

**Summary of Financial Statements**  
for First Quarter of Fiscal Year Ending March 31, 2019 [Japanese GAAP]  
(Consolidated)

August 7, 2018

Name of listed company: SHIP HEALTHCARE HOLDINGS, INC.  
Shares listed on: Tokyo Stock Exchange  
Code: 3360 URL <http://www.shiphd.co.jp/>  
Representative: Kunihisa Furukawa, Chairman and CEO  
Contact: Hiroshi Yokoyama, Managing Director Tel.: +81-6-6369-0130  
Scheduled date for filing quarterly report: August 10, 2018 Scheduled start date of dividend payments: –  
Supplementary briefing materials on results: None  
Briefing on quarterly results: None

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

1. Consolidated financial results for the first quarter of the fiscal year ending March 31, 2019 (April 1 – June 30, 2018)

(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)	%
Q1 FY ending March 2019	98,580	9.9	2,749	8.6	2,984	7.8	1,772	16.6
Q1 FY ended March 2018	89,724	0.3	2,532	45.5	2,769	47.5	1,519	77.0

Note: Comprehensive income: Q1 FY ending March 2019: 2,078 million yen (0.4%)  
Q1 FY ended March 2018: 2,069 million yen (162.7%)

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Q1 FY ending March 2019	35.19	–
Q1 FY ended March 2018	30.04	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q1 FY ending March 2019	264,245	98,593	36.4
FY ended March 2018	285,181	102,354	35.0

Reference: Equity: Q1 FY ending March 2019: 96,154 million yen; FY ended March 2018: 99,880 million yen

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2018	–	0.00	–	64.00	64.00
FY ending March 2019	–				
FY ending March 2019 (forecast)		0.00	–	64.00	64.00

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

3. Forecast of consolidated financial results for fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent changes from previous year for full-year figures and year-on-year changes for quarterly figures.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Yen)
Cumulative through second quarter	190,000	1.4	4,400	-27.1	4,600	-27.1	2,600	-28.3	51.83
Full-year	440,000	3.4	17,500	-4.2	17,800	-6.0	10,500	1.4	209.90

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)	Q1 FY ending March 2019	50,834,700 shares	FY ended March 2018	50,834,700 shares
(ii) Number of treasury shares at the end of the period	Q1 FY ending March 2019	862,968 shares	FY ended March 2018	235,568 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q1 FY ending March 2019	50,379,982 shares	Q1 FY ended March 2018	50,599,132 shares

\* This quarterly summary of financial results is not subject to quarterly review by a Certified Public Accountant or an audit firm.

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

- The average number of shares during the period, on which calculations of net income per share in the forecast of consolidated financial results for the fiscal year ending March 31, 2019, are based, reflects the effects of purchase of treasury stock under a resolution passed by the board of directors in its meeting held May 11, 2018.
- 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.

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## 1. Qualitative information on quarterly results

### (1) Description of business results

During this consolidated cumulative first quarter, despite growing concerns about trade friction spurred by the imposition of additional tariffs by the United States, the Japanese economy maintained a course of gentle recovery. Employment and income conditions continued to improve, buoyed by positive corporate earnings.

In the healthcare industry in which the Group operates, both remuneration for healthcare and nursing care compensation were revised starting in April, leading to significant drops in amounts refunded for medical materials and in drug prices. The industry also faced a pressing need to respond to structural reforms due to factors including skyrocketing medical costs as Japan's population continues to age and birth rates remain low, changes in the makeup of medical conditions requiring treatment, introduction of advanced medical technologies, and development of comprehensive community healthcare systems.

In general, amid these economic conditions, despite harsh conditions for the Dispensing Pharmacy business due to revised compensation for prescription drugs, the Group proceeded according to plan, thanks to progress according to plans on several large-scale projects in the Total Pack Produce business and steady improvements in number of occupants in the Life Care business.

During this consolidated cumulative first quarter, the various factors noted above resulted in net sales of 98,580 million yen (up 9.9% YoY), operating profit of 2,749 million yen (up 8.6% YoY), ordinary profit of 2,984 million yen (up 7.8% YoY), and profit attributable to owners of the parent of 1,772 million yen (up 16.6% YoY).

Business results by segment are summarized below.

#### (i) Total Pack Produce business

The Total Pack Produce business made progress according to plan on several large projects.

As a result, this segment recorded net sales of 17,070 million yen (up 27.4% YoY) and segment profit (operating profit) of 1,177 million yen (up 15.8% YoY).

#### (ii) Medical Supply business

Driven by various factors, including steady progress on startup of new SPD facilities in the first half of the fiscal year, the Medical Supply business recorded performance largely in accordance with plans.

As a result, this segment recorded net sales of 68,078 million yen (up 7.5% YoY) and segment profit (operating profit) of 704 million yen (up 2.9% YoY).

#### (iii) Life Care business

The Life Care business demonstrated strong performance, including business efficiency improvements and an increase in numbers of occupants from the start of the period, due to various factors, including a measure to promote occupancy based on a campaign featuring a popular cartoon character. This performance was despite the impact of revisions to long-term care fees.

As a result, this segment recorded net sales of 5,921 million yen (up 7.4% YoY) and segment profit (operating profit) of 390 million yen (up 114.9% YoY).

#### (iv) Dispensing Pharmacy business

In the Dispensing Pharmacy business, despite continuing efforts to improve business efficiency, performance fell due to revisions in prescription drug compensation.

As a result, this segment recorded net sales of 6,242 million yen (down 0.6% YoY) and segment profit (operating profit) of 498 million yen (down 19.0% YoY).

#### (v) Other businesses

In other sectors, the performance of veterinary clinics and sales of physical and chemical apparatus went largely as planned. Results from the security support company remained strong from last year.

As a result, this segment recorded net sales of 1,268 million yen (up 6.0% YoY) and segment profit (operating profit) of 105 million yen (up 38.3% YoY).

## (2) Analysis of financial position

Assets at the end of the consolidated first quarter under review stood at 264,245 million yen, down 20,935 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 22,909 million yen in notes and accounts receivable – trade and 1,546 million yen in land, despite increases of 1,396 million yen in merchandise and finished goods, 599 million yen in work in process, and 477 million yen in cash and deposits.

Liabilities stood at 165,652 million yen, down 17,174 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 16,584 million in notes and accounts payable - trade and 3,697 million in income taxes payable, while electronically recorded obligations – operating increased by 2,033 million yen.

Net assets were 98,593 million yen, down 3,761 million yen from the end of the previous consolidated fiscal year. Primary reasons for this decline included a decrease of 3,238 million yen in retained earnings due to payment of dividends. Retained earnings from profit attributable to owners of parent increased by 1,772 million yen and the valuation difference on available-for-sale securities resulted in an increase of 244 million yen.

As a result of all these factors, the equity capital ratio at the end of the consolidated first quarter under review stood at 36.4%, up 1.4 percentage points 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 cumulative second quarter and the full fiscal year remain unchanged from the forecasts announced on May 11, 2018.

## 2. Quarterly consolidated financial statements and notes thereto

## (1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	Previous consolidated fiscal year (March 31, 2018)	Consolidated first quarter under review (June 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	59,644	60,121
Notes and accounts receivable - trade	99,090	76,181
Electronically recorded monetary claims - operating	3,427	3,761
Lease investment assets	3,873	3,830
Merchandise and finished goods	13,076	14,473
Work in process	1,269	1,869
Raw materials and supplies	605	729
Short-term loans receivable	1,788	1,886
Other	8,759	9,754
Allowance for doubtful accounts	-86	-92
<b>Total current assets</b>	<b>191,448</b>	<b>172,515</b>
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	19,647	19,422
Land	15,556	14,010
Construction in progress	4,428	4,546
Real estate for rent, net	13,395	13,381
Other, net	2,743	2,695
<b>Total property, plant, and equipment</b>	<b>55,770</b>	<b>54,056</b>
Intangible assets		
Goodwill	10,650	10,293
Other	1,129	1,121
<b>Total intangible assets</b>	<b>11,780</b>	<b>11,414</b>
Investments and other assets		
Investment securities	7,862	8,265
Long-term loans receivable	9,870	9,761
Claims provable in bankruptcy, claims provable in rehabilitation and other	79	125
Net defined benefit assets	983	989
Deferred tax assets	3,474	3,233
Guarantee deposits	5,544	5,539
Other	902	877
Allowance for doubtful accounts	-2,536	-2,533
<b>Total investments and other assets</b>	<b>26,181</b>	<b>26,259</b>
<b>Total non-current assets</b>	<b>93,732</b>	<b>91,730</b>
<b>Total assets</b>	<b>285,181</b>	<b>264,245</b>

(Unit: Millions yen)

	Previous consolidated fiscal year (March 31, 2018)	Consolidated first quarter under review (June 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	88,716	72,132
Electronically recorded obligations - operating	21,786	23,819
Short-term loans payable	2,970	2,970
Income taxes payable	4,745	1,048
Provision for bonuses	1,966	2,335
Current portion of long-term loans payable	4,676	4,599
Other	13,064	14,900
Total current liabilities	137,925	121,806
Non-current liabilities		
Long-term loans payable	36,765	35,645
Net defined benefit liability	2,706	2,749
Asset retirement obligations	619	622
Deferred tax liability	728	797
Other	4,081	4,029
Total non-current liabilities	44,900	43,845
Total liabilities	182,826	165,652
<b>Net assets</b>		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,948	23,948
Retained earnings	58,374	56,908
Treasury shares	-448	-3,000
Total shareholders' equity	97,428	93,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,596	2,841
Foreign currency translation adjustment	-92	-50
Remeasurements of defined benefit plans	-52	-45
Total accumulated other comprehensive income	2,451	2,744
Non-controlling interests	2,474	2,438
Total net assets	102,354	98,593
Total liabilities and net assets	285,181	264,245

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

Quarterly consolidated statement of income

Consolidated cumulative first quarter

(Unit: Millions yen)

	Previous consolidated cumulative first quarter (April 1 – June 30, 2017)	Consolidated cumulative first quarter under review (April 1 – June 30, 2018)
Net sales	89,724	98,580
Cost of sales	79,959	88,650
Gross profit	9,764	9,930
Sales, general, and administrative expenses	7,232	7,180
Operating profit	2,532	2,749
Non-operating income		
Interest income	82	75
Dividend income	82	90
Amortization of negative goodwill	58	58
Share of profit of entities accounted for using equity method	14	34
Reversal of allowance for doubtful accounts	7	2
Other	94	69
Total non-operating income	338	330
Non-operating expenses		
Interest expenses	61	64
Foreign exchange losses	12	–
Other	27	32
Total non-operating expenses	101	96
Ordinary profit	2,769	2,984
Extraordinary income		
Gain on sales of non-current assets	1	57
Other	0	–
Total extraordinary income	1	57
Extraordinary losses		
Loss on sales of non-current assets	3	–
Loss on retirement of non-current assets	3	0
Loss on valuation of investment securities	11	2
Other	4	–
Total extraordinary losses	22	3
Profit before income taxes	2,748	3,038
Income taxes - current	1,174	1,118
Income taxes - deferred	24	181
Total income taxes	1,198	1,300
Profit	1,550	1,738
Profit (loss) attributable to non-controlling interests	30	-34
Profit attributable to owners of parent	1,519	1,722



## Quarterly consolidated statement of comprehensive income

## Consolidated cumulative first quarter

(Unit: Millions yen)

	Previous consolidated cumulative first quarter (April 1 – June 30, 2017)	Consolidated cumulative first quarter under review (April 1 – June 30, 2018)
Profit	1,550	1,738
Other comprehensive income		
Valuation difference on available-for-sale securities	538	244
Foreign currency translation adjustments	-20	88
Remeasurements of defined benefit plans	1	6
Total other comprehensive income	519	339
Comprehensive income	2,069	2,078
(Breakdown)		
Comprehensive income attributable to owners of parent	2,043	2,065
Comprehensive income attributable to noncontrolling interests	25	12

## (3) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on marked changes to shareholders' equity)

Under a resolution passed by the board of directors in its meeting held May 11, 2018, the Company purchased 627,400 shares of treasury stock. As a result, treasury stock increased by 2,552 million yen during this consolidated cumulative first quarter to 3,000 million yen as of the end of the quarter.

(Segment information, etc.)

[Segment information]

## I Previous consolidated cumulative first quarter (April 1 – June 30, 2017)

## 1 Net sales and profit (loss) by reportable segment

(Unit: Millions yen)

	Reportable 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	13,394	63,335	5,515	6,283	88,528	1,195	89,724	–	89,724
(2) Intersegment sales or transfers	371	285	45	604	1,307	20	1,328	-1,328	–
Subtotal	13,765	63,621	5,560	6,888	89,835	1,216	91,052	-1,328	89,724
Segment profit	1,016	684	181	615	2,497	76	2,573	-41	2,532

Notes:

1. 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.
2. The figure of –41 million yen in adjustments to segment profit includes –2 million yen in cancellation of intersegment transactions and –42 million yen in companywide costs not allocated among reportable segments. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.
3. Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

## 2 Information on impairment loss on fixed assets or goodwill, per reporting segment

During this consolidated cumulative first quarter, no significant impairment loss on fixed assets and no significant change in amounts of goodwill or significant gains on negative goodwill were identified.

## II Consolidated cumulative first quarter under review (April 1 – June 30, 2018)

## 1 Net sales and profit (loss) by reportable segment

(Unit: Millions yen)

	Reportable 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	17,070	68,078	5,921	6,242	97,312	1,268	98,580	–	98,580
(2) Intersegment sales or transfers	348	266	45	451	1,112	61	1,173	-1,173	–
Subtotal	17,418	68,345	5,966	6,694	98,425	1,329	99,754	-1,173	98,580
Segment profit	1,177	704	390	498	2,769	105	2,875	-125	2,749

## Notes:

1. The “Other” category includes businesses not included in reportable business segments, such as the veterinary clinic business, sales of physical and chemical apparatus, and the security business.
2. The figure of –125 million yen in adjustments to segment profit includes –19 million yen in cancellation of intersegment transactions and –105 million yen in companywide costs not allocated among reportable segments. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.
3. 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.

## (Additional information)

Starting this consolidated cumulative first quarter, the Company began applying ASBJ Statement No. 28 (Partial Amendments to Accounting Standard for Tax Effect Accounting), issued on February 16, 2018. For this reason, deferred tax assets are indicated under Investments and Other Assets, while deferred tax liabilities are indicated under Non-current Liabilities.