



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

February 8, 2022

Name of listed company: SHIP HEALTHCARE HOLDINGS, INC.
Shares listed on: Tokyo Stock Exchange
Code: 3360 URL <https://www.shiphd.co.jp/en/>
Representative: (Title) President (Name) Futoshi Ohashi
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Scheduled date for filing quarterly report: February 10, 2022 Scheduled start date of dividend payments: –

Supplementary briefing materials on results: None

Briefing on quarterly results: None

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

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2022

(April 1 – December 31, 2021)

(1) Consolidated operating results (cumulative)

(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)	%
Q3 FY ending March 2022	363,154	—	12,359	(14.6)	12,374	(16.8)	6,983	(20.9)
Q3 FY ended March 2021	349,357	(2.4)	14,476	6.8	14,874	1.7	8,831	(0.6)

Note: Comprehensive income: Q3 FY ending March 2022: ¥ 5,653 million ((46.9) %)

Q3 FY ended March 2021: ¥10,638 million (8.5 %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q3 FY ending March 2022	74.01	67.10
Q3 FY ended March 2021	93.45	84.79

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 third 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)	%
Q3 FY ending March 2022	320,655	116,911	35.4
FY ended March 2021	334,498	115,103	33.3

Reference: Equity: Q3 FY ending March 2022: ¥113,355 Million yen; FY ended March 2021: ¥111,440 Million yen

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

Notes: 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 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 third 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.

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 shares)

(i) Number of shares issued and outstanding at the end of the period (including treasury stock)	Q3 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	Q3 FY ending March 2022	7,319,116 shares	FY ended March 2021	7,319,054 shares
(iii) Average number of shares during the period (quarterly cumulative total)	Q3 FY ending March 2022	94,350,312 shares	Q3 FY ended March 2021	94,506,546 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 a 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

The Japanese economy during Q3 FY ending March 2022, momentum for recovery of economic activities had increased as the declaration of emergency and pre-emergency measures, which had been applied intermittently mainly in major cities, were lifted at the end of September thanks to the increase of COVID-19 vaccination coverage. On the other hand, the future of the economy remains uncertain due to the emergence of new highly infectious variant of coronavirus, a shortage of raw materials such as semiconductor and crude oil, as well as disruption and break of the global supply chain.

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 increase of vaccination coverage. However, due to the emergence of new highly infectious variant of coronavirus, there is still a need to strengthen the healthcare provide system in preparation for the sixth wave of the rapid spread of COVID-19 in Japan.

Under such conditions, the Group's business performance declined due to more small-sized projects in Total Pack Produce business than in previous years, difficulties in procuring electronic components and plastic vinyl products for manufacturers that we had to temporarily postpone new contracts, and the impact of a reactionary decline in demand for infection control products in common with the Medical Supply business.

For Q3 FY ending March 2022, the various factors noted above resulted in net sales of 363,154 million yen (Cumulative consolidated period for the same quarter of the previous year was 349,357 million yen), operating profit of 12,359 million yen (down 14.6% YoY), ordinary profit of 12,374 million yen (down 16.8% YoY), and profit attributable to owners of the parent of 6,983 million yen (down 20.9% 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.

The classification of the reportable segments has been changed from the first quarter consolidated accounting period, and the comparison and analysis of the current third quarter consolidated cumulative period are based on the new classification.

(i) Total Pack Produce business

In Total Pack Produce business, business performance declined due to more small-sized projects than in previous years, order adjustments due to difficulties in procuring electronic components, reactionary decline in demand for infection control products subject to COVID-19 control subsidies, and military coup, COVID-19 pandemic, and financial regulations on Myanmar subsidiary. Alternatively, we were newly commissioned to provide a variety of service businesses for countermeasures against COVID-19, including the development and operation of the Osaka Corona Large-Scale Medical and Medical Care Center.

As a result, this segment recorded net sales of 55,864 million yen (Cumulative consolidated period for the same quarter of the previous year was 64,056 million yen) and segment profit (operating profit) of 4,049 million yen (down 33.4% YoY).

(ii) Medical Supply business

In Medical Supply business, the business performance was declined due to the reactionary decline in demand for infection control products, despite the demand for medical materials recovered due to increase of the occupancy rate in medical institutions and the number of surgical cases compare to the same period last year. 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 266,757 million yen (Cumulative consolidated period for the same quarter of the previous year was 246,656 million yen) and segment profit (operating profit) of 4,187 million yen (down 10.5% YoY).

(iii) Lifecare business

In Lifecare business, business performance was firm due to the continued high occupancy rate, thanks to the use of our detailed information sharing system, which connects residents and their families via the Internet.

As a result, this segment recorded net sales of 18,887 million yen (Cumulative consolidated period for the same quarter of the previous year was 18,476 million yen) and segment profit (operating profit) of 1,825 million yen (up 7.1% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, the number of consultations has been on a recovery trend compared to last year, and new store openings and small M&A contributed to the solid business performance although there was some influence due to the public drug price revision.

As a result, this segment recorded net sales of 21,644 million yen (Cumulative consolidated period for the same quarter of the previous year was 20,167 million yen) and segment profit (operating profit) of 2,443 million yen (up 19.3% YoY)

(2) Analysis of Financial Position

Assets on December 31, 2021 stood at 320,655 million yen, down 13,842 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease included increases of 3,637 million yen in merchandise and finished goods, despite decrease of 15,428 million yen in notes, accounts receivable, and contract asset and 1,856 million yen in cash and deposits.

Liabilities stood at 203,744 million yen, down 15,649 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease included increase of 2,134 million yen in electronically recorded obligations - operating, despite decrease of 8,570 million yen in notes and accounts payable - trade, 4,678 million yen in income taxes payable, and 2,388 million yen in long-term loans payable.

Net assets stood at 116,911 million yen, up 1,807 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included decreases of 3,774 million yen in retained earnings due to payment of dividends and 1,575 million yen in valuation differences on available-for-sale securities, despite increase of 6,983 million yen in retained earnings from profit attributable to owners of parent.

Due to these factors, the equity capital ratio on December 31, 2021 stood at 35.4% (up 2.1 points from the end of the previous consolidated fiscal year).

(3) Information on consolidated financial forecasts and other forward-looking statements

In general, business performance matched financial forecasts made at the start of the period. The consolidated financial forecasts for the full fiscal year remain unchanged from the forecasts announced on May 11, 2021.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Million yen)

	Fiscal year ended March 31, 2021	Q3 Fiscal year ending March 31, 2022 (Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	73,907	72,051
Notes and accounts receivable - trade	113,720	—
Notes, accounts receivable, and contract asset	—	98,292
Electronically recorded monetary claims – operating	4,080	4,553
Lease investment assets	3,349	3,589
Merchandise and finished goods	16,139	19,777
Work in process	1,893	3,014
Raw materials and supplies	691	1,021
Other	9,762	10,974
Allowance for doubtful accounts	(1,654)	(1,097)
Total current assets	221,890	212,175
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	19,461	20,246
Land	15,947	16,129
Real estate for rent, net	10,907	10,878
Other, net	11,624	10,540
Total property, plant, and equipment	57,941	57,794
Intangible assets		
Goodwill	9,604	8,521
Other	976	976
Total intangible assets	10,581	9,498
Investments and other assets		
Investment securities	26,125	24,539
Long-term loans receivable	7,655	7,446
Other	12,043	10,975
Allowance for doubtful accounts	(1,739)	(1,773)
Total investments and other assets	44,085	41,187
Total non-current assets	112,607	108,480
Total assets	334,498	320,655

(Unit: Million yen)

	Fiscal year ended March 31, 2021	Q3 Fiscal year ending March 31, 2022 (Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,209	93,639
Electronically recorded obligations - operating	21,481	23,616
Short-term loans payable	1,248	2,146
Income taxes payable	6,168	1,490
Provision for bonuses	2,508	1,160
Other	18,326	16,198
Total current liabilities	151,942	138,250
Non-current liabilities		
Bonds with share acquisition rights	25,066	25,047
Long-term loans payable	32,721	30,333
Net defined benefit liability	2,902	2,990
Asset retirement obligations	849	870
Other	5,912	6,250
Total non-current liabilities	67,451	65,493
Total liabilities	219,394	203,744
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,891	23,908
Retained earnings	83,565	86,775
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	107,483	110,710
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	3,923	2,348
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustments	68	320
Remeasurements of defined benefit plans	(35)	(24)
Total accumulated other comprehensive income	3,957	2,645
Non-controlling interests	3,663	3,555
Total net assets	115,103	116,911
Total liabilities and net assets	334,498	320,655

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
 Quarterly consolidated statement of income
 Consolidated cumulative third quarter

	(Unit: Million yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	349,357	363,154
Cost of sales	311,640	326,745
Gross profit	37,717	36,408
Sales, general, and administrative expenses	23,241	24,049
Operating profit	14,476	12,359
Non-operating profit		
Interest income	242	212
Dividend income	232	153
Share of profit of entities accounted for using equity method	—	74
Foreign exchange gains	110	—
Subsidy income	235	—
Reversal of allowance for doubtful accounts	1	2
Other	299	266
Total non-operating profit	1,122	708
Non-operating expenses		
Interest expenses	251	214
Share of loss of entities accounted for using equity method	17	—
Foreign exchange losses	—	367
Commission paid	212	36
Other	242	74
Total non-operating expenses	724	693
Ordinary profit	14,874	12,374
Extraordinary profit		
Gains on sales of non-current assets	4	1
Gains on sales of investment securities	27	1
Other	2	—
Total extraordinary profit	35	3
Extraordinary losses		
Losses on step acquisitions	92	—
Losses on sales of non-current assets	6	1
Impairment loss	61	—
Losses on retirement of non-current assets	20	3
Losses on sales of investment securities	19	—
Other	22	—
Total extraordinary losses	223	5
Profit before income taxes	14,686	12,372
Income taxes - current	5,114	4,072
Income taxes - deferred	720	1,410
Total income taxes	5,834	5,483
Net income	8,851	6,889
Profit attributable to non-controlling interests or (losses)	19	(94)
Profit attributable to owners of parent	8,831	6,983

Quarterly consolidated statement of comprehensive income

Consolidated cumulative third quarter

(Unit: Million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net income	8,851	6,889
Other comprehensive income		
Valuation differences on available-for-sale securities	2,199	(1,575)
Foreign currency translation adjustments	(410)	323
Remeasurements of defined benefit plans	1	16
Share of other comprehensive income of entities accounted for using equity method	(3)	0
Total other comprehensive income	1,787	(1,235)
Comprehensive income	10,638	5,653
(Breakdown)		
Comprehensive income attributable to owners of parent	10,735	5,671
Comprehensive income attributable to non-controlling interests	(97)	(7)

(3) Notes on quarterly 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 third quarter of the current consolidated cumulative period decreased by 3,782 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 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 third quarter (April 1 – December 31, 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	64,056	246,656	18,476	20,167	349,357	—	349,357
(2) Intersegment sales or transfers	1,928	2,038	180	20,542	24,690	(24,690)	—
Subtotal	65,985	248,695	18,657	40,710	374,048	(24,690)	349,357
Segment profit	6,083	4,677	1,703	2,047	14,511	(35)	14,476

Notes:

- The figure of (35) million yen in adjustments to segment profit includes (60) million yen in cancellation of intersegment transactions and 34 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 third 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 third quarter of the 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 Previous consolidated cumulative third quarter (April 1 – December 31, 2021)

1 Net sales and profit (loss) by reportable segment

(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	55,864	266,757	18,887	21,644	363,154	—	363,154
(2) Intersegment sales or transfers	1,318	967	135	80	2,502	(2,502)	—
Subtotal	57,182	267,725	19,023	21,724	365,656	(2,502)	363,154
Segment profit	4,049	4,187	1,825	2,443	12,504	(145)	12,359

Notes:

- The figure of (145) million yen in adjustments to segment profit includes (54) million yen in cancellation of intersegment transactions and (87) 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 change in reportable segments

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 third 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 third quarter of the current consolidated cumulative period decreased by 3,782 million yen compared to the conventional method. Intersegment sales or transfers of "Dispensing Pharmacy business" for the third quarter of the current consolidated cumulative period also decreased by 23,067 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 third 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