



**Summary of Financial Statements**  
for Fiscal Year Ended March 31, 2019 [Japanese GAAP]  
(Consolidated)

May 10, 2019

Name of listed company: SHIP HEALTHCARE HOLDINGS, INC.  
Shares listed on: Tokyo Stock Exchange  
Code: 3360 URL <http://www.shiphd.co.jp/>  
Representative: (Title) Chairman and CEO (Name) Kunihisa Furukawa  
Contact: (Title) Managing Director (Name) Hiroshi Yokoyama  
Tel.: +81-6-6369-0130

Scheduled date for regular general meeting of shareholders: June 27, 2019

Scheduled start date for dividend payments: June 28, 2019

Scheduled date for filing securities report: June 27, 2019

Supplementary briefing materials on results: Y

Briefing on results: Y (for institutional investors and analysts)

(All figures are rounded down to the nearest million yen.)

1. Consolidated financial results for the fiscal year ending March 31, 2019  
(April 1, 2018–March 31, 2019)

(1) Consolidated operating results (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)	%
FY ended March 2019	444,048	4.3	17,952	(1.7)	18,532	(2.1)	11,236	8.6
FY ended March 2018	425,566	4.2	18,259	13.7	18,935	14.9	10,350	10.0

Note: Comprehensive income: FY ended March 2019: ¥11,666 million (3.2%);

FY ended March 2018: ¥11,304 million (15.6%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	(Yen)	(Yen)	%	%	%
FY ended March 2019	227.75	221.11	11.5	6.3	4.0
FY ended March 2018	204.57	–	10.8	6.9	4.3

Reference: Share of profit (loss) of entities accounted for using equity method: FY ended March 31, 2019: ¥67 million;  
FY ended March 31, 2018: ¥34 million

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2019	299,212	97,734	31.9	2,003.36
FY ended March 2018	285,181	102,354	35.0	1,973.95

Reference: Equity: FY ended March 2019: ¥95,420 million; FY ended March 2018: ¥99,880 million

(3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at end of period
	(Millions yen)	(Millions yen)	(Millions yen)	(Millions yen)
FY ended March 2019	10,534	(7,678)	9,828	71,494
FY ended March 2018	20,204	(6,640)	(3,347)	58,787

2. Dividends

	Annual dividends					Total annual dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End Q1	End Q2	End Q3	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions yen)	%	%
FY ended March 2018	–	0.00	–	64.00	64.00	3,238	31.3	3.4
FY ended March 2019	–	0.00	–	70.00	70.00	3,334	30.7	3.5
FY ending March 2020 (forecast)	–	0.00	–	75.00	75.00		30.3	

### 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		Net income 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

#### Notes

(1) Changes affecting significant subsidiaries during period under review (changes affecting specific subsidiaries accompanied by changes affecting the scope of consolidation): None

(2) 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

(3) Number of shares issued and outstanding (common shares)

(i) Number of shares issued and outstanding at the end of the period (including treasury shares)

FY ended March 2019	50,834,700 shares	FY ended March 2018	50,834,700 shares
---------------------	-------------------	---------------------	-------------------

(ii) Number of treasury shares at the end of the period

FY ended March 2019	3,204,535 shares	FY ended March 2018	235,568 shares
---------------------	------------------	---------------------	----------------

(iii) Average number of shares during the period

FY ended March 2019	49,335,752 shares	FY ended March 2018	50,599,132 shares
---------------------	-------------------	---------------------	-------------------

#### Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes.)

	Operating revenues		Operating profit		Ordinary profit		Net income	
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%
FY ended March 2019	7,046	8.3	5,884	9.6	5,856	10.1	5,745	10.7
FY ended March 2018	6,504	5.5	5,367	4.8	5,319	5.4	5,188	5.1

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY ended March 2019	116.46	113.01
FY ended March 2018	102.55	—

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2019	81,156	45,232	55.7	949.65
FY ended March 2018	71,921	55,192	76.7	1,090.79

Reference: Equity: FY ended March 31, 2019: ¥45,232 million; FY ended March 31, 2018: ¥55,192 million

\* This summary of financial statements is not subject to audits by a certified public accountant or 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 at the time this document was prepared and certain assumptions considered reasonable. Actual results may differ significantly from forecasts due to various factors. For assumptions underlying forecasts of financial results, notes on use of forecasts of financial results, and other related information, see “Future outlook” on page 5 of the Annexed Materials.
- The Company is a holding company and the bulk of its revenue consists of dividends received from subsidiaries and revenues from their operating costs. Detailed information on non-consolidated financial forecasts is omitted since information is not important for investment information and business indicators.

## ○ Index of attached materials

1. Qualitative information on business results .....	2
(1) Description of business results .....	2
(2) Analysis of financial position .....	3
(3) Analysis of cash flows .....	4
(4) Future outlook .....	5
2. Basic approach in selecting accounting standards .....	5
3. Consolidated financial statements and notes thereto .....	6
(1) Consolidated balance sheet .....	6
(2) Consolidated statement of income and consolidated statement of comprehensive income .....	8
(3) Consolidated statement of changes in equity .....	11
(4) Consolidated statement of cash flows .....	13
(5) Notes on consolidated financial statements .....	15
(Notes on the going concern assumption) .....	15
(Change of presentation method ) .....	15
(Segment information, etc.) .....	15
(Per-share information) .....	20
(Important subsequent information) .....	21

## 1. Qualitative information on business results

### (1) Description of business results

The Japanese economy maintained a course of gentle recovery during the current consolidated fiscal year, with improved employment conditions and steady growth in personal income, both backed by strong corporate earnings. However, the economic outlook remains uncertain for reasons including China's economy slowing down due to US-China trade frictions.

Within the healthcare industry in which the Group operates, a reform of the healthcare system is underway against a backdrop of ever-increasing healthcare costs due to low birthrates and an aging society. The revised medical service fees that went into effect in April of last year resulted in an overall reduction. Particularly, reductions in drug prices and reimbursement prices dealt a significant blow to entire affected industries.

Under these economic conditions, the Group's Total Pack Produce Business made progress on several projects consistent with initial plans, while the Life Care Business maintained a steady course, achieving occupancy rates of at least 98 per cent. However, despite efforts to win renewals of existing projects, the performance of the manufacturing businesses fell short of plans.

Despite the influence of revised drug and reimbursement prices, thanks to efforts to improve managerial efficiency and to win new projects, the Medical Supply Business and the Dispensing Pharmacy Business made steady progress.

Initial opening expenses were calculated the Osaka Heavy Ion Therapy Center, which opened last March and began providing treatment in October of the same year. The number of acceptable patients exceeded initial expectations, due to the inclusion of specific cancer treatment areas such as prostate cancer in medical insurance coverage.

During this consolidated fiscal year, the various factors noted above resulted in net sales of 444,048 million yen (up 4.3% YoY), operating profits of 17,952 million yen (down 1.7% YoY), ordinary profits of 18,532 million yen (down 2.1% YoY), and profits attributable to owners of parent of 11,236 million yen (up 8.6% YoY).

Business results by segment are summarized below.

#### (i) Total Pack Produce business

In the Total Pack Produce Business, despite increased depreciation costs for medical equipment due to the start of treatment at the Osaka Heavy Ion Therapy Center, projects made progress consistent with plans. On the other hand, conditions for the manufacturing businesses remained difficult.

As a result, this segment recorded net sales of 99,411 million yen (up 1.4% YoY) and segment profit (operating profit) of 9,794 million yen (down 3.5% YoY).

#### (ii) Medical Supply business

The Medical Supply Business demonstrated strong performance, thanks to improvements in operational efficiency at SPD facilities and other efforts. This was despite difficulties in securing profits on sales of specified health and medical materials due to the impact of revised reimbursement prices.

As a result, this segment recorded net sales of 290,363 million yen (up 5.9% YoY) and segment profit (operating profit) of 4,191 million yen (up 0.7% YoY).

#### (iii) Life Care business

Despite revised nursing care fees, the Life Care business demonstrated strong performance. The number of tenants grew, driven by thoroughgoing personnel training and a promotional campaign to acquire tenants using Sanrio characters in partnership with Sanrio Company, Ltd. and other efforts.

As a result, this segment recorded net sales of 23,500 million yen (up 3.4% YoY) and segment profit (operating profit) of 1,625 million yen (up 70.2% YoY).

#### (iv) Dispensing Pharmacy business

While we continued to make managerial improvements involving small-scale M&A activities, realignments within the Group, and so forth, conditions for the Dispensing Pharmacy business remained difficult due to the impact of revised dispensing fees.

As a result, this segment recorded net sales of 25,585 million yen (down 0.8% YoY) and segment profit (operating profit) of 2,193 million yen (down 22.4% YoY).

#### (v) Other businesses

In other businesses, the operation of veterinary hospitals and the security support company demonstrated strong performance.

As a result, this segment recorded net sales of 5,157 million yen (up 4.6% YoY) and segment profit (operating profit) of 421 million yen (up 38.9% YoY).

## (2) Analysis of financial position

### (i) Current assets

The balance of current assets at the end of this consolidated fiscal year stood at 201,571 million yen (vs. a balance of 191,448 million yen at the end of the previous consolidated fiscal year), an increase of 10,123 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 12,749 million yen in cash and deposits, 958 million yen in merchandise and finished goods, despite decrease of 1,115 million yen in notes and accounts receivable – trade.

### (ii) Non-current assets

The balance of non-current assets at the end of this consolidated fiscal year stood at 97,640 million yen (vs. a balance of 93,732 million yen at the end of the previous consolidated fiscal year), an increase of 3,907 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 6,821 million yen in investment securities and 4,170 million yen in machinery, equipment and vehicles, despite decrease of 3,192 million yen in construction in progress, 1,346 million yen in goodwill and 1,105 million yen in land.

### (iii) Current liabilities

The balance of current liabilities at the end of this consolidated fiscal year stood at 128,176 million yen (vs. a balance of 137,925 million yen at the end of the previous consolidated fiscal year), a decrease of 9,748 million yen since the end of the previous consolidated fiscal year.

Major reasons included decreases of 3,345 million yen in notes and accounts payable – trade, 1,940 million yen in short-term loans and 1,013 million yen in electronically recorded obligations – operating.

### (iv) Non-current liabilities

The balance of non-current liabilities at the end of this consolidated fiscal year stood at 73,300 million yen (vs. a balance of 44,900 million yen at the end of the previous consolidated fiscal year), an increase of 28,399 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 25,116 million yen in bonds with share acquisition rights and 2,935 million yen in long-term loans.

### (v) Net assets

The balance of net assets at the end of this consolidated fiscal year stood at 97,734 million yen (vs. a balance of 102,354 million yen at the end of the previous consolidated fiscal year), a decrease of 4,620 million yen since the end of the previous consolidated fiscal year.

Major reasons 12,999 million yen in acquisition of treasury stock and decreases of 3,238 million yen in retained earnings due to payment of dividends, despite increases of 11,236 million yen in retained earnings from profit attributable to owners of parent and 482 million yen in valuation differences on available-for-sale securities

### (3) Analysis of cash flows

The balance of cash and cash equivalents at the end of this consolidated fiscal year stood at 71,494 million yen, up 12,706 million yen from the balance of 58,787 million yen at the end of the previous consolidated fiscal year.

#### (i) Cash flow from operating activities

Cash flow from operating activities was 10,534 million yen (down 9,670 million yen compared to the previous consolidated fiscal year). Major contributing factors included the recording of 18,490 million yen in profit before income taxes, and recording of 2,842 million yen in depreciation expenses and 1,661 million yen in amortization of goodwill, despite payment of 7,745 million yen in income taxes and a decrease of 4,367 million in notes and accounts payable – trade.

#### (ii) Cash flow from investing activities

Cash flow used in investing activities was 7,678 million yen (up 1,037 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 6,097 million yen on purchase of investment securities and 2,767 million yen on purchase of property, plant, and equipment, despite gains of 1,618 million yen from sales of property, plant, and equipment.

#### (iii) Cash flow from financing activities

Cash flow provided in financing activities was 9,828 million yen (for an increase in proceeds of 13,176 million yen compared to the previous consolidated fiscal year). Major contributing factors included gains of 25,087 million yen on issue of bonds and 8,000 million yen from long-term loans, despite expenditures of 12,999 million yen in acquisition of treasury stock, 4,771 million yen on repayment of long-term loans and 3,238 million yen on dividend payments.

Reference: Trends in cash flow indices

	FY ended March 2015	FY ended March 2016	FY ended March 2017	FY ended March 2018	FY ended March 2019
Equity capital ratio (%)	37.2	37.1	34.7	35.0	31.9
Mark-to-market equity capital ratio (%)	66.9	64.1	56.9	66.5	72.3
Years of debt redemption (years)	22.8	2.3	3.1	2.3	6.8
Interest coverage ratio (times)	4.8	57.3	53.3	80.6	40.9

\* Equity capital ratio = equity capital/total assets

Mark-to-market equity capital ratio = total market capitalization/total assets

Years of debt redemption = interest-bearing debt/operating cash flows

Interest coverage ratio = operating cash flows/interest paid

Notes:

1. All indices are calculated from consolidated-basis financial data.
2. Total market capitalization is calculated by multiplying the closing stock price at the end of the fiscal year by total number of shares issued and outstanding (after subtracting treasury stock) as of the end of the fiscal year.
3. Calculations of operating cash flows are based on cash flows from operating activities on the Consolidated Cash Flow Statement. Interest-bearing debt consists of all debt on the Consolidated Balance Sheet for which interest is paid. The amount of interest paid is based on interest paid as shown on the Consolidated Cash Flow Statement.

#### (4) Future outlook

As the baby boom generation ages and low birth rates continue, projections indicate Japan will continue to see restraints on remuneration for medical and nursing care costs, and reductions in their price. In addition, since the enactment of the Act for Securing Comprehensive Medical and Long-term Care in the Community, progress is being made to develop comprehensive community care systems through continuing reforms in the structure of providing medical care, with completion envisioned for 2025.

Given these conditions and drawing on advanced capabilities in delivering integrated and optimal solutions in medicine, healthcare, welfare, nursing care, and services, the Group will seek to contribute to society by meeting a wide range of needs based on the SHIP philosophy and Group mission to create environments for those seeking to save lives.

The Group has formulated “SHIP Vision 2020,” its medium-term management plan for the fiscal years 2018–2020 ending in March 2021, the final year of the plan.

In the FY ending March 2019, the Group’s heavy ion radiotherapy facility and the hospital management business in Bangladesh commenced full-fledged operations. The Group’s medium-term plan calls for record highs in both net sales and operating profit in FY ending March 2021, the plan’s final year. The specific targets are 500 billion yen and 21 billion yen, respectively.

The business performance projected for the next fiscal year (FY ending March 2020) is summarized below.

<Projected consolidated results>				(Unit: Millions yen, %)	
	FY ending March 2020 (projected)			FY ended March 2019 (actual)	
		Profit margin	YoY change		Profit margin
Net sales	466,600	–	4.9	444,048	–
Operating profit	18,500	4.0	3.1	17,952	4.0
Ordinary profit	19,300	4.1	4.1	18,532	4.2
Profit attributable to owners of patent	11,800	2.5	5.0	11,236	2.5

The projected amount of (year-end) dividends per share in FY ending March 2020 is 75 yen.

## 2. Basic approach in selecting accounting standards

To facilitate comparisons from period to period and between entities, the Group for the time being will continue to prepare its consolidated financial statements based on J-GAAP.

The Group will duly address the application of International Financial Reporting Standards (IFRS) after taking into account various circumstances both in Japan and abroad.

## 3. Consolidated financial statements and notes thereto

## (1) Consolidated balance sheet

(Unit: Millions yen)

	March 31, 2018	March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	59,644	72,393
Notes and accounts receivable - trade	99,090	97,975
Electronically recorded monetary claims - operating	3,427	3,232
Lease investment assets	3,873	3,801
Merchandise and finished goods	13,076	14,034
Work in process	1,269	1,471
Raw materials and supplies	605	648
Short-term loans	1,788	1,770
Other	8,759	6,339
Allowance for doubtful accounts	(86)	(95)
<b>Total current assets</b>	<b>191,448</b>	<b>201,571</b>
Non-current assets		
Property, plant, and equipment		
Buildings and structures	31,502	31,735
Accumulated depreciation	(11,854)	(12,828)
Buildings and structures, net	19,647	18,907
Machinery, equipment and vehicles	1,386	5,890
Accumulated depreciation	(919)	(1,252)
Machinery, equipment and vehicles, net	467	4,637
Land	15,556	14,451
Assets for rent	640	681
Accumulated depreciation	(570)	(566)
Assets for rent, net	70	114
Real estate for rent	16,524	16,594
Accumulated depreciation	(3,129)	(3,385)
Real estate for rent, net	13,395	13,209
Construction in progress	4,428	1,235
Other	8,926	9,259
Accumulated depreciation	(6,721)	(7,163)
Other, net	2,204	2,095
<b>Total property, plant, and equipment</b>	<b>55,770</b>	<b>54,652</b>
Intangible assets		
Goodwill	10,650	9,304
Other	1,129	1,029
<b>Total intangible assets</b>	<b>11,780</b>	<b>10,333</b>
Investments and other assets		
Investment securities	7,862	14,683
Long-term loans	9,870	9,531
Net defined benefit assets	983	1,060
Deferred tax assets	3,474	3,188
Claims provable in bankruptcy, claims provable in rehabilitation and other	79	452
Guarantee deposits	5,544	5,512
Other	902	848
Total allowance for doubtful accounts	(2,536)	(2,624)
<b>Total investments and other assets</b>	<b>26,181</b>	<b>32,654</b>
<b>Total non-current assets</b>	<b>93,372</b>	<b>97,640</b>
<b>Total assets</b>	<b>285,181</b>	<b>299,212</b>



	(Unit: Millions yen)	
	March 31, 2018	March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	88,716	85,371
Electronically recorded obligations - operating	21,786	20,772
Short-term loans	2,970	1,030
Current portion of long-term loans	4,676	4,968
Income taxes payable	4,745	4,139
Provision for bonuses	1,966	2,032
Other	13,064	9,861
Total current liabilities	137,925	128,176
Non-current liabilities		
Bonds with share acquisition rights	-	25,116
Long-term loans	36,765	39,700
Net defined benefit liability	2,706	2,811
Deferred tax liabilities	728	1,070
Asset retirement obligations	619	628
Other	4,081	3,973
Total non-current liabilities	44,900	73,300
<b>Total liabilities</b>	<b>182,826</b>	<b>201,477</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,948	23,921
Retained earnings	58,374	66,372
Treasury stock	(448)	(13,447)
Total shareholders' equity	97,428	92,399
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,596	3,079
Foreign currency translation adjustment	(92)	(84)
Remeasurements of defined benefit plans	(52)	26
Total accumulated other comprehensive income	2,451	3,021
Non-controlling interests	2,474	2,314
<b>Total net assets</b>	<b>102,354</b>	<b>97,734</b>
<b>Total liabilities and net assets</b>	<b>285,181</b>	<b>299,212</b>

## (2) Consolidated statement of income and consolidated statement of comprehensive income

## Consolidated statement of income

(Unit: Millions yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	425,566	444,048
Cost of sales	378,484	397,396
Gross profit	47,082	46,652
Sales, general, and administrative expenses		
Directors' compensation	1,473	1,435
Salaries and allowances	9,161	9,327
Bonuses	1,439	1,338
Retirement benefit expenses	423	453
Provision for bonuses	875	884
Other	15,448	15,260
Total sales, general, and administrative expenses	28,822	28,699
Operating profit	18,259	17,952
Non-operating profit		
Interest income	301	306
Dividend income	124	206
Amortization of negative goodwill	232	232
Share of profit of entities accounted for using equity method	34	67
Reversal of allowance for doubtful accounts	9	–
Foreign exchange profit	–	9
Other	395	298
Total non-operating profit	1,098	1,112
Non-operating expenses		
Interest expenses	254	258
Bond issue cost	–	37
Foreign exchange losses	13	–
Provision of allowance for doubtful accounts	–	139
Losses on sales of accounts receivable	72	18
Other	81	79
Total non-operating expenses	422	532
Total ordinary profit	18,935	18,532

(Unit: Millions yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Extraordinary profit</b>		
Gains on sales of property, plant, and equipment	61	61
Gains on transfer of business	20	–
Other	0	–
<b>Total extraordinary profit</b>	<b>82</b>	<b>61</b>
<b>Extraordinary losses</b>		
Losses on sales of property, plant, and equipment	35	0
Losses on retirement of property, plant, and equipment	30	19
Losses on valuation of investment securities	113	34
Impairment loss	851	44
Losses on litigation	568	–
Other	3	3
<b>Total extraordinary losses</b>	<b>1,604</b>	<b>102</b>
<b>Total income before income taxes</b>	<b>17,413</b>	<b>18,490</b>
<b>Income taxes - current</b>	<b>7,466</b>	<b>7,015</b>
<b>Income taxes - deferred</b>	<b>(542)</b>	<b>392</b>
<b>Total income taxes</b>	<b>6,924</b>	<b>7,407</b>
<b>Profit</b>	<b>10,489</b>	<b>11,083</b>
<b>Profit attributable to non-controlling interests</b>	<b>138</b>	<b>(152)</b>
<b>Profit attributable to owners of parent</b>	<b>10,350</b>	<b>11,236</b>

## Consolidated statement of comprehensive income

(Unit: Millions yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	10,489	11,083
Other comprehensive income		
Valuation difference on available-for-sale securities	1,137	482
Translation adjustments	(272)	22
Remeasurements of defined benefit plans	(48)	78
Other comprehensive income	815	583
Comprehensive income	11,304	11,666
(Breakdown)		
Comprehensive income attributable to owners of parent	11,299	11,805
Comprehensive income attributable to non-controlling interests	5	(139)

## (3) Consolidated statement of changes in equity

Previous consolidated fiscal year (April 1, 2017–March 31, 2018)

(Unit: Millions yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of current period	15,553	23,716	51,059	(448)	89,881
Changes of items during period					
Dividends of surplus			(3,035)		(3,035)
Profit attributable to owners of parent			10,350		10,350
Purchase of treasury stock					–
Capital increases by consolidated subsidiaries		232			232
Net changes of items other than shareholders' equity					
Total changes of items during period	–	232	7,314	–	7,547
Balance at end of current period	15,553	23,948	58,374	(448)	97,428

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,459	47	(3)	1,503	2,247	93,632
Changes of items during period						
Dividends of surplus						(3,035)
Profit attributable to owners of parent						10,350
Purchase of treasury stock						–
Capital increases by consolidated subsidiaries						232
Net changes of items other than shareholders' equity	1,137	(140)	(48)	948	227	1,175
Total changes of items during period	1,137	(140)	(48)	948	227	8,722
Balance at end of current period	2,596	(92)	(52)	2,451	2,474	102,354

This consolidated fiscal year (April 1, 2018–March 31, 2019)

(Unit: Millions yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	15,553	23,948	58,374	(448)	97,428
Changes of items during period					
Dividends of surplus			(3,238)		(3,238)
Profit attributable to owners of parent			11,529		11,236
Purchase of treasury stock				(12,999)	(12,999)
Capital increases by consolidated subsidiaries		(27)			(27)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(27)	7,997	(12,999)	(5,029)
Balance at end of current period	15,553	23,921	66,372	(13,447)	92,399

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,596	(92)	(52)	2,451	2,474	102,354
Changes of items during period						
Dividends of surplus						(3,238)
Profit attributable to owners of parent						11,236
Purchase of treasury stock						(12,999)
Capital increases by consolidated subsidiaries						(27)
Net changes of items other than shareholders' equity	482	8	78	569	(160)	409
Total changes of items during period	482	8	78	569	(160)	(4,620)
Balance at end of current period	3,079	(84)	26	3,021	2,314	97,734

## (4) Consolidated statement of cash flows

(Unit: Millions yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Cash flows from operating activities</b>		
Income before income taxes	17,413	18,490
Depreciation and amortization	2,514	2,842
Impairment loss	851	44
Amortization of goodwill	1,671	1,661
Amortization of negative goodwill	(232)	(232)
Share of loss (profit) of entities accounted for using equity method	(34)	(67)
Increase (decrease) in provision for bonuses	25	63
Increase (decrease) in allowance for doubtful accounts	(52)	96
Net decrease (increase) in lease investment assets	184	72
Increase (decrease) in net defined benefit liability	99	182
Loss (gain) on sales of property, plant and equipment	(25)	(60)
Loss on retirement of property, plant and equipment	29	18
Loss on retirement of intangible assets	1	0
Loss (gain) on sales of investment securities	1	–
Loss (gain) on valuation of investment securities	113	34
Loss (gain) on transfer of business	(20)	–
Interest and dividend income	(426)	(513)
Interest expenses	254	258
Decrease (increase) in notes and accounts receivable – trade	(3,927)	1,329
Decrease (increase) in inventories	(910)	(1,196)
Increase (decrease) in notes and accounts payable – trade	7,466	(4,367)
Other	2,006	(626)
Subtotal	27,003	18,034
Interest and dividend income received	423	503
Interest expenses paid	(251)	(257)
Income taxes paid	(6,971)	(7,745)
Cash flows from operating activities	20,204	10,534

(Unit: Millions yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Cash flows from investing activities</b>		
Payments into time deposits	(239)	(238)
Proceeds from withdrawal of time deposits	342	186
Purchase of property, plant, and equipment	(5,706)	(2,767)
Proceeds from sales of property, plant, and equipment	351	1,618
Purchase of intangible assets	(179)	(252)
Payments of short-term loans receivable	(108)	(584)
Collection of short-term loans receivable	4	226
Payments of long-term loans receivable	(2)	(1)
Collection of long-term loans receivable	335	310
Purchase of investment securities	(9)	(6,097)
Proceeds from sales and redemption of investment securities	112	0
Payments for transfer of operation	(70)	–
Payments for transfer of business	(6)	–
Proceeds from liquidation of subsidiaries and associates	442	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,914)	(78)
Other	5	1
<b>Cash flows from investing activities</b>	<b>(6,640)</b>	<b>(7,678)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	950	(1,940)
Proceeds from long-term loans payable	10,521	8,000
Repayments of long-term loans payable	(9,925)	(4,771)
Proceeds from issue of bonds	–	25,087
Redemption of bonds	(2,050)	–
Purchase of treasury stock	–	(12,999)
Cash dividends paid	(3,035)	(3,238)
Dividends paid to non-controlling interests	(46)	(48)
Proceeds from share issuance to non-controlling shareholders	498	–
Repayments of lease obligations	(250)	(252)
Other	(9)	(7)
<b>Cash flows from financing activities</b>	<b>(3,347)</b>	<b>9,828</b>
Effect of exchange rate change on cash and cash equivalents	(90)	21
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,126</b>	<b>12,706</b>
Cash and cash equivalents at the beginning of the period	48,661	58,787
<b>Cash and cash equivalents at the end of the period</b>	<b>58,787</b>	<b>71,494</b>



## (5) Notes on consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Changes in presentation)

Starting from the first quarter of current fiscal year, the Company has applied the ASBJ Statement No. 28 (Partial Amendments to Accounting Standard for the Tax Effect Accounting), issued on February 16, 2018. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the Investments and Other Assets section and the non-current liabilities section, respectively.

As a result, out of “Deferred tax assets” of 2,039 million yen presented under “Current assets” in the previous fiscal year, 1,783 million yen was included in 3,474 million yen of “Deferred tax assets” under “Investments and other assets” and “Deferred tax liabilities” of 2 million yen was included in 728 million yen of “Deferred tax liabilities” under “Non-current Liabilities”

In addition, as a result of offsetting “Deferred tax assets” and “Deferred tax liabilities” by the same taxpayer, total assets in the previous consolidated fiscal year decreased by 256 million yen.

(Segment information, etc.)

[Segment information]

### 1 Overview of reporting segments

The Company’s reporting segments are Company components for which separate financial information is available and subject to periodic review by the Board of Directors in determining the allocation of management resources and evaluating business performance.

The Company classifies its business divisions by service. The Company formulates comprehensive strategies reflecting the nature of the activities of each business division and subsidiary and undertakes business activities based on these strategies.

Accordingly, the Company organizes its segments based on its business divisions. Its four reporting segments are the Total Pack Produce business, the Medical Supply business, the Life Care business, and the Dispensing Pharmacy business.

The Total Pack Produce segment engages in sales of medical devices and medical equipment based on bulk orders; consulting on topics including medicine, healthcare, welfare, and nursing care facilities; and leasing of real estate to medical facilities and other tenants. The Medical Supply segment engages in sales of medical examination and treatment materials and special treatment materials. The Life Care segment operates homes for senior citizens, group homes, and other facilities and nutritional services. The Dispensing Pharmacy segment operates dispensing pharmacies, among other business activities.

### 2 Methods for calculating net sales, profit (loss), assets, and other amounts by reporting segment

The accounting methods for reporting segments are same as those outlined under “Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements.”

Reporting segment profit figures are based on operating profit. Intersegment revenues and transfers are based on market prices.

## 3 Net sales, profit (loss), assets, and other amounts by reporting segment

Previous consolidated fiscal year (April 1, 2017–March 31, 2018)

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on consolidated financial statements*3
	Total pack produce business	Medical supply business	Life care business	Dispensing pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	98,064	274,058	22,724	25,789	420,636	4,929	425,566	–	425,566
(2) Intersegment sales or transfers	1,783	1,551	234	2,451	6,020	110	6,130	(6,130)	–
Subtotal	99,847	275,610	22,958	28,240	426,657	5,039	431,696	(6,130)	425,566
Segment profit	10,150	4,161	955	2,826	18,093	303	18,396	(137)	18,259
Segment assets	104,419	114,496	25,568	16,362	260,847	2,603	263,450	21,987	285,438
Other items									
Depreciation	926	457	679	261	2,324	64	2,389	125	2,514
Amortization of goodwill	72	619	405	515	1,611	59	1,671	–	1,671
Amortization of negative goodwill	232	0	0	–	232	–	232	–	232
Impairment loss	208	–	–	643	851	–	851	–	851
Investment in entities accounted for using equity method	236	–	–	–	236	–	236	–	236
Increase in property, plant and equipment, and intangible fixed assets	4,983	212	155	592	5,945	94	6,039	331	6,371

## Notes:

- The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and security business.
- The amounts of the various adjustments are described below.
  - The figure of ¥(137) million yen in adjustments to segment profit includes ¥(6) million yen for the cancellation of intersegment transactions, ¥(136) million yen for companywide costs not allocated to an individual reporting segment. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
  - The figure of ¥21,987 million yen in adjustments to segment assets includes ¥(8,919) million yen for cancellation of intersegment transactions, ¥(348) million yen for offsetting of negative goodwill, and ¥31,203 million yen for companywide assets not allocated to an individual reporting segment. These companywide assets consist mainly of assets related to administrative sections not attributable to individual reporting segments.
  - The figure of ¥331 million yen in adjustments to increase in property, plant and equipment, and intangible fixed assets consists mainly of capital investment related to administrative sections not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the consolidated statement of income.

Consolidated fiscal year under review (April 1, 2018–March 31, 2019)

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on consolidated financial statements*3
	Total pack produce business	Medical supply business	Life care business	Dispensing pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	99,441	290,363	23,500	25,585	438,890	5,157	444,048	—	444,048
(2) Intersegment sales or transfers	2,100	1,274	205	1,803	5,383	258	5,641	(5,641)	—
Subtotal	101,542	291,637	23,705	27,388	444,274	5,415	449,690	(5,641)	444,048
Segment profit	9,794	4,191	1,625	2,193	17,804	421	18,226	(273)	17,952
Segment assets	101,706	112,541	24,932	15,350	254,531	2,681	257,212	41,999	299,212
Other items									
Depreciation	1,306	446	657	239	2,650	56	2,706	136	2,842
Amortization of goodwill	70	616	403	511	1,602	59	1,661	—	1,661
Amortization of negative goodwill	232	—	0	—	232	—	232	—	232
Impairment loss	—	—	—	—	—	44	44	—	44
Investment in entities accounted for using equity method	303	—	—	—	303	—	303	—	303
Increase in property, plant and equipment, and intangible fixed assets	1,575	1,342	298	297	3,514	31	3,546	15	3,561

## Notes:

- The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and security business.
- The amounts of the various adjustments are described below.
  - The figure of ¥(273) million yen in adjustments to segment profit includes ¥(84) million yen for the cancellation of intersegment transactions, ¥(192) million yen for companywide costs not allocated to an individual reporting segment. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
  - The figure of ¥41,999 million yen in adjustments to segment assets includes ¥(9,094) million yen for cancellation of intersegment transactions, ¥(116) million yen for offsetting of negative goodwill, and ¥51,169 million yen for companywide assets not allocated to an individual reporting segment. These companywide assets consist mainly of assets related to administrative sections not attributable to individual reporting segments.
  - The figure of ¥15 million yen in adjustments to increase in property, plant and equipment, and intangible fixed assets consists mainly of capital investment related to administrative sections not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the consolidated statement of income.

[Related information]

Previous consolidated fiscal year (April 1, 2017–March 31, 2018)

1 Product- and service-specific information

This information is reported under segment information and is therefore omitted here.

2 Region-specific information

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales on the Consolidated Statement of Income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the Consolidated Balance Sheet.

3 Information concerning key individual customers

Not applicable because sales to no single external customer account for 10% or more of net sales on the Consolidated Statement of Income.

This consolidated fiscal year (April 1, 2018–March 31, 2019)

1 Product- and service-specific information

This information is reported under segment information and is therefore omitted here.

2 Region-specific information

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales on the Consolidated Statement of Income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the Consolidated Balance Sheet.

3 Information concerning key individual customers

Not applicable because sales to no single external customer account for 10% or more of net sales on the Consolidated Statement of Income.

[Information concerning impairment losses on fixed assets per reporting segment]

Previous consolidated fiscal year (April 1, 2017–March 31, 2018)

This information is reported under segment information and is therefore omitted here.

This consolidated fiscal year (April 1, 2018–March 31, 2019)

This information is reported under segment information and is therefore omitted here.

[Information concerning amounts of amortization of goodwill and remaining unamortized balances, per reporting segment]

Previous consolidated fiscal year (April 1, 2017–March 31, 2018)

(Unit: Millions yen)

	Reportable segment					Other	Companywide/ cancellation	Total
	Total Pack Produce business	Medical Supply business	Life Care business	Dispensing Pharmacy business	Subtotal			
(Goodwill) Ending balance	636	3,849	3,433	2,586	10,506	492	–	10,998
(Negative goodwill) Ending balance	348	–	0	–	348	–	–	348

Notes:

1. Amounts of amortization of goodwill and amortization of negative goodwill are omitted because similar information is reported under segment information.
2. Negative goodwill was incurred for reasons including corporate consolidations implemented before March 31, 2010 and is indicated on the Consolidated Balance Sheet after offsetting.

This consolidated fiscal year (April 1, 2018–March 31, 2019)

(Unit: Millions yen)

	Reportable segment					Other	Companywide/ cancellation	Total
	Total Pack Produce business	Medical Supply business	Life Care business	Dispensing Pharmacy business	Subtotal			
(Goodwill) Ending balance	565	3,233	3,030	2,158	8,987	432	–	9,420
(Negative goodwill) Ending balance	116	–	–	–	116	–	–	116

Notes:

1. Amounts of amortization of goodwill and amortization of negative goodwill are omitted because similar information is reported under segment information.
2. Negative goodwill was incurred for reasons including corporate consolidations implemented before March 31, 2010 and is indicated on the Consolidated Balance Sheet after offsetting.

[Information on gains on bargain purchases per reporting segment]

Previous consolidated fiscal year (April 1, 2017–March 31, 2018)

No important gains on bargain purchases occurred.

This consolidated fiscal year (April 1, 2018–March 31, 2019)

No important gains on bargain purchases occurred.

(Per-share information)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	(Yen)	(Yen)
Net assets per share	1,973.95	2,003.36
Net income per share	204.57	227.75
Diluted net income per share	-	221.11

Notes:

1. Diluted net income per share is not indicated because there were no diluting shares.
2. Net income per share was calculated based on the following information:

Account	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income per share		
Profit attributable to owners of parent (millions yen)	10,350	11,236
Amount not attributable to owners of common stock (millions yen)	-	-
Profit attributable to owners of parent related to common stock (millions yen)	10,350	11,236
Average shares of common stock during the period (shares)	50,599,132	49,335,752
Diluted net income per share	-	221.11
Adjustment for profit attributable to owners of parent (millions yen)	-	(5)
((Interest income) after tax equivalent deduction) (millions yen)	-	(5)
Increase in number of common stock (shares)	-	1,456,876
(Bonds with share acquisition rights included in above) (shares)	(-)	(1,456,876)
Description of potentially dilutive common shares not included in the computation of diluted earnings per share because of their anti-dilutive effect	-	-

3. Net assets per share were calculated based on the following information:

Account	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Total net assets (millions yen)	102,354	97,734
Amount subtracted from total net assets (millions yen)	2,474	2,314
(Non-controlling interests included in above) (millions yen)	(2,474)	(2,314)
Ending balance of net assets related to common stock (millions yen)	99,880	95,420
Ending number of shares of common stock used in calculation of net assets per share (shares)	50,599,132	47,630,165

## (Important subsequent information)

## (Purchase of treasury stock)

At its meeting held May 10, 2019, the Company's board of directors passed a resolution related to the purchase of treasury shares pursuant to Article 156 of the Companies Act applicable with rewording as required under Article 165, Paragraph 3 of that Act.

## 1. Reason for purchase of treasury shares

Treasury shares was purchased to implement dynamic capital policies in response to changes affecting business conditions.

## 2. Details of purchase

- |   |  |
|---|--|
| (1) Class of stock subject to the purchase: | Company common stock   |
| (2) Total number of shares to be purchased: | Up to 240,000 shares<br>(Corresponding percentage of total shares issued and outstanding, not including treasury shares: 0.5%) |
| (3) Total purchase price of stock:          | Up to 1 billion yen  |
| (4) Period of purchase:                     | May 13, 2019–March 31, 2020  |
| (5) Method of purchase:                     | Market purchases on the Tokyo Stock Exchange   |