



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

November 9, 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: November 12, 2021 Scheduled start date of dividend payments: –
Supplementary briefing materials on results: Yes
Briefing on quarterly results: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the second quarter of fiscal year ending March 31, 2022
(April 1, 2021 – September 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)	%
Q2 FY ending March 2022	234,663	–	7,593	(3.1)	7,378	(10.8)	4,118	(12.6)
Q2 FY ended March 2021	220,731	(8.9)	7,832	(22.3)	8,268	(24.8)	4,711	(29.6)

Note: Comprehensive income: Q2 FY ending March 2022: ¥3,670 million ((42.2) %)
Q2 FY ended March 2021: ¥6,352 million ((10.6) %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q2 FY ending March 2022	43.65	39.57
Q2 FY ended March 2021	49.82	45.19

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 second 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, 2021.

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Million yen)	(Million yen)	%
Q2 FY ending March 2022	308,496	114,938	36.1
FY ended March 2021	334,498	115,103	33.3

Reference: Equity: Q2 FY ending March 2022: ¥111,464 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	–	0.00	–	–	–
FY ending March 2022 (forecast)	–	–	–	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.)

	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)
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 fiscal year ending March 2022 is the value after applying the relevant accounting standards. Due to the above reason, 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)	Q2 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	Q2 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)	Q2 FY ending March 2022	94,350,320 shares	Q2 FY ended March 2021	94,573,488 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, 2021.

- * 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].

○ Index of attached materials

1. Qualitative information on quarterly results	2
(1) Description of business results.....	2
(2) Analysis of financial position.....	3
(3) Information on consolidated financial forecasts and other forward-looking statements	3
2. Quarterly consolidated financial statements and notes thereto	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	6
(3) Quarterly consolidated statement of cash flows	8
(4) Notes on quarterly consolidated financial statements	10
(Notes on the going concern assumption).....	10
(Notes on marked changes to shareholders' equity).....	10
(Changes in accounting policy)	10
(Segment information, etc.)	11

1. Qualitative information on quarterly results

(1) Description of business results

In the Japanese economy during the second quarter of the current consolidated cumulative period, state of emergency had been declared intermittently, and consumption movements weakened due to restrictions on economic activities and continued self-quarantine. Economy remains in a difficult situation and future outlook still remain uncertain.

Healthcare industry in which the Group operates, while the medical care system temporarily became overwhelmed than ever due to the fifth wave of the spread of COVID-19, the industry trend has recovered compared to the same period last year due to the rapid decrease in the number of newly infected people due to the progress of vaccination.

In the Group's performance under such conditions, the business performed poorly in Total Pack Produce business since the sizes of completed projects were smaller and the business plan is also particularly focused on the second half than usual. In Medical Supply business, demand for medical materials recovered due to improvements in the occupancy rate of medical institutions and the number of surgical cases compared to the same period last year. This recovery of demand allowed the business to perform firmly. 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. In Lifecare business, occupancy rate has maintained high in the pay nursing homes, and the dispensing pharmacy business also performed steadily due to M&A of small-sized stores.

For the second quarter of the current consolidated cumulative period, the various factors noted above resulted in net sales of 234,663 million yen (The cumulative consolidated period for the same quarter of the previous year: 220,731 million yen), operating profit of 7,593 million yen (down 3.1% YoY), ordinary profit of 7,378 million yen (down 10.8% YoY), and profit attributable to owners of parent of 4,118 million yen (down 12.6% 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 second quarter of the previous fiscal year. For details, please refer to "2. Quarterly consolidated financial statements and notes thereto (4) 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 second 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 and the renovation works of air conditioning system were favorable in manufacturing companies, however, the business performance was weak overall because the plan of completion of many projects are placed in the second half, and the political changes and spread of COVID-19 in Myanmar subsidiary influenced the performance. On the other hand, we have been newly undertaken various services for infectious control, including the maintenance and operation of the Osaka Corona Large-Scale Medical and Medical Care Center.

As a result, this segment recorded net sales of 34,705 million yen (The cumulative consolidated period for the same quarter of the previous year: 39,234 million yen) and segment profit (operating profit) of 2,224 million yen (down 26.6% YoY).

(ii) Medical Supply business

In Medical Supply business, the business performance was firm compared to the same period last year since the demand for medical materials recovered due to improvements in the occupancy rate of medical institutions and the number of surgical cases. Also, an efficient management and operation system has been prepared with the start of full-scale operation of "Osaka Solution Center" which is the automated logistic center for medical consumables.

As a result, this segment recorded net sales of 173,368 million yen (The cumulative consolidated period for the same quarter of the previous year: 156,029 million yen) and segment profit (operating profit) of 2,646 million yen (up 11.4% YoY).

(iii) Lifecare business

In Lifecare business, the business performed favorable with high occupancy rate due to the success in strict infection control measures, etc.

As a result, this segment recorded net sales of 12,504 million yen (The cumulative consolidated period for the same quarter of the previous year: 12,262 million yen) and segment profit (operating profit) of 1,240 million yen (up 8.9% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, the business performance was firm due to the improvement in avoidance on medical consultations compared to the same period last year. Furthermore, newly developed stores and M&A of small-sized stores contributed to the performance.

As a result, this segment recorded net sales of 14,084 million yen (The cumulative consolidated period for the same quarter of the previous year: 13,205 million yen) and segment profit (operating profit) of 1,547 million yen (up 19.0% YoY)

(2) Analysis of Financial Position

(i) Assets, liabilities, and net assets

Assets at the end of the consolidated second quarter under review stood at 308,496 million yen, down 26,002 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 21,628 million yen in notes, accounts receivable, and contract asset, and 4,965 million yen in cash and deposits despite increases of 1,416 million yen in merchandise and finished goods, and 965 million yen in buildings and structures.

Liabilities stood at 193,557 million yen, down 25,837 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 17,258 million yen in notes and accounts payable – trade, and 3,161 million yen in income taxes payable, and 2,274 million yen in electronically recorded obligations - operating despite increases of 809 million yen in short-term loans payable.

Net assets were 114,938 million yen, down 164 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, 369 million yen in valuation differences on available-for-sale securities despite increases of 4,118 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 second quarter under review stood at 36.1%. (up 2.8% from the end of the previous consolidated fiscal year)

(ii) Cash flow

Net cash provided by operating activities during the consolidated cumulative second quarter under review totaled 2,531 million yen (up 695 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include decrease of 21,917 million yen in notes and accounts receivable – trade, and record of 7,376 million yen in profit before income taxes despite decrease 19,547 million yen in notes and accounts payable – trade, and payment of 6,098 million yen for income taxes.

Net cash used in investing activities totaled 2,187 million yen (down 13,966 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include expense of 1,660 million yen for purchase of property, plant, and equipment.

Net cash used in financing activities totaled 5,310 million yen (up 802 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include payment of 3,774 million yen for dividend paid, and expense of 2,235 million yen for repayments of long-term loans payable.

As the result of the above factors, the balance of cash and cash equivalents at the end of the consolidated cumulative second quarter under review stood at 67,949 million yen, down 5,001 million yen 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	Q2 Fiscal year ending March 31, 2022 (Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	73,907	68,942
Notes and accounts receivable - trade	113,720	—
Notes, accounts receivable, and contract asset	—	92,091
Electronically recorded monetary claims – operating	4,080	3,873
Lease investment assets	3,349	3,266
Merchandise and finished goods	16,139	17,556
Work in process	1,893	2,677
Raw materials and supplies	691	952
Other	9,762	10,234
Allowance for doubtful accounts	(1,654)	(1,712)
Total current assets	221,890	197,881
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	19,461	20,426
Land	15,947	16,031
Real estate for rent, net	10,907	10,930
Other, net	11,624	10,678
Total property, plant, and equipment	57,941	58,066
Intangible assets		
Goodwill	9,604	8,922
Other	976	1,019
Total intangible assets	10,581	9,941
Investments and other assets		
Investment securities	26,125	25,733
Long-term loans receivable	7,655	7,478
Other	12,043	11,127
Allowance for doubtful accounts	(1,739)	(1,732)
Total investments and other assets	44,085	42,606
Total non-current assets	112,607	110,614
Total assets	334,498	308,496

(Unit: Million yen)

	Fiscal year ended March 31, 2021	Q2 Fiscal year ending March 31, 2022 (Sep. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,209	84,950
Electronically recorded obligations - operating	21,481	19,207
Short-term loans payable	1,248	2,057
Income taxes payable	6,168	3,006
Provision for bonuses	2,508	2,289
Other	18,326	15,966
Total current liabilities	151,942	127,477
Non-current liabilities		
Bonds with share acquisition rights	25,066	25,054
Long-term loans payable	32,721	31,280
Net defined benefit liability	2,902	2,949
Asset retirement obligations	849	869
Other	5,912	5,926
Total non-current liabilities	67,451	66,079
Total liabilities	219,394	193,557
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,891	23,900
Retained earnings	83,565	83,910
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	107,483	107,837
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	3,923	3,554
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustments	68	102
Remeasurements of defined benefit plans	(35)	(30)
Total accumulated other comprehensive income	3,957	3,626
Non-controlling interests	3,663	3,474
Total net assets	115,103	114,938
Total liabilities and net assets	334,498	308,496

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

Quarterly consolidated statement of income

Consolidated cumulative second quarter

(Unit: Million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	220,731	234,663
Cost of sales	197,475	211,039
Gross profit	23,256	23,623
Sales, general, and administrative expenses	15,423	16,030
Operating profit	7,832	7,593
Non-operating profit		
Interest income	163	142
Dividend income	189	103
Equity gains of affiliated companies	—	90
Foreign exchange profit	208	—
Reversal of allowance for doubtful accounts	64	7
Other	277	155
Total non-operating profit	902	498
Non-operating expenses		
Interest expenses	175	142
Equity losses of affiliated companies	7	—
Foreign exchange loss	—	511
Commission paid	201	29
Other	81	30
Total non-operating expenses	466	714
Ordinary profit	8,268	7,378
Extraordinary profit		
Gains on sales of non-current assets	4	1
Gains on sales of investment securities	—	1
Total extraordinary profit	4	2
Extraordinary losses		
Losses on step acquisitions	92	—
Losses on sales of non-current assets	—	1
Impairment losses	61	—
Losses on retirement of non-current assets	19	2
Other	0	—
Total extraordinary losses	175	3
Profit before income taxes	8,098	7,376
Income taxes - current	3,118	2,777
Income taxes - deferred	224	606
Total income taxes	3,342	3,383
Profit	4,755	3,993
Profit (losses) attributable to non-controlling interests	43	(124)
Profit attributable to owners of parent	4,711	4,118

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative second quarter

	(Unit: Million yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net income	4,755	3,993
Other comprehensive income		
Valuation differences on available-for-sale securities	1,775	(369)
Foreign currency translation adjustments	(174)	41
Remeasurements of defined benefit plans	0	10
Share of other comprehensive income of entities accounted for using equity method	(4)	(5)
Total other comprehensive income	1,597	(323)
Comprehensive income	6,352	3,670
(Breakdown)		
Comprehensive income attributable to owners of parent	6,373	3,788
Comprehensive income attributable to non-controlling interests	(20)	(118)

(3) Quarterly consolidated statement of cash flows

(Unit: Million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	8,098	7,376
Depreciation and amortization	1,494	1,738
Impairment loss	61	—
Amortization of goodwill	1,012	934
Share of loss (profit) of entities accounted for using equity method	7	(90)
Increase (decrease) in provision for bonuses	(21)	(232)
Increase (decrease) in allowance for doubtful accounts	(63)	50
Increase (decrease) in net defined benefit liability	40	58
Interest and dividend income	(352)	(245)
Interest expenses	175	142
Decrease (increase) in notes and accounts receivable – trade	15,541	21,917
Decrease (increase) in inventories	(3,250)	(2,446)
Increase (decrease) in notes and accounts payable – trade	(16,300)	(19,547)
Decrease (increase) in lease investment assets	67	82
Other	(420)	(1,321)
Subtotal	6,089	8,417
Interest and dividend income received	410	356
Interest expenses paid	(175)	(144)
Income taxes paid	(4,489)	(6,098)
Net cash provided by operating activities	1,835	2,531
Cash flows from investing activities		
Payments into time deposits	(121)	(92)
Proceeds from withdrawal of time deposits	107	86
Purchase of property, plant, and equipment	(1,858)	(1,660)
Proceeds from sales of property, plant, and equipment	37	22
Purchase of intangible assets	(135)	(158)
Payments of short-term loans receivable	(249)	(200)
Collection of long-term loans receivable	140	136
Purchase of investment securities	(207)	(7)
Purchase of shares of subsidiaries and associates	(9,793)	(121)
Proceeds from shares of subsidiaries resulting in change in scope of consolidation	—	24
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,069)	(117)
Other	(3)	(99)
Net cash used in investing activities	(16,154)	(2,187)

(Unit: Million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Increase (decrease) in short-term loans-net	1,062	627
Proceeds from long-term loans payable	1,586	262
Repayments of long-term loans payable	(2,330)	(2,235)
Purchase of treasury stock	(1,078)	0
Cash dividends paid	(3,556)	(3,774)
Cash dividends paid to non-controlling interests	(69)	(16)
Repayments of lease obligations	(122)	(125)
Other	0	(48)
Net cash used in financing activities	(4,508)	(5,310)
Effect of exchange rate change on cash and cash equivalents	94	(41)
Net increase (decrease) in cash and cash equivalents	(18,733)	(5,009)
Cash and cash equivalents at the beginning of the period	82,810	72,950
Increase in cash and cash equivalents from newly consolidated subsidiary	—	8
Cash and cash equivalents at the end of the period	64,076	67,949

(4) 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 second quarter of the current consolidated cumulative period decreased by 2,517 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 (4) Notes on quarterly 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 second quarter (April 1 – September 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	39,234	156,029	12,262	13,205	220,731	—	220,731
(2) Intersegment sales or transfers	1,135	912	113	12,837	14,998	(14,998)	—
Subtotal	40,370	156,941	12,375	26,042	235,730	(14,998)	220,731
Segment profit	3,031	2,375	1,139	1,299	7,846	(13)	7,832

Notes:

- The figure of (13) million yen in adjustments to segment profit includes (25) million yen in cancellation of intersegment transactions and 15 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 second 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 second 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 second quarter under review (April 1 – September 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	34,705	173,368	12,504	14,084	234,663	—	234,663
(2) Intersegment sales or transfers	864	696	90	45	1,696	(1,696)	—
Subtotal	35,570	174,064	12,594	14,129	236,359	(1,696)	234,663
Segment profit	2,224	2,646	1,240	1,547	7,658	(64)	7,593

Notes:

- The figure of (64) million yen in adjustments to segment profit includes (36) million yen in cancellation of intersegment transactions and (21) 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 second 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 second quarter of the current consolidated cumulative period decreased by 2,517 million yen compared to the conventional method. Intersegment sales or transfers of "Dispensing Pharmacy business" for the second quarter of the current consolidated cumulative period also decreased by 15,139 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 second 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.