



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

November 8, 2019

Name of listed company: **SHIP HEALTHCARE HOLDINGS, INC.**  
 Shares listed on: Tokyo Stock Exchange  
 Code: 3360 URL <https://www.shiphd.co.jp/>  
 Representative: (Title) Chairman and CEO (Name) Kunihisa Furukawa  
 Contact: (Title) Executive Director (Name) Hiroshi Yokoyama  
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Scheduled date for filing quarterly report: November 13, 2019 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, 2020  
 (April 1 – September 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)	%
Q2 FY ending March 2020	242,232	19.8	10,081	60.9	10,999	66.6	6,693	67.6
Q2 FY ended March 2019	202,146	7.8	6,265	3.8	6,603	4.7	3,994	10.2

Note: Comprehensive income: Q2 FY ending March 2020: ¥7,106million (40.9%)  
 Q2 FY ended March 2019: ¥5,044 million (14.5%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q2 FY ending March 2020	140.54	127.65
Q2 FY ended March 2019	79.64	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q2 FY ending March 2020	304,572	102,101	32.6
FY ended March 2019	299,212	97,734	31.9

Reference: Equity: Q2 FY ending March 2020: ¥99,174 million; FY ended March 2019: ¥95,420 million

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	–	0.00			
FY ending March 2020 (forecast)			–	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.)

	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	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 stock)	Q2 FY ending March 2020	50,834,700 shares	FY ended March 2019	50,834,700 shares
(ii) Number of treasury stock at the end of the period	Q2 FY ending March 2020	3,204,627 shares	FY ended March 2019	3,204,535 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q2 FY ending March 2020	47,630,121 shares	Q2 FY ended March 2019	50,159,194 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.

## ○ Index of attached materials

1. Qualitative information on quarterly results .....	2
(1) Description of business results .....	2
(2) Analysis of Financial Position .....	2
(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

The Japanese economy maintained strong earnings by steady growth in employment and personal income during the consolidated cumulative second quarter. Nevertheless, due to uncertainties in the world economy, including influence to consumer spending by increase of consumption tax, and intensifying trade friction between the US and China, the global economic outlook remains uncertain.

Within the healthcare industry in which the Group operates, reform of healthcare system is continuing against the background of increasing medical fee due to advancement of medical care and declining birthrate and aging society, which require a wide-ranging collaboration and efficient business structure over medium to long term in medical institutions and industry.

Under such economic condition, the Group recorded some projects ahead of schedule in the Total Pack Produce business, and there was a last-minute demand before the consumption tax increase in the Total Pack Produce business and Medical Supply business. In addition, as a result of opening new stores and continuing efforts to improve business efficiency in Dispensing Pharmacy business, the Group achieved results that exceeded the initial forecast.

During this cumulative consolidated second quarter, the various factors noted above resulted in net sales of 242,232 million yen (up 19.8% YoY), operating profit of 10,081 million yen (up 60.9% YoY), ordinary profit of 10,999 million yen (up 66.6% YoY), and profit attributable to owners of the parent of 6,693 million yen (up 67.6% YoY).

Business results by segment are summarized below.

#### (i) Total Pack Produce business

The Total Pack Produce business, some large-scale projects exceeded the plan during the first two quarters, in addition, there was a last-minute demand before the consumption tax increase in other projects and replacement of equipment.

As a result, this segment recorded net sales of 53,857 million yen (up 42.7% YoY) and segment profit (operating profit) of 5,406 million yen (up 102.7% YoY).

#### (ii) Medical Supply business

The Medical Supply business recorded steady growth due to collaboration with the Total Pack Produce business, contract for new SPD facilities and efficiency in operating SPD facilities. In addition, there was an advance purchase demand for consumables before the consumption tax increase.

As a result, this segment recorded net sales of 160,607 million yen (up 16.8% YoY) and segment profit (operating profit) of 2,455 million yen (up 43.3% YoY).

#### (iii) Life Care business

Continuing with last fiscal year, the Life Care business recorded steady growth by making efforts to integrate national wide management and occupancy promotion measures, etc.

As a result, this segment recorded net sales of 11,860 million yen (down 0.1% YoY) and segment profit (operating profit) of 892 million yen (up 3.7% YoY).

#### (iv) Dispensing Pharmacy business

Dispensing Pharmacy business performed steadily due to opening new stores and management efficiency improvement such as joint purchasing.

As a result, this segment recorded net sales of 13,380 million yen (up 8.3% YoY) and segment profit (operating profit) of 1,280 million yen (up 34.4% YoY)

#### (v) Other

Results for other sectors such as veterinary hospital and the security support company remained as planned.

As a result, this segment recorded net sales of 2,526 million yen (down 3.9% YoY) and segment profit (operating profit) of 194 million yen (down 23.1% 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 304,572 million yen, an increase of 5,360 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 8,374 million yen in cash and deposits, and 1,819 million yen in investment securities, despite decreases of 3,836 million yen in notes and accounts receivable – trade, and 1,596 million yen in long-term loans receivable.

Liabilities stood at 202,471 million yen, an increase of 993 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 6,503 million yen in notes and accounts payable - trade, despite decreases of 3,102 million yen in electronically recorded obligations – operating, and 1,461 million yen in long-term loans payable.

Net assets stood at 102,101 million yen, an increase of 4,366 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 6,693 million yen in retained earnings from profit attributable to owners of parent and 612 million yen in non-controlling interests, despite decreases of 3,334 million yen in retained earnings due to payment of dividends.

Due to these factors, the equity capital ratio at the end of the consolidated second quarter under review stood at 32.6% (up 0.7 percentage points from the end of the previous consolidated fiscal year).

### (ii) Cash flow

Net cash provided by operating activities during the consolidated cumulative second quarter under review totaled 16,730 million yen (up 13,889 million yen from the same period in the previous consolidated fiscal year). Factors contributing to this figure included payment of 4,362 million yen as income taxes and decrease of 4,434 million yen in notes and accounts receivable – trade, and increase of 3,165 million in notes and accounts payable – trade. Other factors included 10,997 million yen in profit before income taxes.

Net cash used in investing activities totaled 2,962 million yen (down 1,183 million yen from the same period in the previous consolidated fiscal year). Major contributing factors included 1,629 million yen in collection of long-term loans receivable, and 2,309 million yen in purchase of property, plant and equipment. Other factors included 1,087 million yen in purchase of investment securities.

Net cash used in financing activities totaled 5,335 million yen (up 2,133 million yen from the same period in the previous consolidated fiscal year). This resulted mainly from factors such as 800 million yen in proceeds from long-term loans payable, payment of 3,334 million yen in dividends and expenditures of 3,058 million yen in repayment of long-term loans payable.

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 79,894 million yen, up 8,399 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 10, 2019.

## 2. Quarterly consolidated financial statements and notes thereto

## (1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	March 31, 2019	September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	72,393	80,768
Notes and accounts receivable - trade	97,975	94,138
Electronically recorded monetary claims - operating	3,232	3,080
Lease investment assets	3,801	3,592
Merchandise and finished goods	14,034	13,965
Work in process	1,471	1,540
Raw materials and supplies	648	786
Other	8,109	7,807
Allowance for doubtful accounts	(95)	(74)
Total current assets	201,571	205,604
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	18,907	18,599
Land	14,451	14,549
Real estate for rent, net	13,209	12,881
Other, net	8,084	9,329
Total property, plant, and equipment	54,652	55,360
Intangible assets		
Goodwill	9,304	9,283
Other	1,029	1,038
Total intangible assets	10,333	10,321
Investments and other assets		
Investment securities	14,683	16,503
Long-term loans receivable	9,531	7,935
Other	11,062	10,584
Allowance for doubtful accounts	(2,624)	(1,738)
Total investments and other assets	32,654	33,285
Total non-current assets	97,640	98,967
<b>Total assets</b>	<b>299,212</b>	<b>304,572</b>

(Unit: Millions yen)

	March 31, 2019	September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	85,371	91,875
Electronically recorded obligations - operating	20,772	17,670
Short-term loans	1,030	760
Income taxes payable	4,139	3,764
Provision for bonuses	2,032	1,968
Other	14,830	14,352
Total current liabilities	128,176	130,391
Non-current liabilities		
Bonds with share acquisition rights	25,116	25,104
Long-term loans payable	39,700	38,238
Net defined benefit liability	2,811	2,804
Asset retirement obligations	628	603
Other	5,043	5,328
Total non-current liabilities	73,300	72,079
Total liabilities	201,477	202,471
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,921	23,895
Retained earnings	66,372	69,732
Treasury stock	(13,447)	(13,448)
Total shareholders' equity	92,399	95,731
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	3,079	3,571
Foreign currency translation adjustments	(84)	(159)
Remeasurements of defined benefit plans	26	30
Total accumulated other comprehensive income	3,021	3,442
Non-controlling interests	2,314	2,926
Total net assets	97,734	102,101
Total liabilities and net assets	299,212	304,572

## (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)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	202,146	242,232
Cost of sales	181,617	217,564
Gross profit	20,528	24,667
Sales, general, and administrative expenses	14,263	14,586
Operating profit	6,265	10,081
Non-operating profit		
Interest income	140	203
Dividend income	95	193
Amortization of negative goodwill	116	116
Share of profit of entities accounted for using equity method	21	22
Foreign exchange gains	–	6
Reversal of allowance for doubtful accounts	5	360
Other	142	166
Total non-operating profit	522	1,068
Non-operating expenses		
Interest expenses	129	126
Foreign exchange losses	2	–
Other	52	25
Total non-operating expenses	184	151
Ordinary profit	6,603	10,999
Extraordinary profit		
Gains on sales of non-current assets	58	1
Total extraordinary profit	58	1
Extraordinary losses		
Losses on sales of non-current assets	0	2
Losses on valuation of investment securities	5	0
Other	0	0
Total extraordinary losses	6	3
Profit before income taxes	6,655	10,997
Income taxes - current	2,399	3,945
Income taxes - deferred	329	317
Total income taxes	2,728	4,262
Profit	3,926	6,734
Profit (loss) attributable to non-controlling interests	(68)	40
Profit attributable to owners of parent	3,994	6,693



## Quarterly consolidated statement of comprehensive income

Consolidated cumulative second quarter

(Unit: Millions yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	3,926	6,734
Other comprehensive income		
Valuation differences on available-for-sale securities	937	492
Foreign currency translation adjustments	167	(125)
Remeasurements of defined benefit plans	12	4
Total other comprehensive income	1,117	371
Comprehensive income	5,044	7,106
(Breakdown)		
Comprehensive income attributable to owners of parent	5,036	7,115
Comprehensive income attributable to non-controlling interests	7	(8)

## (3) Quarterly consolidated statement of cash flows

(Unit: Millions yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,655	10,997
Depreciation and amortization	1,254	1,505
Amortization of goodwill	829	843
Amortization of negative goodwill	(116)	(116)
Share of loss (profit) of entities accounted for using equity method	(21)	(22)
Increase (decrease) in provision for bonuses	(17)	(71)
Increase (decrease) in allowance for doubtful accounts	9	(533)
Increase (decrease) in net defined benefit liability	82	10
Interest and dividend income	(236)	(397)
Interest expenses	129	126
Decrease (increase) in notes and accounts receivable – trade	26,329	4,434
Decrease (increase) in inventories	(2,631)	20
Increase (decrease) in notes and accounts payable – trade	(24,331)	3,165
Decrease (increase) in lease investment assets	103	209
Other	(259)	647
<b>Subtotal</b>	<b>7,778</b>	<b>20,818</b>
Interest and dividend income received	238	401
Interest expenses paid	(130)	(126)
Income taxes paid	(5,045)	(4,362)
<b>Net cash provided by operating activities</b>	<b>2,841</b>	<b>16,730</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(121)	(121)
Proceeds from withdrawal of time deposits	106	111
Purchase of property, plant, and equipment	(558)	(2,309)
Proceeds from sales of property, plant, and equipment	1,611	156
Purchase of intangible assets	(140)	(198)
Payments of short-term loans receivable	(267)	(505)
Collection of long-term loans receivable	155	1,629
Purchase of investment securities	(4,934)	(1,087)
Proceeds from shares of subsidiaries resulting in change in scope of consolidation	–	117
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(750)
Other	3	(4)
<b>Net cash used in investing activities</b>	<b>(4,146)</b>	<b>(2,962)</b>

(Unit: Millions yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans-net	(1,400)	(270)
Proceeds from long-term loans payable	7,000	800
Repayments of long-term loans payable	(2,379)	(3,058)
Purchase of treasury stock	(2,999)	(0)
Cash dividends paid	(3,238)	(3,334)
Cash dividends paid to non-controlling interests	(48)	(90)
Proceeds from issuance to non-controlling shareholders	-	731
Repayments of lease obligations	(130)	(113)
Other	(4)	-
Net cash used in financing activities	(3,201)	(5,335)
Effect of exchange rate change on cash and cash equivalents	50	(32)
Net increase (decrease) in cash and cash equivalents	(4,455)	8,399
Cash and cash equivalents at the beginning of the period	58,787	71,494
Cash and cash equivalents at the end of the period	54,332	79,894

## (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 Six months ended September 30, 2018(April 1 – September 30, 2018)

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

(Unit: Millions yen)

	Reportable segment					Other*1	Total	Reconciliation *2	Amount recorded in 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	37,736	137,553	11,876	12,350	199,517	2,628	202,146	—	202,146
(2) Intersegment sales or transfers	944	599	92	911	2,548	118	2,667	(2,667)	—
Subtotal	38,681	138,153	11,969	13,261	202,066	2,747	204,813	(2,667)	202,146
Segment profit	2,667	1,713	860	953	6,195	252	6,447	(182)	6,265

Notes:

- The “Other” category includes businesses that are not included in reportable segments, including the veterinary clinic business, sales of physical and chemical apparatus business, and the security business.
- Reconciliation items for segment profit of ¥(182) million include intersegment elimination of ¥(41) million and corporate expenses not allocated to the reportable segments of ¥(142) million. Corporate expenses consist primarily of operating expenses of the Company’s head office and selling, general, and administrative expenses that are not attributable to any reportable segments.
- Segment profit is reconciled to the operating profit reported in the quarterly consolidated statement of income.

## 2 Information about loss on impairment of non-current assets and goodwill

No significant impairment losses on non-current assets, significant changes in amounts of goodwill, or significant gains on bargain purchases were recognized during the six months ended second quarter-end.

## II Six months ended September 30, 2019 (April 1 – September 30, 2019)

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

(Unit: Millions yen)

	Reportable segment					Other*1	Total	Reconciliation *2	Amount recorded in 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	53,857	160,607	11,860	13,380	239,705	2,526	242,232	—	242,232
(2) Intersegment sales or transfers	1,180	559	109	1,149	2,999	158	3,157	(3,157)	—
Subtotal	55,038	161,166	11,970	14,529	242,704	2,685	245,390	(3,157)	242,232
Segment profit	5,406	2,455	892	1,280	10,035	194	10,229	(147)	10,081

## Notes:

- The “Other” category includes businesses that are not included in reportable segments, including the veterinary clinic business, sales of physical and chemical apparatus business, and the security business.
  - Reconciliation items for segment profit of ¥(147) million include intersegment elimination of ¥(41) million and corporate expenses not allocated to the reportable segments of ¥(105) million. Corporate expenses consist primarily of operating expenses of the Company’s head office and selling, general, and administrative expenses that are not attributable to any reportable segments.
  - Segment profit is reconciled to the operating profit reported in the quarterly consolidated statement of income.
- 2 Information about loss on impairment of non-current assets and goodwill

No significant impairment losses on non-current assets, significant changes in amounts of goodwill, or significant gains on bargain purchases were recognized during the six months ended second quarter-end.