

November 10, 2017

News Release

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Formulation of SHIP VISION 2020, a new mid-range management plan

To mark the 25th anniversary of our founding and the 10th anniversary of our listing on the First Section of the Tokyo Stock Exchange, the SHIP Healthcare Group has formulated its SHIP VISION 2020 mid-range management plan for the 2018–2020 fiscal years.

The plan sets goals of 500 billion yen in net sales and 21 billion yen in operating profits for its final fiscal year, FY2020. Both figures would mark record highs. The plan also calls for strengthening returns to shareholders during the period covered by securing a stable dividend payout ratio of at least 30% while implementing dynamic shareholder-return policies, including the purchase of treasury stock, based on comprehensive consideration of future business developments, levels of internal reserves, and trends in stock prices.

Details

Overview of the SHIP VISION 2020 mid-range management plan

1. Goals

To achieve continuing growth as a corporate group and net sales of 1 trillion yen, all 50 consolidated Group member companies will work in partnership under the SHIP Philosophy. In addition to sustaining high growth within each business, we will strive to strengthen management capabilities by sharing our management foundations and steadily implementing *kaizen* (improvement) activities while establishing new business domains to remain a step ahead of the changing times, thereby becoming a healthcare group that remains strong in the face of change and with a keen eye on the future.

2. Performance targets

FY 2020: Net sales of 500 billion yen and operating income of 21 billion yen (both record highs)

3. Main points of the plan

(1) Achieving sustained growth through further growth in our core businesses and measures that strengthen the management structure

Current trends continue to make the operating environment for the healthcare industry increasingly harsh: a regional healthcare vision that seeks to respond to low birthrates and the aging Japanese society; hospital mergers, closures, and consolidations; and constant demand to restrain medical expenses. Given these conditions, our plan focuses on achieving sustainable high growth through growth strategies for each of our core businesses and stronger management capabilities achieved through the IT infrastructure, consolidation of facilities, and *kaizen* (improvement) activities.

(2) Building the fifth business segment: Healthcare Services

Establishing the Healthcare Services Business in both domestic and overseas markets; expanding business opportunities through our existing business facilities

(3) Strategic M&A activities

Targeting further growth in sales and profits through proactive strategic mergers and acquisitions (M&A) activities intended to broaden the base and increase the earnings potential of our core businesses

(4) Increasing returns to shareholders

Returning up to roughly 16 billion yen to shareholders over the FY2018–2020 three-year period

(Plans call for paying dividends of roughly 10 billion yen over the three years and purchasing up to 2 billion yen in treasury stock each year.)

4. Specific strategies in each business

(1) Total Pack Produce Business

In the trading company function, building up expertise in integration and reorganization; strengthening abilities to handle large-scale and long-term projects; expanding and intensifying Group synergies; and developing overseas projects

In the manufacturing function, advancing with the shift from simply producing products to creating new value and activities through manufacturing; strategically developing overseas businesses; and improving management capabilities by integrating the IT system infrastructure and updating company facilities

(2) Medical Supplies Business

In addition to proactively and strategically focusing on M&A activities to expand our business base nationwide, integrating product master files and IT systems in the Kansai area to strengthen purchasing power, setting in motion plans to build a core logistics center, and moving forward to propose and develop new products

(3) Lifecare Business

In the area of long-term care facility operations, further enhancing the integrated management of facilities nationwide and maintaining occupancy rates of 98% or better by promoting community engagement, offering an increasingly diverse range of occupancy plans, and securing human resources through enhanced training programs and acceptance of foreign trainees

In the food service business, commercializing the new food service model for nursing care homes

(4) Dispensing Pharmacy Business

In addition to expanding business facilities through strategic M&A activities to achieve regional dominance, enhancing family pharmacies and strengthening the development of structures to support comprehensive community pharmacy systems

(5) Healthcare Service Business

Of domestic businesses, bringing the Heavy Ion Therapy Center into the black on an annual basis by FY2020 and achieving stable operation of the Akishima International Justice Center as a PFI project

Of overseas businesses, bringing the hospital business in Bangladesh into the black on an annual basis by FY2020 and realizing stable management of the business in Myanmar

Beyond this, expanding business opportunities for the Total Pack Produce Business by drawing on our expertise and interpersonal networks based on our currently operating facilities