



Summary of Financial Statements
for Second Quarter of Fiscal Year Ending March 31, 2019 [Japanese GAAP]
(Consolidated)

November 9, 2018

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 filing quarterly report: November 13, 2018 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, 2019
(April 1 – September 30, 2018)

(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 2019	202,146	7.8	6,265	3.8	6,603	4.7	3,994	10.2
Q2 FY ended March 2018	187,456	(0.0)	6,036	6.6	6,309	7.5	3,625	14.9

Note: Comprehensive income: Q2 FY ending March 2019: ¥ 5,044million (14.5%)
Q2 FY ended March 2018: ¥4,406 million (35.1%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q2 FY ending March 2019	79.64	–
Q2 FY ended March 2018	71.65	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q2 FY ending March 2019	257,539	101,112	38.3
FY ended March 2018	285,181	102,354	35.0

Reference: Equity: Q2 FY ending March 2019: ¥98,678 million; FY ended March 2018: ¥99,880 million

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2018	–	0.00	–	64.00	64.00
FY ending March 2019	–	0.00	–	64.00	64.00
FY ending March 2019 (forecast)	–	–	–	64.00	64.00

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

3. Forecast of consolidated financial results for fiscal year ending March 31, 2019
(April 1, 2018 – March 31, 2019)

(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	440,000	3.4	17,500	(4.2)	17,800	(6.0)	10,500	1.4	209.90

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 2019	50,834,700 shares	FY ended March 2018	50,834,700 shares
(ii) Number of treasury stock at the end of the period	Q2 FY ending March 2019	969,889 shares	FY ended March 2018	235,568 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q2 FY ending March 2019	50,159,194 shares	Q2 FY ended March 2018	50,599,132 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 the fiscal year ending March 31, 2019, 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 11, 2018.
- The forecasts of financial results and other forward-looking statements provided herein are based on information available to the Company and assumptions considered reasonable at the time this document was prepared. They are not guarantees that the Company will achieve such forecasts. Actual results may differ significantly from the forecasts for various reasons. For the assumptions on which financial forecasts are based, notes on using financial forecasts, and other information, please refer to "Information on consolidated financial forecasts and other forward-looking statements" on page 3 of the attached materials.

○ Index of attached materials

1. Qualitative information on quarterly results.....	2
(1) Description of business results	2
(2) Analysis of Financial Position	3
(3) Information on consolidated financial forecasts and other forward-looking statements.....	3
2. Quarterly consolidated financial statements and notes thereto.....	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
(3) Quarterly consolidated statement of cash flows.....	8
(4) Notes on quarterly consolidated financial statements	10
(Notes on the going concern assumption).....	11
(Notes on marked changes to shareholders' equity).....	11
(Segment information, etc.).....	11
(Additional information).....	11

1. Qualitative information on quarterly results

(1) Description of business results

Buoyed by continuing improvements in employment and income in the backdrop of positive corporate earnings, the Japanese economy maintained a course of gentle recovery during the consolidated cumulative second quarter. Nevertheless, due to uncertainties in the world economy, including rate increases by the United States Federal Reserve, exchange imbalances, and intensifying trade friction between the US and China, the global economic outlook remains uncertain.

Within the healthcare industry in which the Group operates, simultaneous revisions to medical service and long-term care fees were enforced in April, leading to significant drops in amounts refunded for medical materials and in drug prices. In addition, a Community Medical Service Plan establishing future medical care systems for 2025 was formulated in all prefectures by March this year, signaling progress toward establishing a system for the seamless provision of community medical care, nursing care, and welfare, including the development of comprehensive community healthcare systems.

Overall, despite harsh conditions for the Dispensing Pharmacy business associated with revised dispensing fees, the Group proceeded largely in accordance with plans: the Group moved forward the recording of several large-scale projects in the Total Pack Produce business and made steady improvements in numbers of occupants in the Life Care business.

During this cumulative consolidated second quarter, the various factors noted above resulted in net sales of 202,146 million yen (up 7.8% YoY), operating profit of 6,265 million yen (up 3.8% YoY), ordinary profit of 6,603 million yen (up 4.7% YoY), and profit attributable to owners of the parent of 3,994 million yen (up 10.2% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

The Total Pack Produce business recorded the completion of several hospital projects, which had been weighted toward the second half of the fiscal year. These projects were moved forward from plans at the start of the fiscal year. However, manufacturers companies performed poorly compared to the previous year.

As a result, this segment recorded net sales of 37,736 million yen (up 19.3% YoY) and segment profit (operating profit) of 2,667 million yen (up 0.2% YoY).

(ii) Medical Supply business

Driven by various factors, including steady progress on the startup of new SPD facilities in the preceding fiscal year, the Medical Supply business recorded performance largely in accordance with plans.

As a result, this segment recorded net sales of 137,553 million yen (up 6.0% YoY) and segment profit (operating profit) of 1,713 million yen (up 8.5% YoY).

(iii) Life Care business

The Life Care business demonstrated strong performance, including business efficiency improvements and an increase in numbers of occupants from the start of the period, due to various factors, including a measure to promote occupancy based on a campaign featuring a popular cartoon character. This performance was despite the revisions to long-term care fees.

As a result, this segment recorded net sales of 11,876 million yen (up 6.3% YoY) and segment profit (operating profit) of 860 million yen (up 111.8% YoY).

(iv) Dispensing Pharmacy business

In the Dispensing Pharmacy business, despite plans to open new stores and continuing efforts to improve business efficiency, performance fell due to revisions to dispensing fees.

As a result, this segment recorded net sales of 12,350 million yen (down 1.8% YoY) and segment profit (operating profit) of 953 million yen (down 29.2% YoY).

(v) Other

Results for other sectors such as veterinary hospital and sales of physical and chemical apparatus were largely as planned. Results from the security support company remained strong from last year.

As a result, this segment recorded net sales of 2,628 million yen (up 13.2% YoY) and segment profit (operating profit) of 252 million yen (up 76.2% 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 257,539 million yen, down 27,642 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 25,441 million yen in notes and accounts receivable – trade, 4,394 million yen in cash and deposits and 1,546 million yen in land, despite increases of 6,317 million yen in investment securities, and 1,651 million yen in merchandise and finished goods.

Liabilities stood at 156,427 million yen, down 26,399 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 20,976 million yen in notes and accounts payable - trade and 3,355 million yen in electronically recorded obligations – operating, while long-term loans increased by 4,350 million yen.

Net assets were 101,112 million yen, down 1,242 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included a decrease of 3,238 million yen in retained earnings due to payment of dividends and 2,999 million yen in acquisition of treasury stock. Retained earnings from profit attributable to owners of parent increased by 3,994 million yen and the valuation difference on available-for-sale securities resulted in an increase of 937 million yen.

Due to these factors, the equity capital ratio at the end of the consolidated second quarter under review stood at 38.3% (up 3.3 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 2,841 million yen (down 7,177 million yen from the same period in the previous consolidated fiscal year). Factors contributing to this figure included a decrease of 26,329 million yen in notes and accounts receivable – trade and the recording of 6,655 million yen in profit before taxes. Notes and accounts payable – trade decreased by 24,331 million yen. We paid 5,045 million yen in income taxes.

Net cash used in investing activities totaled 4,146 million yen (down 1,874 million yen from the same period in the previous consolidated fiscal year). Major contributing factors included expenditures of 4,934 million yen on the purchase of investment securities and 558 million yen on the purchase of property, plant, and equipment. Other factors included the recording of 1,611 million yen in the sale of property, plant, and equipment.

Net cash used in financing activities totaled 3,201 million yen (up 2,135 million yen from the same period in the previous consolidated fiscal year). This resulted mainly from factors such as payment of 3,238 million yen in dividends and expenditures of 2,999 million yen on acquisition of treasury stock and expenditures of 2,379 million yen on repayments of long-term loans and net decrease by 1,400 million yen in short-term loans, while proceeds from long-term loans totaled 7,000 million yen.

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 54,332 million yen, down 4,455 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 11, 2018.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	March 31, 2018	September 30, 2018
Assets		
Current assets		
Cash and deposits	59,644	55,249
Notes and accounts receivable - trade	99,090	73,649
Electronically recorded monetary claims - operating	3,427	2,539
Lease investment assets	3,873	3,770
Merchandise and finished goods	13,076	14,728
Work in process	1,269	2,024
Raw materials and supplies	605	829
Other	10,547	7,953
Allowance for doubtful accounts	(86)	(103)
Total current assets	191,448	160,640
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	19,647	19,249
Land	15,556	14,010
Construction in progress	4,428	4,622
Real estate for rent, net	13,395	13,359
Other, net	2,743	2,628
Total property, plant, and equipment	55,770	53,870
Intangible assets		
Goodwill	10,650	9,936
Other	1,129	1,078
Total intangible assets	11,780	11,015
Investments and other assets		
Investment securities	7,862	14,180
Long-term loans receivable	9,870	9,697
Other	10,984	10,663
Allowance for doubtful accounts	(2,536)	(2,529)
Total investments and other assets	26,181	32,012
Total non-current assets	93,732	96,898
Total assets	285,181	257,539

	(Unit: Millions yen)	
	March 31, 2018	September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,716	67,740
Electronically recorded obligations - operating	21,786	18,430
Short-term loans	2,970	1,570
Income taxes payable	4,745	2,248
Provision for bonuses	1,966	1,949
Other	17,740	14,791
Total current liabilities	137,925	106,730
Non-current liabilities		
Long-term loans	36,765	41,116
Net defined benefit liability	2,706	2,766
Asset retirement obligations	619	624
Other	4,809	5,189
Total non-current liabilities	44,900	49,696
Total liabilities	182,826	156,427
Net assets		
Shareholders' equity		
Common stock	15,553	15,553
Capital surplus	23,948	23,948
Retained earnings	58,374	59,130
Treasury stock	(448)	(3,447)
Total shareholders' equity	97,428	95,184
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	2,596	3,534
Foreign currency translation adjustments	(92)	(1)
Remeasurements of defined benefit plans	(52)	(39)
Total accumulated other comprehensive income	2,451	3,493
Non-controlling interests	2,474	2,433
Total net assets	102,354	101,112
Total liabilities and net assets	285,181	257,539

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

Quarterly consolidated statement of income

Consolidated cumulative second quarter

(Unit: Millions yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	187,456	202,146
Cost of sales	167,116	181,617
Gross profit	20,340	20,528
Sales, general, and administrative expenses	14,303	14,263
Operating profit	6,036	6,265
Non-operating profit		
Interest income	163	140
Dividend income	86	95
Amortization of negative goodwill	116	116
Share of profit of entities accounted for using equity method	–	21
Reversal of allowance for doubtful accounts	1	5
Other	167	142
Total non-operating profit	535	522
Non-operating expenses		
Interest expenses	123	129
Share of loss of entities accounted for using equity method	1	–
Foreign exchange losses	17	2
Other	119	52
Total non-operating expenses	261	184
Total ordinary profit	6,309	6,603
Extraordinary profit		
Gains on sales of non-current assets	2	58
Other	0	–
Total extraordinary profit	2	58
Extraordinary losses		
Losses on sales of non-current assets	3	0
Losses on retirements of non-current assets	10	0
Losses on valuation of investment securities	27	5
Other	4	–
Total extraordinary losses	46	6
Total profit before income taxes	6,265	6,655
Income taxes - current	2,372	2,399
Income taxes - deferred	208	329
Total income taxes	2,580	2,728
Profit	3,684	3,926
Profit (loss) attributable to non-controlling interests	59	(68)
Profit attributable to owners of parent	3,625	3,994

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative second quarter

(Unit: Millions yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	3,684	3,926
Other comprehensive income		
Valuation differences on available-for-sale securities	740	937
Foreign currency translation adjustments	(21)	167
Remeasurements of defined benefit plans	2	12
Total other comprehensive income	721	1,117
Comprehensive income	4,406	5,044
(Breakdown)		
Comprehensive income attributable to owners of parent	4,353	5,036
Comprehensive income attributable to non-controlling interests	52	7

(3) Quarterly consolidated statement of cash flows

(Unit: Millions yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	6,265	6,655
Depreciation and amortization	1,215	1,254
Amortization of goodwill	846	829
Amortization of negative goodwill	(116)	(116)
Share of (profit) loss of entities accounted for using equity method	1	(21)
Increase (decrease) in provision for bonuses	(46)	(17)
Increase (decrease) in allowance for doubtful accounts	(2)	9
Increase (decrease) in net defined benefit liability	52	82
Interest and dividend income	(249)	(236)
Interest expenses	123	129
(Increase) decrease in notes and accounts receivable – trade	26,634	26,329
(Increase) decrease in inventories	(2,443)	(2,631)
Increase (decrease) in notes and accounts payable – trade	(18,814)	(24,331)
(Increase) decrease in lease investment assets	91	103
Other-net	685	(259)
Subtotal	14,244	7,778
Interest and dividend income received	246	238
Interest expenses paid	(122)	(130)
Income taxes paid	(4,348)	(5,045)
Net cash provided by operating activities	10,019	2,841
Cash flows from investing activities		
Payments into time deposits	(136)	(121)
Proceeds from withdrawal of time deposits	178	106
Purchase of property, plant, and equipment	(4,651)	(558)
Proceeds from sales of property, plant, and equipment	3	1,611
Purchase of intangible assets	(75)	(140)
Payments of short-term loans receivable	(22)	(267)
Collection of short-term loans receivable	20	–
Payments of long-term loans receivable	(2)	–
Collection of long-term loans receivable	177	155
Purchase of investment securities	(5)	(4,934)
Proceeds from sales and redemption of investment securities	101	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,609)	–
Other-net	(0)	3
Net cash used in investing activities	(6,020)	(4,146)

(Unit: Millions yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Increase (decrease) in short-term loans-net	(400)	(1,400)
Proceeds from long-term loans payable	7,300	7,000
Repayments of long-term loans payable	(4,755)	(2,379)
Purchase of treasury stock	–	(2,999)
Cash dividends paid	(3,035)	(3,238)
Cash dividends paid to non-controlling interests	(46)	(48)
Repayments of lease obligations	(123)	(130)
Other-net	(4)	(4)
Net cash used in financing activities	(1,066)	(3,201)
Effect of exchange rate change on cash and cash equivalents	(3)	50
Net increase (decrease) in cash and cash equivalents	2,928	(4,455)
Cash and cash equivalents at the beginning of the period	48,661	58,787
Cash and cash equivalents at the end of the period	51,590	54,332

(4) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on marked changes to shareholders' equity)

Under a resolution passed by the board of directors in its meeting held on May 11, 2018, the Company purchased 734,300 shares of treasury stock. As a result, treasury stock increased by 2,999 million yen during the six months ended September 30, 2018 to 3,447 million yen as of the end of the quarter.

(Segment information, etc.)

[Segment information]

I Six months ended September 30, 2017(April 1 – September 30, 2017)

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	31,629	129,756	11,168	12,579	185,134	2,322	187,456	-	187,456
(2) Intersegment sales or transfers	720	532	91	1,192	2,537	42	2,579	(2,579)	-
Subtotal	32,349	130,289	11,260	13,772	187,671	2,364	190,036	(2,579)	187,456
Segment profit	2,662	1,578	406	1,346	5,994	143	6,137	(101)	6,036

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 ¥(101) million include intersegment elimination of ¥(4) million and corporate expenses not allocated to the reportable segments of ¥(101) million. Corporate expenses consist primarily of operating expenses of the Company's head office and selling, general, and administrative expenses that are not attributable to any reportable segments.
- Segment profit is reconciled to the operating profit reported in the quarterly consolidated statement of income.

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

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

II Six months ended September 30, 2018 (April 1 – September 30, 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	37,736	137,553	11,876	12,350	199,517	2,628	202,146	—	202,146
(2) Intersegment sales or transfers	944	599	92	911	2,548	118	2,667	(2,667)	
Subtotal	38,681	138,153	11,969	13,261	202,066	2,747	204,813	(2,667)	202,146
Segment profit	2,667	1,713	860	953	6,195	252	6,447	(182)	6,265

Notes:

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

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

(Additional information)

Starting from the first quarter of current fiscal year, the Company began applying ASBJ Statement No. 28 (Partial Amendments to Accounting Standard for Tax Effect Accounting), issued on February 16, 2018. For this reason, deferred tax assets are presented under Investments and Other Assets, while deferred tax liabilities are presented under Non-current Liabilities.