



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

Summary of Consolidated Financial Results for FY2014 (Year ended March 31, 2015) [Japanese GAAP]

April 21, 2015

Company name: SOGO MEDICAL CO., LTD.
 Stock exchange listings: Tokyo 1st Section
 Securities code: 4775 URL: <http://www.sogo-medical.co.jp/english/>
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Date of general shareholders' meeting (as planned) : June 19, 2015

Dividend payable date (as planned) : June 22, 2015

Annual securities report filing date (as planned) : June 19, 2015

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, 2014 to March 31, 2015)

(1) 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	%
FY2014	107,945	4.5	5,017	0.1	5,227	3.1	2,774	(2.8)
FY2013	103,318	19.2	5,014	16.0	5,068	16.7	2,856	12.8

Notes: Comprehensive income: ¥3,009million for FY2014 (4.6%) : ¥2,876 million for FY2013 (8.8%)

	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	%	%	%
FY2014	192.20	—	11.0	7.6	4.6
FY2013	197.82	—	12.6	8.2	4.9

References: Investment profit (loss) on equity method: ¥— for FY2014 ¥— for FY2013

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

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
FY2014	69,811	26,521	37.7	1,824.14
FY2013	66,982	23,934	35.7	1,655.73

References: Owner's equity: ¥26,336 million for FY2014 ¥23,905 million for FY2013

Note: Dated April 1, 2015, 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
FY2014	6,051	(5,296)	(1,637)	4,968
FY2013	7,461	(5,335)	(1,370)	5,851

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2013	—	40.00	—	40.00	80.00
FY2014	—	40.00	—	40.00	80.00
FY2015(forecast)	—	22.50	—	22.50	45.00

	Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	Millions of Yen	%	%
FY2013	577	20.2	2.5
FY2014	577	20.8	2.3
FY2015(forecast)		20.0	

Note: Dated April 1, 2015, Sogo Medical has instituted a 2-for-1 common stock split. The interim dividend and the year-end dividend for the fiscal year ending March 31, 2016 (estimate base) are therefore stated adjusted for the effects of the stock split.

3. Consolidated forecasts for FY2015 (from April 1, 2015 to March 31, 2016)

(% 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	55,730	7.7	1,630	5.4	1,617	(2.4)	846	(1.9)	58.62
Full-year	120,000	11.2	5,556	10.7	5,500	5.2	3,252	17.2	225.27

Note: Dated April 1, 2015, 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 in 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 ①: 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): FY2014: 15,340,156 shares FY2013: 15,340,156 shares

② Number of treasury stock at the end of fiscal year: FY2014: 902,282 shares FY2013: 901,842 shares

③ Average number of shares: FY2014: 14,438,064 shares FY2013: 14,438,315 shares

Note: Dated April 1, 2015, 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, 2014 to March 31, 2015)

(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	%
FY2014	88,350	2.0	4,105	7.8	4,608	7.0	2,908	3.1
FY2013	86,576	19.2	3,807	17.1	4,307	18.8	2,820	19.0

	Net income per share	Diluted net income per share
	Yen	Yen
FY2014	201.42	—
FY2013	195.35	—

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

(2) Non-consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	yen
FY2014	63,483	24,724	38.9	1,712.48
FY2013	60,830	22,167	36.4	1,535.32

References: Owner's equity: ¥ 24,724 million for FY2014 ¥ 22,167 million for FY2013

Note: Dated April 1, 2015, 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.

※Expression of implementation status of audit procedures

This summary is exempt from financial audit, to conform with "The Financial Instruments and Exchange Law" of Japan. The financial audit has not been completed.

※ Notes for using forecasted information and others

These forecasts are based on currently available information. Actual financial results could differ from the forecast due to various factors. Please refer to "1. Operating Results (1) Analysis of Operating Results" on page.2 for assumptions and cautions on the use of these financial forecasts.

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

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1. Operating Results

(1) Analysis of Operating Results

① Operating Results for FY2014

(in millions, except percentages)

	FY2013	Margin	FY2014	Margin	Change	Change
Sales	¥103,318	%	¥107,945	%	¥4,626	4.5%
Higashinohon	36,700		39,614		2,914	7.9
Medical practice support	10,177		8,617		(1,559)	(15.3)
Pharmacies	26,522		30,997		4,474	16.9
Nishinohon	27,390		28,205		814	3.0
Medical practice support	9,863		8,420		(1,443)	(14.6)
Pharmacies	17,526		19,784		2,258	12.9
Kyushu	37,238		37,793		555	1.5
Medical practice support	9,150		8,040		(1,109)	(12.1)
Pharmacies	28,087		29,752		1,664	5.9
Others	1,989		2,331		341	17.2
Operating Income	5,014	4.9	5,017	4.6	3	0.1
Higashinohon	1,289	3.5	842	2.1	(447)	(34.7)
Nishinohon	1,324	4.8	1,510	5.4	186	14.1
Kyushu	2,611	7.0	2,643	7.0	32	1.2
Others	346	17.4	620	26.6	273	78.8
Reconciliation	(558)	-	(599)	-	(41)	-
Ordinary Income	5,068	4.9	5,227	4.8	158	3.1
Net Income	2,856	2.8	2,774	2.6	(81)	(2.8)

Starting this fiscal year in April, Sogo Medical initiated its new three-year medium-term management plan entitled “Further Challenge—Toward a better society in which people can live with a sense of security” and defined medium-range goals and specific priority initiatives. Along with enhancing and promoting ongoing efforts, Sogo Medical has been developing new services eagerly awaited by people while taking up the challenges and resolving the issues facing society. As to the operating results for the fiscal year under review (the period from April 1, 2014, to March 31, 2015), net sales increased to ¥107,945 million (+4.5% compared with the previous fiscal year) reflecting the effects of new pharmacy openings. Earnings marked operating income of ¥5,017 million (+0.1%) with ordinary income of ¥5,227 million (+3.1%), and net income of ¥2,774 million (−2.8%).

Medical practice support in the fiscal year under review totaled 308 instances (including succession start-ups and health care malls), connecting to transactions such as lease agreements and new pharmacy openings, etc.

Dispensing pharmacy openings in the fiscal year under review totaled 48 (22 in East Japan, 16 in West Japan, and 10 in Kyushu) raising the number of dispensing pharmacies at the end of the fiscal year under review to 538. Out of the 48 dispensing pharmacy openings, 20 are new openings at recipients of start-up support from Sogo Medical.

Segment financial results were as follows:

A Higashinihon (East Japan)

While sales declined at the lease and installments division and the rental division, net sales increased to ¥39,614 million (+7.9% compared with the previous fiscal year) reflecting contributions from the dispensing-pharmacy subsidiary acquired last fiscal year and the effects of new pharmacy openings, among other factors. However, operating income decreased to ¥842 million (-34.7%) due to higher selling, general, and administrative expenses such as head-office levies.

B Nishinihon (West Japan)

While sales declined at the lease and installments division, net sales increased to ¥28,205 million (+3.0% compared with the previous fiscal year) reflecting contributions from the dispensing-pharmacy subsidiary acquired last fiscal year and the effects of new pharmacy openings, among other factors. Operating income rose to ¥1,510 million (+14.1%) due to higher earnings from increased sales at the pharmacy division.

C Kyushu

Net sales rose to ¥37,793 million (+1.5% compared with the previous fiscal year) on contributions from new pharmacy openings at the pharmacy division and higher sales at the rental division. Operating income posted ¥2,643 million (+1.2%).

②Forecasts for FY2015

	FY2014	FY2015 (Forecasts)	Change (amount)	Change (%)
	¥Millions	¥Millions	¥Millions	%
Net sales	107,945	120,000	12,055	11.2
Operating income	5,017	5,556	539	10.7
Ordinary income	5,227	5,500	273	5.2
Net income	2,774	3,252	478	17.2
Net income per share (¥)	192.20	225.27	-	-

The fiscal year to March 2016 marks the second year of the current medium-term management plan of Sogo Medical. Surrounding the theme of "Further Challenges," Sogo Medical will continue to work towards the Number One position in DtoD (Doctor to Doctor) system and high-value pharmacies through the implementation of its priority initiatives of undertaking new businesses, improving existing businesses, and expanding to corporate value.

Based on these efforts, Sogo Medical expects company-level net sales of ¥120,000 million (+11.2% compared with the previous fiscal year), with earnings marking operating income of ¥5,556 million (+10.7%), ordinary income of ¥5,500 million (+5.2%), and net income of ¥3,252 (+17.2%).

Notably, the above estimates have been prepared on the basis of information available as of the release date of this disclosure document. Actual results may differ from projections due to various future factors.

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

(2) Analysis of Financial Positions

① Analysis of Assets, Liabilities, and Net Assets

(in millions except percentages and ratios)

	FY2013	FY2014	Change
Total Assets	¥66,982	¥69,811	¥2,828
including Cash and Deposits	5,873	4,988	(884)
Liabilities	43,048	43,290	241
including Interest-Bearing Debt *1	15,552	16,572	1,020
Net Assets	23,934	26,521	2,587
Shareholders' Equity Ratio (%)	35.7	37.7	2.0
Net Debt-to-Equity Ratio (times) *2	0.40	0.44	0.03

*1. Interest-Bearing Debts include lease obligations and accounts payable-installment purchases.

*2. Net Debt-to-Equity Ratio

=(Interest-Bearing Debts — Cash and Deposits) / Shareholders' Equity

Total assets at the end of the fiscal year under review were ¥69,811 million, which was ¥2,828 million more than at the end of the previous fiscal year. Current assets declined ¥463 million from the end of the previous fiscal year to ¥36,584 million. Main factors were a ¥884 million decrease in cash and deposits, a ¥840 million decrease in notes and accounts receivable-trade, and a ¥1,068 million increase in inventory assets. Noncurrent assets rose ¥3,291 million from the end of the previous fiscal year to ¥33,226 million. Main factors were increases in buildings and structures (¥1,345 million), land (¥914 million), and investment securities (¥557 million).

Total liabilities at the end of the fiscal year under review were ¥43,290 million, which was ¥241 million higher than at the end of the previous fiscal year. Current liabilities declined ¥249 million to ¥30,109 million. Main factors were a ¥1,531 million decrease in notes and accounts payable-trade and a ¥747 increase in long-term debt repayable within one year. Noncurrent liabilities increased ¥490 million compared with the end of the previous fiscal year to ¥13,180 million. Main factors were a ¥1,644 million rise in long-term loans payable and a ¥1,395 million decrease in long-term accounts payable-installment purchases. Interest-bearing debt (including lease obligations and accounts payable-installment purchases) increased ¥1,020 million to ¥16,572 million. The net debt-to-equity ratio (interest-bearing debt less cash and deposits divided by shareholders' equity) rose 0.03 points to 0.44.

Net assets at the end of the fiscal year under review totaled ¥26,521 million, which was ¥2,587 million higher than at the end of the previous fiscal year. Main factors were ¥2,774 million in net income recognized for the period and ¥577 million in dividend payments. As a result, the equity ratio rose to 37.7% reflecting an increase of 2.0 percentage points from 35.7% at the end of the previous fiscal year.

②Cash Flows

Cash and cash equivalents ("funds") at the end of the fiscal year under review totaled ¥4,968 million, which was ¥882 million (15.1%) less than at the end of the previous fiscal year. This was due to the following main factors.

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the fiscal year under review was ¥6,051 million. Main factors were ¥5,175 million in income before income taxes and minority interest, ¥3,746 million in depreciation charges, a ¥1,050 million decrease in accounts receivable-trade, a ¥1,735 million decline in accounts payable-trade, and ¥2,108 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 ¥5,296 million. Main factors were ¥3,767 million in expenditure for the acquisition of assets for use by Sogo Medical, ¥579 million in expenditure for the acquisition of equity in subsidiaries, ¥270 million in expenditure for the acquisition of investment securities, and ¥263 million in expenditure for businesses assumed by Sogo Medical.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,637 million. Main factors were ¥4,749 million in income from long-term loans, ¥3,211 million in expenditure for the redemption of long-term loans, ¥2,094 million in expenditure for the settlement of installment obligations, ¥512 million in expenditure for the settlement of lease obligations, and ¥577 million in expenditure for dividend payments.

(Reference) Cash flow-Related Indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Capital adequacy ratio (%)	40.5	36.7	37.8	35.7	37.7
Capital adequacy ratio (based on fair value) (%)	36.8	40.5	41.9	44.6	69.8
Interest-bearing debt to cash flows (%)	2.0	3.3	2.0	2.1	2.8
Interest coverage ratio (times)	56.0	34.2	49.1	57.1	45.8

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.

2. Management Policies

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

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

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

(Corporate website of Sogo Medical)

<http://www.sogo-medical.co.jp/english/>

3. Basic Approach to Selection of Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions)

	FY2013 (As of March.31, 2014)	FY2014 (As of March.31, 2015)
Assets		
Current assets		
Cash and deposits	¥ 5,873	¥ 4,988
Notes and accounts receivable-trade	18,326	17,485
Accounts receivable-installment sales	1,687	1,806
Lease receivables and investment assets	2,014	1,701
Inventories	*1 6,475	*1 7,543
Deferred tax assets	762	628
Other	1,933	2,450
Allowance for doubtful accounts	(26)	(19)
Total current assets	37,047	36,584
Noncurrent assets		
Property, plant and equipment		
Property for lease, net	6,871	5,929
Buildings and structures, net	7,418	8,763
Land	3,078	3,992
Other, net	2,065	3,116
Total property, plant and equipment	*2 19,433	*2 21,801
Intangible assets		
Goodwill	5,294	5,252
Other	953	1,031
Total intangible assets	6,248	6,283
Investments and other assets		
Investment securities	1,008	1,566
Deferred tax assets	568	468
Other	2,681	3,107
Allowance for doubtful accounts	(5)	(0)
Total investments and other assets	4,252	5,141
Total noncurrent assets	29,934	33,226
Total assets	66,982	69,811

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2014

(in millions)

	FY2013 (As of March.31, 2014)	FY2014 (As of March.31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	¥ 20,372	¥ 18,841
Short-term loans payable	350	360
Current portion of long-term loans payable	2,155	2,903
Lease obligations	503	363
Accrued expenses	1,725	2,072
Income taxes payable	1,333	1,452
Deferred profit on installment sales	175	190
Other	3,743	3,925
Total current liabilities	30,358	30,109
Noncurrent liabilities		
Long-term loans payable	5,191	6,835
Lease obligations	944	1,028
Long-term accounts payable-installment purchase	4,450	3,055
Other	2,103	2,260
Total noncurrent liabilities	12,689	13,180
Total liabilities	43,048	43,290
Net assets		
Shareholders' equity		
Capital stock	3,513	3,513
Capital surplus	4,136	4,136
Retained earnings	17,058	19,255
Treasury stock	(1,043)	(1,044)
Total shareholders' equity	23,665	25,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	240	475
Total accumulated other comprehensive income	240	475
Minority interests	28	184
Total net assets	23,934	26,521
Total liabilities and net assets	66,982	69,811

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

	FY2013		FY2014	
	(to March.31, 2014)		(to March.31, 2015)	
Net sales	¥ 103,318		¥ 107,945	
Cost of sales	88,889		93,139	
Gross profit	14,428		14,805	
Selling, general and administrative expenses	*1	9,414	*1	9,787
Operating income	5,014		5,017	
Non-operating income				
Dividends income	16		20	
Rent income	35		38	
Dividends income of life insurance	-		106	
Other	130		202	
Total non-operating income	183		368	
Non-operating expenses				
Interest expenses	57		75	
Loss on valuation of investment securities	-		17	
Other	71		65	
Total non-operating expenses	128		159	
Ordinary income	5,068		5,227	
Extraordinary income				
Gain on sales of investment securities	41		-	
Contributed income	7		-	
Total extraordinary income	48		-	
Extraordinary loss				
Impairment loss	*2	34	*2	51
Loss on sales of investment securities	26		-	
Office transfer expenses	9		-	
Total extraordinary loss	70		51	
Income before income taxes	5,046		5,175	
Income taxes-current	2,082		2,236	
Income taxes-deferred	105		163	
Total income taxes	2,187		2,400	
Income before minority interests	2,858		2,774	
Minority interests in income	2		0	
Net income	2,856		2,774	

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2014

(Consolidated Statements of Comprehensive Income)

	FY2013	FY2014
	(to March.31, 2014)	(to March.31, 2015)
Income before minority interests	¥ 2,858	¥ 2,774
Other comprehensive income		
Valuation difference on available-for-sale securities	18	234
Total other comprehensive income	18	234
Comprehensive income	2,876	3,009
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,874	3,009
Comprehensive income attributable to minority interests	2	0

(3) Consolidated Statements of Change in Net Assets

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

(in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,513	4,136	14,779	(1,043)	21,386
Changes of items during the period					
Dividends from surplus			(577)		(577)
Net income			2,856		2,856
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	2,278	(0)	2,278
Balance at the end of current period	3,513	4,136	17,058	(1,043)	23,665

	Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Net assets
	Valuation difference on available-for-sale securities			
Balance at the beginning of current period	222	1	26	21,636
Changes of items during the period				
Dividends from surplus				(577)
Net income				2,856
Purchase of treasury stock				(0)
Net changes of items other than shareholders' equity	18	(1)	2	18
Total changes of items during the period	18	(1)	2	2,297
Balance at the end of current period	240	-	28	23,934

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2014

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

(in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,513	4,136	17,058	(1,043)	23,665
Changes of items during the period					
Dividends from surplus			(577)		(577)
Net income			2,774		2,774
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	2,197	(1)	2,196
Balance at the end of current period	3,513	4,136	19,255	(1,044)	25,861

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

(4) Consolidated Statements of Cash Flows

(in millions)

	FY2013 (to March.31, 2014)	FY2014 (to March.31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes	¥5,046	¥5,175
Depreciation and amortization	3,522	3,746
Impairment loss	34	51
Interest and dividends income	(18)	(22)
Capital cost and interest expenses	126	131
Decrease (increase) in notes and accounts receivable-trade	(3,468)	1,050
Decrease (increase) in accounts receivable-installment	(264)	(104)
Net decrease (increase) in lease receivables and investment assets	106	313
Decrease (increase) in inventories	(1,222)	(953)
Increase (decrease) in notes and accounts payable-trade	4,932	(1,735)
Increase/decrease/ in other assets/liabilities	181	(223)
Other	439	839
Subtotal	9,416	8,269
Interest and dividends income received	18	22
Interest expenses paid	(130)	(131)
Income taxes paid	(1,842)	(2,108)
Net cash provided by (used in) operating activities	7,461	6,051
Net cash provided by (used in) investing activities		
Purchase of own-used assets	(3,308)	(3,767)
Proceeds from sales of own-used assets	88	-
Purchase of property for lease	(69)	(96)
Purchase of investment securities	(97)	(270)
Proceeds from sales of investment securities	444	-
Payments for transfer of business	-	(263)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,277)	(579)
Other	(115)	(318)
Net cash provided by (used in) investing activities	(5,335)	(5,296)

SOGO MEDICAL CO., LTD. (4775)
Summary of Consolidated Financial Results for FY2014

(in millions)

	FY2013 (to March.31, 2014)	FY2014 (to March.31, 2015)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	¥ 6	¥ 9
Proceeds from long-term loans payable	3,650	4,749
Repayment of long-term loans payable	(1,910)	(3,211)
Repayments of lease obligations	(573)	(512)
Repayments of installment payables	(1,963)	(2,094)
Cash dividends paid	(577)	(577)
Purchase of treasury stock	(0)	(1)
Other	(1)	-
Net cash provided by (used in) financing activities	(1,370)	(1,637)
Net increase (decrease) in cash and cash equivalents	755	(882)
Cash and cash equivalents at beginning of period	5,095	5,851
Cash and cash equivalents at end of period	*1 5,851	*1 4,968

(5) Notes to Consolidated Financial Statements

(Note on the Going-Concern Assumption)

None.

(Basic Information of Consolidated Financial Statements)

1. Scope of Consolidation

Number of Consolidated Subsidiaries: 18 Companies

- Somtech Co., Ltd.
- Sogo Medipro Co., Ltd.
- Sogo Real Estate Co., Ltd.
- SME Co., Ltd.
- Sogo Medical Pharmacy Chubu Co., Ltd.
- Aoba Pharmacy Co., Ltd.
- Maeda & Co., Ltd.
- Yataya Pharmacy Co., Ltd.
- Sogo Media Supply Co., Ltd.
- Sogo Care Network Co., Ltd.
- Sun Villa Co., Ltd.
- Taikodo yakkyoku honten Co., Ltd.
- Care Medical Co., Ltd.
- Beauty Drug Saito Co., Ltd.
- Nakano Pharmacy Co., Ltd.
- Matsumura Co., Ltd.
- Akatsuki Pharmacy Co., Ltd.
- Hokendohjinsha Inc.

Beginning with the fiscal year under review consolidated accounts include also Matsumura Co., Ltd. and Akatsuki Pharmacy Co., Ltd. (both entities' entire share capital was acquired by Sogo Medical on August 22, 2014) as well as Hokendohjinsha Inc. (61.6% of the share capital was acquired by Sogo Medical on March 30, 2015).

Beginning with the fiscal year under review, consolidated accounts no longer include Sogo Healthcare Service Co., Ltd. (absorbed into Sogo Medical dated April 1, 2014), Sumiredo Pharmacy Co., Ltd. (absorbed into Sogo Medical dated September 1, 2014), and T·M Yakkyoku Co., Ltd. (absorbed into Taikodo Yakkyoku Honten Co., Ltd. dated October 1, 2014).

2. Equity-Method

None

3. Fiscal Periods of Consolidated Subsidiaries

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

Nakano Pharmacy Co., Ltd.	May 31
Taikodo yakkyoku honten Co., Ltd.	July 31
Akatsuki Pharmacy Co., Ltd.	August 31
Beauty Drug Saito Co., Ltd.	September 30
Matsumura Co., Ltd.	September 30
Yataya Pharmacy Co., Ltd.	October 31
Care Medical Co., Ltd.	December 31

When preparing consolidated financial statements, financial statements as of March 31, 2015, are used for these companies.

4. Significant Financial Accounting Principles

(1) Valuation basis and method of major assets

① Investment Securities

With market value:

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

Without market value:

At cost, using the moving-average method

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

②Inventories

Inventories are mainly reported using the lower of cost or market price. The costs are calculated using the gross average method.

(2)Depreciation

①Property for lease

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

②Plant, Property and Equipment and Intangible assets (Excluding rental assets, leased assets (lessee) and plant property and equipment related to pharmacies opened after April 1, 2012)

Depreciation for plant, property and equipment is calculated by use of the declining balance method. Depreciation for intangible assets is calculated by use of the straight-line method.

Useful lives of building and structures range from 10 to 47 years.

③Leased Assets (Lessee)

Leased assets are classified as property, plant and equipment and intangible assets. Depreciation is calculated by use of the straight-line method over each asset's lease term of the assets and with no estimated salvage value.

④Plant property and equipment related to pharmacies opened after April 1, 2012

Depreciation is calculated by use of the straight-line method.

(3)Allowance

Allowance for Doubtful Accounts

Allowances are recognized for doubtful accounts. General provisions are determined on the basis of past credit loss experience, and specific provisions, such as loss apprehensive credits, are determined by considering individual collectability.

(4)Revenue and Expense Recognition

①Financing Leases (Lessor)

When the Company receives a lease payment, the Company recognizes the sale amount and cost of sale.

②Installment Sales

When the Company delivers a product through an installment contract, the Company recognizes the full contract amount as accounts receivable-installment sales. When a due date arrives, the Company reports both the installment sale and the installment cost. Additionally, the Company recognizes an unrealized income corresponding to accounts receivable-installment sales for which the due date has not arrived at year end as deferred profit on installment sales.

(5) Amortization of Goodwill Method and Period

Goodwill is amortized using the straight-line method over a period of no more than 10 years, with the reasonable period being decided for individual items.

(6) Scope of Funds Used to Prepare Consolidated Cash Flow Statements

Funds used to prepare the consolidated cash flow statements (cash and cash equivalents) include cash on hand, deposits withdrawable at immediate notice, and easily convertible short-term investments redeemable within 3 months of acquisition with minimal risk of fluctuations in value.

(7) Others

Consumption and Local Consumption Tax

The Company applies the tax exclusion method for consumption and local consumption tax. The consumption tax amount not subject to tax credit related to property, plant and equipment is classified as an investment and other assets. The other assets are depreciated using the straight-line method over five years. The other consumption tax amount not subject to tax credit is classified as a period expense.

(Consolidated Balance Sheet)

*1. Inventories

	(in millions)	
	FY2013	FY2014
Medical supplies	¥ 6,214	¥ 7,220
Merchandise	23	119
Costs on uncompleted construction contracts	34	37
Raw materials and supplies	202	167

*2. Accumulated Depreciation

	(in millions)	
	FY2013	FY2014
Accumulated depreciation	¥ 14,765	¥ 18,271

3. Contingent Liabilities

(in millions)

FY2013		FY2014	
Kaze-No-Suzuran-Kai, etc (8 people)	¥ 2,456	Kaze-No-Suzuran-Kai, etc (7 people)	¥ 2,245
Employees (10people)	11	Employees (5people)	8
Total	2,467	Total	2,253

(Consolidated Statements of Income)

*1. Main Selling General and Administrative Expenses

(in millions)

	FY2013	FY2014
Salaries and allowances	¥ 3,193	¥ 3,237

*2. Impairment Losses

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

We divide assets into groups based on a minimum unit which generates cash flows. Specifically, the minimum unit for pharmacies is divided based on each pharmacy.

We reported impairment loss for following groups:

Business	Place	Use	Classification	Amount (in millions)
Higashinohon	1 Pharmacy (Kanto)	Pharmacies	Goodwill, etc	¥ 11
Nishinohon	1 Pharmacy (Chugoku), 1 Office (Kinki)	Pharmacies Office	Buildings and structures, etc	11
Kyushu	1 Pharmacy (Kyushu)	Pharmacies	Buildings and structures, etc	5
Whole	Head office	System	Software	5
			Total	34

For pharmacies that continue to operate at a deficit and are not expected to return to profitability, pharmacies and offices scheduled to be relocated, and old operating systems disposed of following the introduction of new systems, the Company reduces the book value of the applicable asset to a collectable amount, and then recognizes impairment loss as extraordinary loss. Impairment loss for the year ended March 31, 2014, was ¥34 million made up as follows: buildings and structures, etc. was ¥17 million, goodwill was ¥8 million.

The collectable amount is measured by a net sales price based on a land price or a fixed assets tax assessment value with consideration made for the materiality of each asset. The collectable amount of assets for disposal following the introduction of a new system was zero.

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

We divide assets into groups based on a minimum unit which generates cash flows. Specifically, the minimum unit for pharmacies is divided based on each pharmacy.

We reported impairment loss for following groups:

Business	Place	Use	Classification	Amount (in millions)
Higashinihon	2 Pharmacy (Kanto)	Pharmacies	Buildings and structures, etc	¥ 4
Nishinihon	1 Property for lease (Kinki)	Property for lease	Buildings and structures, etc	20
Kyushu	5 Pharmacy (Kyushu)	Pharmacies	Buildings and structures, etc	26
			Total	51

For pharmacies that continue to operate at a deficit and are not expected to return to profitability, pharmacies and offices scheduled to be relocated, and old operating systems disposed of following the introduction of new systems, the Company reduces the book value of the applicable asset to a collectable amount, and then recognizes impairment loss as extraordinary loss. Impairment loss for the year ended March 31, 2015, was ¥51 million made up as follows: buildings and structures, etc. was ¥51 million.

The collectable amount is measured by a net sales price based on a land price or a fixed assets tax assessment value with consideration made for the materiality of each asset.

(Consolidated Statements of Cash Flows)

*1. Items of Cash and Cash Equivalents

	(in millions)	
	FY2013	FY2014
Cash and deposits	¥ 5,873	¥ 4,988
Over three-month time deposit	(22)	(20)
Cash and Cash Equivalents	5,851	4,968

2. Significant Non-Cash Transactions

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

Assets and liabilities as a result of this fiscal year's financing lease transactions were ¥667 million, and ¥703 million respectively. Assets and liabilities as a result of this fiscal year's installment sales transactions were ¥918 million, and ¥964 million respectively.

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

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

(Segment Information)

1. Outline of Segment

Reportable segment 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, and TV rental for hotels.

Our reportable segments are now 'Higashinohon', 'Nishinohon' and 'Kyushu' to allow for development of regional strategies and rapid decision-making about business operations.

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

The accounting method for reportable segments was almost the same as the 'Basic Information of Consolidated Financial Statements'.

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

Intersegment sales and transfer pricing are calculated by market prices.

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

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

(in millions)

	Reportable Segments				Others *1	Total	Reconciliations *2	consolidated amounts *3
	Higashinohon	Nishinohon	Kyushu	Total				
Sales								
Unaffiliated sales	¥ 36,700	¥ 27,390	¥ 37,238	¥ 101,329	¥ 1,989	¥103,318	—	¥ 103,318
Intersegment sales	19	346	3	369	2,457	2,826	¥ (2,826)	—
Total	36,719	27,737	37,241	101,698	4,446	106,145	(2,826)	103,318
Segment profit	1,289	1,324	2,611	5,225	346	5,572	(558)	5,014
Segment assets	22,936	15,651	16,524	55,112	3,285	58,398	8,584	66,982
Others								
Depreciation	1,052	923	921	2,897	289	3,187	335	3,522
Amortization of goodwill	415	140	22	578	0	579	—	579
Increase in assets	2,930	2,318	944	6,192	224	6,417	737	7,155

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

*2. Reconciliations were as follows:

(1) Reconciliation for reportable segment loss (¥558million) included elimination of intersegment sales (¥5million) and overall corporate expense (¥563million). The overall corporate expense was classified as selling general and administrative expenses and was not allocated to reportable segments.

(2) Reconciliation for reportable segment assets (¥8,584 million) included elimination investment against equity (¥-7,529 million) and overall corporate assets (¥17,040 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 (¥737 million) was classified as head office's networking systems and allocation of other reportable segments.

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

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Summary of Consolidated Financial Results for FY2014

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

(in millions)

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

Notes:

- *1. Others include items such as wholesales of pharmaceuticals and TV rental for hotels, which are not classified as reportable segments.
- *2. Reconciliations were as follows:
- (1) Reconciliation for reportable segment loss (¥599million) included elimination of intersegment sales (¥26million) and overall corporate expense (¥572million). The overall corporate expense was classified as selling general and administrative expenses and was not allocated to reportable segments.
 - (2) Reconciliation for reportable segment assets (¥7,955 million) included elimination investment against equity (¥-8,464 million) and overall corporate assets (¥17,150 million). The overall assets were classified as parent company's deposits and were not allocated to reportable segments.
 - (3) Assets included property, plant and equipment and intangible assets. Reconciliation of increase of those assets (¥194 million) was classified as head office's networking systems and allocation of other reportable segments.
- *3. Reportable segment profits were reconsolidated with the operating income of the consolidated income statement.

(Per Share Information)

	FY2013	FY2014
Net assets per share	¥ 1,655.73	¥ 1,824.14
Net income per share	197.82	192.20

Notes:

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

(in millions)

	FY2013	FY2014
Net assets	¥ 23,934	¥ 26,521
Deduction	28	184
(Minority interests)	28	184
Net assets attributable to common stocks	23,905	26,336
Number of common stocks at end of FY	14,438	14,437

2. We did not issue dilutive potential common shares.

Therefore we did not report diluted earnings per share information.

3. In accordance with a resolution of the board of directors' meeting convened on February 19, 2015, Sogo Medical has on April 1, 2015, instituted a 2-for-1 common stock split. Net assets per share and net income per share have been calculated assuming that the stock split was instituted at the start of the previous fiscal year.

4. We calculate net income per share according to the following financial information :

(in millions)

	FY2013	FY2014
Net income	¥ 2,856	¥ 2,774
(Preferred dividends)	-	-
Net income attributable to common stocks	2,856	2,774
Average number of common stocks	14,438	14,438

The Company repurchased and then cancelled all 13,500 stock options issued following approval by the board of directors on April 18, 2012.

(Significant Subsequent Events)

None.