



Summary of Financial Statements
for Second Quarter of Fiscal Year Ending March 31, 2018 [Japanese GAAP]
(Consolidated)

November 10, 2017

Name of listed company: SHIP HEALTHCARE HOLDINGS, INC.
Shares listed on: Tokyo Stock Exchange
Code: 3360 URL <http://www.shiphd.co.jp/>
Representative: (Title) Chairman and CEO (Name) Kunihisa Furukawa
Contact: (Title) Managing Director (Name) Hiroshi Yokoyama
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Scheduled date for filing quarterly report: November 13, 2017 Scheduled start date of dividend payments: –

Supplementary briefing materials on results: Yes

Briefing on quarterly results: Yes (for institutional investors and analysts)

(All figures are rounded down to the nearest million yen.)

1. Consolidated financial results for the second quarter of the fiscal year ending March 31, 2018 (April 1 – September 30, 2017)

(1) Consolidated operating results (cumulative) (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%
Q2 FY ending March 2018	187,456	-0.0	6,036	6.6	6,309	7.5	3,625	14.9
Q2 FY ended March 2017	187,550	40.3	5,661	15.4	5,869	10.3	3,155	16.4

Note: Comprehensive income: Q2 FY ending March 2018: ¥4,406 million (35.1%); Q2 FY ended March 2017: ¥3,260 million (29.0%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q2 FY ending March 2018	71.65	–
Q2 FY ended March 2017	62.57	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q2 FY ending March 2018	247,759	94,956	37.4
FY ended March 2017	263,540	93,632	34.7

Reference: Equity: Q2 FY ending March 2018: ¥92,702 million; FY ended March 2017: ¥91,384 million

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2017	–	0.00	–	60.00	60.00
FY ending March 2018	–	0.00	–	–	–
FY ending March 2018 (forecast)	–	0.00	–	61.00	61.00

Notes: Revisions made in most recently announced dividend forecasts: None

Breakdown of year-end dividends paid in FY ended March 2017: ordinary dividends: ¥56.00; commemorative dividends: ¥4.00

3. Forecast of consolidated financial results for fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent changes from previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Yen)
Full-year	425,000	4.0	16,900	5.3	17,100	3.8	10,000	6.3	197.63

Note: Revisions made in most recently announced forecasts of business performance: None

Notes

- (1) Changes made in significant subsidiaries during consolidated cumulative quarter under review: None
- (2) Special account processing applied in preparation of quarterly consolidated financial statements: None
- (3) Changes made in accounting policies, accounting estimates, and/or restatements: None
 - (i) Changes in accounting policies associated with changes in accounting standards, etc.: None
 - (ii) Any changes in accounting policies other than those under (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None

(4) Number of shares issued and outstanding (common shares)

(i) Number of shares issued and outstanding at the end of the period (including treasury shares)	Q2 FY ending March 2018	50,834,700 shares	FY ended March 2017	50,834,700 shares
(ii) Number of treasury shares at the end of the period	Q2 FY ending March 2018	235,568 shares	FY ended March 2017	235,568 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q2 FY ending March 2018	50,599,132 shares	Q2 FY ended March 2017	50,428,560 shares

* This quarterly summary of financial results is not subject to quarterly review.

* Information on appropriate use of financial forecasts and other special notes:

The forecasts of financial results and other forward-looking statements provided herein are based on information available to the Company and assumptions considered reasonable at the time this document was prepared. They are not guarantees that the Company will achieve such forecasts. Actual results may differ significantly from the forecasts for various reasons. For the assumptions on which financial forecasts are based, notes on using financial forecasts, and other information, please refer to "Information on Consolidated Financial Forecasts and Other Forward-looking Statements" on page 3 of the Attached Materials.

○ Index of attached materials

1. Qualitative information on quarterly results	2
(1) Description of business results	2
(2) Analysis of Financial Position	3
(3) Information on consolidated financial forecasts and other forward-looking statements	3
2. Quarterly consolidated financial statements and notes thereto	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
(3) Quarterly consolidated statement of cash flows.....	8
(4) Notes on quarterly consolidated financial statements	10
(Notes on the going concern assumption).....	10
(Notes on marked changes to shareholders' equity).....	10
(Segment information, etc.)	10

1. Qualitative information on quarterly results

(1) Description of business results

During this consolidated cumulative second quarter, the Japanese economy continued to trend toward recovery, backed by various factors, including rising capital investment and falling unemployment amid a global economic recovery.

In the healthcare industry in which the Group operates, the need has emerged for investments and reforms based on a medium- to long-term perspective in light of various factors. These factors include rising medical costs, low birth rates, and an aging population; changes in the nature and proportion of illnesses; adoption of advanced medicine; and the concurrent revision of remuneration and nursing care compensation scheduled to take effect next year.

Amid these economic conditions, in the Total Pack Produce business, the Group recorded several large-scale projects, weighted toward the second half of the fiscal year, the timetable for which has been moved forward. Sales from the manufacture of rehabilitation equipment have been strong. Additionally, the Group achieved both stronger revenue and stronger income thanks to steady business performance in the Life Care business and Dispensing Pharmacy business.

During this cumulative consolidated second quarter, the various factors noted above resulted in net sales of 187,456 million yen (down 0.0% YoY), operating profit of 6,036 million yen (up 6.6% YoY), ordinary profit of 6,309 million yen (up 7.5% YoY), and profit attributable to owners of the parent of 3,625 million yen (up 14.9% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

The Total Pack Produce business recorded the completion of several hospital projects, which had been weighted toward the second half of the fiscal year overall. These projects were moved forward from plans at the start of the fiscal year. Additionally, sales from the manufacture of rehabilitation equipment were strong.

As a result, this segment recorded net sales of 31,629 million yen (down 13.3% YoY) and segment profit (operating profit) of 2,662 million yen (down 19.5% YoY).

(ii) Medical Supply business

Driven by various factors, both revenue and income grew in the Medical Supply business. These factors included the elimination of the effects of advisory costs associated with large-scale M&A activities recorded in the preceding fiscal year and improvements in the operation of SPD facilities, for which awarded contracts had concentrated in the previous year.

As a result, this segment recorded net sales of 129,756 million yen (up 2.2% YoY) and segment profit (operating profit) of 1,578 million yen (up 49.2% YoY).

(iii) Life Care business

Various factors boosted earnings in the Life Care business, including continuing improvements in occupancy rates and improvements in the performance of loss-generating facilities.

As a result, this segment recorded net sales of 11,168 million yen (up 6.4% YoY) and segment profit (operating profit) of 406 million yen (up 24.4% YoY).

(iv) Dispensing Pharmacy business

Efforts such as mergers and acquisitions (M&A) and new-store openings bore fruit in the dispensing pharmacy business, resulting in positive business performance.

As a result, this segment recorded net sales of 12,579 million yen (up 6.1% YoY) and segment profit (operating profit) of 1,346 million yen (up 28.9% YoY).

(v) Other businesses

Results for other sectors such as veterinary hospital and sales of physical and chemical apparatus were largely as planned. Results from the security company added to the Group last year also contributed to business performance starting from the start of this period.

As a result, this segment recorded net sales of 2,322 million yen (up 35.7% YoY) and segment profit (operating profit) of 143 million yen (up 174.6% YoY).

(2) Analysis of Financial Position

(i) Assets, liabilities, and net assets

Assets at the end of the consolidated cumulative second quarter under review stood at 247,759 million yen, down 15,781 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included increases of 3,846 million yen in the construction in progress account, 2,966 million yen in cash and deposits, and 1,882 million yen in merchandise and finished goods. Notes and accounts receivable – trade decreased by 26,599 million yen.

Liabilities stood at 152,803 million yen, down 17,104 million yen from the end of the previous consolidated fiscal year. Primary reasons for this decline included increases of 2,031 million yen in long-term loans payable and 1,070 million yen in electronically recorded obligations as well as declines of 19,657 million yen and 1,915 million yen, respectively, in notes and accounts payable - trade and income taxes payable.

Net assets were 94,956 million yen, up 1,323 million yen from the end of the previous consolidated fiscal year. Primary reasons for this increase included increases of 740 million yen in valuation difference on available-for-sale securities and 3,625 million yen in retained earnings from profit attributable to owners of parent. Payment of dividends reduced retained earnings by 3,035 million yen.

Due to these factors, the equity capital ratio at the end of the consolidated second quarter under review stood at 37.4% (up 2.7 percentage points from the end of the previous consolidated fiscal year).

(ii) Cash flow

Cash flow from operating activities during the consolidated cumulative second quarter under review stood at a cumulative total of 10,019 million yen (up 3,101 million yen from the same period in the previous consolidated fiscal year). Factors contributing to this figure included a decrease of 26,634 million yen in notes and accounts receivable – trade and the recording of 6,265 million yen in profit before taxes. Notes and accounts payable – trade decreased by 18,814 million yen. We paid 4,348 million yen in income taxes.

Cash flow used in investing activities stood at 6,020 million yen (up 1,587 million yen from the same period in the previous consolidated fiscal year). Major contributing factors included expenditures of 4,651 million yen on the purchase of property, plant, and equipment and 1,609 million yen on the purchase of shares of subsidiaries resulting in change in scope of consolidation. Other factors included the recording of 178 million yen in proceeds from withdrawal of time deposits and 177 million yen in the collection of long-term loans receivable.

Cash flow used in financing activities totaled 1,066 million yen (up 5,139 million yen from the same period in the previous consolidated fiscal year). This resulted mainly from factors such as payment of 3,035 million yen in dividends and expenditures of 4,755 million yen on repayments of long-term loans payable, while proceeds from long-term loans payable totaled 7,300 million yen.

As the result of the above factors, the balance of cash and cash equivalents at the end of the consolidated cumulative second quarter under review stood at 51,590 million yen, up 2,928 million yen from the end of the previous consolidated fiscal year.

(3) Information on consolidated financial forecasts and other forward-looking statements

In general, business performance matched financial forecasts made at the start of the period. The consolidated financial forecasts for the full fiscal year remain unchanged from the forecasts announced on May 12, 2017.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	Previous consolidated fiscal year (March 31, 2017)	Consolidated second quarter under review (September 30, 2017)
Assets		
Current assets		
Cash and deposits	49,444	52,410
Notes and accounts receivable - trade	95,657	69,058
Electronically recorded monetary claims - operating	1,920	2,658
Lease investment assets	4,057	3,966
Merchandise and finished goods	11,669	13,551
Semi-finished goods	1,328	1,992
Raw materials and supplies	840	880
Other	9,590	9,727
Allowance for doubtful accounts	-78	-72
Total current assets	174,430	154,174
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	14,972	14,724
Land	15,222	15,446
Construction in progress	5,716	9,562
Real estate for rent (net)	14,186	14,055
Other (net)	3,385	3,288
Total property, plant, and equipment	53,483	57,077
Intangible assets		
Goodwill	10,912	11,159
Other	1,296	1,172
Total intangible assets	12,208	12,331
Investments and other assets		
Long-term loans receivable	10,172	10,059
Other	15,793	16,716
Total allowance for doubtful accounts	-2,563	-2,600
Total investments and other assets	23,402	24,175
Total non-current assets	89,093	93,584
Deferred assets		
Share issuance cost	16	0
Deferred assets	16	0
Total assets	263,540	247,759

(Unit: Millions yen)

	Previous consolidated fiscal year (March 31, 2017)	Consolidated second quarter under review (September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	86,307	66,649
Electronically recorded obligations - operating	16,192	17,262
Short-term loans payable	2,020	1,620
Income taxes payable	4,120	2,205
Provision for bonuses	1,905	1,884
Other	15,831	17,108
Total current liabilities	126,377	106,730
Non-current liabilities		
Long-term loans payable	36,146	38,177
Net defined benefit liability	2,548	2,617
Asset retirement obligations	362	367
Other	4,472	4,909
Total non-current liabilities	43,530	46,072
Total liabilities	169,908	152,803
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,716	23,716
Retained earnings	51,059	51,649
Treasury shares	-448	-448
Total shareholders' equity	89,881	90,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,459	2,199
Foreign currency translation adjustment	47	32
Remeasurements of defined benefit plans	-3	-0
Total accumulated other comprehensive income	1,503	2,231
Non-controlling interests	2,247	2,253
Total net assets	93,632	94,956
Total liabilities and net assets	263,540	247,759

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

Consolidated cumulative second quarter

(Unit: Millions yen)

	Previous consolidated cumulative second quarter (April 1 – September 30, 2016)	Consolidated cumulative second quarter under review (April 1 – September 30, 2017)
Net sales	187,550	187,456
Cost of sales	167,470	167,116
Gross profit	20,079	20,340
Sales, general, and administrative expenses	14,417	14,303
Operating profit	5,661	6,036
Non-operating profit		
Interest income	166	163
Dividend income	73	86
Amortization of negative goodwill	120	116
Reversal of allowance for doubtful accounts	42	1
Other	222	167
Total non-operating profit	624	535
Non-operating expenses		
Interest expenses	156	123
Equity in loss of affiliates	7	1
Foreign exchange losses	115	17
Other	136	119
Non-operating expenses	416	261
Total ordinary profit	5,869	6,309
Extraordinary profit		
Gain on sales of property, plant, and equipment	–	2
Gain on sales of investment securities	88	–
Other	0	0
Total extraordinary profit	88	2
Extraordinary losses		
Loss on sales of property, plant, and equipment	–	3
Loss on retirement of property, plant, and equipment	49	10
Loss on valuation of investment securities	32	27
Loss on withdrawal from employees' pension fund	208	–
Other	8	4
Total extraordinary losses	298	46
Total income before income taxes	5,659	6,265
Income taxes - current	2,498	2,372
Income taxes - deferred	-63	208
Total income taxes	2,435	2,580
Profit	3,224	3,684
Profit attributable to noncontrolling interests	69	59
Profit attributable to owners of parent	3,155	3,625

Quarterly consolidated statement of comprehensive income

Consolidated cumulative second quarter

(Unit: Millions yen)

	Previous consolidated cumulative second quarter (April 1 – September 30, 2016)	Consolidated cumulative second quarter under review (April 1 – September 30, 2017)
Profit	3,224	3,684
Other comprehensive income		
Valuation difference on available-for-sale securities	85	740
Translation adjustments	-49	-21
Remeasurements of defined benefit plans	-0	2
Other comprehensive income	35	721
Comprehensive income	3,260	4,406
(Breakdown)		
Comprehensive income attributable to owners of parent	3,191	4,353
Comprehensive income attributable to noncontrolling interests	69	52

(3) Quarterly consolidated statement of cash flows

(Unit: Millions yen)

	Previous consolidated cumulative second quarter (April 1 – September 30, 2016)	Consolidated cumulative second quarter under review (April 1 – September 30, 2017)
Cash flows from operating activities		
Income before income taxes	5,659	6,265
Depreciation and amortization	1,268	1,215
Amortization of goodwill	1,039	846
Amortization of negative goodwill	-120	-116
Equity in (earnings) loss of affiliates	7	1
Increase (decrease) in provision for bonuses	141	-46
Increase (decrease) in allowance for doubtful accounts	-43	-2
Increase (decrease) in net defined benefit liability	44	52
Interest and dividend income	-240	-249
Interest expenses	156	123
Decrease (increase) in notes and accounts receivable – trade	27,224	26,634
Decrease (increase) in inventories	-434	-2,443
Increase (decrease) in notes and accounts payable – trade	-24,382	-18,814
Net decrease (increase) in lease investment assets	17	91
Other	256	685
Subtotal	10,595	14,244
Interest and dividend income received	236	246
Interest expenses paid	-154	-122
Income taxes paid	-3,759	-4,348
Cash flows from operating activities	6,917	10,019
Cash flows from investing activities		
Payments into time deposits	-121	-136
Proceeds from withdrawal of time deposits	126	178
Purchase of property, plant, and equipment	-3,231	-4,651
Proceeds from sales of property, plant, and equipment	5	3
Purchase of intangible assets	-273	-75
Payments of short-term loans receivable	-16	-22
Collection of short-term loans receivable	16	20
Payments of long-term loans receivable	-0	-2
Collection of long-term loans receivable	187	177
Purchase of investment securities	-4	-5
Proceeds from sales and redemption of investment securities	231	101
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-1,587	-1,609
Other	235	-0
Cash flows from investing activities	-4,433	-6,020

(Unit: Millions yen)

	Previous consolidated cumulative second quarter (April 1 – September 30, 2016)	Consolidated cumulative second quarter under review (April 1 – September 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8,805	-400
Proceeds from long-term loans payable	1,700	7,300
Repayments of long-term loans payable	-3,543	-4,755
Redemption of bonds	-15	–
Cash dividends paid	-2,717	-3,035
Dividends paid to noncontrolling interests	-40	-46
Repayments of lease obligations	-108	-123
Other	-6	-4
Cash flows from financing activities	4,073	-1,066
Effect of exchange rate change on cash and cash equivalents	-103	-3
Net increase (decrease) in cash and cash equivalents	6,454	2,928
Cash and cash equivalents at the beginning of the period	35,518	48,661
Cash and cash equivalents at the end of the period	41,973	51,590

(4) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on marked changes to shareholders' equity)

Not applicable

(Segment information, etc.)

[Segment information]

I Previous consolidated cumulative second quarter (April 1 – September 30, 2016)

1 Net sales and income (loss) by reporting segment

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on quarterly consolidated income statement*3
	Total pack produce business	Medical supply business	Life care business	Dispensing pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	36,490	126,992	10,497	11,858	185,838	1,711	187,550	-	187,550
(2) Intersegment sales or transfers	1,228	966	14	915	3,125	13	3,139	-3,139	-
Subtotal	37,719	127,959	10,511	12,773	188,964	1,725	190,689	-3,139	187,550
Segment profit	3,305	1,058	326	1,044	5,734	52	5,786	-124	5,661

Notes:

- The "Other" category includes businesses not included in reporting business segments, such as the veterinary hospital business and sales of physical and chemical apparatus.
- The figure of -¥124 million yen in adjustments to segment profit includes -¥11 million yen in cancellation of intersegment transactions and -¥115 million yen in companywide costs not allocated among reporting segments. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

2 Information on assets of individual reporting segments

During the consolidated cumulative second quarter under review, Konishi Kyowa Holding Corporation was acquired and added to the scope of consolidation.

As a result, assets in the medical supplies business segment increased by ¥42,607 million from the end of the previous consolidated fiscal year.

3 Information on impairment losses on fixed assets or goodwill

(Important impairment losses on fixed assets)

Not applicable

(Important changes in amounts of goodwill)

During the consolidated cumulative second quarter under review, Konishi Kyowa Holding Corporation was acquired and added to the scope of consolidation.

As a result, goodwill in the medical supply business segment increased by ¥1,066 million during the consolidated cumulative second quarter under review.

(Important gains on bargain purchases)

Not applicable

II Consolidated cumulative second quarter under review (April 1 – September 30, 2017)

1 Net sales and income (loss) by reporting segment

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments*2	Amount recorded on quarterly consolidated income statement*3
	Total pack produce business	Medical supply business	Life care business	Dispensing pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	31,629	129,756	11,168	12,579	185,134	2,322	187,456	-	187,456
(2) Intersegment sales or transfers	720	532	91	1,192	2,537	42	2,579	-2,579	-
Subtotal	32,349	130,289	11,260	13,772	187,671	2,364	190,036	-2,579	187,456
Segment profit	2,662	1,578	406	1,346	5,994	143	6,137	-101	6,036

Notes:

- The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and the security business.
- The figure of –¥101 million yen in adjustments to segment profit includes –¥4 million yen in cancellation of intersegment transactions and –¥101 million yen in companywide costs not allocated among reporting segments. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

2 Information on impairment losses on fixed assets or goodwill

No important impairment losses on fixed assets, important changes in amounts of goodwill, or important gains on bargain purchases were recognized during the consolidated cumulative first quarter under review.