



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

November 10, 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
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Scheduled date for filing quarterly report: November 13, 2020 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, 2021
 (April 1 – September 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)	%
Q2 FY ending March 2021	220,731	(8.9)	7,832	(22.3)	8,268	(24.8)	4,711	(29.6)
Q2 FY ended March 2020	242,232	19.8	10,081	60.9	10,999	66.6	6,693	67.6

Note: Comprehensive income: Q2 FY ending March 2021: ¥ 6,352 million ((10.6) %)

Q2 FY ended March 2020: ¥7,106 million (40.9 %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q2 FY ending March 2021	99.64	90.37
Q2 FY ended March 2020	140.54	127.65

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q2 FY ending March 2021	300,421	107,026	34.5
FY ended March 2020	308,873	104,681	33.0

Reference: Equity: Q2 FY ending March 2021: ¥103,515 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	–	0.00			
FY ending March 2021 (forecast)			–	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.)

	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	500,000	3.2	21,000	11.7	21,000	5.4	12,100	2.5	256.16

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 2021	50,834,700 shares	FY ended March 2020	50,834,700 shares
(ii) Number of treasury stock at the end of the period	Q2 FY ending March 2021	3,659,527 shares	FY ended March 2020	3,420,627 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q2 FY ending March 2021	47,286,744 shares	Q2 FY ended March 2020	47,630,121 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 guarantee 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

The Japanese economy has deteriorated rapidly due to the spread of COVID-19, which severely restricted economic and social activities, and reduced personal consumption and corporate profits. In addition, the outlook remains uncertain due to the risk of re-spreading of the infection.

Due to the spread of infectious disease especially at the beginning of the second quarter, the situation in healthcare industry in which the Group operates has been forced to significantly reduce outpatient and inpatient revenues due to restraint of consultations with medical institutions and a decrease in the number of operations, moreover, thorough infection prevention measures and capital investment for related measures are required. As a result of such reasons, the situation in the industry remains extremely severe.

Under these conditions, Life Care business maintained high occupancy rate and steady growth, and Dispensing Pharmacy business also performed well in the Group. In addition, due to the need for measures against infectious diseases, new sales channels have expanded, including the favorable sales of our private brand products such as made-in-Japan surgical mask "SHIP mask" and low-concentration ozone generator "Airness" series. However, in Total Pack Produce business, the projects tend to be weighted in the second half as usual. Medical Supply business performed relatively strong, although the influence of the infectious disease still remained in the second quarter of the current fiscal year.

During this cumulative consolidated second quarter, the various factors noted above resulted in net sales of 220,731 million yen (down 8.9% YoY), operating profit of 7,832 million yen (down 22.3% YoY), ordinary profit of 8,268 million yen (down 24.8% YoY), and profit attributable to owners of the parent of 4,711 million yen (down 29.6% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

In the second quarter of the previous fiscal year, the recording of large-scale projects were concentrated in the first half of the year unusually and there was a last-minute demand for a consumption tax increase in the manufacturers in Total Pack Produce business and it performed strong in the quarter. Performance of the newly consolidated medical device sales subsidiary of Myanmar contributed, however, the projects tend to be weighted in the second half in the second quarter of this fiscal year as usual.

As a result, this segment recorded net sales of 36,765 million yen (down 31.7% YoY) and segment profit (operating profit) of 2,878 million yen (down 46.8% YoY).

(ii) Medical Supply business

In Medical Supply business, despite the impact of the redemption price revision, business performance remained steady due to the collaboration within the group and improved management efficiency, however, the impact of temporary decrease in demand for medical materials remained which caused by restraint of consultations with medical institutions and the decrease in the number of operations due to the spread of COVID-19 at the beginning of the fiscal year.

As a result, this segment recorded net sales of 154,636 million yen (down 3.7% YoY) and segment profit (operating profit) of 2,308 million yen (down 6.0% YoY).

(iii) Life Care business

Life Care business performed favorably by the progress of the integrate national wide management and maintenance of high occupancy rate.

As a result, this segment recorded net sales of 12,262 million yen (up 3.4% YoY) and segment profit (operating profit) of 1,139 million yen (up 27.6% YoY).

(iv) Dispensing Pharmacy business

Dispensing Pharmacy business performed steadily in the second quarter of this fiscal year since restraint of visit to medical institutions was eased compared to the beginning of the fiscal year, and also due to the promotion of infectious disease control products and improvement in management efficiency.

As a result, this segment recorded net sales of 13,205 million yen (down 1.3% YoY) and segment profit (operating profit) of 1,299 million yen (up 1.5% YoY)

(v) Other

The performance of the integrated building management company newly contributed and performed steadily in Other business.

As a result, this segment recorded net sales of 3,861 million yen (up 52.8% YoY) and segment profit (operating profit) of 305 million yen (up 57.3% 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 300,421 million yen, a decrease of 8,451 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease include increases of 11,351 in investment securities, and 3,198 million yen in merchandise and finished goods, despite decreases of 18,705 million yen in cash and deposits, and 9,253 million yen in notes and accounts receivable - trade.

Liabilities stood at 193,395 million yen, a decrease of 10,796 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease include increases of 3,888 million yen in short-term loans, despite decreases of 12,138 million yen in notes and accounts payable - trade, and 1,160 million yen in income taxes payable.

Net assets stood at 107,026 million yen, an increase of 2,344 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase include increases of 4,711 million yen in retained earnings from profit attributable to owners of parent, and 1,775 million yen in valuation differences on available-for-sale securities, despite decreases of 3,556 million yen in retained earnings due to payment of dividends, and acquisition of 1,078 million yen of treasury stock.

Due to these factors, the equity capital ratio at the end of the consolidated second quarter under review stood at 34.5% (up 1.5 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 1,835 million yen (down 14,895 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include decrease 16,300 million yen in notes and accounts payable – trade, payment of 4,489 million yen as income taxes, and decrease of 15,541 million yen in notes and accounts receivable – trade, and record of 8,098 million yen in profit before income taxes.

Net cash used in investing activities totaled 16,154 million yen (up 13,191 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include payment of 9,793 million yen in purchase of shares of subsidiaries and associates, and 4,069 million yen in purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities totaled 4,508 million yen (down 827 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include proceeds of 1,586 million yen from long-term loans payable and increase of 1,062 million yen in short-term loans, despite payment of 3,556 million yen in dividend paid, and 2,330 million yen in repayments 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 64,076 million yen, down 18,733 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 12, 2020.

Quarterly consolidated financial statements and notes thereto

(4) Quarterly consolidated balance sheet

(Unit: Millions yen)

	March 31, 2020	September 30, 2020
Assets		
Current assets		
Cash and deposits	78,717	60,012
Notes and accounts receivable - trade	95,623	86,369
Electronically recorded monetary claims - operating	3,611	3,504
Lease investment assets	3,500	3,433
Securities	5,101	5,087
Merchandise and finished goods	14,029	17,227
Work in process	1,511	2,094
Raw materials and supplies	845	957
Other	7,629	9,614
Allowance for doubtful accounts	(71)	(114)
Total current assets	210,499	188,187
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	18,534	18,233
Land	16,100	16,048
Real estate for rent, net	11,213	11,096
Other, net	11,166	11,494
Total property, plant, and equipment	57,014	56,873
Intangible assets		
Goodwill	8,548	10,600
Other	972	987
Total intangible assets	9,520	11,587
Investments and other assets		
Investment securities	14,535	25,887
Long-term loans	7,810	7,667
Other	11,209	11,935
Allowance for doubtful accounts	(1,716)	(1,717)
Total investments and other assets	31,838	43,772
Total non-current assets	98,373	112,233
Total assets	308,873	300,421

	(Unit: Millions yen)	
	March 31, 2020	September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,121	77,983
Electronically recorded obligations - operating	19,598	17,769
Short-term loans	935	4,823
Income taxes payable	4,400	3,240
Provision for bonuses	2,194	2,174
Other	15,864	16,352
Total current liabilities	133,115	122,343
Non-current liabilities		
Bonds with share acquisition rights	25,091	25,079
Long-term loans payable	36,987	36,407
Net defined benefit liability	2,873	2,900
Asset retirement obligations	838	844
Other	5,284	5,819
Total non-current liabilities	71,076	71,052
Total liabilities	204,191	193,395
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,895	23,887
Retained earnings	74,841	75,996
Treasury stock	(14,447)	(15,526)
Total shareholders' equity	99,841	99,911
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	2,019	3,795
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustments	(152)	(262)
Remeasurements of defined benefit plans	75	72
Total accumulated other comprehensive income	1,942	3,604
Non-controlling interests	2,897	3,510
Total net assets	104,681	107,026
Total liabilities and net assets	308,873	300,421

(5) 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, 2019	Six months ended September 30, 2020
Net sales	242,232	220,731
Cost of sales	217,564	197,475
Gross profit	24,667	23,256
Sales, general, and administrative expenses	14,586	15,423
Operating profit	10,081	7,832
Non-operating profit		
Interest income	203	163
Dividend income	193	189
Amortization of negative goodwill	116	—
Share of profit of entities accounted for using equity method	22	—
Foreign exchange gains	6	208
Reversal of allowance for doubtful accounts	360	64
Other	166	277
Total non-operating profit	1,068	902
Non-operating expenses		
Interest expenses	126	175
Share of loss of entities accounted for using equity method	—	7
Commission paid	3	201
Other	21	81
Total non-operating expenses	151	466
Ordinary profit	10,999	8,268
Extraordinary profit		
Gains on sales of non-current assets	1	4
Total extraordinary profit	1	4
Extraordinary losses		
Losses on step acquisitions	—	92
Losses on sales of non-current assets	2	—
Impairment loss	—	61
Losses on retirement of non-current assets	0	19
Losses on valuation of investment securities	0	—
Other	—	0
Total extraordinary losses	3	175
Profit before income taxes	10,997	8,098
Income taxes - current	3,945	3,118
Income taxes - deferred	317	224
Total income taxes	4,262	3,342
Profit	6,734	4,755
Profit attributable to non-controlling interests	40	43
Profit attributable to owners of parent	6,693	4,711

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative second quarter

(Unit: Millions yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	6,734	4,755
Other comprehensive income		
Valuation differences on available-for-sale securities	492	1,775
Foreign currency translation adjustments	(125)	(174)
Remeasurements of defined benefit plans	4	0
Share of other comprehensive income of entities accounted for using equity method	—	(4)
Total other comprehensive income	371	1,597
Comprehensive income	7,106	6,352
(Breakdown)		
Comprehensive income attributable to owners of parent	7,115	6,373
Comprehensive income attributable to non-controlling interests	(8)	(20)

(6) Quarterly consolidated statement of cash flows

(Unit: Millions yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	10,997	8,098
Depreciation and amortization	1,505	1,494
Impairment loss	—	61
Amortization of goodwill	843	1,012
Amortization of negative goodwill	(116)	—
Share of loss (profit) of entities accounted for using equity method	(22)	7
Increase (decrease) in provision for bonuses	(71)	(21)
Increase (decrease) in allowance for doubtful accounts	(533)	(63)
Increase (decrease) in net defined benefit liability	10	40
Interest and dividend income	(397)	(352)
Interest expenses	126	175
Decrease (increase) in notes and accounts receivable – trade	4,434	15,541
Decrease (increase) in inventories	20	(3,250)
Increase (decrease) in notes and accounts payable – trade	3,165	(16,300)
Decrease (increase) in lease investment assets	209	67
Other	647	(420)
Subtotal	20,818	6,089
Interest and dividend income received	401	410
Interest expenses paid	(126)	(175)
Income taxes paid	(4,362)	(4,489)
Net cash provided by operating activities	16,730	1,835
Cash flows from investing activities		
Payments into time deposits	(121)	(121)
Proceeds from withdrawal of time deposits	111	107
Purchase of property, plant, and equipment	(2,309)	(1,858)
Proceeds from sales of property, plant, and equipment	156	37
Purchase of intangible assets	(198)	(135)
Payments of short-term loans receivable	(505)	(249)
Collection of long-term loans receivable	1,629	140
Purchase of investment securities	(1,087)	(207)
Purchase of shares of subsidiaries and associates	—	(9,793)
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)	(4,069)
Other	(4)	(3)
Net cash used in investing activities	(2,962)	(16,154)

(Unit: Millions yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Increase (decrease) in short-term loans-net	(270)	1,062
Proceeds from long-term loans payable	800	1,586
Repayments of long-term loans payable	(3,058)	(2,330)
Purchase of treasury stock	(0)	(1,078)
Cash dividends paid	(3,334)	(3,556)
Cash dividends paid to non-controlling interests	(90)	(69)
Proceeds from issuance to non-controlling shareholders	731	—
Repayments of lease obligations	(113)	(122)
Other	—	0
Net cash used in financing activities	(5,335)	(4,508)
Effect of exchange rate change on cash and cash equivalents	(32)	94
Net increase (decrease) in cash and cash equivalents	8,399	(18,733)
Cash and cash equivalents at the beginning of the period	71,494	82,810
Cash and cash equivalents at the end of the period	79,894	64,076

(7) 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, 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 on impairment loss on non-current assets and goodwill by each reporting segment

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, 2020 (April 1 – September 30, 2020)

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	36,765	154,636	12,262	13,205	216,870	3,861	220,731	—	220,731
(2) Intersegment sales or transfers	1,046	968	113	12,837	14,965	221	15,186	(15,186)	—
Subtotal	37,812	155,604	12,375	26,042	231,835	4,082	235,918	(15,186)	220,731
Segment profit	2,878	2,308	1,139	1,299	7,627	305	7,933	(100)	7,832

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 ¥(100) million include intersegment elimination of ¥(25) million and corporate expenses not allocated to the reportable segments of ¥(71) 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 on assets by each reporting segment
- During the second 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 loss on non-current assets and goodwill by each reporting segment
- (Significant impairment losses on non-current assets)
- Not applicable.
- (Significant changes in the amount of goodwill)
- During the second 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.