



Summary of Financial Statements
for First Quarter of Fiscal Year Ending March 31, 2022 [Japanese GAAP]
(Consolidated)

Aug 6, 2021

Name of listed company: SHIP HEALTHCARE HOLDINGS, INC.
Shares listed on: Tokyo Stock Exchange
Code: 3360 URL <https://www.shiphd.co.jp/en/>
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Scheduled date for filing quarterly report: August 12, 2021 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 first quarter of fiscal year ending March 31, 2022
(April 1, 2021 – June 30, 2021)

(1) Consolidated operating results

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%
Q1 FY ending March 2022	114,215	–	3,106	7.6	3,057	(0.2)	1,602	(2.5)
Q1 FY ended March 2021	105,455	(3.3)	2,887	(4.7)	3,064	(5.5)	1,643	(11.4)

Note: Comprehensive income: Q1 FY ending March 2022: ¥1,517 million ((54.6) %)
Q1 FY ended March 2021: ¥3,343 million (94.4 %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q1 FY ending March 2022	16.99	15.39
Q1 FY ended March 2021	17.35	15.73

Note: 1 Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020) have been applied from the beginning of the first quarter of the current consolidated accounting period, and each numerical value for the first quarter of the fiscal year ending March 2022 is the value after applying the relevant accounting standards. Due to the above reason, quarterly YoY rate of change in net sales is not stated.
2 The company executed a two-for-one common stock split, effective on April 1, 2021. “Net income per share” and “Diluted net income per share” are calculated as if the relevant stock split was executed at the beginning of the previous consolidated fiscal year ended March 31, 2020.

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Million yen)	(Million yen)	%
Q1 FY ending March 2022	314,395	112,834	34.8
FY ended March 2021	334,498	115,103	33.3

Reference: Equity: Q1 FY ending March 2022: ¥109,275 million; FY ended March 2021: ¥111,440 million

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2021	–	0.00	–	80.00	80.00
FY ending March 2022	–	–	–	–	–
FY ending March 2022 (forecast)	–	0.00	–	41.00	41.00

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

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. Annual dividends for the year ended March 31, 2021 are actual amounts paid prior to the relevant stock split. Forecasted annual dividends for the year ending March 31, 2022 are the amount after the relevant stock split.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022
(April 1, 2021 – March 31, 2022)

(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
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Yen)
Q2 (Cumulative)	225,000	–	6,500	(17.0)	6,500	(21.4)	3,800	(19.3)	40.28
Full-year	530,000	–	22,500	3.2	22,500	3.4	12,500	1.8	132.48

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

- Note: 1 Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020) have been applied from the beginning of the first quarter of the current consolidated accounting period, and each numerical value for the first quarter of the fiscal year ending March 2022 is the value after applying the relevant accounting standards. Due to the above reason, YoY and quarterly YoY rate of change in net sales are not stated.
- 2 The company executed a two-for-one common stock split, effective on April 1, 2021. “Net income per share” in the forecast of consolidated financial results for the fiscal year ending March 31, 2022 is calculated based on the number of shares outstanding after the relevant stock split.

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.: Yes
- (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 stocks)

(i) Number of shares issued and outstanding at the end of the period (including treasury stock)	Q1 FY ending March 2022	101,669,400 shares	FY ended March 2021	101,669,400 shares
(ii) Number of treasury stock at the end of the period	Q1 FY ending March 2022	7,319,084 shares	FY ended March 2021	7,319,054 shares
(iii) Average number of shares during the period (quarterly cumulative)	Q1 FY ending March 2022	94,350,323 shares	Q1 FY ended March 2021	94,722,596 shares

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. “Number of shares issued and outstanding at the end of the period”, “Number of treasury stock at the end of the period”, and “Average number of shares during the period” are calculated as if the relevant stock split was executed at the beginning of the previous consolidated fiscal year ended March 31, 2020.

* 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 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 guarantee 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

In the Japanese economy during the first quarter of the current consolidated cumulative period, economic and social activities have been continuously restricted due to the worldwide impact of the COVID-19 infection, and business recovery and future outlook remain uncertain.

Healthcare industry in which the Group operates, although the number of medical consultations and operations continued to decrease compared to the average year, it has improved compared to the same period last year. Medical institutions are increasing their efforts to secure beds to combat COVID-19, and related capital investment is also on the rise.

In the Group's performance under such conditions, sales of infection control equipment such as simplified negative pressure devices in manufacturers increased and performed firmly, however, the business overall in Total Pack Produce business performed slow due to the plan that more projects will be recorded in second half compared to usual. In Medical Supply business, although the impact of avoidance on medical consultations remains, sales of consumables recorded firmly due to the upward trend in the operation rate of medical institutions compared to last year. In addition, the industry's first automated logistic center "Osaka Solution Center", which manages all consumables inventories collectively with RFID, has started full-scale operation. Also, the occupancy rate of pay nursing homes remained high in Lifecare business, and Dispensing Pharmacy business performed steadily due to the progress of improvement in business efficiency.

For the first quarter of the current consolidated cumulative period, the various factors noted above resulted in net sales of 114,215 million yen (The cumulative consolidated period for the same quarter of the previous year: 105,455 million yen), operating profit of 3,106 million yen (up 7.6% YoY), ordinary profit of 3,057 million yen (down 0.2% YoY), and profit attributable to owners of parent of 1,602 million yen (down 2.5% YoY).

Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020) have been applied from the beginning of the first quarter of the current fiscal year. Due to the application, the explanation regarding business results does not include the YoY comparison (%) concerning net sales since the accounting method is different from the consolidated cumulative period for the first quarter of the previous fiscal year. For details, please refer to "2. Quarterly consolidated financial statements and notes thereto (3) Notes on consolidated financial statements (Changes in accounting policy) and (Segment information, etc.)".

Business results by segment are summarized below.

From the first quarter of the current fiscal year, the Company has changed the categorization of reportable segments, and the comparisons and analysis of the consolidated cumulative first quarter under review are based on the categorization after the change.

(i) Total Pack Produce business

In Total Pack Produce business, the sales of simplified negative pressure devices firmly recorded in manufacturers, and the number of patients in heavy ion therapy center was also increased. However, the business overall performed slow because the more projects scheduled to be completed in second half regarding the projects for hospital.

As a result, this segment recorded net sales of 16,827 million yen (The cumulative consolidated period for the same quarter of the previous year: 17,921 million yen) and segment profit (operating profit) of 870 million yen (down 11.7% YoY).

(ii) Medical Supply business

In Medical Supply business, although the impact of avoidance on medical consultations remains, sales of consumables recorded firmly compared to the previous year. Also, with the start of full-scale operation of the automated logistic center for consumables, "Osaka Solution Center", an efficient management and operation system has been prepared.

As a result, this segment recorded net sales of 84,322 million yen (The cumulative consolidated period for the same quarter of the previous year: 74,912 million yen) and segment profit (operating profit) of 1,062 million yen (up 20.3% YoY).

(iii) Lifecare business

In Lifecare business, occupancy rate maintained high due to the success in strict infection control measures, and the improvement of business efficiency progressed. Also, the food service performed as planned.

As a result, this segment recorded net sales of 6,161 million yen (The cumulative consolidated period for the same quarter of the previous year: 6,069 million yen) and segment profit (operating profit) of 587 million yen (up 1.2% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, the business performed firmly due to the improvement in avoidance on medical consultations compared to the same period of the previous year, and business efficiency has also improved.

As a result, this segment recorded net sales of 6,904 million yen (The cumulative consolidated period for the same quarter of the previous year: 6,551 million yen) and segment profit (operating profit) of 602 million yen (up 34.8% YoY)

(2) Analysis of Financial Position

Assets at the end of the consolidated first quarter under review stood at 314,395 million yen, down 20,102 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 23,721 million yen in notes, accounts receivable, and contract asset, despite increases of 1,523 million yen in merchandise and finished goods, and 1,133 million yen in buildings and structures.

Liabilities stood at 201,560 million yen, down 17,833 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 15,675 million yen in notes and accounts payable – trade, and 4,702 million yen in income taxes payable, despite increases of 3,046 million yen in electronically recorded obligations – operating.

Net assets were 112,834 million yen, down 2,268 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 3,774 million yen in retained earnings due to payment of dividends, despite increases of 1,602 million yen in retained earnings from profit attributable to owners of parent.

As a result of all these factors, at the end of the consolidated first quarter under review stood at 34.8%. (up 1.5% 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 fiscal year remain unchanged from the forecasts announced on May 11, 2021.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

	(Unit: Million yen)	
	Fiscal year ended March 31, 2021	Q1 Fiscal year ending March 31, 2022 (June 30, 2021)
Assets		
Current assets		
Cash and deposits	73,907	74,160
Notes and accounts receivable - trade	113,720	—
Notes, accounts receivable, and contract asset	—	89,998
Electronically recorded monetary claims – operating	4,080	4,618
Lease investment assets	3,349	3,319
Merchandise and finished goods	16,139	17,662
Work in process	1,893	2,247
Raw materials and supplies	691	997
Other	9,762	10,898
Allowance for doubtful accounts	(1,654)	(1,653)
Total current assets	221,890	202,249
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	19,461	20,595
Land	15,947	16,011
Real estate for rent, net	10,907	10,856
Other, net	11,624	10,824
Total property, plant, and equipment	57,941	58,286
Intangible assets		
Goodwill	9,604	9,277
Other	976	1,012
Total intangible assets	10,581	10,290
Investments and other assets		
Investment securities	26,125	26,260
Long-term loans receivable	7,655	7,564
Other	12,043	11,481
Allowance for doubtful accounts	(1,739)	(1,737)
Total investments and other assets	44,085	43,569
Total non-current assets	112,607	112,145
Total assets	334,498	314,395

(Unit: Million yen)

	Fiscal year ended March 31, 2021	Q1 Fiscal year ending March 31, 2022 (June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,209	86,533
Electronically recorded obligations - operating	21,481	24,528
Short-term loans payable	1,248	1,710
Income taxes payable	6,168	1,465
Provision for bonuses	2,508	2,542
Other	18,326	17,815
Total current liabilities	151,942	134,594
Non-current liabilities		
Bonds with share acquisition rights	25,066	25,060
Long-term loans payable	32,721	32,087
Net defined benefit liability	2,902	2,942
Asset retirement obligations	849	867
Other	5,912	6,008
Total non-current liabilities	67,451	66,966
Total liabilities	219,394	201,560
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,891	23,897
Retained earnings	83,565	81,394
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	107,483	105,318
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	3,923	3,934
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustments	68	59
Remeasurements of defined benefit plans	(35)	(37)
Total accumulated other comprehensive income	3,957	3,957
Non-controlling interests	3,663	3,558
Total net assets	115,103	112,834
Total liabilities and net assets	334,498	314,395

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

Quarterly consolidated statement of income

Consolidated cumulative first quarter

(Unit: Million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	105,455	114,215
Cost of sales	94,823	103,106
Gross profit	10,631	11,109
Sales, general, and administrative expenses	7,744	8,003
Operating profit	2,887	3,106
Non-operating profit		
Interest income	84	72
Dividend income	185	99
Equity gains of affiliated companies	34	7
Foreign exchange profit	70	—
Reversal of allowance for doubtful accounts	37	7
Other	101	75
Total non-operating profit	514	261
Non-operating expenses		
Interest expenses	90	61
Foreign exchange loss	—	205
Provision for doubtful accounts	6	—
Commission paid	194	19
Other	45	23
Total non-operating expenses	337	309
Ordinary profit	3,064	3,057
Extraordinary profit		
Gains on sales of non-current assets	0	0
Gains on sales of investment securities	—	1
Total extraordinary profit	0	1
Extraordinary losses		
Losses on step acquisitions	92	—
Losses on sales of non-current assets	—	0
Losses on retirement of non-current assets	18	0
Total extraordinary losses	111	0
Profit before income taxes	2,952	3,058
Income taxes - current	1,033	990
Income taxes - deferred	270	552
Total income taxes	1,303	1,543
Profit	1,649	1,515
Profit (losses) attributable to non-controlling interests	5	(87)
Profit attributable to owners of parent	1,643	1,602

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative first quarter

	(Unit: Million yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Net income	1,649	1,515
Other comprehensive income		
Valuation differences on available-for-sale securities	1,707	10
Foreign currency translation adjustments	(11)	(5)
Remeasurements of defined benefit plans	(1)	5
Share of other comprehensive income of entities accounted for using equity method	—	(8)
Total other comprehensive income	1,694	1
Comprehensive income	3,343	1,517
(Breakdown)		
Comprehensive income attributable to owners of parent	3,346	1,603
Comprehensive income attributable to non-controlling interests	(3)	(85)

(3) Notes on consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on marked changes to shareholders' equity)

Not applicable

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020; hereinafter, "Accounting Standard for Revenue Recognition") has been applied from the beginning of the first quarter of the current consolidated fiscal year. In accordance with the Accounting Standard for Revenue Recognition, when control of a promised goods and/or service is transferred to the customer, revenue will be recognized for the amount expected to be received in exchange for the good and/or service. As a result, for transactions for which our role in providing products to customers is an agent, mainly for revenues related to product sales in Medical Supply business, the Company has changed to a method of recognizing revenue with the net amount obtained by deducting the amount paid to the supplier of the product from the amount received from the customer although the Company previously recognized the total amount received from customers as revenue.

When applying the Accounting Standard for Revenue Recognition, the Company comply with the transitional treatment stipulated in the proviso of article 84 of the Standard. The cumulative impact of retroactively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added or subtracted to the retained earnings at the beginning of the first quarter of the current fiscal year and the new accounting policy is applied from the beginning balance.

As a result, net sales and cost of sales for the first quarter of the current consolidated cumulative period decreased by 1,617 million yen, respectively. However, there is no cumulative impact on net assets at the beginning of the first quarter of the current consolidated fiscal year, so there is no impact on the beginning balance of retained earnings for the first quarter of the current consolidated fiscal year. For the impact on segment information, please refer to "2. Quarterly consolidated financial statements and notes thereto (3) Notes on consolidated financial statements (Segment information, etc.)".

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable" recorded in "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year will be included in "Notes, accounts receivable, and contract asset" from the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment stipulated in article 89-2 of the Accounting Standard for Revenue Recognition, the previous consolidated fiscal year has not been reclassified using the new recording method.

(Application of accounting standards related to fair value measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter for the current consolidated fiscal year. In accordance with transitional treatment stipulated in the provision of paragraph 19 in Accounting Standards for Fair Value Measurement and article 44-2 in Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policy under Accounting Standards for Fair Value Measurement will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. Previous consolidated cumulative first quarter (April 1 – June 30, 2020)

1 Net sales and profit (loss) by reportable segments

(Unit: Million yen)

	Reportable segments					Adjustments*1	Amount recorded on consolidated financial statements*2
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Total		
Net sales							
(1) Sales to outside customers	17,921	74,912	6,069	6,551	105,455	—	105,455
(2) Intersegment sales or transfers	503	318	45	6,400	7,268	(7,268)	—
Subtotal	18,425	75,231	6,114	12,952	112,723	(7,268)	105,455
Segment profit	985	882	580	446	2,896	(8)	2,887

Notes:

- The figure of (8) million yen in adjustments to segment profit includes (21) million yen in cancellation of intersegment transactions and 13 million yen in companywide costs not allocated among reportable segments. These companywide costs consist mainly of parent company's operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.
- Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

2 Information on assets of each reportable segments

During the first quarter of the current consolidated cumulative period, the Company acquired the shares of STK Co., Ltd. and it is included in the scope of consolidation. The Company also acquired equity interests of Charm Care Corporation., and it is included in the scope the equity-method applied.

Due to the above acquisition, assets in "Lifecare business" segment increased by 9,859 million yen from the end of the previous consolidated fiscal year.

3 Information on impairment loss on non-current assets or goodwill, per reportable segments

(Significant impairment loss on non-current assets)

Not applicable

(Significant changes in the amount of goodwill)

During the first quarter of the current consolidated cumulative period, the Company acquired the shares of Okkar Thiri Co., Ltd. and Snow Everest Co., Ltd., and they are included in the scope of consolidation.

The increase in goodwill in "Total Pack Produce business" segment due to the above event is 3,013 million yen.

(Significant gain on negative goodwill)

Not applicable

II. Consolidated cumulative first quarter under review (April 1 – June 30, 2021)

1 Net sales and profit (loss) by reportable segments

(Unit: Million yen)

	Reportable segments					Adjustments*1	Amount recorded on consolidated financial statements*2
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Total		
Net sales							
(1) Sales to outside customers	16,827	84,332	6,161	6,904	114,215	—	114,215
(2) Intersegment sales or transfers	397	420	43	23	885	(885)	—
Subtotal	17,225	84,742	6,205	6,927	115,100	(885)	114,215
Segment profit	870	1,062	587	602	3,122	(16)	3,106

Notes:

- The figure of (16) million yen in adjustments to segment profit includes (18) million yen in cancellation of intersegment transactions and 7 million yen in companywide costs not allocated among reportable segments. These companywide costs consist mainly of parent company's operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.
- Segment profit is adjusted against the operating profit reported on the quarterly consolidated statement of income.

2 Notes on changes in reportable segments, etc.

From the first quarter of the current consolidated fiscal year, the Company has changed the categorization of the reportable segments including categorizing the businesses previously included in "Other" into "Total Pack Produce business" etc. according to the categorization change of the reportable segments. The all figures on the segment information for the previous consolidated cumulative first quarter are created according to the categorization after the change.

As described in the changes in accounting policy, the Accounting Standard for Revenue Recognition was applied from the beginning of the first quarter consolidated fiscal year, and the accounting method for revenue recognition was changed. The calculation method for profit and loss of the business segments is also changed due to the above change. As a result of this change, sales to outside customers in the "Medical Supply business" for the first quarter of the current consolidated cumulative period decreased by 1,617 million yen compared to the conventional method. Intersegment sales or transfers of "Dispensing Pharmacy business" for the first quarter of the current consolidated cumulative period also decreased by 7,731 million yen, while it has no effect on the amount recorded in the quarterly consolidated statement of income.

3 Information on impairment loss on non-current assets or goodwill, per reportable segments

During the first quarter of the current consolidated cumulative period, there was no recognition of significant impairment loss on non-current assets, significant fluctuations in the amount of goodwill, or significant gain on negative goodwill.