



Summary of Financial Statements
for First Quarter of Fiscal Year Ending March 31, 2021 [Japanese GAAP]
(Consolidated)

August 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: Kunihisu Furukawa, Chairman and CEO
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 Scheduled date for filing quarterly report: August 12, 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 first quarter of fiscal year ending March 31, 2021 (April 1 – June 30, 2020)

(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 2021	105,455	(3.3)	2,887	(4.7)	3,064	(5.5)	1,643	(11.4)
Q1 FY ended March 2020	109,005	10.6	3,030	10.2	3,242	8.7	1,855	4.7

Note: Comprehensive income: Q1 FY ending March 2021: ¥3,343 million (94.4%)

Q1 FY ended March 2020: ¥1,719 million ((17.3)%)

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Q1 FY ending March 2021	34.70	31.45
Q1 FY ended March 2020	38.96	35.36

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q1 FY ending March 2021	298,628	104,280	33.7
FY ended March 2020	308,873	104,681	33.0

Reference: Equity: Q1 FY ending March 2021: ¥100,753 million; FY ended March 2020: ¥101,784 million

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2020	–	0.00	–	75.00	75.00
FY ending March 2021	–	–	–	–	–
FY ending March 2021 (forecast)	–	0.00	–	77.00	77.00

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

3. Forecast of consolidated financial results for fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	240,000	(0.9)	6,900	(31.6)	6,900	(37.3)	4,000	(40.2)	84.55
Full-year	500,000	3.2	21,000	11.7	21,000	5.4	12,100	2.5	255.96

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
- (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 2021	50,834,700 shares	FY ended March 2020	50,834,700 shares
(ii) Number of treasury shares at the end of the period	Q1 FY ending March 2021	3,600,927 shares	FY ended March 2020	3,420,627 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q1 FY ending March 2021	47,361,298 shares	Q1 FY ended March 2020	47,630,157 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

During the first quarter of the current consolidated cumulative period, business confidence in Japanese economy deteriorated rapidly due to the expansion of COVID-19, which significantly limited economic and social activities, and reduced personal consumption and corporate profits. As for the global economy, the outlook remains uncertain due to the rapid expansion of COVID-19 and the intensifying conflict between the United States and China.

Within the healthcare industry in which the Group operates, it is at the forefront of the field against COVID-19, and while medical staff are doing their utmost work day and night regardless of the risk of the infectious disease, the Group has also endeavored to secure necessary items such as medical equipment and medical materials, and provided maximum support. On the other hand, with regard to conventional medical care, there are some situations in which hospital earnings must be difficult, as treatment that is not urgent has been delayed.

Under these economic conditions, the Group's Medical Supply business performed steadily, and high occupancy rate has been maintained in Life Care business as in the previous term. On the other hand, the projects in Total Pack Produce business tended to be weighted in the second half compared to the previous fiscal year, and Dispensing Pharmacy business remained difficult due to the effects of revisions of dispensing fees and drug prices.

During this consolidated cumulative first quarter, the various factors noted above resulted in net sales of 105,455 million yen (down 3.3% YoY), operating profit of 2,887 million yen (down 4.7% YoY), ordinary profit of 3,064 million yen (down 5.5% YoY), and profit attributable to owners of the parent of 1,643 million yen (down 11.4% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

Total Pack Produce business was in difficult situation due to the tendency that the projects weighted in the second half compared to the previous fiscal year although the performance of the newly consolidated medical device distribution company in Myanmar contributed.

As a result, this segment recorded net sales of 16,806 million yen (down 13.1% YoY) and segment profit (operating profit) of 976 million yen (down 14.4% YoY).

(ii) Medical Supply business

Driven by group cooperation and improvements in operational efficiency, Medical Supply business was generally in line with the plan although the profitability has continued to be difficult due to the impact of the redemption price revision.

As a result, this segment recorded net sales of 74,275 million yen (down 2.1% YoY) and segment profit (operating profit) of 850 million yen (up 8.0% YoY).

(iii) Life Care business

As management efficiency has advanced due to the well-established nationwide integrated management and increase in occupancy rate, Life Care business performed steadily.

As a result, this segment recorded net sales of 6,069 million yen (up 1.6% YoY) and segment profit (operating profit) of 580 million yen (up 31.4% YoY).

(iv) Dispensing Pharmacy business

In the Dispensing Pharmacy business, the condition remained difficult due to the restraint in visiting medical institutions as the expansion of COVID-19 in addition to the effects of revisions to dispensing fees and drug prices.

As a result, this segment recorded net sales of 6,551 million yen (down 1.0% YoY) and segment profit (operating profit) of 446 million yen (down 28.5% YoY).

(v) Other businesses

Other businesses resulted in inactive as the security support company performed poorly due to the decline in operation ratio of the facilities of clients while the performance of building management company newly contributed.

As a result, this segment recorded net sales of 1,753 million yen (up 47.0% YoY) and segment profit (operating profit) of 86 million yen (down 13.2% YoY).

(2) Analysis of financial position

Assets at the end of the consolidated first quarter under review stood at 298,628 million yen, down 10,244 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 14,705 million yen in cash and deposits, and 11,327 million yen in notes and accounts receivable – trade, despite increases of 11,348 million yen in investment securities, and 2,872 million yen in merchandise and finished goods.

Liabilities stood at 194,347 million yen, down 9,844 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 11,731 million yen in notes and accounts payable – trade, and 3,284 million yen in income taxes payable, despite increases of 3,775 million yen in short-term loans.

Net assets were 104,280 million yen, down 400 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included a decrease of 3,556 million yen in retained earnings due to payment of dividends, despite increase of 1,707 million yen in valuation difference on available-for-sale securities, and 1,643 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 33.7%. (up 0.7% 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 12, 2020.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	March 31, 2020	June 30, 2020
Assets		
Current assets		
Cash and deposits	78,717	64,012
Notes and accounts receivable - trade	95,623	84,295
Electronically recorded monetary claims - operating	3,611	3,885
Lease investment assets	3,500	3,454
Merchandise and finished goods	14,029	16,902
Work in process	1,511	2,009
Raw materials and supplies	845	1,035
Other	12,731	10,421
Allowance for doubtful accounts	(71)	(141)
Total current assets	210,499	185,876
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	18,534	18,423
Land	16,100	16,095
Real estate for rent, net	11,213	11,155
Other, net	11,166	11,130
Total property, plant, and equipment	57,014	56,804
Intangible assets		
Goodwill	8,548	11,055
Other	972	941
Total intangible assets	9,520	11,997
Investments and other assets		
Investment securities	14,535	25,883
Long-term loans receivable	7,810	7,742
Other	11,209	12,043
Allowance for doubtful accounts	(1,716)	(1,719)
Total investments and other assets	31,838	43,950
Total non-current assets	98,373	112,752
Total assets	308,873	298,628

	(Unit: Millions yen)	
	March 31, 2020	June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,121	78,389
Electronically recorded obligations - operating	19,598	19,379
Short-term loans	935	4,710
Income taxes payable	4,400	1,115
Provision for bonuses	2,194	2,394
Other	15,864	17,913
Total current liabilities	133,115	123,903
Non-current liabilities		
Bonds with share acquisition rights	25,091	25,085
Long-term loans	36,987	35,878
Net defined benefit liability	2,873	2,871
Asset retirement obligations	838	842
Other	5,284	5,767
Total non-current liabilities	71,076	70,444
Total liabilities	204,191	194,347
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,895	23,887
Retained earnings	74,841	72,928
Treasury stock	(14,447)	(15,262)
Total shareholders' equity	99,841	97,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,019	3,726
Foreign currency translation adjustment	(152)	(154)
Remeasurements of defined benefit plans	75	73
Total accumulated other comprehensive income	1,942	3,645
Non-controlling interests	2,897	3,527
Total net assets	104,681	104,280
Total liabilities and net assets	308,873	298,628

(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, 2019	Three months ended June 30, 2020
Net sales	109,005	105,455
Cost of sales	98,739	94,823
Gross profit	10,265	10,631
Sales, general, and administrative expenses	7,234	7,744
Operating profit	3,030	2,887
Non-operating income		
Interest income	84	84
Dividend income	188	185
Amortization of negative goodwill	58	—
Share of profit of entities accounted for using equity-method	31	34
Foreign exchange gains	3	70
Reversal of allowance for doubtful accounts	—	37
Other	95	101
Total non-operating profit	461	514
Non-operating expenses		
Interest expenses	63	90
Provision of allowance for doubtful accounts	170	6
Commission fee	2	194
Other	13	45
Total non-operating expenses	248	337
Ordinary profit	3,242	3,064
Extraordinary profit		
Gains on sales of non-current assets	0	0
Total extraordinary profit	0	0
Extraordinary losses		
Losses on step acquisitions	—	92
Losses on sales of non-current assets	2	—
Losses on retirement of non-current assets	0	18
Total extraordinary losses	2	111
Total profit before income taxes	3,241	2,952
Income taxes - current	1,288	1,033
Income taxes - deferred	70	270
Total income taxes	1,358	1,303
Profit	1,883	1,649
Profit attributable to non-controlling interests	27	5
Profit attributable to owners of parent	1,855	1,643

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative first quarter

(Unit: Millions yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,883	1,649
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	1,707
Foreign currency translation adjustments	(153)	(11)
Remeasurements of defined benefit plans	2	(1)
Total other comprehensive income	(163)	1,694
Comprehensive income	1,719	3,343
(Breakdown)		
Comprehensive income attributable to owners of parent	1,742	3,346
Comprehensive income attributable to non-controlling interests	(22)	(3)

(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, 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:

- The "Other" category includes businesses not included in reportable business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and the security business.
- 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.
- 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, 2020)

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	16,806	74,275	6,069	6,551	103,702	1,753	105,455	—	105,455
(2) Intersegment sales or transfers	467	336	45	6,400	7,249	100	7,349	(7,349)	—
Subtotal	17,273	74,611	6,114	12,952	110,952	1,853	112,805	(7,349)	105,455
Segment profit	976	850	580	446	2,855	86	2,941	(53)	2,887

Notes:

- The “Other” category includes businesses not included in reportable business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and the security business.
- The figure of (53) million yen in adjustments to segment profit includes (21) million yen in cancellation of intersegment transactions and (32) 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 assets of each reportable segments

During the first quarter of the current consolidated cumulative period, the Company acquired the shares of STK Co., Ltd. and it is included in the scope of consolidation. The Company also acquired equity interests of Charm Care Corporation., and it is included in the scope the equity-method applied.

Due to the above acquisition, assets in “Life Care business” segment increased by 9,859 million yen from the end of the previous consolidated fiscal year.

3 Information on impairment losses on non-current assets or goodwill of each reportable segments

(Significant impairment losses on non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

During the first quarter of the current consolidated cumulative period, the Company acquired the shares of Okkar Thiri Co., Ltd. and Snow Everest Co., Ltd., and they are included in the scope of consolidation.

The increase in goodwill in “Total Pack Produce business” segment due to the above event is 3,013 million yen.

(Significant gain on negative goodwill)

Not applicable.