

Summary of Financial Statements
for First Quarter of Fiscal Year Ending March 31, 2020 [Japanese GAAP]
(Consolidated)

August 9, 2019

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, Executive Director Tel.: +81-6-6369-0130
Scheduled date for filing quarterly report: August 13, 2019 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, 2020 (April 1 – June 30, 2019)

(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 2020	109,005	10.6	3,030	10.2	3,242	8.7	1,855	4.7
Q1 FY ended March 2019	98,580	9.9	2,749	8.6	2,984	7.8	1,772	16.6

Note: Comprehensive income: Q1 FY ending March 2020: 1,719 million yen ((17.3%)
Q1 FY ended March 2019: 2,078 million yen (0.4%)

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Q1 FY ending March 2020	38.96	35.36
Q1 FY ended March 2019	35.19	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q1 FY ending March 2020	294,399	96,824	31.9
FY ended March 2019	299,212	97,734	31.9

Reference: Equity: Q1 FY ending March 2020: 93,828 million yen; FY ended March 2019: 95,420 million yen

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2019	–	0.00	–	70.00	70.00
FY ending March 2020	–				
FY ending March 2020 (forecast)		0.00	–	75.00	75.00

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

3. Forecast of consolidated financial results for fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	210,000	3.9	6,500	3.7	7,000	6.0	4,000	0.1	83.98
Full-year	466,000	4.9	18,500	3.1	19,300	4.1	11,800	5.0	247.74

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 2020	50,834,700 shares	FY ended March 2019	50,834,700 shares
(ii) Number of treasury shares at the end of the period	Q1 FY ending March 2020	3,204,566 shares	FY ended March 2019	3,204,535 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q1 FY ending March 2020	47,630,157 shares	Q1 FY ended March 2019	50,379,982 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 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

Backed by strong corporate earnings and steady growth in employment and personal income, the Japanese economy maintained a course of gentle recovery during the consolidated cumulative first quarter. Nevertheless, due to uncertainties in the world economy including trade friction between US and China, and psychological impact to consumers in Japan on the planned consumption tax hike, the global economic outlook remains uncertain.

Within the healthcare industry in which the Group operates, system reform in medical care is underway on the back of rising medical expenses reflecting medical complexity and low birthrate and aging. These conditions are pushing medical institutions and others in the industry to engage in extensive partnerships and to pursue the development of efficient business structures over the medium to long term.

Under these economic conditions, the Group's Total Pack Produce business made steady progress on several projects, as well as the Life Care business that achieved steady improvements in occupancy rates continuing from previous fiscal year. With increase in the number of patients after the start of treatment at the Osaka Heavy Ion Therapy Center, which began providing treatment in October of last year, preparation of the third treatment room is in progress as scheduled towards the start of operation in October this year although the initial cost is still remained.

During this consolidated cumulative first quarter, the various factors noted above resulted in net sales of 109,005 million yen (up 10.6% YoY), operating profit of 3,030 million yen (up 10.2% YoY), ordinary profit of 3,242 million yen (up 8.7% YoY), and profit attributable to owners of the parent of 1,855 million yen (up 4.7% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

The Total Pack Produce business made steady progress on several projects. However, the initial costs for Osaka Heavy Ion Therapy Center and the hospital operation project in Bangladesh are appropriated continuing from previous fiscal year.

As a result, this segment recorded net sales of 19,332 million yen (up 13.3% YoY) and segment profit (operating profit) of 1,141 million yen (down 3.0% YoY).

(ii) Medical Supply business

Driven by various factors, including cooperation within the Group and improvements in operational efficiency, the Medical Supply business recorded performance largely in accordance with plans despite the ongoing difficult condition to secure profits due to the revised reimbursement prices in last year.

As a result, this segment recorded net sales of 75,882 million yen (up 11.5% YoY) and segment profit (operating profit) of 788 million yen (up 11.9% YoY).

(iii) Life Care business

The Life Care business demonstrated strong performance driven by the progress in management efficiency thanks to the establishment of national integrated management and further growth in occupancy rates.

As a result, this segment recorded net sales of 5,976 million yen (up 0.9% YoY) and segment profit (operating profit) of 441 million yen (up 13.2% YoY).

(iv) Dispensing Pharmacy business

In the Dispensing Pharmacy business, despite the impact of the revisions of dispensing fees was mitigated compared to the previous year, conditions remained difficult due to the fact that the consumption tax is expected to increase.

As a result, this segment recorded net sales of 6,621 million yen (up 6.1% YoY) and segment profit (operating profit) of 624 million yen (up 25.4% YoY).

(v) Other businesses

In other businesses, the operation of veterinary hospitals and security support company made steady progress largely as planned.

As a result, this segment recorded net sales of 1,192 million yen (down 6.0% YoY) and segment profit (operating profit) of 99 million yen (down 5.8% YoY).

(2) Analysis of financial position

Assets at the end of the consolidated first quarter under review stood at 294,399 million yen, down 4,812 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 15,078 million yen in notes and accounts receivable – trade, despite increases of 6,921 million yen in cash and deposits, 1,233 million yen in merchandise and finished goods, and 1,129 million yen in electronically recorded monetary claims – operating.

Liabilities stood at 197,574 million yen, down 3,903 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 4,494 million in notes and accounts payable - trade and 2,987 million in income taxes payable, despite increases of 2,736 million yen in electronically recorded obligations – operating.

Net assets were 96,824 million yen, down 909 million yen from the end of the previous consolidated fiscal year. Primary reasons for this decline included a decrease of 3,334 million yen in retained earnings due to payment of dividends, despite increase of 1,855 million yen in retained earnings from profit attributable to owners of parent.

As a result of all these factors, the equity capital ratio at the end of the consolidated first quarter under review stood at 31.9%, same 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 10, 2019.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	March 31, 2019	June 30, 2019
Assets		
Current assets		
Cash and deposits	72,393	79,314
Notes and accounts receivable - trade	97,975	82,896
Electronically recorded monetary claims - operating	3,232	4,362
Lease investment assets	3,801	3,638
Merchandise and finished goods	14,034	15,268
Work in process	1,471	1,833
Raw materials and supplies	648	710
Other	8,109	9,209
Allowance for doubtful accounts	(95)	(96)
Total current assets	201,571	197,136
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	18,907	18,731
Land	14,451	14,449
Real estate for rent, net	13,209	12,946
Other, net	8,084	8,705
Total property, plant, and equipment	54,652	54,833
Intangible assets		
Goodwill	9,304	8,946
Other	1,029	972
Total intangible assets	10,333	9,918
Investments and other assets		
Investment securities	14,683	14,685
Long-term loans receivable	9,531	9,442
Other	11,062	10,628
Allowance for doubtful accounts	(2,624)	(2,246)
Total investments and other assets	32,654	32,510
Total non-current assets	97,640	97,262
Total assets	299,212	294,399

(Unit: Millions yen)

	March 31, 2019	June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	85,371	80,876
Electronically recorded obligations - operating	20,772	23,508
Short-term loans	1,030	1,030
Income taxes payable	4,139	1,152
Provision for bonuses	2,032	2,405
Other	14,830	16,573
Total current liabilities	128,176	125,547
Non-current liabilities		
Bonds with share acquisition rights	25,116	25,110
Long-term loans	39,700	38,533
Net defined benefit liability	2,811	2,781
Asset retirement obligations	628	601
Other	5,043	4,999
Total non-current liabilities	73,300	72,027
Total liabilities	201,477	197,574
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,921	23,921
Retained earnings	66,372	64,894
Treasury stock	(13,447)	(13,448)
Total shareholders' equity	92,399	90,920
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,079	3,067
Foreign currency translation adjustment	(84)	(187)
Remeasurements of defined benefit plans	26	28
Total accumulated other comprehensive income	3,021	2,907
Non-controlling interests	2,314	2,996
Total net assets	97,734	96,824
Total liabilities and net assets	299,212	294,399

(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)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	98,580	109,005
Cost of sales	88,650	98,739
Gross profit	9,930	10,265
Sales, general, and administrative expenses	7,180	7,234
Operating profit	2,749	3,030
Non-operating income		
Interest income	75	84
Dividend income	90	188
Amortization of negative goodwill	58	58
Share of profit of entities accounted for using equity method	34	31
Reversal of allowance for doubtful accounts	2	—
Other	69	98
Total non-operating profit	330	461
Non-operating expenses		
Interest expenses	64	63
Provision of allowance for doubtful accounts	—	170
Other	32	15
Total non-operating expenses	96	248
Total ordinary profit	2,984	3,242
Extraordinary profit		
Gains on sales of non-current assets	57	0
Total extraordinary profit	57	0
Extraordinary losses		
Losses on sales of non-current assets	—	2
Losses on retirement of non-current assets	0	0
Losses on valuation of investment securities	2	—
Total extraordinary losses	3	2
Total profit before income taxes	3,038	3,241
Income taxes - current	1,118	1,288
Income taxes - deferred	181	70
Total income taxes	1,300	1,358
Profit	1,738	1,883
Profit (loss) attributable to non-controlling interests	(34)	27
Profit attributable to owners of parent	1,772	1,855

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative first quarter

(Unit: Millions yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	1,738	1,883
Other comprehensive income		
Valuation difference on available-for-sale securities	244	(12)
Foreign currency translation adjustments	88	(153)
Remeasurements of defined benefit plans	6	2
Total other comprehensive income	339	(163)
Comprehensive income	2,078	1,719
(Breakdown)		
Comprehensive income attributable to owners of parent	2,065	1,742
Comprehensive income attributable to noncontrolling interests	12	(22)

(3) 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 first quarter (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:

- 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.
- 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.
- 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, 2019)

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	19,332	75,882	5,976	6,621	107,812	1,192	109,005	–	109,005
(2) Intersegment sales or transfers	474	239	45	451	1,210	76	1,286	(1,286)	–
Subtotal	19,807	76,121	6,021	7,072	109,022	1,268	110,291	(1,286)	109,005
Segment profit	1,141	788	441	624	2,996	99	3,095	(64)	3,030

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 ¥(64) million yen in adjustments to segment profit includes ¥(23) million yen in cancellation of intersegment transactions and ¥(41) 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.