



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

February 5, 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
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Scheduled date for filing quarterly report: February 8, 2019 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, 2019
(April 1 – December 31, 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) | % |
| Q3 FY ending March 2019 | 317,109 | 5.3 | 10,496 | (9.2) | 10,991 | (8.6) | 6,607 | (5.7) |
| Q3 FY ended March 2018 | 301,012 | 6.0 | 11,554 | 26.5 | 12,023 | 25.0 | 7,003 | 33.4 |

Note: Comprehensive income: Q3 FY ending March 2019: ¥ 5,683million ((30.4)%)

Q3 FY ended March 2018: ¥8,166 million (37.5%)

| | Net income per share | Diluted net income per share |
|-------------------------|----------------------|------------------------------|
| | (Yen) | (Yen) |
| Q3 FY ending March 2019 | 132.55 | 131.28 |
| Q3 FY ended March 2018 | 138.42 | – |

(2) Consolidated financial condition

| | Total assets | Net assets | Equity capital ratio |
|-------------------------|----------------|----------------|----------------------|
| | (Millions yen) | (Millions yen) | % |
| Q3 FY ending March 2019 | 285,248 | 91,751 | 31.4 |
| FY ended March 2018 | 285,181 | 102,354 | 35.0 |

Reference: Equity: Q3 FY ending March 2019: ¥89,445 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 | – | | |
| 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 | 212.83 |

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) | Q3 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 | Q3 FY ending March 2019 | 3,204,489 shares | FY ended March 2018 | 235,568 shares |
| (iii) Average number of shares during the period (quarterly cumulative total) | Q3 FY ending March 2019 | 49,847,419 shares | Q3 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 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 and on November 27, 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

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1. Qualitative information on quarterly results

(1) Description of business results

Backed by strong corporate earnings and steady growth in employment and personal income, the Japanese economy maintained a course of gentle recovery during the consolidated cumulative third quarter. However, the global political and economic outlook remains uncertain, due primarily to developments in Europe, North America, and China, including US-China trade frictions, Brexit issues, and civil unrest in France.

Within the healthcare industry in which the Group operates, the revised medical service fees that went into effect in April of last year reduced overall fees. These conditions are pushing medical institutions and others in the industry to engage in extensive partnerships and to pursue the development of efficient business structures over the medium to long term.

Under these economic conditions, the Group's Total Pack Produce business made steady progress on several projects, as well as the Life Care business that achieved steady improvements in occupancy rates. With greater than expected numbers of patients making appointments at the Osaka Heavy Ion Therapy Center, which began providing treatment in October of last year, operation of the second treatment room began ahead of schedule. However, business performances by some Group manufacturers remained sluggish.

During this cumulative consolidated third quarter, the various factors noted above resulted in net sales of 317,109 million yen (up 5.3% YoY), operating profit of 10,496 million yen (down 9.2% YoY), ordinary profit of 10,991 million yen (down 8.6% YoY), and profit attributable to owners of parent of 6,607 million yen (down 5.7% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

The Total Pack Produce business made steady progress on several projects. Despite higher depreciation costs on medical equipment due to the start of operations at the Osaka Heavy Ion Therapy Center, the facility got off to a smooth start, with greater than expected numbers of patients. However, business performances by some Group manufacturers remained sluggish.

As a result, this segment recorded net sales of 60,762 million yen (down 0.7% YoY) and segment profit (operating profit) of 4,329 million yen (down 27.8% YoY).

(ii) Medical Supply business

The revised reimbursement prices made securing profits from sales of specified health and medical materials more challenging for the Medical Supply business. Nevertheless, thanks to improvements in operational efficiency at SPD facilities and other efforts, the business recorded performance largely consistent with plans.

As a result, this segment recorded net sales of 215,681 million yen (up 7.7% YoY) and segment profit (operating profit) of 3,112 million yen (up 15.2% YoY).

(iii) Life Care business

Despite revised nursing care fees, the Life Care business demonstrated strong performance, including continuing growth in occupancy rates.

As a result, this segment recorded net sales of 17,751 million yen (up 5.1% YoY) and segment profit (operating profit) of 1,310 million yen (up 87.6% YoY).

(iv) Dispensing Pharmacy business

In the Dispensing Pharmacy business, despite the growth in store numbers following the opening of new locations and small-scale M&A activities and continuing managerial improvements, conditions remained difficult due to the revisions of dispensing fees.

As a result, this segment recorded net sales of 19,086 million yen (down 0.5% YoY) and segment profit (operating profit) of 1,551 million yen (down 26.9% YoY).

(v) Other

Results for other sectors such as veterinary hospital and the security support company were largely as planned.

As a result, this segment recorded net sales of 3,828 million yen (up 8.3% YoY) and segment profit (operating profit) of 352 million yen (up 82.8% YoY).

(2) Analysis of Financial Position

Assets at the end of the consolidated cumulative third quarter under review stood at 285,248 million yen, up 67 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 11,743 million yen in cash and deposits, 4,835 million yen in investment securities and 3,786 million yen in merchandise and finished goods, despite decrease of 15,720 million yen in notes and accounts receivable – trade.

Liabilities stood at 193,496 million yen, up 10,670 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increase of 25,122 million yen in bonds with share acquisition rights, despite decreases of 8,877 million yen in notes and accounts payable – trade, 3,793 million yen in income taxes payable.

Net assets stood at 91,751 million yen, down 10,602 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included 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 increase of 6,607 million yen in retained earnings from profit attributable to owners of parent.

Due to these factors, the equity capital ratio at the end of the consolidated third quarter under review stood at 31.4% (down 3.6 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 11, 2018.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Millions yen)

| | March 31, 2018 | December 31, 2018 |
|---|----------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 59,644 | 71,388 |
| Notes and accounts receivable - trade | 99,090 | 83,370 |
| Electronically recorded monetary claims - operating | 3,427 | 3,054 |
| Lease investment assets | 3,873 | 3,724 |
| Merchandise and finished goods | 13,076 | 16,862 |
| Work in process | 1,269 | 2,175 |
| Raw materials and supplies | 605 | 902 |
| Other | 10,547 | 9,169 |
| Allowance for doubtful accounts | (86) | (96) |
| Total current assets | 191,448 | 190,550 |
| Non-current assets | | |
| Property, plant, and equipment | | |
| Buildings and structures, net | 19,647 | 19,018 |
| Land | 15,556 | 14,010 |
| Construction in progress | 4,428 | 845 |
| Real estate for rent, net | 13,395 | 13,237 |
| Other, net | 2,743 | 6,720 |
| Total property, plant, and equipment | 55,770 | 53,834 |
| Intangible assets | | |
| Goodwill | 10,650 | 9,662 |
| Other | 1,129 | 1,045 |
| Total intangible assets | 11,780 | 10,707 |
| Investments and other assets | | |
| Investment securities | 7,862 | 12,698 |
| Long-term loans receivable | 9,870 | 9,604 |
| Other | 10,984 | 10,382 |
| Allowance for doubtful accounts | (2,536) | (2,529) |
| Total investments and other assets | 26,181 | 30,156 |
| Total non-current assets | 93,732 | 94,698 |
| Total assets | 285,181 | 285,248 |

(Unit: Millions yen)

| | March 31, 2018 | December 31, 2018 |
|--|----------------|-------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 88,716 | 79,839 |
| Electronically recorded obligations - operating | 21,786 | 20,889 |
| Short-term loans | 2,970 | 1,640 |
| Income taxes payable | 4,745 | 951 |
| Provision for bonuses | 1,966 | 927 |
| Other | 17,740 | 15,048 |
| Total current liabilities | 137,925 | 119,296 |
| Non-current liabilities | | |
| Bonds with share acquisition rights | – | 25,122 |
| Long-term loans | 36,765 | 40,849 |
| Net defined benefit liability | 2,706 | 2,783 |
| Asset retirement obligations | 619 | 626 |
| Other | 4,809 | 4,818 |
| Total non-current liabilities | 44,900 | 74,200 |
| Total liabilities | 182,826 | 193,496 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 15,553 | 15,553 |
| Capital surplus | 23,948 | 23,948 |
| Retained earnings | 58,374 | 61,743 |
| Treasury stock | (448) | (13,447) |
| Total shareholders' equity | 97,428 | 87,797 |
| Accumulated other comprehensive income | | |
| Valuation differences on available-for-sale securities | 2,596 | 1,760 |
| Foreign currency translation adjustments | (92) | (93) |
| Remeasurements of defined benefit plans | (52) | (19) |
| Total accumulated other comprehensive income | 2,451 | 1,647 |
| Non-controlling interests | 2,474 | 2,306 |
| Total net assets | 102,354 | 91,751 |
| Total liabilities and net assets | 285,181 | 285,248 |

(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)

| | Nine months ended December 31, 2017 | Nine months ended December 31, 2018 |
|---|--|--|
| Net sales | 301,012 | 317,109 |
| Cost of sales | 267,985 | 285,144 |
| Gross profit | 33,026 | 31,965 |
| Sales, general, and administrative expenses | 21,472 | 21,468 |
| Operating profit | 11,554 | 10,496 |
| Non-operating profit | | |
| Interest income | 236 | 216 |
| Dividend income | 124 | 135 |
| Amortization of negative goodwill | 174 | 174 |
| Share of profit of entities accounted for using equity method | 39 | 20 |
| Reversal of allowance for doubtful accounts | 8 | 6 |
| Other | 256 | 241 |
| Total non-operating profit | 840 | 794 |
| Non-operating expenses | | |
| Interest expenses | 189 | 195 |
| Bond issue cost | – | 26 |
| Foreign exchange losses | 9 | – |
| Other | 172 | 77 |
| Total non-operating expenses | 371 | 299 |
| Total ordinary profit | 12,023 | 10,991 |
| Extraordinary profit | | |
| Gains on sales of non-current assets | 4 | 58 |
| Gains on transfer of businesses | 20 | – |
| Other | 0 | – |
| Total extraordinary profit | 25 | 58 |
| Extraordinary losses | | |
| Losses on sales of non-current assets | 3 | 0 |
| Impairment losses | 48 | – |
| Losses on retirements of non-current assets | 28 | 1 |
| Losses on valuation of investment securities | 113 | 33 |
| Other | 3 | – |
| Total extraordinary losses | 197 | 35 |
| Total profit before income taxes | 11,852 | 11,013 |
| Income taxes - current | 3,957 | 3,390 |
| Income taxes - deferred | 792 | 1,138 |
| Total income taxes | 4,749 | 4,528 |
| Profit | 7,102 | 6,484 |
| Profit (loss) attributable to non-controlling interests | 98 | (122) |
| Profit attributable to owners of parent | 7,003 | 6,607 |

Quarterly consolidated statement of comprehensive income

Consolidated cumulative third quarter

(Unit: Millions yen)

| | Nine months ended December 31, 2017 | Nine months ended December 31, 2018 |
|--|--|--|
| Profit | 7,102 | 6,484 |
| Other comprehensive income | | |
| Valuation differences on available-for-sale securities | 1,105 | (836) |
| Foreign currency translation adjustments | (46) | 1 |
| Remeasurements of defined benefit plans | 4 | 33 |
| Total other comprehensive income | 1,064 | (801) |
| Comprehensive income | 8,166 | 5,683 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 8,108 | 5,803 |
| Comprehensive income attributable to non-controlling interests | 58 | (119) |

(3) 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 and on November 27, 2018, the Company purchased 734,300 shares and 2,234,600 shares of treasury stock respectively. As a result, treasury stock increased by 12,999 million yen during the nine months ended December 31, 2018 to 13,447 million yen as of the end of the quarter.

(Segment information, etc.)

[Segment information]

I Nine months ended December 31, 2017(April 1 – December 31, 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 | 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:

- 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 ¥(161) million yen include intersegment elimination of ¥(5) million yen and corporate expenses not allocated to the reportable segments of ¥(107) million yen and unrealized income of ¥(47) million yen. 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 nine months ended December 31, 2017.

II Nine months ended December 31, 2018 (April 1 – December 31, 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 | 60,762 | 215,681 | 17,751 | 19,086 | 313,281 | 3,828 | 317,109 | - | 317,109 |
| (2) Intersegment sales or transfers | 1,466 | 894 | 139 | 1,404 | 3,903 | 190 | 4,094 | (4,094) | - |
| Subtotal | 62,228 | 216,575 | 17,890 | 20,490 | 317,185 | 4,018 | 321,203 | (4,094) | 317,109 |
| Segment profit | 4,329 | 3,112 | 1,310 | 1,551 | 10,303 | 352 | 10,656 | (159) | 10,496 |

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 ¥(159) million yen include intersegment elimination of ¥(65) million yen and corporate expenses not allocated to the reportable segments of ¥(96) million yen. 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 nine months ended December 31, 2018.

(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.