



Summary of Financial Statements
for Third Quarter of Fiscal Year Ending March 31, 2018 [Japanese GAAP]
(Consolidated)

February 6, 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) Kunihiisa Furukawa
Contact: (Title) Managing Director (Name) Hiroshi Yokoyama
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Scheduled date for filing quarterly report: February 9, 2018 Scheduled start date of dividend payments: –
Supplementary briefing materials on results: None
Briefing on quarterly results: None

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

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2018 (April 1 – December 31, 2017)

(1) Consolidated operating results (cumulative) (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%
Q3 FY ending March 2018	301,012	6.0	11,554	26.5	12,023	25.0	7,003	33.4
Q3 FY ended March 2017	283,978	34.7	9,133	14.8	9,622	13.9	5,249	17.6

Note: Comprehensive income: Q3 FY ending March 2018: ¥8,166 million (37.5%);
Q3 FY ended March 2017: ¥5,940 million (33.1%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q3 FY ending March 2018	138.42	–
Q3 FY ended March 2017	103.99	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Millions yen)	(Millions yen)	%
Q3 FY ending March 2018	267,609	98,716	36.0
FY ended March 2017	263,540	93,632	34.7

Reference: Equity: Q3 FY ending March 2018: ¥96,456 million; FY ended March 2017: ¥91,384 million

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2017	–	0.00	–	60.00	60.00
FY ending March 2018	–	0.00	–		
FY ending March 2018 (forecast)				61.00	61.00

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

Breakdown of year-end dividends paid in FY ended March 2017: ordinary dividends: ¥56.00; commemorative dividends: ¥4.00

3. Forecast of consolidated financial results for fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	425,000	4.0	16,900	5.3	17,100	3.8	10,000	6.3	197.63

Note: Revisions made in most recently announced forecasts of business performance: None

Notes

- (1) Changes made in significant subsidiaries during consolidated cumulative quarter under review: None
- (2) Special account processing applied in preparation of quarterly consolidated financial statements: None
- (3) Changes made in accounting policies, accounting estimates, and/or restatements
- (i) Changes in accounting policies associated with changes in accounting standards, etc.: None
- (ii) Any changes in accounting policies other than those under (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

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

(i) Number of shares issued and outstanding at the end of the period (including treasury shares)	Q3 FY ending March 2018	50,834,700 shares	FY ended March 2017	50,834,700 shares
(ii) Number of treasury shares at the end of the period	Q3 FY ending March 2018	235,568 shares	FY ended March 2017	235,568 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q3 FY ending March 2018	50,599,132 shares	Q3 FY ended March 2017	50,479,732 shares

* This quarterly summary of financial results is not subject to quarterly review.

* Information on appropriate use of financial forecasts and other special notes:

The forecasts of financial results and other forward-looking statements provided herein are based on information available to the Company and assumptions considered reasonable at the time this document was prepared. They are not guarantees that the Company will achieve such forecasts. Actual results may differ significantly from the forecasts for various reasons. For the assumptions on which financial forecasts are based, notes on using financial forecasts, and other information, please refer to "Information on Consolidated Financial Forecasts and Other Forward-looking Statements" on page 3 of the Attached Materials.

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1. Qualitative information on quarterly results

(1) Description of business results

During this consolidated cumulative third quarter, amid global economic recovery, the Japanese economy itself maintained a course of gentle recovery trend, buoyed by various factors, including rising capital investment backed by favorable corporate earnings and falling unemployment.

In the healthcare industry in which the Group operates, the need remained for continued investments and reforms based on medium- to long-term perspectives in light of various factors. These include reforms in the social infrastructure in response to low birth rates and an aging population, particularly in urban areas; adoption of advanced medicine; and the concurrent revision of remuneration and nursing care compensation scheduled to take effect next fiscal year.

Amid these economic conditions, in the Total Pack Produce business, the Group proceeded according to plans on several large-scale projects. Sales from the manufacture of rehabilitation equipment were strong. Additionally, the Life Care business and the Dispensing Pharmacy business recorded steady business performance.

During this cumulative consolidated third quarter, the various factors noted above resulted in net sales of 301,012 million yen (up 6.0% YoY), operating profit of 11,554 million yen (up 26.5% YoY), ordinary profit of 12,023 million yen (up 25.0% YoY), and profit attributable to owners of the parent of 7,003 million yen (up 33.4% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

Despite recording costs related to the launching of an overseas subsidiary and a heavy ion radiotherapy facility, the Total Pack Produce business made progress according to plans on several large-scale projects. Additionally, sales from the manufacture of rehabilitation equipment were strong.

As a result, this segment recorded net sales of 61,219 million yen (up 10.6% YoY) and segment profit (operating profit) of 6,000 million yen (up 15.9% YoY).

(ii) Medical Supply business

Driven by various factors, both revenue and income grew in the Medical Supply business. These factors included the elimination of the effects of advisory costs associated with large-scale M&A activities recorded in the preceding fiscal year and improvements in the operation of SPD facilities, for which awarded contracts had concentrated in the previous year.

As a result, this segment recorded net sales of 200,175 million yen (up 4.4% YoY) and segment profit (operating profit) of 2,701 million yen (up 50.9% YoY).

(iii) Life Care business

Various factors boosted earnings in the Life Care business, including continuing improvements in occupancy rates and improvements involving operational streamlining.

As a result, this segment recorded net sales of 16,894 million yen (up 6.7% YoY) and segment profit (operating profit) of 698 million yen (up 45.5% YoY).

(iv) Dispensing Pharmacy business

Efforts such as mergers and acquisitions (M&A) and new-store openings bore fruit in the dispensing pharmacy business, resulting in positive business performance.

As a result, this segment recorded net sales of 19,188 million yen (up 6.2% YoY) and segment profit (operating profit) of 2,122 million yen (up 23.6% YoY).

(v) Other businesses

Results for other sectors such as veterinary hospital and sales of physical and chemical apparatus were largely as planned. Results from the security company added to the Group last year also contributed to business performance starting from the start of this period.

As a result, this segment recorded net sales of 3,533 million yen (up 17.1% YoY) and segment profit (operating profit) of 192 million yen (up 67.5% YoY).

(2) Analysis of Financial Position

Assets at the end of the consolidated cumulative third quarter under review stood at 267,609 million yen, up 4,069 million yen from the end of the previous consolidated fiscal year. The primary reasons for this rise included increases of 4,278 million yen in the construction in progress account, 3,809 million yen in merchandise and finished goods, 2,118 million yen in cash and deposits, and 1,324 million yen in electronically recorded monetary claims – operating. Notes and accounts receivable – trade fell by 10,580 million yen.

Liabilities stood at 168,892 million yen, down 1,015 million yen from the end of the previous consolidated fiscal year. Primary reasons for this decline included a decrease of 5,966 million yen in notes and accounts payable – trade, while there were increases of 3,769 million yen in electronically recorded obligations – operating and 1,771 million yen in long-term loans payable.

Net assets were 98,716 million yen, up 5,084 million yen from the end of the previous consolidated fiscal year. Primary reasons for this increase included increases of 7,003 million yen in retained earnings from profit attributable to owners of parent and 1,105 million yen in valuation difference on available-for-sale securities. Dividends paid reduced retained earnings by 3,035 million yen.

Due to these factors, the equity capital ratio at the end of the consolidated third quarter under review stood at 36.0% (up 1.3 percentage points from the end of the previous consolidated fiscal year).

(3) Information on consolidated financial forecasts and other forward-looking statements

In general, business performance matched financial forecasts made at the start of the period. The consolidated financial forecasts for the full fiscal year remain unchanged from the forecasts announced on May 12, 2017.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Millions yen)

	Previous consolidated fiscal year (March 31, 2017)	Consolidated third quarter under review (December 31, 2017)
Assets		
Current assets		
Cash and deposits	49,444	51,562
Notes and accounts receivable - trade	95,657	85,076
Electronically recorded monetary claims - operating	1,920	3,245
Lease investment assets	4,057	3,921
Merchandise and finished goods	11,669	15,479
Semi-finished goods	1,328	2,000
Raw materials and supplies	840	953
Other	9,590	11,447
Allowance for doubtful accounts	-78	-74
Total current assets	174,430	173,611
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	14,972	14,713
Land	15,222	15,557
Construction in progress	5,716	9,994
Real estate for rent (net)	14,186	13,943
Other (net)	3,385	3,197
Total property, plant, and equipment	53,483	57,406
Intangible assets		
Goodwill	10,912	10,907
Other	1,296	1,117
Total intangible assets	12,208	12,024
Investments and other assets		
Long-term loans receivable	10,172	9,973
Other	15,793	17,180
Total allowance for doubtful accounts	-2,563	-2,587
Total investments and other assets	23,402	24,566
Total non-current assets	89,093	93,998
Deferred assets		
Share issuance cost	16	-
Deferred assets	16	-
Total assets	263,540	267,609

(Unit: Millions yen)

	Previous consolidated fiscal year (March 31, 2017)	Consolidated third quarter under review (December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	86,307	80,340
Electronically recorded obligations - operating	16,192	19,962
Short-term loans payable	2,020	3,260
Income taxes payable	4,120	1,393
Provision for bonuses	1,905	900
Other	15,831	17,114
Total current liabilities	126,377	122,969
Non-current liabilities		
Long-term loans payable	36,146	37,918
Net defined benefit liability	2,548	2,649
Asset retirement obligations	362	373
Other	4,472	4,982
Total non-current liabilities	43,530	45,923
Total liabilities	169,908	168,892
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,716	23,716
Retained earnings	51,059	55,027
Treasury shares	-448	-448
Total shareholders' equity	89,881	93,849
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,459	2,565
Foreign currency translation adjustment	47	41
Remeasurements of defined benefit plans	-3	1
Total accumulated other comprehensive income	1,503	2,607
Non-controlling interests	2,247	2,259
Total net assets	93,632	98,716
Total liabilities and net assets	263,540	267,609

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

 Quarterly consolidated statement of income
 Consolidated cumulative third quarter

(Unit: Millions yen)

	Previous consolidated cumulative third quarter (April 1 – December 31, 2016)	Consolidated cumulative third quarter under review (April 1 – December 31, 2017)
Net sales	283,978	301,012
Cost of sales	253,576	267,985
Gross profit	30,402	33,026
Sales, general, and administrative expenses	21,268	21,472
Operating profit	9,133	11,554
Non-operating profit		
Interest income	247	236
Dividend income	105	124
Amortization of negative goodwill	180	174
Share of profit of entities accounted for using equity method	–	39
Reversal of allowance for doubtful accounts	85	8
Other	331	256
Total non-operating profit	948	840
Non-operating expenses		
Interest expenses	222	189
Equity in loss of affiliates	11	–
Foreign exchange losses	44	9
Other	181	172
Non-operating expenses	459	371
Total ordinary profit	9,622	12,023
Extraordinary profit		
Gain on sales of property, plant, and equipment	8	4
Gain on sales of investment securities	88	–
Gain on transfer of business	–	20
Reversal of long-term accounts payable - other	20	–
Other	0	0
Total extraordinary profit	116	25
Extraordinary losses		
Loss on sales of property, plant, and equipment	105	3
Impairment loss	–	48
Loss on retirement of property, plant, and equipment	79	28
Loss on valuation of investment securities	37	113
Loss on withdrawal from employees' pension fund	208	–
Amortization of goodwill	71	–
Other	8	3
Total extraordinary losses	510	197
Total income before income taxes	9,228	11,852
Income taxes - current	3,267	3,957
Income taxes - deferred	620	792
Total income taxes	3,888	4,749
Profit	5,340	7,102
Profit attributable to noncontrolling interests	91	98
Profit attributable to owners of parent	5,249	7,003

Quarterly consolidated statement of comprehensive income
Consolidated cumulative third quarter

(Unit: Millions yen)

	Previous consolidated cumulative third quarter (April 1 – December 31, 2016)	Consolidated cumulative third quarter under review (April 1 – December 31, 2017)
Profit	5,340	7,102
Other comprehensive income		
Valuation difference on available-for-sale securities	599	1,105
Translation adjustments	-2	-46
Remeasurements of defined benefit plans	3	4
Other comprehensive income	600	1,064
Comprehensive income	5,940	8,166
(Breakdown)		
Comprehensive income attributable to owners of parent	5,848	8,108
Comprehensive income attributable to noncontrolling interests	92	58

(3) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on marked changes to shareholders' equity)

Not applicable

(Segment information, etc.)

[Segment information]

I Previous consolidated cumulative third quarter (April 1 – December 31, 2016)

1 Net sales and income (loss) by reporting segment

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on quarterly consolidated income statement*3
	Total pack produce business	Medical supply business	Life care business	Dispensing pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	55,364	191,695	15,829	18,071	280,960	3,017	283,978	–	283,978
(2) Intersegment sales or transfers	2,360	1,283	20	1,379	5,043	29	5,072	–5,072	–
Subtotal	57,724	192,978	15,850	19,450	286,004	3,047	289,051	–5,072	283,978
Segment profit	5,175	1,790	480	1,716	9,163	115	9,278	–145	9,133

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 figure of –145 million yen in adjustments to segment profit includes –15 million yen in cancellation of intersegment transactions and –132 million yen in companywide costs not allocated among reporting segments. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

2 Information on assets of individual reporting segments

During the consolidated cumulative third quarter under review, Konishi Kyowa Holding Corporation was acquired and added to the scope of consolidation.

As a result, assets in the medical supply business segment increased by ¥42,607 million from the end of the previous consolidated fiscal year.

3 Information on impairment losses on fixed assets or goodwill

(Important impairment losses on fixed assets)

Not applicable

(Important changes in amounts of goodwill)

During the consolidated cumulative third quarter under review, Konishi Kyowa Holding Corporation was acquired and added to the scope of consolidation.

As a result, goodwill in the medical supply business segment increased by ¥1,066 million during the consolidated cumulative third quarter under review.

(Important gains on bargain purchases)

Not applicable

II Consolidated cumulative third quarter under review (April 1 – December 31, 2017)

1 Net sales and income (loss) by reporting segment

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on quarterly consolidated income statement*3
	Total pack produce business	Medical supply business	Life care business	Dispensing pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	61,219	200,175	16,894	19,188	297,478	3,533	301,012	–	301,012
(2) Intersegment sales or transfers	1,091	859	447	1,858	4,256	75	4,332	–4,332	–
Subtotal	62,311	201,035	17,341	21,046	301,735	3,609	305,344	–4,332	301,012
Segment profit	6,000	2,701	698	2,122	11,523	192	11,716	–161	11,554

Notes:

1. The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and the security business.
2. The figure of –161 million yen in adjustments to segment profit includes –5 million yen for the cancellation of intersegment transactions, –107 million yen for companywide costs not allocated among reporting segments, and –47 million yen for unrealized income. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
3. Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

2 Information on impairment losses on fixed assets or goodwill

No important impairment losses on fixed assets, important changes in amounts of goodwill, or important gains on bargain purchases were recognized during the consolidated cumulative third quarter under review.