



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

February 7, 2020

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
Tel.: +81-6-6369-0130

Scheduled date for filing quarterly report: February 13, 2020 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 third quarter of the fiscal year ending March 31, 2020
(April 1 – December 31, 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) | % |
| Q3 FY ending March 2020 | 358,001 | 12.9 | 13,549 | 29.1 | 14,630 | 33.1 | 8,884 | 34.5 |
| Q3 FY ended March 2019 | 317,109 | 5.3 | 10,496 | (9.2) | 10,991 | (8.6) | 6,607 | (5.7) |

Note: Comprehensive income: Q3 FY ending March 2020: ¥ 9,807 million (72.6%)

Q3 FY ended March 2019: ¥5,683 million ((30.4)%)

| | Net income per share | Diluted net income per share |
|-------------------------|----------------------|------------------------------|
| | (Yen) | (Yen) |
| Q3 FY ending March 2020 | 186.56 | 169.43 |
| Q3 FY ended March 2019 | 132.55 | 131.28 |

(2) Consolidated financial condition

| | Total assets | Net assets | Equity capital ratio |
|-------------------------|----------------|----------------|----------------------|
| | (Millions yen) | (Millions yen) | % |
| Q3 FY ending March 2020 | 308,871 | 104,569 | 32.9 |
| FY ended March 2019 | 299,212 | 97,734 | 31.9 |

Reference: Equity: Q3 FY ending March 2020: ¥101,617 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 | 247.84 |

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) | Q3 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 | Q3 FY ending March 2020 | 3,264,927 shares | FY ended March 2019 | 3,204,535 shares |
| (iii) Average number of shares during the period (quarterly cumulative total) | Q3 FY ending March 2020 | 47,624,076 shares | Q3 FY ended March 2019 | 49,847,419 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 fiscal year ending March 31, 2020, are based, reflects the effects of purchase of treasury stock under a resolution passed by the board of directors in its meeting held on May 10, 2019.
- 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

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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 third quarter. However, the global political and economic outlook remains uncertain, due primarily to US-China trade frictions and tense situation in the Middle East countries.

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 to develop Community Medical Service Plan.

Under these economic conditions, projects were steadily recorded although there was a last-minute demand and reactionary decrease due to the consumption tax increase implemented in October last year, as well as the Medical Supply business performed steadily mainly by the efforts to acquire new contracts.

During this cumulative consolidated third quarter, the various factors noted above resulted in net sales of 358,001 million yen (up 12.9% YoY), operating profit of 13,549 million yen (up 29.1% YoY), ordinary profit of 14,630 million yen (up 33.1% YoY), and profit attributable to owners of parent of 8,884 million yen (up 34.5% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

The Total Pack Produce business made steady records on the projects although especially in the manufacturer companies, there was a last-minute demand and reactionary decrease due to the consumption tax increase.

As a result, this segment recorded net sales of 73,988 million yen (up 21.8% YoY) and segment profit (operating profit) of 6,793 million yen (up 56.9% YoY).

(ii) Medical Supply business

The Medical Supply business recorded steady growth driven by the efforts toward the increase of new contracts and improvement in operational efficiency in SPD facilities.

As a result, this segment recorded net sales of 241,359 million yen (up 11.9% YoY) and segment profit (operating profit) of 3,546 million yen (up 13.9% YoY).

(iii) Life Care business

The Life Care business demonstrated strong performance by maintaining high occupancy rate.

As a result, this segment recorded net sales of 17,876 million yen (up 0.7% YoY) and segment profit (operating profit) of 1,326 million yen (up 1.2% YoY).

(iv) Dispensing Pharmacy business

The Dispensing Pharmacy business performed steadily due to small-scale M&A activities and continuing managerial improvements.

As a result, this segment recorded net sales of 20,285 million yen (up 6.3% YoY) and segment profit (operating profit) of 1,946 million yen (up 25.5% YoY).

(v) Other

Results for other sectors such as veterinary hospital and the security support company were largely as planned. However, expense related to stock acquisition of a building management service company was recorded.

As a result, this segment recorded net sales of 4,491 million yen (up 17.3% YoY) and segment profit (operating profit) of 222 million yen (down 36.7% YoY).

(2) Analysis of Financial Position

Assets at the end of the consolidated cumulative third quarter under review stood at 308,871 million yen, up 9,659 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 11,066 million yen in cash and deposits, 2,906 million yen in investment securities and 2,090 million yen in merchandise and finished goods, despite decrease of 8,376 million yen in notes and accounts receivable – trade.

Liabilities stood at 204,301 million yen, up 2,824 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increase of 2,982 million yen in notes and accounts payable – trade and 2,775 million yen in electronically recorded obligations, despite decreases of 2,492 million yen in income taxes payable and 1,548 million yen in long-term loans payable.

Net assets stood at 104,569 million yen, up 6,835 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 8,884 million yen in retained earnings from profit attributable to owners of parent and 973 million yen in valuation differences on available-for-sale securities, despite decrease 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 third quarter under review stood at 32.9% (up 1.0 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 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 | December 31, 2019 |
|---|----------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 72,393 | 83,459 |
| Notes and accounts receivable - trade | 97,975 | 89,598 |
| Electronically recorded monetary claims - operating | 3,232 | 4,310 |
| Lease investment assets | 3,801 | 3,546 |
| Merchandise and finished goods | 14,034 | 16,124 |
| Work in process | 1,471 | 2,037 |
| Raw materials and supplies | 648 | 932 |
| Other | 8,109 | 8,600 |
| Allowance for doubtful accounts | (95) | (77) |
| Total current assets | 201,571 | 208,534 |
| Non-current assets | | |
| Property, plant, and equipment | | |
| Buildings and structures, net | 18,907 | 18,785 |
| Land | 14,451 | 16,120 |
| Real estate for rent, net | 13,209 | 11,272 |
| Other, net | 8,084 | 10,259 |
| Total property, plant, and equipment | 54,652 | 56,437 |
| Intangible assets | | |
| Goodwill | 9,304 | 9,028 |
| Other | 1,029 | 984 |
| Total intangible assets | 10,333 | 10,012 |
| Investments and other assets | | |
| Investment securities | 14,683 | 17,590 |
| Long-term loans receivable | 9,531 | 7,880 |
| Other | 11,062 | 10,143 |
| Allowance for doubtful accounts | (2,624) | (1,727) |
| Total investments and other assets | 32,654 | 33,887 |
| Total non-current assets | 97,640 | 100,337 |
| Total assets | 299,212 | 308,871 |

(Unit: Millions yen)

| | March 31, 2019 | December 31, 2019 |
|--|----------------|-------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 85,371 | 88,353 |
| Electronically recorded obligations - operating | 20,772 | 23,547 |
| Short-term loans | 1,030 | 1,003 |
| Income taxes payable | 4,139 | 1,647 |
| Provision for bonuses | 2,032 | 960 |
| Other | 14,830 | 15,778 |
| Total current liabilities | 128,176 | 131,291 |
| Non-current liabilities | | |
| Bonds with share acquisition rights | 25,116 | 25,097 |
| Long-term loans | 39,700 | 38,152 |
| Net defined benefit liability | 2,811 | 2,863 |
| Asset retirement obligations | 628 | 835 |
| Other | 5,043 | 6,060 |
| Total non-current liabilities | 73,300 | 73,010 |
| Total liabilities | 201,477 | 204,301 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 15,553 | 15,553 |
| Capital surplus | 23,921 | 23,895 |
| Retained earnings | 66,372 | 71,922 |
| Treasury stock | (13,447) | (13,728) |
| Total shareholders' equity | 92,399 | 97,642 |
| Accumulated other comprehensive income | | |
| Valuation differences on available-for-sale securities | 3,079 | 4,053 |
| Foreign currency translation adjustments | (84) | (111) |
| Remeasurements of defined benefit plans | 26 | 33 |
| Total accumulated other comprehensive income | 3,021 | 3,974 |
| Non-controlling interests | 2,314 | 2,952 |
| Total net assets | 97,734 | 104,569 |
| Total liabilities and net assets | 299,212 | 308,871 |

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

Quarterly consolidated statement of income

Consolidated cumulative third quarter

(Unit: Millions yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|---|--|--|
| Net sales | 317,109 | 358,001 |
| Cost of sales | 285,144 | 322,009 |
| Gross profit | 31,965 | 35,992 |
| Sales, general, and administrative expenses | 21,468 | 22,443 |
| Operating profit | 10,496 | 13,549 |
| Non-operating profit | | |
| Interest income | 216 | 300 |
| Dividend income | 135 | 236 |
| Amortization of negative goodwill | 174 | 116 |
| Share of profit of entities accounted for using equity method | 20 | 33 |
| Foreign exchange profit | 7 | 26 |
| Reversal of allowance for doubtful accounts | 6 | 364 |
| Other | 233 | 239 |
| Total non-operating profit | 794 | 1,317 |
| Non-operating expenses | | |
| Interest expenses | 195 | 203 |
| Bond issue cost | 26 | – |
| Other | 77 | 32 |
| Total non-operating expenses | 299 | 235 |
| Total ordinary profit | 10,991 | 14,630 |
| Extraordinary profit | | |
| Gains on sales of non-current assets | 58 | 194 |
| Total extraordinary profit | 58 | 194 |
| Extraordinary losses | | |
| Losses on sales of non-current assets | 0 | 4 |
| Losses on valuation of investment securities | 33 | 0 |
| Other | 1 | 1 |
| Total extraordinary losses | 35 | 6 |
| Total profit before income taxes | 11,013 | 14,818 |
| Income taxes - current | 3,390 | 4,946 |
| Income taxes - deferred | 1,138 | 940 |
| Total income taxes | 4,528 | 5,886 |
| Profit | 6,484 | 8,932 |
| Profit (loss) attributable to non-controlling interests | (122) | 47 |
| Profit attributable to owners of parent | 6,607 | 8,884 |

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative third quarter

(Unit: Millions yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|--|--|--|
| Profit | 6,484 | 8,932 |
| Other comprehensive income | | |
| Valuation differences on available-for-sale securities | (836) | 973 |
| Foreign currency translation adjustments | 1 | (105) |
| Remeasurements of defined benefit plans | 33 | 7 |
| Total other comprehensive income | (801) | 875 |
| Comprehensive income | 5,683 | 9,807 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 5,803 | 9,790 |
| Comprehensive income attributable to non-controlling interests | (119) | 17 |

(3) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Segment information, etc.)

[Segment information]

I Nine months ended December 31, 2018(April 1 – December 31, 2018)

1 Net sales and income (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 | 60,762 | 215,681 | 17,751 | 19,086 | 313,281 | 3,828 | 317,109 | - | 317,109 |
| (2) Intersegment sales or transfers | 1,466 | 894 | 139 | 1,404 | 3,903 | 190 | 4,094 | (4,094) | - |
| Subtotal | 62,228 | 216,575 | 17,890 | 20,490 | 317,185 | 4,018 | 321,203 | (4,094) | 317,109 |
| Segment profit | 4,329 | 3,112 | 1,310 | 1,551 | 10,303 | 352 | 10,656 | (159) | 10,496 |

Notes:

- The "Other" category includes businesses that are not included in reportable segments, including the veterinary hospital business, sales of physical and chemical apparatus business, and the security business.
- Reconciliation items for segment profit of ¥(159) million yen include intersegment elimination of ¥(65) million yen and corporate expenses not allocated to the reportable segments of ¥(96) million yen. 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 nine months ended December 31, 2018.

II Nine months ended December 31, 2019 (April 1 – December 31, 2019)

1 Net sales and income (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 | 73,988 | 241,359 | 17,876 | 20,285 | 353,510 | 4,491 | 358,001 | - | 358,001 |
| (2) Intersegment sales or transfers | 2,146 | 801 | 163 | 4,320 | 7,431 | 246 | 7,678 | (7,678) | - |
| Subtotal | 76,134 | 242,160 | 18,039 | 24,606 | 360,941 | 4,738 | 365,679 | (7,678) | 358,001 |
| Segment profit | 6,793 | 3,546 | 1,326 | 1,946 | 13,612 | 222 | 13,834 | (285) | 13,549 |

Notes:

- The “Other” category includes businesses that are not included in reportable segments, including the veterinary hospital business, sales of physical and chemical apparatus business, and the security business.
 - Reconciliation items for segment profit of ¥(285) million yen include intersegment elimination of ¥(61) million yen and corporate expenses not allocated to the reportable segments of ¥(224) million yen. Corporate expenses consist primarily of operating expenses of the Company’s head office and sales, 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 nine months ended December 31, 2019.