	-	-
Cash dividends paid	-710	-785	-898	-112
Net increase in cash and cash equivalents	4,299	3,795	-3,717	-7,512
Cash and cash equivalents at end of period	10,655	14,450	10,733	-3,717
Investment in plant and equipment	-3,416	-2,620	-3,666	-1,046



Consolidated Financial Forecast for Fiscal Year Ending March 31, 2020

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Consolidated Financial Forecast for Fiscal Year Ending March 31, 2020

- ✓ We forecast ¥165,313 million (up 14.3% year on year) in sales and ¥6,510 million in ordinary income (up 16.1% year on year).
- ✓ In the medical practice support segment, we forecast ¥53,480 million in sales (up 43.1% year on year) on the back of the opening of new outlets of Bunkyo Co., Ltd. and the acquisition of the shares of Luft Medical Care, Inc.
- ✓ In the pharmacies segment, we forecast ¥110,836 million in sales (up 4.3% year on year) through factors such as the recovery of technical fees, the efficient development of pharmacies through healthcare malls, etc. and M&A.

(¥million)

	FY2018		FY2019		YoY			
	2Q	Actual	2Q Plan	Plan	Interim		Full year	
	Actual				YoY	YoY	YoY	YoY
Net sales	70,101	144,630	78,161	165,313	8,060	11.5%	20,683	14.3%
Medical practice support	18,321	37,384	24,646	53,480	6,325	34.5%	16,096	43.1%
Pharmacies	51,295	106,282	53,020	110,836	1,725	3.4%	4,554	4.3%
Others	484	964	495	997	11	2.3%	33	3.4%
Gross profit	10,678	22,715	12,392	27,003	1,714	16.1%	4,288	18.9%
SG&A	8,695	17,303	10,226	20,636	1,531	17.6%	3,333	19.3%
Operating income	1,983	5,411	2,166	6,367	183	9.2%	956	17.6%
Ordinary income	2,100	5,607	2,236	6,510	136	6.5%	903	16.1%
Profit attributable to owners of parent	1,147	3,246	1,261	3,672	114	9.9%	426	13.1%
Net income per share (¥)	38.3	108.4	42.1	122.6	3.8	-	14.2	-



Medium/Long-term Outlook and Activities

-Progress of Action 2020-

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Positioning and Realization of the Medium-term Management Plan

Prepare a three-year medium-term management plan to fill the gaps with current operation for achievement of our FY2027 vision

Contribute to the creation of an even better society by support good healthcare

FY2027 Vision

Completion of a Japanese healthcare business model

Current medium-term management plan (FY2017 – FY2019)

Action 2020—Realizing a Japanese healthcare business model

Develop healthcare malls

Management support for hospitals

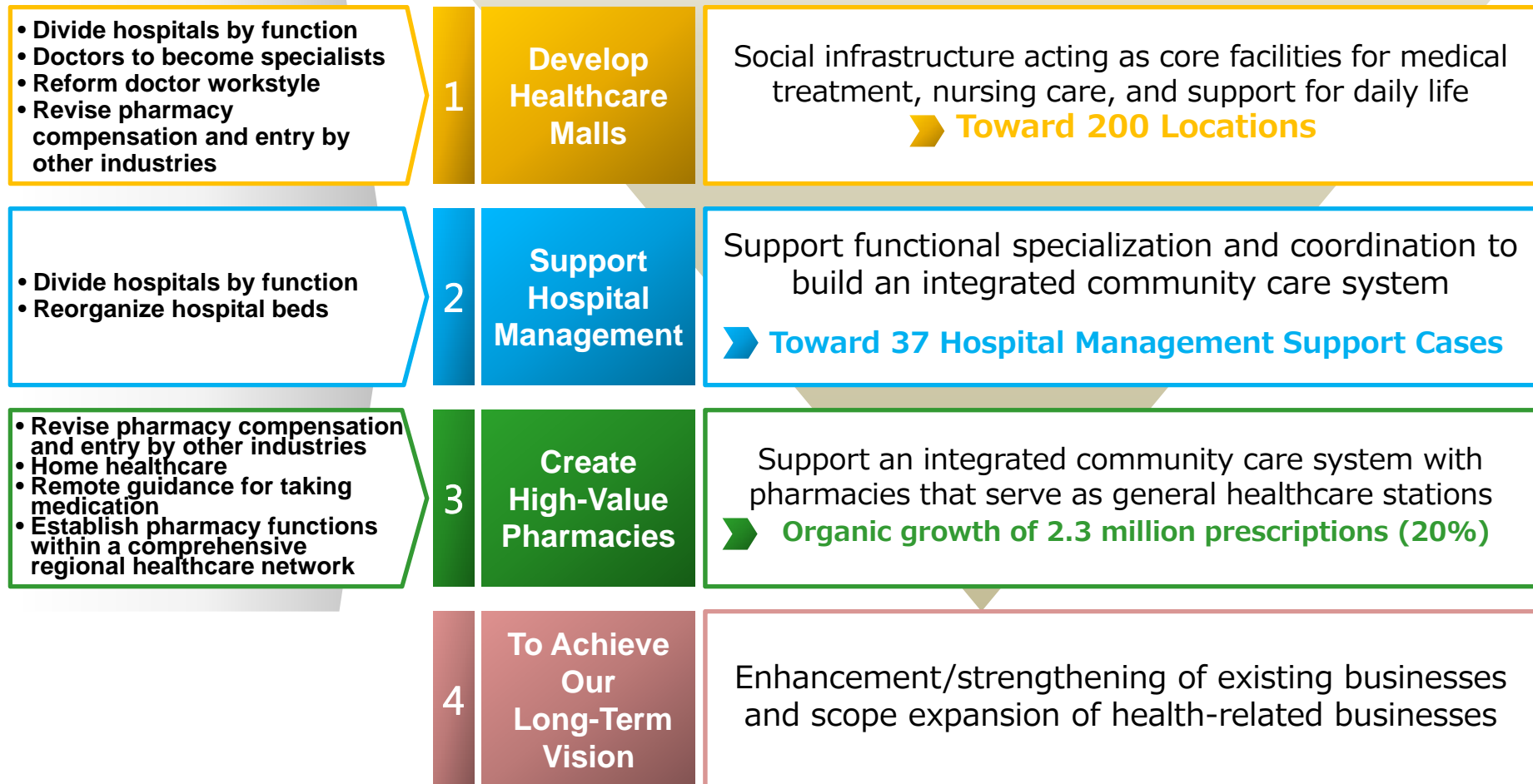
Create high-value pharmacies

Build an infrastructure for a regional healthcare network

Previous medium-term management plan (FY2014-FY2016)

Further Challenge—Toward a better society in which people can live with a sense of security

Themes in the Medium-term Management Plan (FY2019 Vision)



Building a Platform for Regional Healthcare Networks

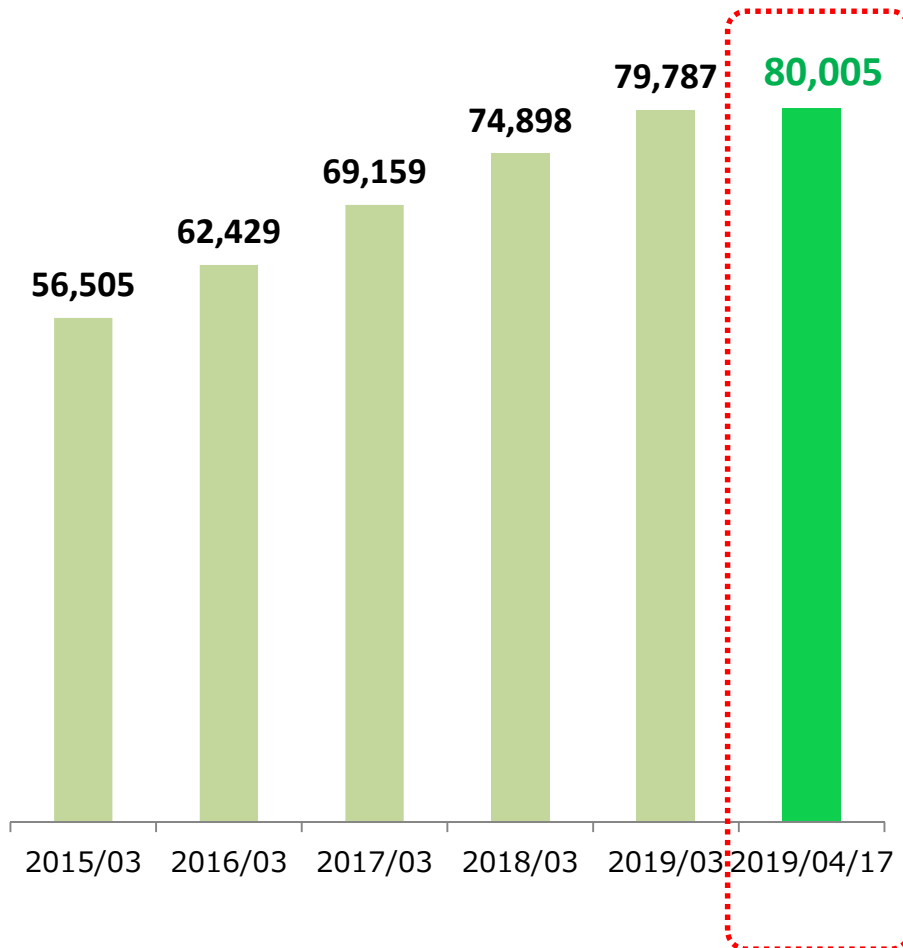
Progress of Medium-Term Management Plan

1	Develop Healthcare Malls	Toward 200 Locations	Securing good properties is becoming difficult due to the rising property prices and rents. However, the number of candidate properties is growing. We will continue securing properties that can be stably operated over the medium - and long-term and work on developing healthcare malls with a focus on quality.
2	Support Hospital Management	Toward 37 Hospital Management Support Cases	Consultations concerning business succession and rebuilding are increasing. However, it often takes time before they develop into actual transactions.
3	Create High-Value Pharmacies	Organic growth of 2.3 million prescriptions (20%)	The number of prescriptions prepared is growing steadily in the pharmacies we operate within healthcare malls. In addition, an increase in prescriptions following the opening of new pharmacies has made a contribution.
4	To Achieve Our Long-Term Vision	Enhancement/ strengthening of existing businesses and scope expansion of health-related businesses	Bunkyo Co., Ltd. joined our group in the April 2018 as a subsidiary. We are working on increasing sales channels to large hospitals and expanding earnings opportunities through the opening of convenience stores and cafes in healthcare malls.

Working on building infrastructure to achieve the vision for the 50th period (FY ending March 31, 2028)

Implementing DtoD

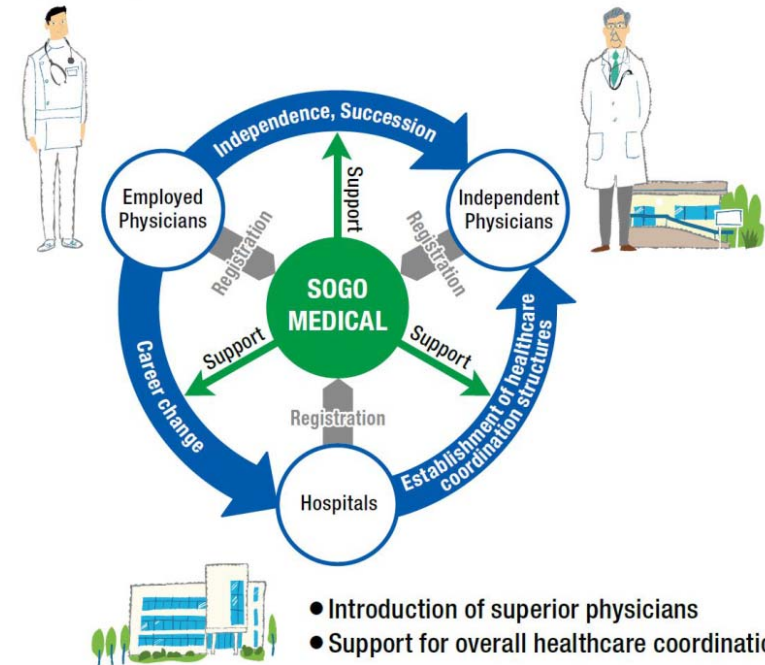
Number of DtoD registered doctors
(No. of people)



Doctor to Doctor D to D system

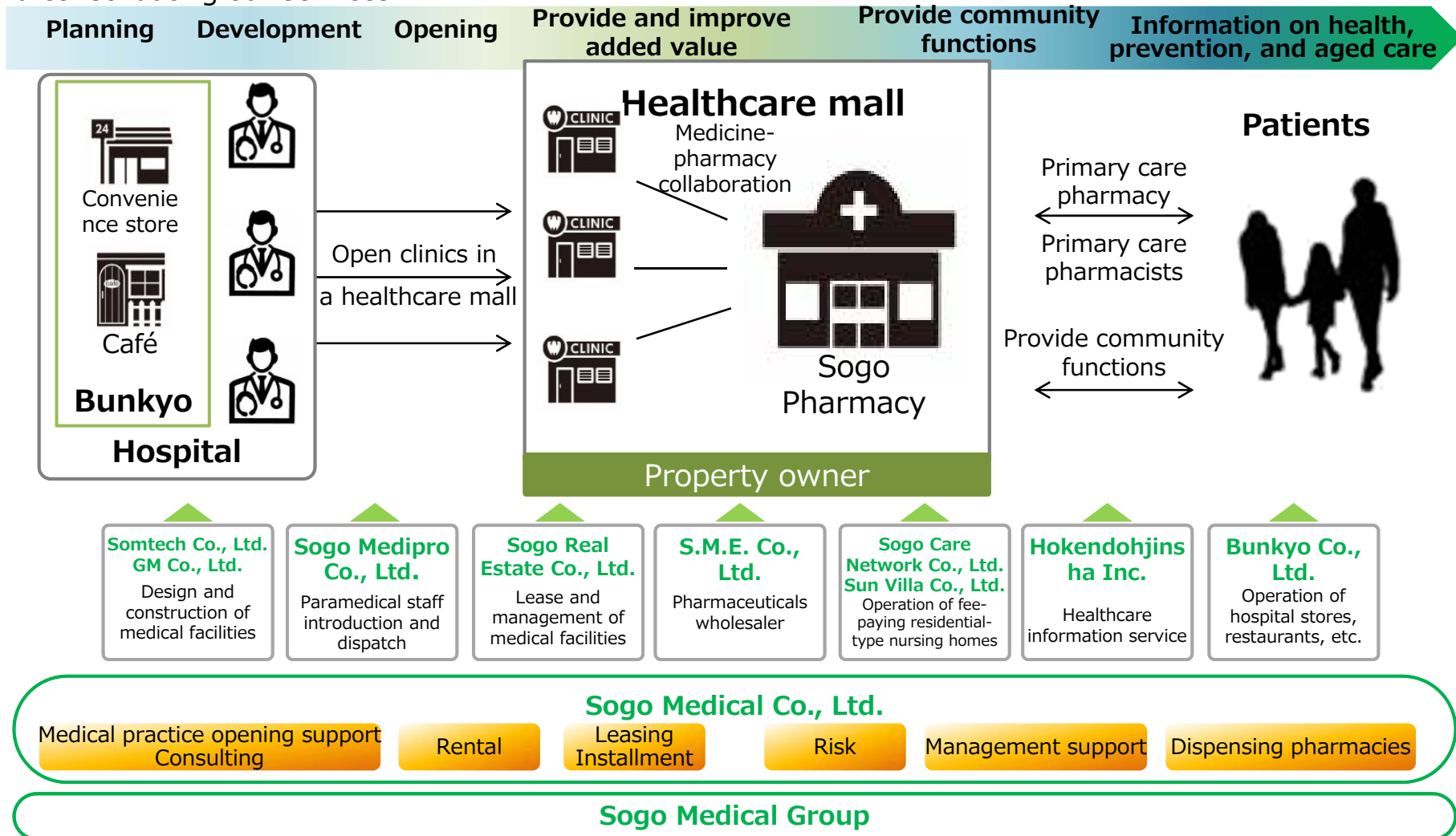
Career change, support to launch independent practice

Introduction of successor



Provision of Added Value and Expansion of Earnings Opportunities Through the Promotion of Healthcare Malls

We will indefinitely provide local communities with high value-added functions and services for both medical institutions and patients.
 We will aim to maximize stock income for the entire group centered on pharmacies by attracting more clinics and consolidating our services.



Healthcare Mall Development

Medical Mall machinoma OMORI



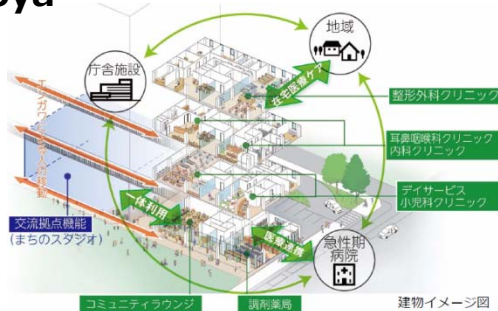
Support: Opening support and pharmacies

Departments: Internal medicine, pediatrics, ear, nose and throat, dental

- A new form of suburban SC launched by Mitsubishi Corporation Urban Development (MCUD)
The first project in the machinoma series. A medical mall was opened within machinoma OMORI in November 2018.
- In addition to four departments, it contains a Sogo Pharmacy store, advisory services for medical-related issues, and a support office for home-based aged care. This is the first time that a form of “community-based healthcare mall,” which has evolved from healthcare malls, was completed where healthcare services are provided to residents in the community in collaboration with a neighboring university hospital.

Medical Garden Nagoya

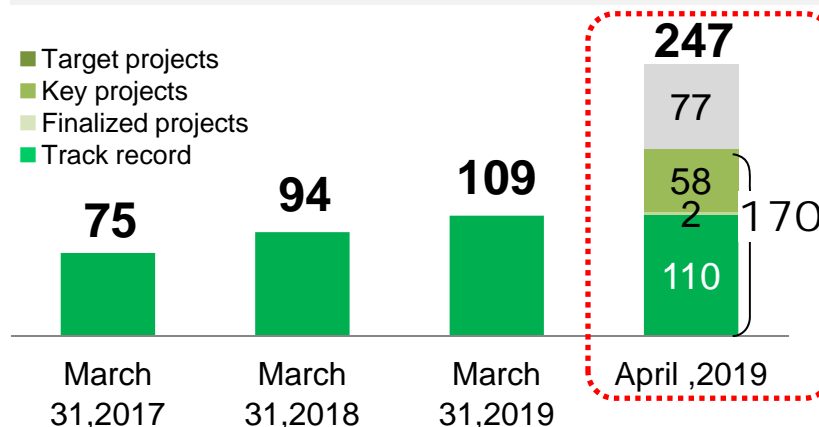
- In response to the invitation of tenders by the Nagoya City when they relocated and renovated the City council building, we submitted a successful tender jointly with a major general contractor to build an ideal healthcare mall. We aim to start the commercial operation of Medical Garden Nagoya in FY2022 to provide medical care, aged care, health, prevention and life support.



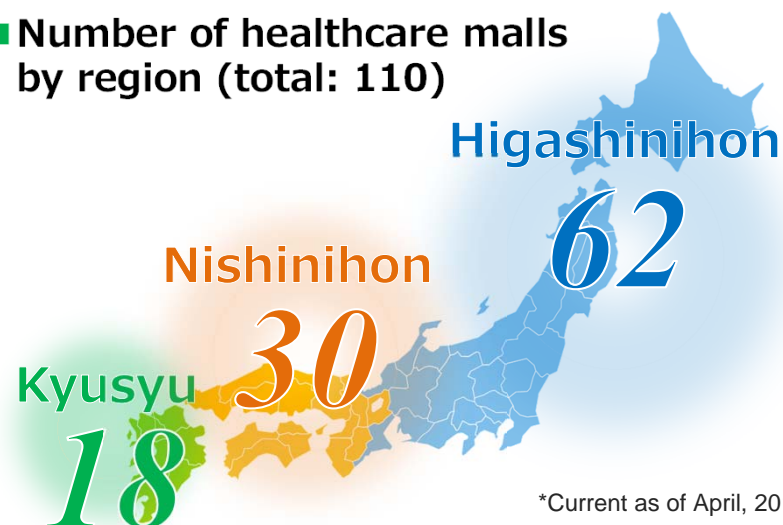
Number of healthcare malls opened

Open 15 healthcare malls
in FYE March 2019

109 healthcare malls in total



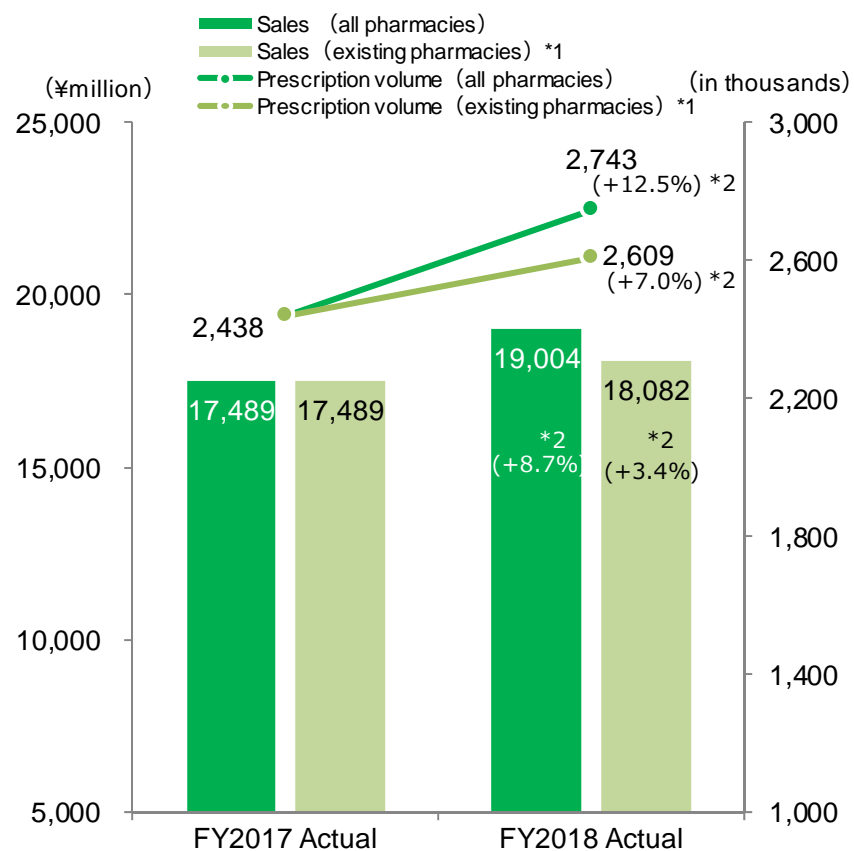
Number of healthcare malls by region (total: 110)



*Current as of April, 2019

Healthcare Mall Development

Dispensing pharmacy sales and prescription volume at healthcare malls



*1 Existing pharmacies = pharmacies that were opened in healthcare malls before the end of FY2018.

*2 The figures in parentheses are comparison with FY2017

Number of drug dispensing pharmacies in healthcare malls

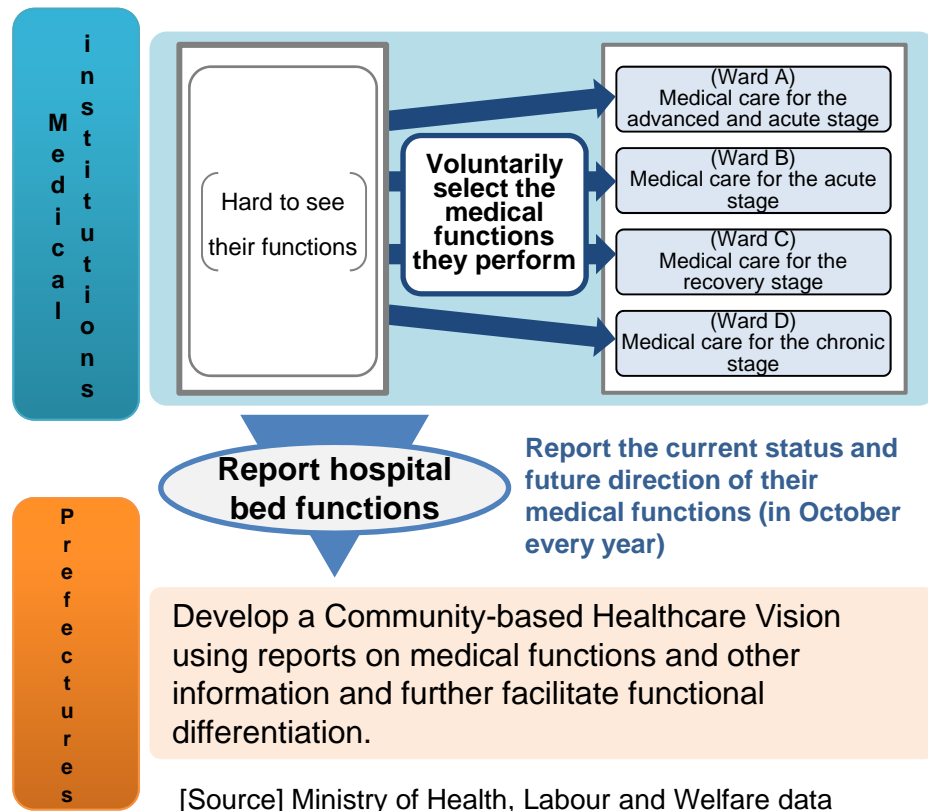
	FY2018 Actual
Number of pharmacies in healthcare malls	105
Total number of pharmacies	698
Ratio of healthcare mall pharmacies to all pharmacies	15.0%

Number of prescriptions prepared by healthcare mall pharmacies

	FY2018 Actual
Number of prescriptions prepared by healthcare mall pharmacies (in 1,000)	2,743
Number of prescriptions prepared by all pharmacies (in 1,000)	12,487
Ratio of prescriptions prepared by healthcare mall pharmacies to total prescriptions	22.0%

Community-based Healthcare Vision

- ✓ Under the Act on Promotion of Comprehensive Medical and Aged Care Services, prefectures began developing Community-based Healthcare Visions in April 2015. All prefectures prepared their vision by the end of FY2016.
 - *The Community-based Healthcare Vision is, in principle, developed for each unit of the secondary medical care zone.
- ✓ To facilitate the functional differentiation and collaboration of hospital beds, prefectures estimate and set medical care needs and the necessary number of hospital beds in 2025 for each medical care function in the Community-based Healthcare Vision.
- ✓ The Ministry of Health, Labour and Welfare prepared the Guidelines, including estimation methods, when prefectures began developing the Community-based Healthcare Vision and released them in March 2015.



(Contents of a Community-based Healthcare Vision)

1. Medical demand and necessary number of hospital beds in 2025
 - Estimate medical demand and necessary number of hospital beds for each of the four functions (advanced and acute stage, acute stage, recovery stage, and chronic stage)
 - Estimate medical demand for home-based medical care, etc.
 - Make estimates for each zone used for the Vision within each prefecture (basically, the secondary medical care zone)
2. Measures to build a medical care system we aspire to have

Example: facilities to promote the differentiation and collaboration of medical functions, improvements to home-based medical care, etc. and securing and nurturing healthcare practitioners

◆ The Liaison Committee on the Community-Based Healthcare Vision will discuss and coordinate functional differentiation and collaboration.

Hospital Management Support

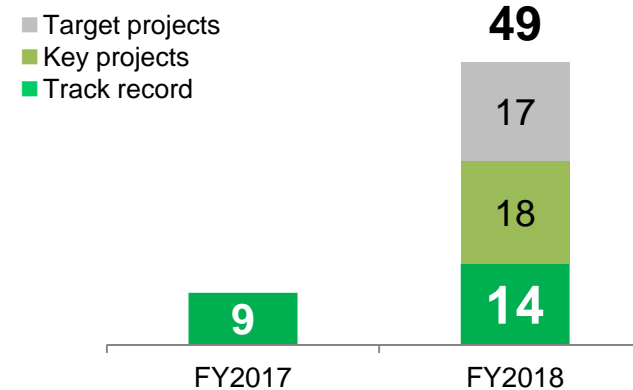
Number of management support clients by region

Five new clients in FYE March 31, 2019
 Has supported a total of 14 clients

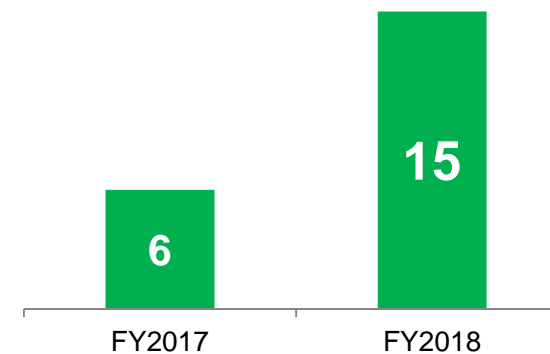


*Current as of March, 2019

Number of management support case



Number of consulting jobs for reorganization of hospital beds



Topics: Restructuring of hospital beds—an example of support for transition to a long-term medical care, rehabilitation, and accommodation facility for the elderly (kaigo-iryoin)

Medical corporation

- Hospital A 276 beds; of these, 96 are for elderly people requiring medical/aged care and/or rehabilitation (kaigo-ryouyou-byoushou) (40 beds are not used) ⇒ Start operation with 60 beds
- Hospital B 300 beds; of these, 80 are for elderly people requiring medical/aged care and/or rehabilitation (kaigo-ryouyou-byoushou) ⇒ Start operating with 70 beds

- Consider the roles medical institutions should play in the community-based healthcare concept (separation of functions) and accept people requiring care when a decision cannot be made as to whether such people should recuperate at home, or at a hospital or other institution.
- Choose a transition into a “long-term medical care, rehabilitation, and accommodation facility for the elderly” (kaigo-iryoin) to assume the role of an “accommodation facility where patients can receive medical care and support over a long time.”
- Aim to become an institution that forms the core of healthcare for chronic-phase patients.



Support (1)

- Consulting service on hospital bed restructuring
- Estimate business income and expenditure according to the schedule
- Prior consultations and coordination with the local council

Support (2)

- Interior renovation/turn rooms with multiple beds into individual rooms
- Introduce partitions
- Purchase hospital room fixtures

“Long-term medical care, rehabilitation, and accommodation facility for the elderly (kaigo-iryoin)”

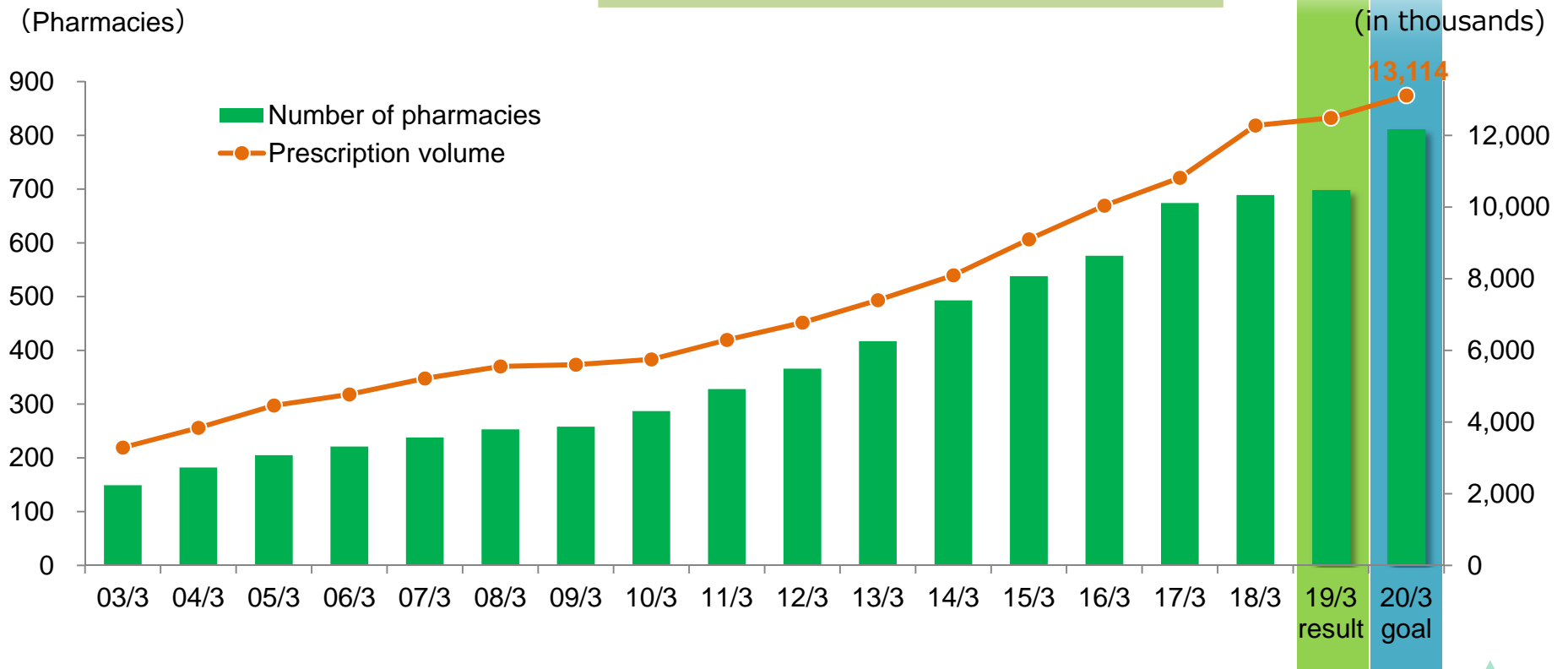
Established in April 2018, the facility targets elderly people who have long-term medical and aged care needs. It fulfils medical functions such as daily medical management and end-of-life and terminal care, and also functions as an accommodation facility.

- ✓ The system of assigning beds for elderly people requiring medical/aged care and/or rehabilitation (kaigo-ryouyou-byoushou) will be abolished as of March 31, 2024 (transitory measures apply for six years).
- ✓ The calculation period for the additional payment to healthcare institutions (as an incentive for transition to a “long-term medical care, rehabilitation, and accommodation facility for the elderly”) will end on March 31, 2021.
- ✓ Hospitals therefore need to become “long-term medical care, rehabilitation, and accommodation facilities for the elderly” (kaigo-iryoin) no later than March 31, 2020 to take advantage of the additional payment for a whole year.

Creation of High-value Pharmacies

FY2019 goal
Prescriptions: 2.3 million increase

FY2018 result
Prescriptions: **12,487**к
(increase of 2.11 million prescriptions YoY)



Creation of High-Value Pharmacies: Growth Strategy

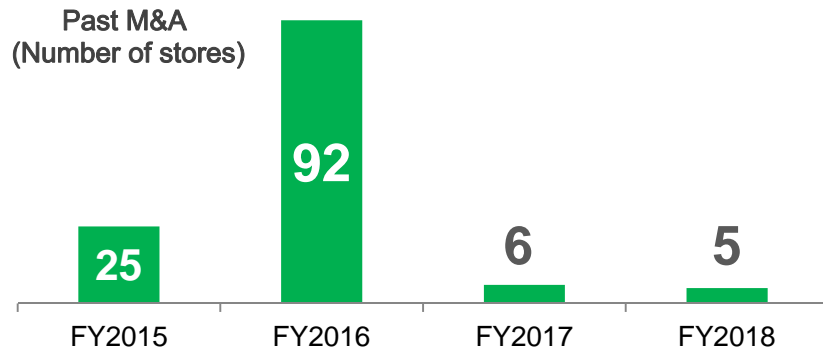
Quantitative expansion: store opening strategy

■ Pharmacy openings through healthcare malls

There is scope for opening pharmacies through healthcare malls on the back of our history and track record in supporting doctors in opening medical practices.

■ M&A

Continue to proactively implement M&A based on prudent assessment ahead of FY2020 revisions.



■ Approach to existing medical institutions

Approach medical institutions that have not yet separated the pharmacy segment in view of the consumption tax hike. Propose business succession and multiple diagnosis system.

Quality improvement efforts

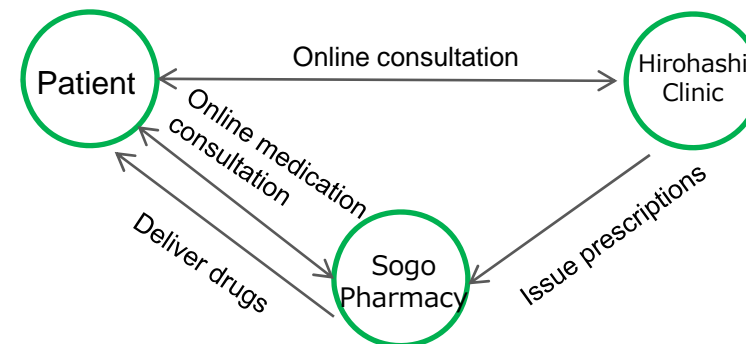
■ Café for dementia sufferers

As part of Fukuoka City's dementia-friendly city project, we opened Smile Café@Sogo as a café for dementia sufferers and their carers. We visit three cafes in Fukuoka City once a month to provide support to dementia sufferers and their families.

We also train "dementia supporters" who can appropriately serve dementia sufferers visiting a pharmacy. We actively promote efforts to help seniors suffering from dementia.

■ Remote medication consultation service

On March 27, we introduced our first remote medication consultation service in the "Sogo Pharmacy Higashiirube Store (Sawara-ku, Fukuoka-shi)," which is registered as a remote medication consultation service in the Fukuoka City National Strategic Special Zone.



Creation of High-Value Pharmacies: Growth Strategy

Activities for improving quality

MHLW Pharmacy Vision for Patients

The figures in brackets are the actual results of the previous period.

Health support pharmacy

Health support function

Health support pharmacy
No. of pharmacies 128 pharmacies
 (89 pharmacies)
Number of pharmacists who have completed training 891 pharmacist
 (641 pharmacist)

Health events at pharmacies

	Number of events	Number of participants
Total	1,824	29,830人
Health events at stores	1,544	8,072
Outreach-type health events	280	21,758



Advanced pharmaceutical management function

No. of specialized pharmacists 87 pharmacists
 (69 pharmacies)
 (Cancer, home care, pediatrics, liver, diabetes, etc.)

JASPO
 (Japanese Society of Pharmaceutical Oncology)
 Pharmacists accredited to outpatient cancer treatment
No. of accredited health insurance covered dispensing pharmacy pharmacists 4 out of 32



Primary-care pharmacists/pharmacies

Centralize and continuously monitor information on taking medication

Number of letters of consent for primary-care pharmacists 61,985 cases
 (55,959 cases)

24-hour service and home visits

Ratio of pharmacies offering home visits 89%
 (86%) (excluding some group companies)

Collaboration with medical institutions

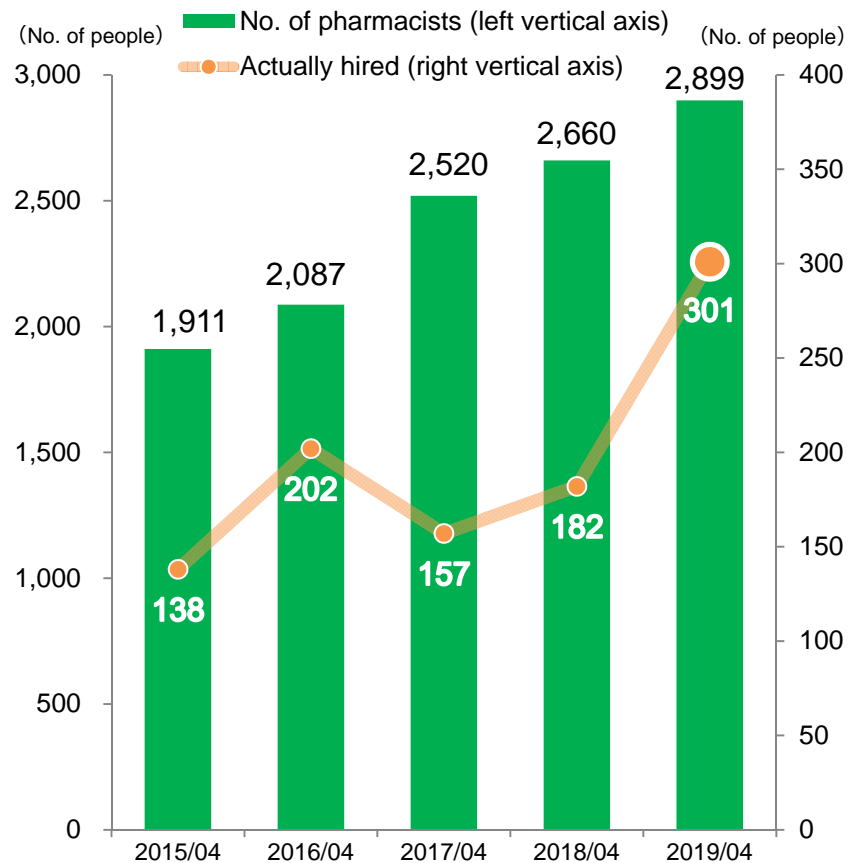
No. of calculations for provision fees, including information on taking medication 1,245 cases
 (438 cases)

No. of fee calculations for outpatient support for taking medication 322 cases
 (203 cases)

Creation of High-Value Pharmacies: Growth Strategy

Recruitment, assignment, and development of pharmacists

Past recruitment of pharmacists



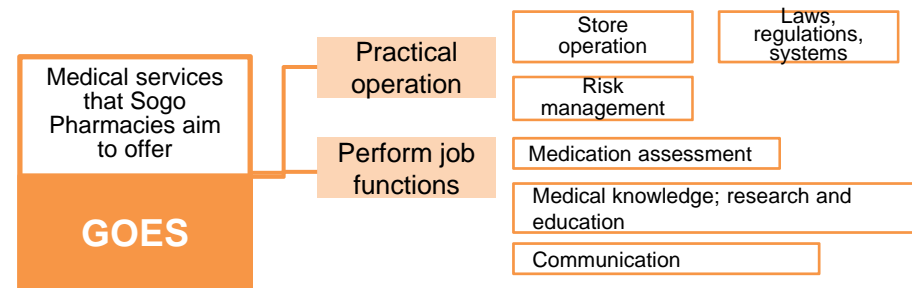
Strategic assignment of pharmacists

- Shift to home-based medical care services
- M&A
- Assignment in view of various systems that grant additional points
 - Development of primary care pharmacists
 - Additional points for pharmacists supporting community-based medical care
- Create pharmacists with functions
 - Pharmacists collaborating with the community
 - Pharmacists collaborating with specialized medical institutions

Development of human resources

GOES aims to develop the abilities, skills, and mindsets that pharmacists need to offer “medical services that Sogo Pharmacies aim to offer.”

Based on the Gradable OJT Education System, pharmacists will move through grades for their learning using “e-learning tools” and “off-JT training” that includes practical training.

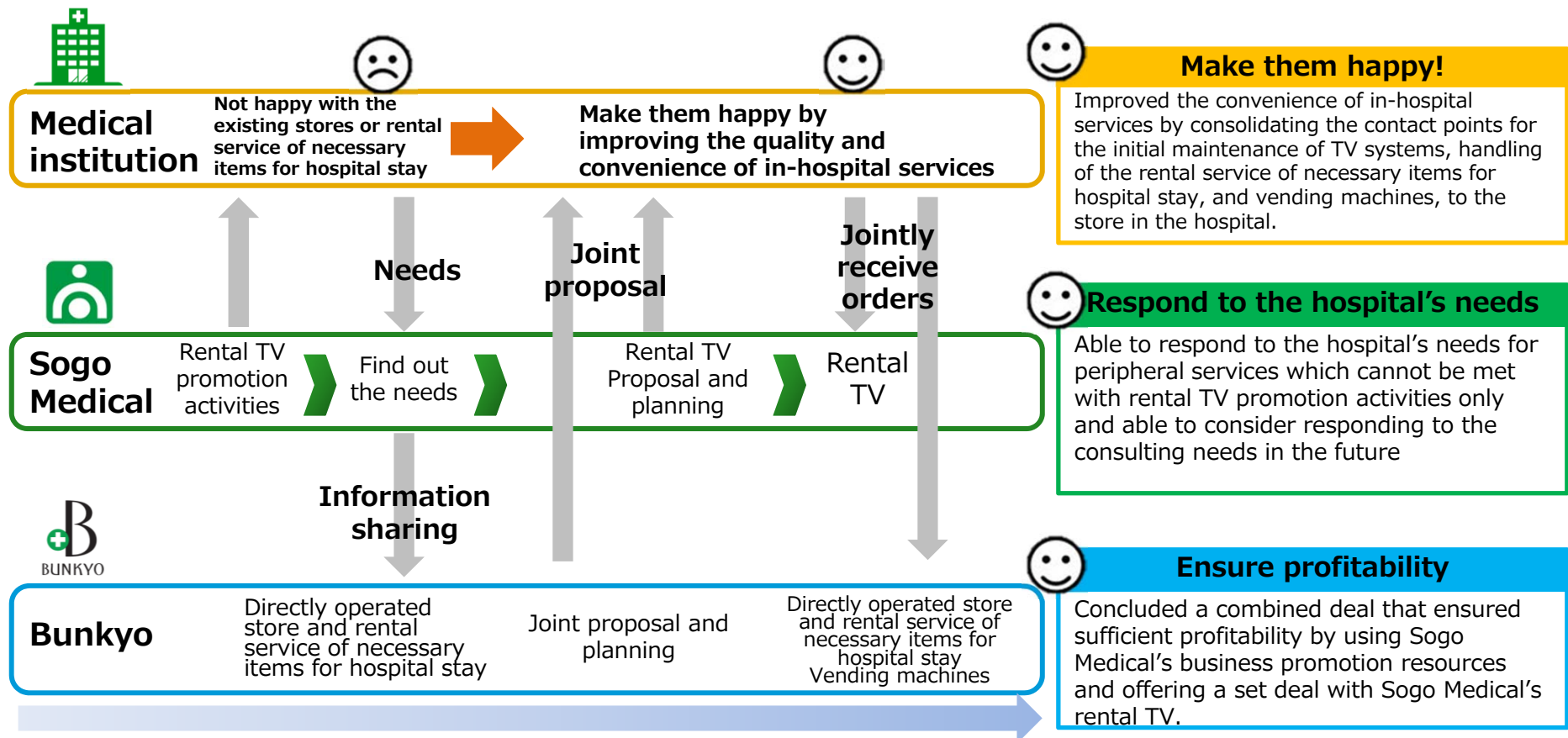


Synergies with Bunkyo

1. Successful collaboration example (Bunkyo's business area: hospitals with about 150 beds)

Through their business promotion activities for rental TV, Sogo Medical finds out whether hospitals are satisfied with their existing in-hospital stores and rental service of necessary items for hospital stay.

We offer a combined deal that satisfies hospitals by making a joint proposal that includes rental TV, stores, rental service for necessary items for hospital stay, and vending machines.

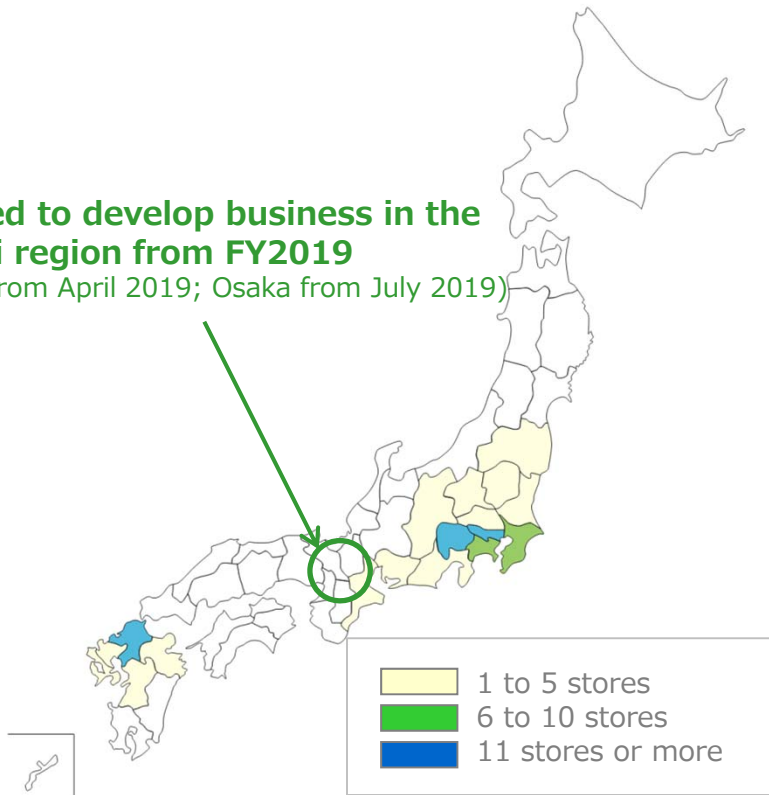


Synergies with Bunkyo

2. Decision to develop business in the Kansai region

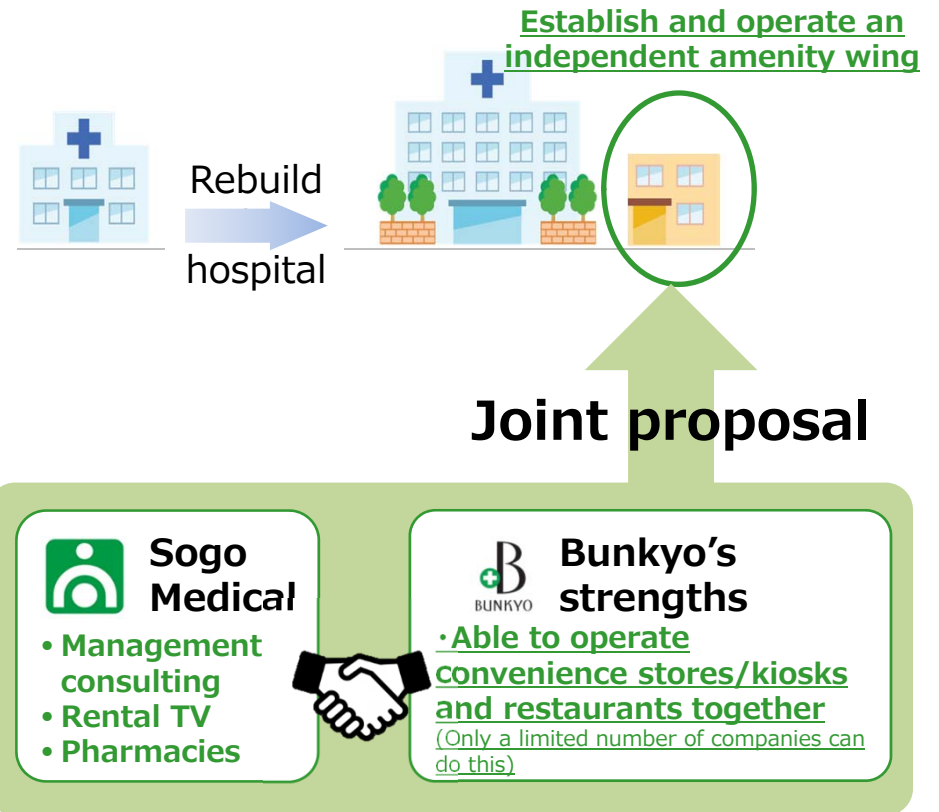
Began operating convenience stores and restaurants in key hospitals in the Kyoto and Osaka regions in FY2019 to increase synergies throughout all regional offices of Sogo Medical.

Decided to develop business in the Kansai region from FY2019
 (Kyoto from April 2019; Osaka from July 2019)



3. Large-scale projects

An increasing number of core regional hospitals and large hospitals are building an independent amenity wing when, for instance, they rebuild the main hospital building. We will propose operating these amenity facilities as a package based on Bunkyo's solutions and strengths in convenient store and restaurant management.



Overview of Luft Medical Care, Inc.

Acquisition of shares of a company running personnel service business (temporary staffing; service provision) and sterilization service business (inside and outside hospitals)

(The company becomes a subsidiary on) May 27, 2019 (Scheduled)

Company overview

Corporate philosophy "Fully support workplaces that protect lives"

Head office	10th Floor, Dai13 Daitetsu Bldg., 1-9-7 Shinjuku-ku, Tokyo
Business	Human resource service (temporary staffing, service provision) Sterilization service (sterilization within and outside hospitals) Seminars, etc.
Paid-in capital	¥45 million
Established in	December 2002
Number of employees	4,064 (as of January 2019)
Shareholders	Sogo Medical Holdings Co., Ltd. (100%) *Share assignment date: May 27, 2019

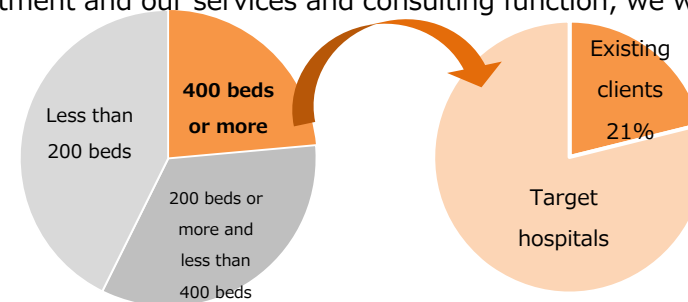
FYE	In	July 31, 2016	July 31, 2017	July 31, 2018
Net assets	¥million	896	1,094	1,289
Total assets	¥million	2,081	2,631	3,518
Net assets per share	¥1,000	242	296	348
Sales	¥million	6,001	7,045	8,211
Operating income	¥million	291	248	297
Ordinary income	¥million	310	268	303
Net income	¥million	197	199	195
Net income per share	¥1,000	53	54	53

Key Points

- The company serves hospitals throughout Japan mainly through its temporary staffing service to dispatch assistant nursing staff and sterilization service. It is growing fast at an annual growth rate of 17%.
- The company has approximately 700 clients throughout Japan, including university hospitals and group hospitals. It particularly has strengths in transactions with ultra-large hospitals with 400 or more beds.
- The company supports the creation of an environment that enables its doctors and nurses to better focus on providing medical treatment through task shifting. It will make a great contribution in strengthening Sogo Medical's functions as we work on providing support to doctors and medical institutions under the concept, "Good medical practice through good management."
- Combining the company's strong business promotion ability to the nursing department and our services and consulting function, we will address workstyle reforms in the medical industry.

Transaction record

- Major clients are hospitals throughout Japan
 - ✓ Hospitals with 400 or more beds: Approx. 170 hospitals
 - ✓ Hospitals with 200 or more and less than 400 beds: Approx. 230 hospitals
 - ✓ Hospitals with less than 200 beds: Approx. 300 hospitals
- Major clients
Tohoku Medical and Pharmaceutical University, The University of Tokyo Hospital, St. Luke's International Hospital, National Defense Medical College Hospital, Kyushu University, Jichi Medical University Hospital, Juntendo University Hospital



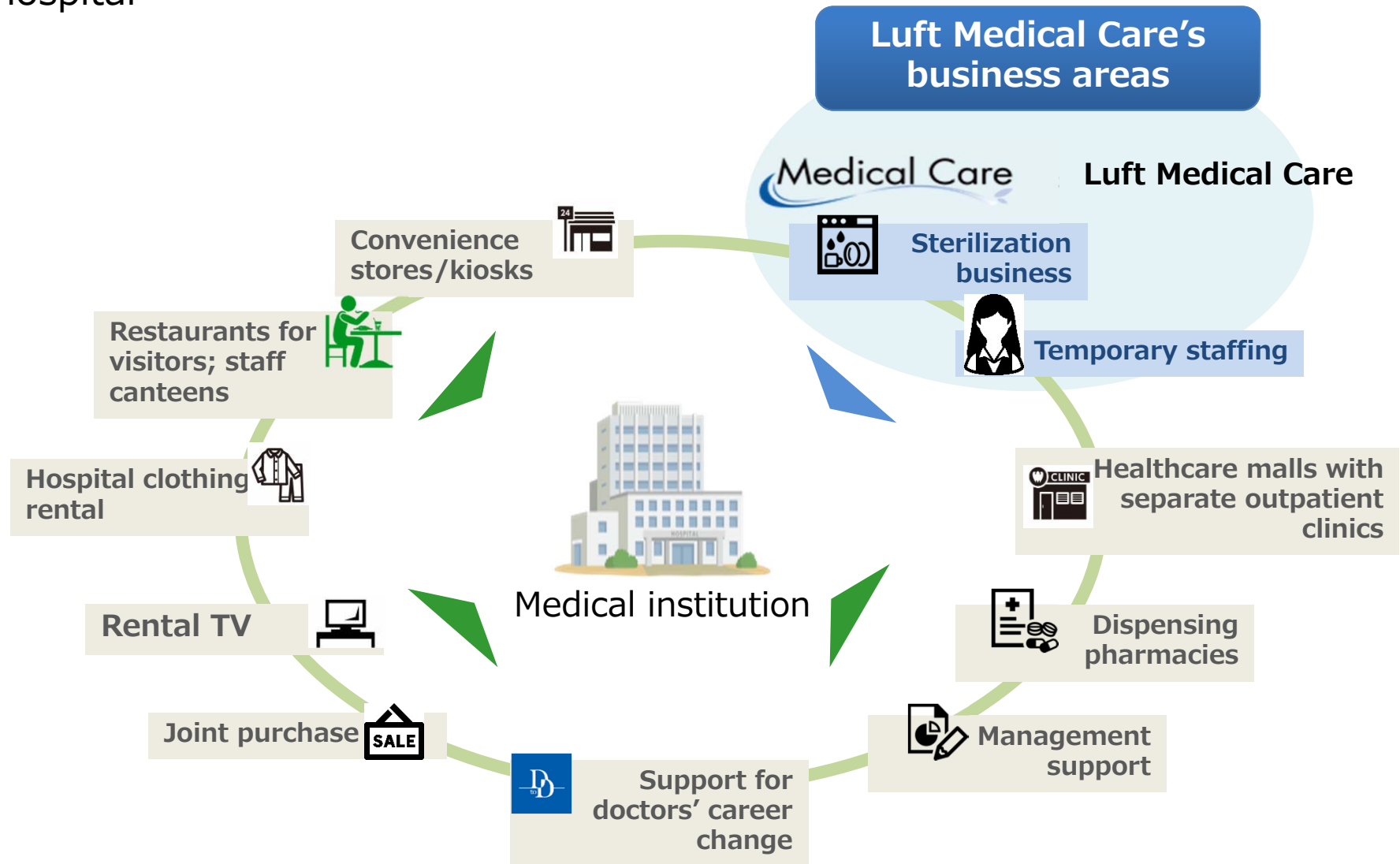
Clients are 700 hospitals located all over Japan (as of March 31, 2019)

21% of hospitals with 400 or more beds are the company's clients. There is scope for future expansion.

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Collaboration with Luft Medical Care, Inc.

- ✓ Expand the product line-up for hospitals; strengthen support for the entire hospital



Business model

Corporate concept

Good Medical Practice through Good Management

Medical institutions like hospitals and clinics need good management to provide good medical care.

Providing good medical care from the outset, however, also results in good management.

Therefore, good medical care and good management are both essential to the provision of efficient, high-quality healthcare.

Doctors must have pride and a sense of mission to do everything in their power for the patient they are treating, and it is our mission to provide the institutional support that enables doctors to focus on the implementation of this good medical care.

Strengths

Sogo Medical is the only company that provides a diverse range of services including consulting, pharmacies, and leasing, as a one-stop service provider.

With our consulting service as the basis, we use our total capabilities combining the medical practice support business (e.g. consulting, rental, leasing and installment) and dispensing pharmacy business to support our clients. This is our basic strategy and the key to differentiating us from other companies.





APPENDIX

 SOGO MEDICAL HOLDINGS

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Quarterly Earnings Trends (by Business)

(¥million)

	FY2016				FY2017				FY2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales	28,102	29,217	29,388	35,507	33,191	33,300	33,730	35,210	35,155	34,946	36,267	38,262
Medical practice support	5,179	6,383	5,412	8,329	6,092	6,535	5,404	6,517	8,936	9,385	8,478	10,585
Consulting	461	499	447	625	489	550	528	680	586	637	504	663
Rental	1,492	1,851	1,391	2,100	1,539	1,759	1,157	1,221	2,045	1,973	1,697	2,214
Leasing/installment	2,280	2,399	1,911	3,562	2,334	2,603	2,016	2,747	2,231	2,706	2,294	3,925
Others	945	1,632	1,661	2,041	1,729	1,622	1,703	1,869	4,072	4,070	3,982	3,783
Pharmacies	22,699	22,599	23,738	26,929	26,853	26,536	28,086	28,443	25,977	25,318	27,549	27,438
Others	223	234	237	248	245	229	241	249	242	242	240	240
Cost of sales	24,026	24,969	24,746	30,019	28,492	28,270	28,675	29,640	30,001	29,422	30,595	31,897
Gross profit	4,076	4,247	4,641	5,488	4,699	5,030	5,055	5,570	5,154	5,524	5,671	6,366
SG&A	2,951	2,940	2,964	3,350	3,312	3,316	3,215	3,321	4,321	4,374	4,349	4,258
Operating income	1,125	1,307	1,677	2,137	1,387	1,714	1,839	2,249	832	1,151	1,322	2,106
Ordinary income	1,101	1,311	1,723	2,303	1,332	1,786	1,842	2,268	866	1,234	1,363	2,144
Quarterly profit attributable to owners of parent	616	764	982	1,416	807	1,032	1,113	1,291	430	717	751	1,348

Quarterly Earnings Trends (Data Summary)

(¥million)

	FY2016				FY2017				FY2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consulting sales	461	499	447	625	489	550	528	680	586	637	504	663
Consulting	365	367	341	409	404	420	430	463	495	469	442	473
Practice transfer/start-up support	95	132	106	216	85	130	97	218	90	168	62	191
Practice transfer support	59	76	59	151	55	63	46	140	50	107	24	104
Practice start-up support	22	43	35	51	17	56	40	67	29	49	28	77
DtoD-concierge advertising	13	12	12	13	11	12	11	11	11	11	10	10
No. of new doctor registrations for DtoD (people) (Number of doctors wishing to transfer/start-up a	1,933	1,281	1,800	1,716	1,312	1,796	1,563	1,068	1,130	1,036	1,044	1,679
Practice transfer support (cases)	1,348	1,220	1,378	1,237	1,349	1,135	1,322	1,157	1,168	1,100	1,217	1,106
Full time	8	16	7	35	5	11	4	30	3	20	6	18
Part time	1,340	1,204	1,371	1,202	1,344	1,124	1,318	1,127	1,165	1,079	1,212	1,088
Support of medical practices carried on by successor	17	10	9	10	13	7	8	7	11	10	7	14
Rental sales	1,492	1,851	1,391	2,100	1,539	1,759	1,157	1,221	2,045	1,973	1,697	2,214
Sales of subrental	314	587	216	885	372	545	0	0	557	348	196	567
Rental	1,178	1,263	1,175	1,214	1,166	1,214	1,157	1,221	1,487	1,626	1,500	1,647
Leasing sales	2,280	2,399	1,911	3,562	2,334	2,603	2,016	2,747	2,231	2,706	2,294	3,925
Sales of sublease	1,764	1,911	1,389	2,709	1,683	1,985	1,528	1,946	1,626	2,092	1,518	2,677
Leasing / Installment	330	330	318	326	307	293	294	321	361	613	151	451
Sales of medical equipment	184	157	202	525	342	326	193	481	243	0	626	797
Dispensing pharmacies (Pharmacies)*	578	580	672	674	677	687	689	687	691	689	693	698
New open	4	3	95	3	4	11	3	0	4	0	7	6
Number of prescriptions (thousands)	2,544	2,508	2,712	3,050	3,010	2,929	3,135	3,202	3,067	2,933	3,231	3,256
Healthcare malls*	67	70	72	75	76	80	92	94	96	96	103	109
Number of management support cases*	5	5	5	5	6	7	8	9	10	10	11	14

*Total for the end of the fiscal year

Medical Practice Support Data

Consulting

Breakdown of consulting sales (million yen)

	FY2016	FY2017	FY2018
Total	2,035	2,247	2,390
Consulting	1,483	1,717	1,879
Practice transfer/start-up support	551	530	511
Practice transfer support	347	304	285
Practice start-up support	152	180	183
DtoD-concierge advertising	51	45	42

Start-up support, Number of cases to support medical practice succession and opening of private practices, Total for transfer support (cases)

	FY2016	FY2017	FY2018
Start-up support	253	179	185
Number of cases to support medical practice succession and opening of private practices	46	35	42
Practice transfer support	5,183	4,963	4,591
Full time	66	50	47
Part time	5,117	4,913	4,544

No. of DtoD registered doctors (people) and Succeed Members (cases)

	FY2016	FY2017	FY2018
Doctors registered for DtoD	69,159	74,898	79,787
Succeed Members	1,666	1,680	1,728

Rental

Breakdown of rental sales (million yen)

	FY2016	FY2017	FY2018
Total	6,836	5,676	7,929
Sales of subrental	2,003	917	1,668
Rentals	4,832	4,758	6,260

Leasing/installment

Breakdown of leasing/installment (million yen)

	FY2016	FY2017	FY2018
Total	10,153	9,700	11,156
Sales of sublease	7,774	7,142	7,913
Leasing/installment	1,308	1,215	1,576
Goods	1,070	1,342	1,666

Pharmacy Data

Pharmacy sales (million yen)

	FY2016	FY2017	FY2018
Pharmacies	95,966	109,918	106,282
Dispensing sales	94,467	107,919	104,247
Existing pharmacies	82,856	92,292	100,954
Pharmacies opened in FY2017	7,532	14,113	2,141
Pharmacies opened/closed in FY2018	4,077	1,513	1,151
OTC sales	1,499	1,998	2,034

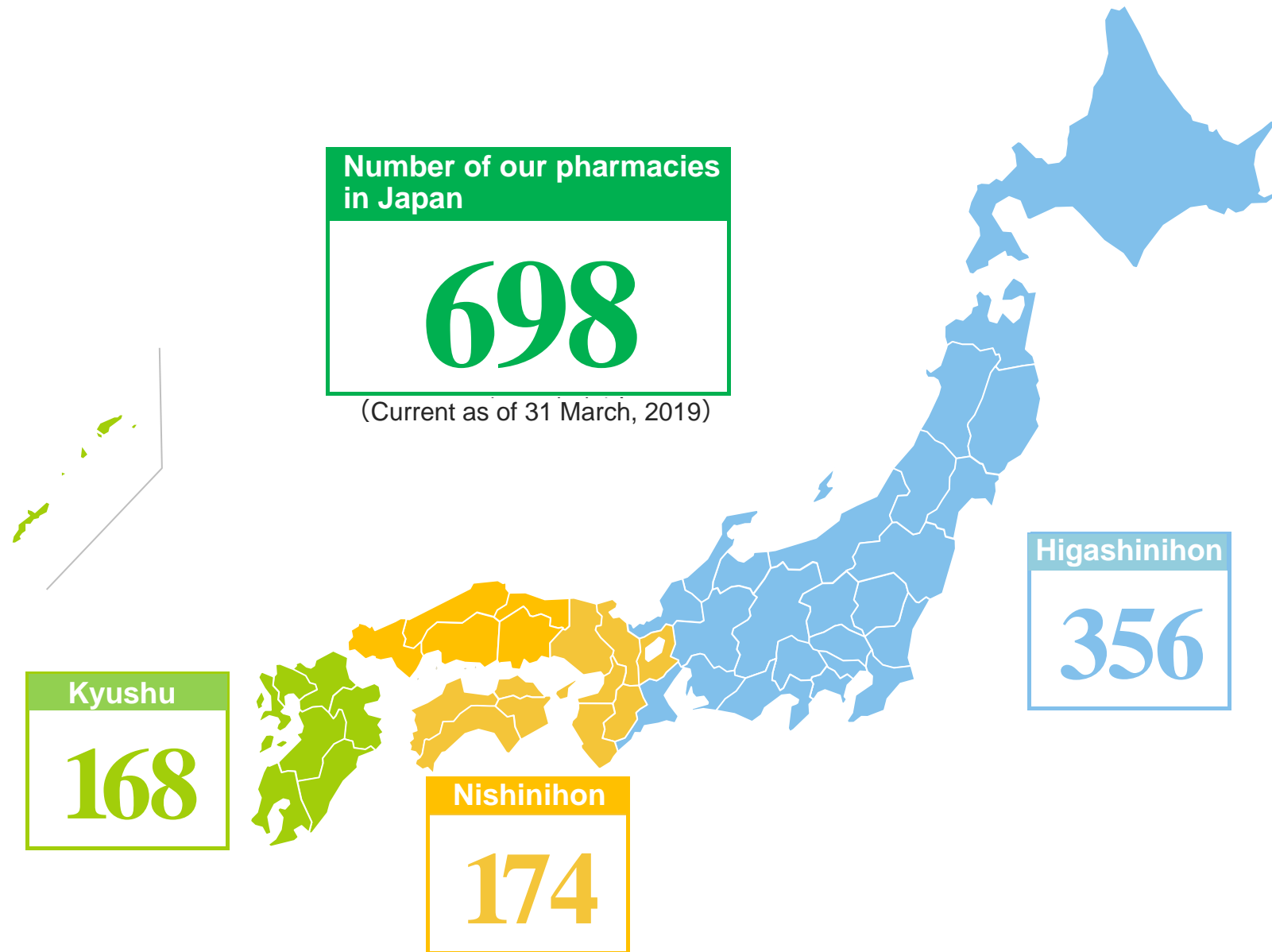
Number of dispensing pharmacies at the end of each fiscal year

	FY2016	FY2017	FY2018
No. of pharmacies	674	687	698
No. of newly opened pharmacies	105	18	17
Start-up support client portion	8	8	7
Existing client portion	5	4	5
M&A portion	92	6	5
No. of pharmacies closed	7	5	6

Prescription volume and unit price

	FY2016				FY2017				FY2018			
	Prescriptions (1,000)	Prescription unit price (¥)	Dispensing fee unit price (¥)	Technical fee unit price (¥)	Prescriptions (1,000)	Prescription unit price (¥)	Dispensing fee unit price (¥)	Technical fee unit price (¥)	Prescriptions (1,000)	Prescription unit price (¥)	Dispensing fee unit price (¥)	Technical fee unit price (¥)
All pharmacies	10,814	8,735	6,519	2,216	12,276	8,790	6,480	2,310	12,487	8,348	6,105	2,243
Existing pharmacies	9,536	8,688	-	-	10,361	8,906	-	-	12,041	8,383	-	-

Pharmacies



Expanding Business Domains in Healthcare Adjacent Businesses (Bunkyo activities)

- ✓ Bunkyo's peripheral healthcare business is expanding transactions with large-scale central hospitals with 400 or more beds to promote the selection and focus of groupwide sales resources. In addition, aims to provide added value to healthcare malls and expand the non-healthcare insurance related business.

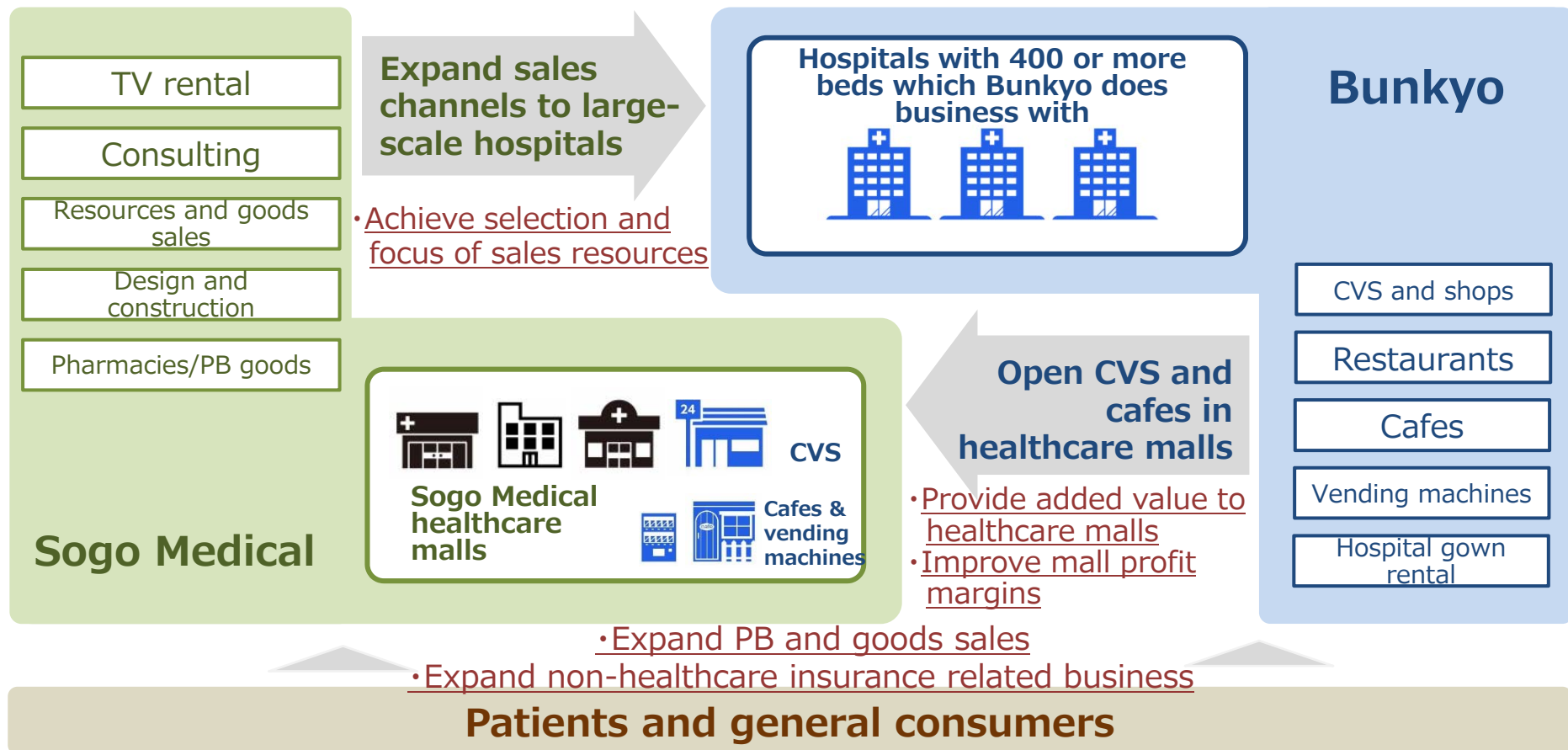
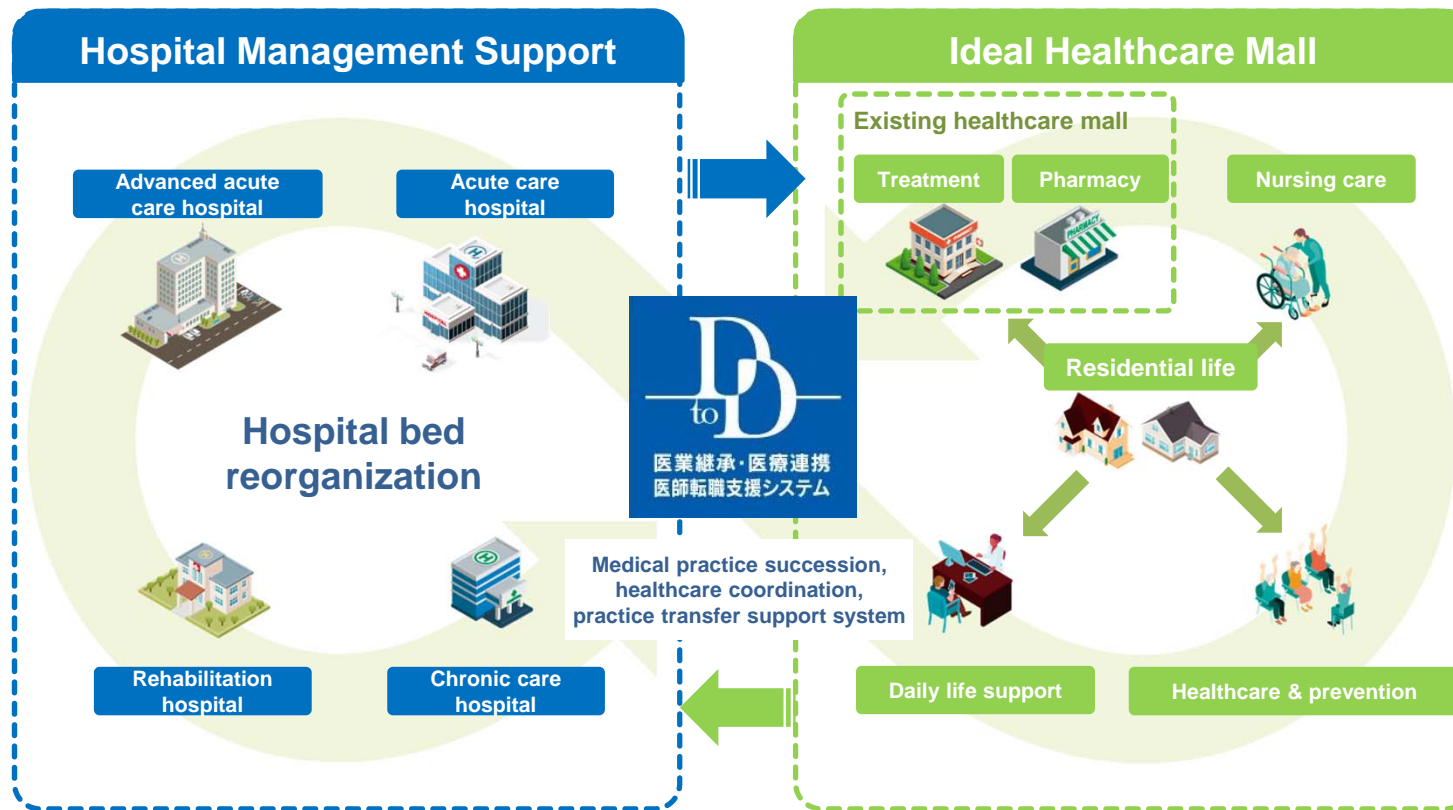


Image of the Completed Japanese Healthcare Business Model

Achieving a Japanese Healthcare Business Model to Support an Integrated Community Care System



(Source) Prepared by the Sogo Medical Group based on data released by the Ministry of Health, Labour and Welfare

Community-based Healthcare Vision

- Prefectures began developing Community-based Healthcare Visions in April 2015 under the Act on Promotion of Comprehensive Medical and Aged Care Services.
- To facilitate the functional differentiation and collaboration of hospital beds, prefectures estimate and set medical care needs and the necessary number of hospital beds in 2025 for each medical care function under the Community-based Healthcare Vision.

Memo

Memo

Memo

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