



Summary of Financial Statements
for Fiscal Year Ended March 31, 2021 [Japanese GAAP]
(Consolidated)

May 11, 2021

Name of listed company: SHIP HEALTHCARE HOLDINGS, INC.
Shares listed on: Tokyo Stock Exchange
Code: 3360 URL <https://www.shiphd.co.jp/>
Representative: (Title) Chairman and CEO (Name) Kunihisa Furukawa
Contact: (Title) Executive Director (Name) Hiroshi Yokoyama
Tel.: +81-6-6369-0130

Scheduled date for regular general meeting of shareholders: June 29, 2021

Scheduled start date for dividend payments: June 30, 2021

Scheduled date for filing securities report: June 29, 2021

Supplementary briefing materials on results: Y

Briefing on results: Y (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2021

(April 1, 2020 – March 31, 2021)

(1) Consolidated operating results

(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)	%
FY ended March 2021	497,156	2.6	21,800	16.0	21,761	9.2	12,280	4.0
FY ended March 2020	484,395	9.1	18,794	4.7	19,931	7.6	11,803	5.0

Note: Comprehensive income: FY ended March 2021: ¥14,442 million (35.8%)

FY ended March 2020: ¥10,638 million (8.8%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	(Yen)	(Yen)	%	%	%
FY ended March 2021	129.99	117.95	11.5	6.8	4.4
FY ended March 2020	124.02	112.62	12.0	6.6	3.9

Reference: Share of profit (loss) of entities accounted for using equity method: FY ended March 31, 2021: ¥(40) million;

FY ended March 31, 2020: ¥38 million

Note: 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	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2021	334,498	115,103	33.3	1,181.14
FY ended March 2020	308,873	104,681	33.0	1,073.35

Reference: Equity: FY ended March 2021: ¥111,440 millions yen; FY ended March 2020: ¥101,784 millions yen

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. “Net assets 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.

(3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at end of period
	(Millions yen)	(Millions yen)	(Millions yen)	(Millions yen)
FY ended March 2021	19,772	(19,289)	(10,465)	72,950
FY ended March 2020	24,010	(4,264)	(8,416)	82,810

2. Dividends

	Annual dividends					Total annual dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End Q1	End Q2	End Q3	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions yen)	%	%
FY ended March 2020	–	0.00	–	75.00	75.00	3,556	30.2	3.6
FY ended March 2021	–	0.00	–	80.00	80.00	3,774	30.8	3.5
FY ending March 2022 (projected)	–	0.00	–	41.00	41.00		30.9	

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. Annual dividends for the year ended March 31, 2020 and 2021 are actual amounts paid prior to the relevant stock split. Projected 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.)

	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)
Cumulative through second quarter	225,000	1.9	6,500	(17.0)	6,500	(21.4)	3,800	(19.3)	40.28
Full-year	53,000	6.6	22,500	3.2	22,500	3.4	12,500	1.8	132.48

Note: 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) 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: Yes
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(3) Number of shares issued and outstanding (common stocks)

(i) Number of shares issued and outstanding at the end of the period (including treasury stock)	FY ended March 2021	101,669,400 shares	FY ended March 2020	101,669,400 shares
(ii) Number of treasury stock at the end of the period	FY ended March 2021	7,319,054 shares	FY ended March 2020	6,841,254 shares
(iii) Average number of shares during the period	FY ended March 2021	94,470,499 shares	FY ended March 2020	95,175,182 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.

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal year ended March 31, 2021 (April 1, 2020–March 31, 2021)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%
FY ended March 2021	7,657	6.5	6,377	10.6	6,214	7.4	6,137	8.8
FY ended March 2020	7,191	2.1	5,764	(2.0)	5,785	(1.2)	5,642	(1.8)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY ended March 2021	64.97	58.87
FY ended March 2020	59.28	53.75

Note: 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) Non-consolidated financial condition

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2021	85,527	48,395	56.6	512.93
FY ended March 2020	80,388	45,638	56.8	481.28

Reference: Equity: FY ended March 31, 2021: ¥ 48,395 million; FY ended March 31, 2020: ¥45,638 million

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. “Net assets 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.

* This 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 at the time this document was prepared and certain assumptions considered reasonable. Actual results may differ significantly from forecasts due to various factors. For assumptions underlying forecasts of financial results, notes on use of forecasts of financial results, and other related information, please refer to “Future outlook” on page 4 of the Annexed Materials.
- The Company is a holding company and the bulk of its revenue consists of dividends received from subsidiaries and revenues from their operating costs. Detailed information on non-consolidated financial forecasts is omitted since information is not important for investment information and business indicators.

○ Index of attached materials

1. Qualitative information on quarterly results	2
(1) Description of business results	2
(2) Analysis of financial position	3
(3) Analysis of cash flows	3
(4) Future outlook	4
2. Basic approach in selecting accounting standards	4
3. Consolidated financial statements and notes thereto	5
(1) Consolidated balance sheet	5
(2) Consolidated statement of income and consolidated statement of comprehensive income	7
(3) Consolidated statements of changes in shareholders' equity	10
(4) Consolidated statement of cash flows	12
(5) Notes on consolidated financial statements	14
(Notes on the going concern assumption)	14
(Changes in accounting policy)	14
(Segment information, etc.)	14
(Per-share information)	19
(Important subsequent information)	20

1. Qualitative information on quarterly results

(1) Description of business results

In the Japanese economy during FY ended March 2021, economic and social activities have been severely restricted as the number of infected people remains high due to the expansion of the COVID-19 and its variants. Signs of business recovery remain uncertain due to the decrease in personal consumption and corporate profits.

Healthcare industry in which the Group operates, especially at the beginning of the fiscal year, the number of medical institutions whose profits declined due to the avoidance of medical consultations and a decrease in the number of operations increased. In order to meet the social demands for the treatment against COVID-19, they are required to make new capital investment such as securing personnel and preparation for the thorough measures against the infection even under the harsh business condition from above reasons, as a result, the environment in the industry continues to be in a difficult situation.

Under such economic conditions, the Group's performance generally recorded as planned thanks to the firm sales of infectious disease control products such as low-concentration ozone generators "Airmess" and original brand mask made in Japan, "SHIP mask", in addition to the increase of orders for the projects related to infectious disease control in Total Pack Produce business. Also, the occupancy rate remained high by taking thorough measures against the infectious disease in Lifecare business which operates pay nursing homes.

For FY ended March 2021, the various factors noted above resulted in net sales of 497,156 million yen (up 2.6% YoY), operating profit of 21,800 million yen (up 16.0% YoY), ordinary profit of 21,761 million yen (up 9.2% YoY), and profit attributable to owners of the parent of 12,280 million yen (up 4.0% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

In Total Pack Produce business, new initiatives such as the development and sale of infectious disease control products, temporary fever outpatients buildings, and simple negative-pressure ventilators have been successful although the conventional business performed poorly because there were more small-size projects than usual. There was some impact due to the deterioration of public security in Federal Republic of Myanmar, however, the business performed generally as planned.

As a result, this segment recorded net sales of 99,959 million yen (down 0.7% YoY) and segment profit (operating profit) of 9,634 million yen (up 0.1% YoY).

(ii) Medical Supply business

In Medical Supply business, although the business was affected by the impact from redemption price revision and the spread of COVID-19 at the beginning of the fiscal year which caused the avoidance of medical consultations and decrease in demand for medical materials, business performance remained steady by the efforts to strengthen sales of infectious disease control products, collaborate within the group, and improve in management efficiency. Also, the first automated logistic warehouse in the industry "Osaka Solution Center" has been completed.

As a result, this segment recorded net sales of 337,244 million yen (up 3.6% YoY) and segment profit (operating profit) of 6,715 million yen (up 33.4% YoY).

(iii) Lifecare business

In Lifecare business, occupancy rate maintained high along with the progress of management efficiency through nationwide integrated management and strict infectious disease control.

As a result, this segment recorded net sales of 24,571 million yen (up 2.7% YoY) and segment profit (operating profit) of 2,237 million yen (up 26.4% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, despite the impact of the drug price revision, business performance was firm due to improvements in management efficiency and the accumulation of small-size M&A.

As a result, this segment recorded net sales of 27,070 million yen (up 0.1% YoY) and segment profit (operating profit) of 2,884 million yen (up 8.4% YoY)

(v) Other

In Other business, business performance of the veterinary hospital, security support company, and comprehensive building management company progressed generally as planned.

As a result, this segment recorded net sales of 8,309 million yen (up 17.7% YoY) and segment profit (operating profit) of 591 million yen (up 31.5% YoY).

(2) Analysis of Financial Position

(i) Current assets

The balance of current assets at the end of this consolidated fiscal year stood at 221,890 million yen (vs. a balance of 210,499 million yen at the end of the previous consolidated fiscal year), an increase of 11,390 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 18,097 million yen in notes and accounts receivable – trade and 2,109 million yen in merchandise and finished goods, despite decrease of 4,998 million yen in securities and 4,810 million yen in cash and deposits.

(ii) Non-current assets

The balance of non-current assets at the end of this consolidated fiscal year stood at 112,607 million yen (vs. a balance of 98,373 million yen at the end of the previous consolidated fiscal year), an increase of 14,234 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 11,590 million yen in investment securities, 1,056 million yen in goodwill, and 938 million yen in guarantee deposits, despite decreases of 1,043 million yen in construction in progress.

(iii) Current liabilities

The balance of current liabilities at the end of this consolidated fiscal year stood at 151,942 million yen (vs. a balance of 133,115 million yen at the end of the previous consolidated fiscal year), an increase of 18,827 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 12,087 million yen in notes and accounts payable – trade, 1,883 million yen in electronically recorded obligations – operating, and 1,767 million yen in income taxes payable.

(iv) Non-current liabilities

The balance of non-current liabilities at the end of this consolidated fiscal year stood at 67,451 million yen (vs. a balance of 71,076 million yen at the end of the previous consolidated fiscal year), a decrease of 3,624 million yen since the end of the previous consolidated fiscal year.

Major reasons included increase of 732 million yen in deferred tax liabilities, despite decrease of 4,266 million yen in long-term loans payable.

(v) Net assets

The balance of net assets at the end of this consolidated fiscal year stood at 115,103 million yen (vs. a balance of 104,681 million yen at the end of the previous consolidated fiscal year), an increase of 10,422 million yen since the end of the previous consolidated fiscal year.

Major reasons included an increase 12,280 million yen in retained earnings from profit attributable to owners of parent and 1,904 million yen in valuation differences on available-for-sale securities, despite the acquisition of treasury stock of 1,078 million yen, and decreases of 3,556 million yen in retained earnings due to payment of dividends.

(3) Analysis of cash flows

The balance of cash and cash equivalents at the end of this consolidated fiscal year stood at 72,950 million yen, decrease 9,859 million yen from the balance of 82,810 million yen at the end of the previous consolidated fiscal year.

(i) Cash flow from operating activities

Cash flow provided from operating activities was 19,772 million yen (down 4,238 million yen compared to the previous consolidated fiscal year). Major contributing factors included the recording of 21,235 million yen in profit before income taxes, and increase of 11,598 million yen in notes and accounts payable - trade, and recording of 3,170 in depreciation and amortization, despite increase of 12,344 million yen in notes and accounts receivables – trade, and payment of 7,304 million yen in income taxes.

(ii) Cash flow from investing activities

Cash flow used in investing activities was 19,289 million yen (up 15,025 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 9,797 million yen on purchase of shares of subsidiaries and associates, 4,632 million yen on purchase of property, plant, and equipment, and 4,122 million yen on purchase of shares of subsidiaries resulting in change in scope of consolidation.

(iii) Cash flow from financing activities

Cash flow used in financing activities was 10,465 million yen (up 2,048 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 4,555 million yen on repayment of long-term loans payable and 3,556 million yen on dividends paid, decrease of 2,542 million yen in short-term loans payable, despite proceeds of 1,586 million yen from long-term loans payable.

Reference: Trends in cash flow indices

	FY ended March 2017	FY ended March 2018	FY ended March 2019	FY ended March 2020	FY ended March 2021
Equity capital ratio (%)	34.7	35.0	31.9	33.0	33.3
Mark-to-market equity capital ratio (%)	56.9	66.5	72.3	67.9	87.7
Years of debt redemption (years)	3.1	2.3	6.9	2.9	3.4
Interest coverage ratio (times)	53.3	80.6	40.9	89.4	61.1

* Equity capital ratio = equity capital/total assets

Mark-to-market equity capital ratio = total market capitalization/total assets

Years of debt redemption = interest-bearing debt/operating cash flows

Interest coverage ratio = operating cash flows/interest paid

Notes:

- All indices are calculated from consolidated-basis financial data.
- Total market capitalization is calculated by multiplying the closing stock price at the end of the fiscal year by total number of shares issued and outstanding (after subtracting treasury stock) as of the end of the fiscal year.
- Calculations of operating cash flows are based on cash flows from operating activities on the Consolidated Cash Flow Statement. Interest-bearing debt consists of all debt on the Consolidated Balance Sheet for which interest is paid. The amount of interest paid is based on interest paid as shown on the Consolidated Cash Flow Statement.

(4) Future outlook

As the baby boom generation ages and low birth rates continue, projections indicate Japan will continue to see restraints on remuneration for medical and nursing care costs, and reductions in their price. In addition, since the enactment of the Act for Securing Comprehensive Medical and Long-term Care in the Community, progress is being made to develop comprehensive community care systems through continuing reforms in the structure of providing medical care, with completion envisioned for 2025.

Given these conditions and drawing on advanced capabilities in providing comprehensive and optimal solutions in medical, healthcare, welfare, nursing care, and services, the Group will seek to contribute to society by meeting a wide range of needs based on the SHIP philosophy and Group mission to "Creating environments for medical professionals".

The business performance projected for the next fiscal year (FY ending March 2022) is summarized below.

<Projected consolidated results>

(Unit: Millions yen, %)

	FY ending March 2022 (projected)			FY ended March 2021 (actual)	
		Profit margin	YoY change		Profit margin
Net sales	530,000	–	6.6	497,156	–
Operating profit	22,500	4.2	3.2	21,800	4.4
Ordinary profit	22,500	4.2	3.4	21,761	4.4
Profit attributable to owners of patent	12,500	2.4	1.8	12,280	2.5

The projected amount of (year-end) dividends per share in FY ending March 2022 is 41 yen.

2. Basic approach in selecting accounting standards

To facilitate comparisons from period to period and between entities, the Group for the time being will continue to prepare its consolidated financial statements based on J-GAAP.

The Group will duly address the application of International Financial Reporting Standards (IFRS) after taking into account various circumstances both in Japan and abroad.

3. Consolidated financial statements and notes thereto

(1) Consolidated balance sheet

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Assets		
Current assets		
Cash and deposits	78,717	73,907
Notes and accounts receivable - trade	95,623	113,720
Electronically recorded monetary claims - operating	3,611	4,080
Lease investment assets	3,500	3,349
Merchandise and finished goods	14,029	16,139
Work in process	1,511	1,893
Raw materials and supplies	845	691
Short-term loans receivable	1,790	2,406
Other	10,941	7,356
Allowance for doubtful accounts	(71)	(1,654)
Total current assets	210,499	221,890
Non-current assets		
Property, plant, and equipment		
Buildings and structures	32,569	34,378
Accumulated depreciation	(14,035)	(14,917)
Buildings and structures, net	18,534	19,461
Machinery, equipment and vehicles	6,515	8,039
Accumulated depreciation	(2,108)	(2,704)
Machinery, equipment and vehicles, net	4,406	5,335
Land	16,100	15,947
Real estate for rent	14,703	14,599
Accumulated depreciation	(3,489)	(3,691)
Real estate for rent, net	11,213	10,907
Construction in progress	3,673	2,629
Other	11,511	12,863
Accumulated depreciation	(8,424)	(9,203)
Other, net	3,086	3,659
Total property, plant, and equipment	57,014	57,941
Intangible assets		
Goodwill	8,548	9,604
Other	972	976
Total intangible assets	9,520	10,581
Investments and other assets		
Investment securities	14,535	26,125
Long-term loans receivable	7,810	7,655
Net defined benefit asset	1,131	936
Deferred tax assets	3,435	3,443
Claims provable in bankruptcy, claims provable in rehabilitation and other	68	65
Guarantee deposits	5,571	6,509
Other	1,002	1,088
Allowance for doubtful accounts	(1,716)	(1,739)
Total investments and other assets	31,838	44,085
Total non-current assets	98,373	112,607
Total assets	308,873	334,498

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,121	102,209
Electronically recorded obligations - operating	19,598	21,481
Short-term loans payable	935	1,248
Current portion of long-term loans payable	4,555	5,926
Income taxes payable	4,400	6,168
Provision for bonuses	2,194	2,508
Other	11,308	12,400
Total current liabilities	133,115	151,942
Non-current liabilities		
Bonds with share acquisition rights	25,091	25,066
Long-term loans payable	36,987	32,721
Net defined benefit liability	2,873	2,902
Deferred tax liabilities	919	1,652
Asset retirement obligations	838	849
Other	4,365	4,260
Total non-current liabilities	71,076	67,451
Total liabilities	204,191	219,394
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,895	23,891
Retained earnings	74,841	83,565
Treasury stock	(14,447)	(15,526)
Total shareholders' equity	99,841	107,483
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	2,019	3,923
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustments	(152)	68
Remeasurements of defined benefit plans	75	(35)
Total accumulated other comprehensive income	1,942	3,957
Non-controlling interests	2,897	3,663
Total net assets	104,681	115,103
Total liabilities and net assets	308,873	334,498

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

Consolidated statement of income

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	484,395	497,156
Cost of sales	434,768	442,670
Gross profit	49,627	54,486
Sales, general, and administrative expenses		
Directors' compensation	1,418	1,507
Salaries and allowances	10,231	10,968
Bonuses	1,355	1,445
Retirement benefit expenses	448	431
Provision for bonus	963	1,147
Other	16,415	17,185
Total sales, general, and administrative expenses	30,832	32,685
Operating profit	18,794	21,800
Non-operating profit		
Interest income	391	313
Dividend income	288	281
Amortization of negative goodwill	116	—
Equity gains of affiliated companies	38	—
Reversal of allowance for doubtful accounts	380	—
Foreign exchange profit	—	119
Subsidy income	—	298
Other	287	416
Total non-operating profit	1,502	1,430
Non-operating expenses		
Interest expenses	268	325
Equity losses of affiliated companies	—	40
Foreign exchange loss	27	—
Provision for doubtful accounts	—	631
Commission paid	6	219
Other	63	251
Total non-operating expenses	365	1,468
Ordinary profit	19,931	21,761

Extraordinary profit		
Gains on sales of non-current assets	193	5
Gains on sales of investment securities	—	27
Other	0	2
Total extraordinary profit	194	35
Extraordinary losses		
Losses on step acquisitions	—	92
Losses on sales of non-current assets	4	6
Losses on retirement of non-current assets	14	148
Losses on valuation of investment securities	78	—
Impairment loss	152	271
Other	6	42
Total extraordinary losses	255	561
Profit before income taxes	19,870	21,235
Income taxes - current	7,962	8,975
Income taxes - deferred	79	(102)
Total income taxes	8,041	8,873
Profit	11,828	12,362
Profit attributable to non-controlling interests	25	82
Profit attributable to owners of parent	11,803	12,280

Consolidated statement of comprehensive income

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income	11,828	12,362
Other comprehensive income		
Valuation differences on available-for-sale securities	(1,059)	1,904
Foreign currency translation adjustments	(179)	285
Remeasurements of defined benefit plans	49	(107)
Share of other comprehensive income of entities accounted for using equity method	—	(2)
Total other comprehensive income	(1,190)	2,079
Comprehensive income	10,638	14,442
(Breakdown)		
Comprehensive income attributable to owners of parent	10,676	14,295
Comprehensive income attributable to non-controlling interests	(38)	146

(3) Consolidated statement of changes in shareholders' equity

Previous consolidated fiscal year (April 1, 2019–March 31, 2020)

(Unit: Millions yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	15,553	23,921	66,372	(13,447)	92,399
Changes of items during period					
Dividends of surplus			(3,334)		(3,334)
Profit attributable to owners of parent			11,803		11,803
Purchase of treasury stock				(1,000)	(1,000)
Change of scope of consolidation					—
Capital increases by consolidated subsidiaries		(26)			(26)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(26)	8,469	(1,000)	7,442
Balance at end of current period	15,553	23,895	74,841	(14,447)	99,841

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Differed gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,079	—	(84)	26	3,021	2,314	97,734
Changes of items during period							
Dividends of surplus							(3,334)
Profit attributable to owners of parent							11,803
Purchase of treasury stock							(1,000)
Change of scope of consolidation							—
Capital increases by consolidated subsidiaries							(26)
Net changes of items other than shareholders' equity	(1,059)	—	(68)	49	(1,078)	582	(495)
Total changes of items during period	(1,059)	—	(68)	49	(1,078)	582	6,946
Balance at end of current period	2,019	—	(152)	75	1,942	2,897	104,681

This consolidated fiscal year (April 1, 2020–March 31, 2021)

(Unit: Millions yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	15,553	23,895	74,841	(14,447)	99,841
Changes of items during period					
Dividends of surplus			(3,556)		(3,556)
Profit attributable to owners of parent			12,280		12,280
Purchase of treasury stock				(1,078)	(1,078)
Change of scope of consolidation		(4)			(4)
Capital increases by consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(4)	8,724	(1,078)	7,641
Balance at end of current period	15,553	23,891	83,565	(15,526)	107,483

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Differed gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,019	—	(152)	75	1,942	2,897	104,681
Changes of items during period							
Dividends of surplus							(3,556)
Profit attributable to owners of parent							12,280
Purchase of treasury stock							(1,078)
Change of scope of consolidation							(4)
Capital increases by consolidated subsidiaries							—
Net changes of items other than shareholders' equity	1,904	0	220	(110)	2,014	765	2,780
Total changes of items during period	1,904	0	220	(110)	2,014	765	10,422
Balance at end of current period	3,923	0	68	(35)	3,957	3,663	115,103

(4) Consolidated statement of cash flows

(Unit: Millions yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes	19,870	21,235
Depreciation and amortization	3,135	3,170
Impairment loss	152	271
Amortization of goodwill	1,718	1,957
Amortization of negative goodwill	(116)	—
Share of loss (profit) of entities accounted for using equity method [() represents profit]	(38)	40
Increase (decrease) in provision for bonuses [() represents decrease]	153	312
Increase (decrease) in allowance for doubtful accounts [() represents decrease]	(558)	1,498
Increase (decrease) in lease investment assets [() represents increase]	300	151
Increase (decrease) in net defined benefit liability [() represents decrease]	73	(36)
Loss (gain) on sales of property, plant and equipment [() represents profit]	(189)	1
Loss on retirement of property, plant and equipment	10	21
Loss on retirement of intangible assets	3	127
Loss (gain) on sale of investment securities [() represents profit]	—	(7)
Loss (gain) on valuation of investment securities [() represents profit]	78	—
Interest and dividend income	(680)	(595)
Interest expenses	268	325
Decrease (increase) in notes and accounts receivable – trade [() represents increase]	2,768	(12,344)
Decrease (increase) in inventories [() represents increase]	18	(1,679)
Increase (decrease) in notes and accounts payable – trade [() represents decrease]	3,092	11,598
Other	1,246	710
Subtotal	31,309	26,757
Interest and dividend income received	674	642
Interest expenses paid	(268)	(323)
Income taxes paid	(7,705)	(7,304)
Cash flows from operating activities	24,010	19,772

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Payments into time deposits	(219)	(218)
Proceeds from withdrawal of time deposits	172	167
Purchase of property, plant, and equipment	(3,544)	(4,632)
Proceeds from sales of property, plant, and equipment	479	499
Purchase of intangible assets	(268)	(378)
Payments of short-term loans receivable	(620)	(849)
Collection of short-term loans receivable	240	241
Payments of long-term loans receivable	(11)	(143)
Collection of long-term loans receivable	1,763	266
Purchase of investment securities	(1,375)	(408)
Proceeds from sales and redemption of investment securities	—	140
Purchase of shares of subsidiaries and associates	—	(9,797)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,003)	(4,122)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	117	—
Other	6	(54)
Cash flows from investing activities	(4,264)	(19,289)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable [() represents decrease]	(495)	(2,542)
Proceeds from long-term loans payable	1,871	1,586
Repayments of long-term loans payable	(5,871)	(4,555)
Purchase of treasury stock	(1,000)	(1,078)
Cash dividends paid	(3,334)	(3,556)
Dividends paid to non-controlling shareholders	(90)	(69)
Proceeds from share issuance to non-controlling shareholders	731	—
Repayments of lease obligations	(227)	(248)
Other	—	0
Cash flows from financing activities	(8,416)	(10,465)
Effect of exchange rate change on cash and cash equivalents	(13)	123
Increase (decrease) in cash and cash equivalents [() represents decrease]	11,316	(9,859)
Cash and cash equivalents at the beginning of the period	71,494	82,810
Cash and cash equivalents at the end of the period	82,810	72,950

(5) Notes on consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Changes in accounting policies)

(Change in conversion method of income and expenses of overseas subsidiaries, etc.)

Revenues and expenses of overseas subsidiaries, etc. were previously converted into yen at the spot exchange rate on the consolidated closing date. From the current consolidated fiscal year, we have changed to the method of converting to yen according to the average market price during the period.

As the importance of income and expenses of overseas subsidiaries has increased, this change was made in order to mitigate the impact of temporary fluctuations in exchange rates on period profits and losses and to more appropriately reflect the profits and losses of overseas subsidiaries, etc. that occur throughout the accounting period in the consolidated financial statements.

Since the impact of this change is minor, it is not applied retroactively.

(Segment information, etc.)

[Segment information]

1 Overview of reporting segments

The Company's reporting segments are Company components for which separate financial information is available and subject to periodic review by the Board of Directors in determining the allocation of management resources and evaluating business performance.

The Company classifies its business divisions by service. The Company formulates comprehensive strategies reflecting the nature of the activities of each business division and subsidiary and undertakes business activities based on these strategies.

Accordingly, the Company organizes its segments based on its business divisions. Its four reporting segments are the Total Pack Produce business, the Medical Supply business, the Life Care business, and the Dispensing Pharmacy business.

The Total Pack Produce segment engages in sales of medical devices and medical equipment based on bulk orders; consulting on topics including medicine, healthcare, welfare, and nursing care facilities; and leasing of real estate to medical facilities and other tenants. The Medical Supply segment engages in sales of medical examination and treatment materials and special treatment materials. The Life Care segment operates homes for senior citizens, group homes, and other facilities and nutritional services. The Dispensing Pharmacy segment operates dispensing pharmacies, among other business activities.

2 Methods for calculating net sales, profit (loss), assets, and other amounts by reporting segment

The accounting methods for reporting segments are same as those outlined under "Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements."

Reporting segment profit figures are based on operating profit. Intersegment revenues and transfers are based on market prices.

3 Net sales, profit (loss), assets, and other amounts by reporting segment

Previous consolidated fiscal year (April 1, 2019–March 31, 2020)

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on consolidated financial statements*3
	Total Pack Produce business	Medical Supply business	Life Care business	Dispensing Pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	100,688	325,664	23,929	27,050	477,332	7,062	484,395	—	484,395
(2) Intersegment sales or transfers	2,662	1,101	210	8,403	12,378	328	12,707	(12,707)	—
Subtotal	103,350	326,766	24,139	35,454	489,711	7,390	497,102	(12,707)	484,395
Segment profit	9,620	5,035	1,770	2,661	19,087	449	19,537	(742)	18,794
Segment assets	97,121	128,558	24,272	20,558	270,511	3,940	274,452	34,420	308,873
Other items									
Depreciation	1,584	473	641	268	2,968	57	3,025	110	3,135
Amortization of goodwill	106	626	401	517	1,653	65	1,718	—	1,718
Amortization of negative goodwill	116	—	—	—	116	—	116	—	116
Impairment loss	—	152	—	—	152	—	152	—	152
Investment in entities accounted for using equity method	339	—	—	—	339	—	339	—	339
Increase in property, plant and equipment, and intangible fixed assets	3,008	1,217	313	342	4,882	45	4,928	236	5,165

Notes:

- The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, security business, and comprehensive building management business.
- The amounts of the various adjustments are described below.
 - The figure of (742) million yen in adjustments to segment profit includes (85) million yen for the cancellation of intersegment transactions and (659) million yen for companywide costs not allocated to an individual reporting segment. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
 - The figure of 34,420 million yen in adjustments to segment assets includes (13,152) million yen for cancellation of intersegment transactions, and 47,690 million yen for companywide assets not allocated to an individual reporting segment. These companywide assets consist mainly of assets related to administrative sections not attributable to individual reporting segments.
 - The figure of 236 million yen in adjustments to increase in property, plant and equipment, and intangible fixed assets consists mainly of capital investment related to administrative sections not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the consolidated statement of income.

Consolidated fiscal year under review (April 1, 2020–March 31, 2021)

(Unit: Millions yen)

	Reporting segment					Other*1	Total	Adjustments *2	Amount recorded on consolidated financial statements*3
	Total Pack Produce business	Medical Supply business	Life Care business	Dispensing Pharmacy business	Subtotal				
Net sales									
(1) Sales to outside customers	99,959	337,244	24,571	27,070	488,847	8,309	497,156	—	497,156
(2) Intersegment sales or transfers	3,445	3,218	228	27,410	34,303	473	34,777	(34,777)	—
Subtotal	103,405	340,463	24,800	54,481	523,150	8,782	531,933	(34,777)	497,156
Segment profit	9,634	6,715	2,237	2,884	21,471	591	22,063	(263)	21,800
Segment assets	115,715	139,498	34,449	25,753	315,416	4,223	319,640	14,857	334,498
Other items									
Depreciation	1,557	564	622	283	3,028	65	3,093	76	3,170
Amortization of goodwill	413	532	401	538	1,886	70	1,957	—	1,957
Impairment loss	—	209	33	27	271	—	271	—	271
Investment in entities accounted for using equity method	393	—	9,621	—	10,015	—	10,015	—	10,015
Increase in property, plant and equipment, and intangible fixed assets	1,186	2,953	295	375	4,811	29	4,841	110	4,951

Notes:

- The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, security business, and comprehensive building management business.
- The amounts of the various adjustments are described below.
 - The figure of (263) million yen in adjustments to segment profit includes (77) million yen for the cancellation of intersegment transactions and (175) million yen for companywide costs not allocated to an individual reporting segment. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reporting segments.
 - The figure of 14,857 million yen in adjustments to segment assets includes (19,340) million yen for cancellation of intersegment transactions and 34,300 million yen for companywide assets not allocated to an individual reporting segment. These companywide assets consist mainly of assets related to administrative sections not attributable to individual reporting segments.
 - The figure of 110 million yen in adjustments to increase in property, plant and equipment, and intangible fixed assets consists mainly of capital investment related to administrative sections not attributable to individual reporting segments.
- Segment profit is adjusted against the operating profit reported on the consolidated statement of income.

[Related information]

Previous consolidated fiscal year (April 1, 2019–March 31, 2020)

1 Product and service-specific information

This information is reported under segment information and is therefore omitted here.

2 Region-specific information

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales on the Consolidated Statement of Income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the Consolidated Balance Sheet.

3 Information concerning key individual customers

Not applicable because sales to no single external customer account for 10% or more of net sales on the Consolidated Statement of Income.

This consolidated fiscal year (April 1, 2020–March 31, 2021)

1 Product and service-specific information

This information is reported under segment information and is therefore omitted here.

2 Region-specific information

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales on the Consolidated Statement of Income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the Consolidated Balance Sheet.

3 Information concerning key individual customers

Not applicable because sales to no single external customer account for 10% or more of net sales on the Consolidated Statement of Income.

[Information concerning impairment losses on fixed assets per reporting segment]

Previous consolidated fiscal year (April 1, 2019–March 31, 2020)

This information is reported under segment information and is therefore omitted here.

This consolidated fiscal year (April 1, 2020–March 31, 2021)

This information is reported under segment information and is therefore omitted here.

[Information concerning amounts of amortization of goodwill and remaining unamortized balances, per reporting segment]

Previous consolidated fiscal year (April 1, 2019–March 31, 2020)

(Unit: Millions yen)

	Reportable segment					Other	Companywide/ cancellation	Total
	Total Pack Produce business	Medical Supply business	Life Care business	Dispensing Pharmacy business	Subtotal			
(Goodwill) Ending balance	933	2,686	2,628	1,821	8,069	478	—	8,548
(Negative goodwill) Ending balance	—	—	—	—	—	—	—	—

Note: Amounts of amortization of goodwill and amortization of negative goodwill are omitted because similar information is reported under segment information.

This consolidated fiscal year (April 1, 2020–March 31, 2021)

(Unit: Millions yen)

	Reportable segment					Other	Companywide/ cancellation	Total
	Total Pack Produce business	Medical Supply business	Life Care business	Dispensing Pharmacy business	Subtotal			
(Goodwill) Ending balance	3,589	1,943	2,226	1,436	9,196	408	—	9,604

Note: Amounts of amortization of goodwill is omitted because similar information is reported under segment information.

[Information on gains on bargain purchases per reporting segment]

Previous consolidated fiscal year (April 1, 2019–March 31, 2020)

No important gains on bargain purchases occurred.

This consolidated fiscal year (April 1, 2020–March 31, 2021)

No important gains on bargain purchases occurred.

(Per-share information)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	(Yen)	(Yen)
Net assets per share	1073.35	1,181.14
Net income per share	124.02	129.99
Diluted net income per share	112.62	117.95

Notes:

- The company executed a two-for-one common stock split, effective on April 1, 2021. "Net assets per share", "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.
- "Net income per share" and "Diluted net income per share" are calculated based on the following information:

Account	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income per share		
Profit attributable to owners of parent (millions yen)	11,803	12,280
Amount not attributable to owners of common stock (millions yen)	—	—
Profit attributable to owners of parent related to common stock (millions yen)	11,803	12,280
Average shares of common stock during the period (shares)	95,175,182	94,470,499
Diluted net income per share		
Adjustment for profit attributable to owners of parent (millions yen)	(16)	(16)
[Interest income (after tax equivalent deduction) (millions yen)]	[(17)]	[(17)]
Increase in number of common stock (shares)	9,482,129	9,503,636
[Bonds with share acquisition rights included in above (shares)]	[(9,482,129)]	[(9,503,636)]
Description of potentially dilutive common shares not included in the computation of diluted earnings per share because of their anti-dilutive effect	—	—

- Net assets per share were calculated based on the following information:

Account	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Total net assets (millions yen)	104,681	115,103
Amount subtracted from total net assets (millions yen)	2,897	3,663
[Non-controlling interests included in above (millions yen)]	[(2,897)]	[(3,663)]
Ending balance of net assets related to common stock (millions yen)	101,784	111,440
Ending number of shares of common stock used in calculation of net assets per share (shares)	94,828,146	94,350,346

(Important subsequent information)

(Stock split)

Based on the resolution of the Board of Directors held on March 5, 2021, the Company split one common share into two shares on April 1, 2021.

(1) Purpose of stock split

The stock split aims to increase the liquidity of the shares by reducing the investment unit price for Ship Healthcare's share, to create an environment that makes it easier to invest, and further expand the investor base.

(2) Split method

Fixing on March 31, 2021 as the record date, Ship Healthcare split its ordinary shares owned by the shareholders recorded in the shareholder registry at the rate of two per one.

(3) Number of shares to increase due to stock split

① Total number of shares issued before stock split	50,834,700 shares
② Number of shares to increase due to stock split	50,834,700 shares
③ Total number of shares issued after stock split	101,669,400 shares
④ Total number of issuable shares after stock split	128,000,000 shares

(4) Effective date

April 1, 2021

(5) The impact on the information per share

The impact on the information per share is described in the relevant section.