



Summary of Financial Statements
for Fiscal Year Ended March 31, 2020 [Japanese GAAP]
(Consolidated)

May 12, 2020

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 26, 2020

Scheduled start date for dividend payments: June 29, 2020

Scheduled date for filing securities report: June 26, 2020

Supplementary briefing materials on results: Y

Briefing on results: N

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

1. Consolidated financial results for the fiscal year ending March 31, 2020
(April 1, 2019–March 31, 2020)

(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 2020	484,395	9.1	18,794	4.7	19,931	7.6	11,803	5.0
FY ended March 2019	444,048	4.3	17,952	(1.7)	18,532	(2.1)	11,236	8.6

Note: Comprehensive income: FY ended March 2020: ¥10,638 million ((8.8)%);

FY ended March 2019: ¥11,666 million (3.2%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	(Yen)	(Yen)	%	%	%
FY ended March 2020	248.03	225.24	12.0	6.6	3.9
FY ended March 2019	227.75	221.11	11.5	6.3	4.0

Reference: Share of profit (loss) of entities accounted for using equity method: FY ended March 31, 2020: ¥38 million;

FY ended March 31, 2019: ¥67 million

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2020	308,873	104,681	33.0	2,146.71
FY ended March 2019	299,212	97,734	31.9	2,003.36

Reference: Equity: FY ended March 2020: ¥101,784 million; FY ended March 2019: ¥95,420 million

(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 2020	24,010	(4,264)	(8,416)	82,810
FY ended March 2019	10,534	(7,678)	9,828	71,494

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 2019	–	0.00	–	70.00	70.00	3,334	30.7	3.5
FY ended March 2020	–	0.00	–	75.00	75.00	3,556	30.2	3.6
FY ending March 2021 (forecast)	–	0.00	–	77.00	77.00		30.2	

3. Forecast of consolidated financial results for fiscal year ending March 31, 2021 (April 1, 2020–March 31, 2021)

(Percentages represent changes from previous year for full-year figures and year-on-year changes for quarterly figures.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Yen)
Cumulative through second quarter	240,000	(0.9)	6,900	(31.6)	6,900	(37.3)	4,000	(40.2)	84.36
Full-year	500,000	3.2	21,000	11.7	21,000	5.4	12,100	2.5	255.20

Notes

- (1) Changes affecting significant subsidiaries during period under review (changes affecting specific subsidiaries accompanied by changes affecting the scope of consolidation): 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: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

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

(i) Number of shares issued and outstanding at the end of the period (including treasury shares)	FY ended March 2020	50,834,700 shares	FY ended March 2019	50,834,700 shares
(ii) Number of treasury shares at the end of the period	FY ended March 2020	3,420,627 shares	FY ended March 2019	3,204,535 shares
(iii) Average number of shares during the period	FY ended March 2020	47,587,591 shares	FY ended March 2019	49,335,752 shares

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

(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 2020	7,191	2.1	5,764	(2.0)	5,785	(1.2)	5,642	(1.8)
FY ended March 2019	7,046	8.3	5,884	9.6	5,856	10.1	5,745	10.7

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY ended March 2020	118.56	107.49
FY ended March 2019	116.46	113.01

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2020	80,388	45,638	56.8	962.56
FY ended March 2019	81,156	45,232	55.7	949.65

Reference: Equity: FY ended March 31, 2020: ¥45,638 million; FY ended March 31, 2019: ¥45,232 million

* This summary of financial statements is not subject to audits by a certified public accountant or 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, see "Future outlook" on page 5 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.

- Due to the epidemic of COVID-19, we have decided to cancel the financial results briefing for the year ending March 31, 2020 (for institutional investors and analysts), which was planned to be conducted on May 15, 2020, as a result of considering the health and safety of our stakeholders and participants.

○ Index of attached materials

1. Qualitative information on business results	2
(1) Description of business results	2
(2) Analysis of financial position	3
(3) Analysis of cash flows	4
(4) Future outlook	5
2. Basic approach in selecting accounting standards	5
3. Consolidated financial statements and notes thereto	6
(1) Consolidated balance sheet	6
(2) Consolidated statement of income and consolidated statement of comprehensive income	8
(3) Consolidated statement of changes in equity	11
(4) Consolidated statement of cash flows	13
(5) Notes on consolidated financial statements	15
(Notes on the going concern assumption)	15
(Change of presentation method)	15
(Segment information, etc.)	15
(Per-share information)	20
(Important subsequent information)	21

1. Qualitative information on business results

(1) Description of business results

The Japanese economy maintained a course of gentle recovery during the first half of the current consolidated fiscal year, with improved employment conditions and steady growth in personal income, both backed by strong corporate earnings. In the second half of the year, however, there was stagnation in personal consumption due to the consumption tax increase and prolonged trade friction between the United States and China. Since November 2019, the global spread of COVID-19, the first case of which has been confirmed in Wuhan, China, has caused various social and economic impacts, and the global economy has been sharply slumped.

Within the healthcare industry in which the Group operates, the revised medical service fees that went into effect in April of this year focuses on reduction of the burden on medical staff and promotion of work style reforms for doctors etc., and its basic viewpoints are the differentiation, strengthening, and cooperation of medical functions, and also promotion of comprehensive community healthcare system. Medical institutions and companies in the industry are required to build wide-ranging cooperation and efficient business systems over the medium to long term. Meanwhile, due to the spread of COVID-19, we are now facing the danger of collapse of the medical system in Japan as well, and serious shortage of medical facilities, equipment, and medical materials for controlling infectious diseases such as intensive care beds, ventilators, and medical masks and gowns, etc.

Under these economic conditions, the Group's business partly performed poorly on manufacturer companies and newly invested projects, however, projects were recorded as initially planned. Medical Supply business also made steady growth driven by the efforts to acquire new projects.

During this consolidated fiscal year, the various factors noted above resulted in net sales of 484,395 million yen (up 9.1% YoY), operating profits of 18,794 million yen (up 4.7% YoY), ordinary profits of 19,931 million yen (up 7.6% YoY), and profits attributable to owners of parent of 11,803 million yen (up 5.0% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

In the Total Pack Produce business, sales of large-scale project projects were recorded in the first half of the year, which was unprecedented every year, and was affected by the last-minute demand due to the consumption tax increase and a decline in reaction, particularly for manufacturers. In heavy ion beam cancer treatment facilities, although the treatment opportunities are increasing as medical insurance coverage has been applied to some cancer treatments including prostate cancer, the percentage of treatments with treatment unit prices that are significantly lower than initially expected was increased.

As a result, this segment recorded net sales of 100,688 million yen (up 1.3% YoY) and segment profit (operating profit) of 9,620 million yen (down 1.8% YoY).

(ii) Medical Supply business

The Medical Supply business recorded strong performance, thanks to the efforts to acquire new projects centered on specialty materials and to improve the operational efficiency in SPD facilities.

As a result, this segment recorded net sales of 325,664 million yen (up 12.2% YoY) and segment profit (operating profit) of 5,035 million yen (up 20.1% YoY).

(iii) Life Care business

The Life Care business recorded steady growth as a result of maintaining a high occupancy rate.

As a result, this segment recorded net sales of 23,929 million yen (up 1.8% YoY) and segment profit (operating profit) of 1,770 million yen (up 8.9% YoY).

(iv) Dispensing Pharmacy business

The Dispensing Pharmacy business performed steadily as a result of small-scale M&A activities and continuous improvement measures to promote management efficiency.

As a result, this segment recorded net sales of 27,050 million yen (up 5.7% YoY) and segment profit (operating profit) of 2,661 million yen (up 21.4% YoY).

(v) Other businesses

In other businesses, the operation of veterinary hospitals and the security support company performed largely as planned, and the performance of the newly integrated building management company contributed.

As a result, this segment recorded net sales of 7,062 million yen (up 36.9% YoY) and segment profit (operating profit) of 449 million yen (up 6.8% YoY).

(2) Analysis of financial position

(i) Current assets

The balance of current assets at the end of this consolidated fiscal year stood at 210,499 million yen (vs. a balance of 201,571 million yen at the end of the previous consolidated fiscal year), an increase of 8,927 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 6,324 million yen in cash and deposits and 5,040 million yen in securities, despite a decrease of 2,351 million yen in notes and accounts receivable – trade.

(ii) Non-current assets

The balance of non-current assets at the end of this consolidated fiscal year stood at 98,373 million yen (vs. a balance of 97,640 million yen at the end of the previous consolidated fiscal year), an increase of 733 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 1,648 million yen in land and 2,437 million yen in construction in progress, despite decreases of 1,995 million yen in real estate for rent, net and 1,721 million yen in long-term loan receivable.

(iii) Current liabilities

The balance of current liabilities at the end of this consolidated fiscal year stood at 133,115 million yen (vs. a balance of 128,176 million yen at the end of the previous consolidated fiscal year), an increase of 4,938 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 4,750 million yen in notes and accounts payable – trade and 260 million yen in income taxes payable, despite a decrease of 1,173 million yen in electronically recorded obligations – operating.

(iv) Non-current liabilities

The balance of non-current liabilities at the end of this consolidated fiscal year stood at 71,076 million yen (vs. a balance of 73,300 million yen at the end of the previous consolidated fiscal year), a decrease of 2,224 million yen since the end of the previous consolidated fiscal year.

Major reasons included a decrease of 2,712 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 104,681 million yen (vs. a balance of 97,734 million yen at the end of the previous consolidated fiscal year), an increase of 6,946 million yen since the end of the previous consolidated fiscal year.

Major reasons included an increase 11,803 million yen in retained earnings from profit attributable to owners of parent, despite 1,000 million yen in acquisition of treasury stock, and decreases of 3,334 million yen in retained earnings due to payment of dividends and 1,059 million yen in valuation differences on available-for-sale securities.

(3) Analysis of cash flows

The balance of cash and cash equivalents at the end of this consolidated fiscal year stood at 82,810 million yen, up 11,316 million yen from the balance of 71,494 million yen at the end of the previous consolidated fiscal year.

(i) Cash flow from operating activities

Cash flow from operating activities was 24,010 million yen (up 13,476 million yen compared to the previous consolidated fiscal year). Major contributing factors included the recording of 19,870 million yen in profit before income taxes and 3,135 million yen in depreciation expenses, and an increase of 3,092 million yen in notes and accounts payable – trade and a decrease of 2,768 million yen in notes and accounts receivable – trade, despite payment of 7,705 million yen in income taxes.

(ii) Cash flow from investing activities

Cash flow used in investing activities was 4,264 million yen (down 3,413 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 3,544 million yen on purchase of property, 1,375 million yen on purchase of investment securities, and 1,003 million yen on purchase of shares of subsidiaries resulting in change in scope of consolidation, despite proceeds of 1,763 million yen from collection long-term loans receivable.

(iii) Cash flow from financing activities

Cash flow provided in financing activities was 8,416 million yen (for an increase in proceeds of 18,245 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 5,871 million yen on repayment of long-term loans, 3,334 million yen on dividend payments, and 1,000 million yen on acquisition of treasury stock, despite a proceeds of 1,871 million yen from long-term loans payable.

Reference: Trends in cash flow indices

	FY ended March 2016	FY ended March 2017	FY ended March 2018	FY ended March 2019	FY ended March 2020
Equity capital ratio (%)	37.1	34.7	35.0	31.9	33.0
Mark-to-market equity capital ratio (%)	64.1	56.9	66.5	72.3	67.9
Years of debt redemption (years)	2.3	3.1	2.3	6.9	2.9
Interest coverage ratio (times)	57.3	53.3	80.6	40.9	89.4

* 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:

1. All indices are calculated from consolidated-basis financial data.
2. 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.
3. 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 delivering integrated and optimal solutions in medicine, 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 create environments for those seeking to save lives.

The Group has formulated “SHIP VISION 2020,” its medium-term management plan for the fiscal years 2018–2020 ending in March 2021, the final year of the plan.

Though in the FY ending March 2021, the plan’s final year, the Group’s heavy ion radiotherapy facility and the hospital management business in Bangladesh commenced full-fledged operations, some delays are expected due to the pandemic of COVID-19. However, the Group’s medium-term plan still calls for record highs in both net sales and operating profit, the specific targets are 500 billion yen and 21 billion yen, respectively.

The business performance projected for the next fiscal year (FY ending March 2021) is summarized below.

<Projected consolidated results>	(Unit: Millions yen, %)				
	FY ending March 2021 (projected)		FY ended March 2020 (actual)		
		Profit margin	YoY change		Profit margin
Net sales	500,000	–	3.2	484,395	–
Operating profit	21,000	4.2	11.7	18,794	3.9
Ordinary profit	21,000	4.2	5.4	19,931	4.1
Profit attributable to owners of patent	12,100	2.4	2.5	11,803	2.4

The projected amount of (year-end) dividends per share in FY ending March 2021 is 75 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)

	March 31, 2019	March 31, 2020
Assets		
Current assets		
Cash and deposits	72,393	78,717
Notes and accounts receivable - trade	97,975	95,623
Electronically recorded monetary claims - operating	3,232	3,611
Lease investment assets	3,801	3,500
Securities	61	5,101
Merchandise and finished goods	14,034	14,029
Work in process	1,471	1,511
Raw materials and supplies	648	845
Short-term loans	1,770	1,790
Other	6,278	5,839
Allowance for doubtful accounts	(95)	(71)
Total current assets	201,571	210,499
Non-current assets		
Property, plant, and equipment		
Buildings and structures	31,735	32,569
Accumulated depreciation	(12,828)	(14,035)
Buildings and structures, net	18,907	18,534
Machinery, equipment and vehicles	5,890	6,515
Accumulated depreciation	(1,252)	(2,108)
Machinery, equipment and vehicles, net	4,637	4,406
Land	14,451	16,100
Assets for rent	681	649
Accumulated depreciation	(566)	(570)
Assets for rent, net	114	78
Real estate for rent	16,594	14,703
Accumulated depreciation	(3,385)	(3,489)
Real estate for rent, net	13,209	11,213
Construction in progress	1,235	3,673
Other	9,259	10,862
Accumulated depreciation	(7,163)	(7,854)
Other, net	2,095	3,008
Total property, plant, and equipment	54,652	57,014
Intangible assets		
Goodwill	9,304	8,548
Other	1,029	972
Total intangible assets	10,333	9,520
Investments and other assets		
Investment securities	14,683	14,535
Long-term loans	9,531	7,810
Net defined benefit assets	1,060	1,131
Deferred tax assets	3,188	3,435
Claims provable in bankruptcy, claims provable in rehabilitation and other	452	68
Guarantee deposits	5,512	5,571
Other	848	1,002
Allowance for doubtful accounts	(2,624)	(1,716)
Total investments and other assets	32,654	31,838
Total non-current assets	97,640	98,373
Total assets	299,212	308,873

	(Unit: Millions yen)	
	March 31, 2019	March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	85,371	90,121
Electronically recorded obligations - operating	20,772	19,598
Short-term loans	1,030	935
Current portion of long-term loans	4,968	4,555
Income taxes payable	4,139	4,400
Provision for bonuses	2,032	2,194
Other	9,861	11,308
Total current liabilities	128,176	133,115
Non-current liabilities		
Bonds with share acquisition rights	25,116	25,091
Long-term loans	39,700	36,987
Net defined benefit liability	2,811	2,873
Deferred tax liabilities	1,070	919
Asset retirement obligations	628	838
Other	3,973	4,365
Total non-current liabilities	73,300	71,076
Total liabilities	201,477	204,191
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,921	23,895
Retained earnings	66,372	74,841
Treasury stock	(13,447)	(14,447)
Total shareholders' equity	92,399	99,841
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,079	2,019
Foreign currency translation adjustment	(84)	(152)
Remeasurements of defined benefit plans	26	75
Total accumulated other comprehensive income	3,021	1,942
Non-controlling interests	2,314	2,897
Total net assets	97,734	104,681
Total liabilities and net assets	299,212	308,873

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

Consolidated statement of income

(Unit: Millions yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	444,048	484,395
Cost of sales	397,396	434,768
Gross profit	46,652	49,627
Sales, general, and administrative expenses		
Directors' compensation	1,435	1,418
Salaries and allowances	9,327	10,231
Bonuses	1,338	1,355
Retirement benefit expenses	453	448
Provision for bonuses	884	963
Other	15,260	16,415
Total sales, general, and administrative expenses	28,699	30,832
Operating profit	17,952	18,794
Non-operating profit		
Interest income	306	391
Dividend income	206	288
Amortization of negative goodwill	232	116
Share of profit of entities accounted for using equity method	67	38
Reversal of allowance for doubtful accounts	–	380
Foreign exchange profit	9	–
Other	289	287
Total non-operating profit	1,112	1,502
Non-operating expenses		
Interest expenses	258	268
Bond issue cost	37	–
Foreign exchange losses	–	27
Provision of allowance for doubtful accounts	139	–
Losses on sales of accounts receivable	18	–
Other	79	69
Total non-operating expenses	532	365
Total ordinary profit	18,532	19,931

(Unit: Millions yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Extraordinary profit		
Gains on sales of property, plant, and equipment	61	193
Other	–	0
Total extraordinary profit	61	194
Extraordinary losses		
Losses on sales of property, plant, and equipment	0	4
Losses on retirement of property, plant, and equipment	19	14
Losses on valuation of investment securities	34	78
Impairment loss	44	152
Other	3	6
Total extraordinary losses	102	255
Total income before income taxes	18,490	19,870
Income taxes - current	7,015	7,962
Income taxes - deferred	392	79
Total income taxes	7,407	8,041
Profit	11,083	11,828
Profit attributable to non-controlling interests	(152)	25
Profit attributable to owners of parent	11,236	11,803

Consolidated statement of comprehensive income

(Unit: Millions yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	11,083	11,828
Other comprehensive income		
Valuation difference on available-for-sale securities	482	(1,059)
Foreign currency translation adjustment	22	(179)
Remeasurements of defined benefit plans	78	49
Other comprehensive income	583	(1,190)
Comprehensive income	11,666	10,638
(Breakdown)		
Comprehensive income attributable to owners of parent	11,805	10,676
Comprehensive income attributable to non-controlling interests	(139)	(38)

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (April 1, 2018–March 31, 2019)

(Unit: Millions yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of current period	15,553	23,948	58,374	(448)	97,428
Changes of items during period					
Dividends of surplus			(3,238)		(3,238)
Profit attributable to owners of parent			11,236		11,236
Purchase of treasury stock				(12,999)	(12,999)
Capital increases by consolidated subsidiaries		(27)			(27)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(27)	7,997	(12,999)	(5,029)
Balance at end of current period	15,553	23,921	66,372	(13,447)	92,399

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,596	(92)	(52)	2,451	2,474	102,354
Changes of items during period						
Dividends of surplus						(3,238)
Profit attributable to owners of parent						11,236
Purchase of treasury stock						(12,999)
Capital increases by consolidated subsidiaries						(27)
Net changes of items other than shareholders' equity	482	8	78	569	(160)	409
Total changes of items during period	482	8	78	569	(160)	(4,620)
Balance at end of current period	3,079	(84)	26	3,021	2,314	97,734

This 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)
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	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)
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

(4) Consolidated statement of cash flows

(Unit: Millions yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Income before income taxes	18,490	19,870
Depreciation and amortization	2,842	3,135
Impairment loss	44	152
Amortization of goodwill	1,661	1,718
Amortization of negative goodwill	(232)	(116)
Share of loss (profit) of entities accounted for using equity method	(67)	(38)
Increase (decrease) in provision for bonuses	63	153
Increase (decrease) in allowance for doubtful accounts	96	(558)
Net decrease (increase) in lease investment assets	72	300
Increase (decrease) in net defined benefit liability	182	73
Loss (gain) on sales of property, plant and equipment	(60)	(189)
Loss on retirement of property, plant and equipment	18	10
Loss on retirement of intangible assets	0	3
Loss (gain) on valuation of investment securities	34	78
Interest and dividend income	(513)	(680)
Interest expenses	258	268
Decrease (increase) in notes and accounts receivable – trade	1,329	2,768
Decrease (increase) in inventories	(1,196)	18
Increase (decrease) in notes and accounts payable – trade	(4,367)	3,092
Other	(626)	1,246
Subtotal	18,034	31,309
Interest and dividend income received	503	674
Interest expenses paid	(257)	(268)
Income taxes paid	(7,745)	(7,705)
Cash flows from operating activities	10,534	24,010

(Unit: Millions yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(238)	(219)
Proceeds from withdrawal of time deposits	186	172
Purchase of property, plant, and equipment	(2,767)	(3,544)
Proceeds from sales of property, plant, and equipment	1,618	479
Purchase of intangible assets	(252)	(268)
Payments of short-term loans receivable	(584)	(620)
Collection of short-term loans receivable	226	240
Payments of long-term loans receivable	(1)	(11)
Collection of long-term loans receivable	310	1,763
Purchase of investment securities	(6,097)	(1,375)
Proceeds from sales and redemption of investment securities	0	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(78)	(1,003)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	117
Other	1	6
Cash flows from investing activities	(7,678)	(4,264)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,940)	(495)
Proceeds from long-term loans payable	8,000	1,871
Repayments of long-term loans payable	(4,771)	(5,871)
Proceeds from issue of bonds with share acquisition rights	25,087	–
Purchase of treasury stock	(12,999)	(1,000)
Cash dividends paid	(3,238)	(3,334)
Dividends paid to non-controlling interests	(48)	(90)
Proceeds from share issuance to non-controlling shareholders	–	731
Repayments of lease obligations	(252)	(227)
Other	(7)	–
Cash flows from financing activities	9,828	(8,416)
Effect of exchange rate change on cash and cash equivalents	21	(13)
Net increase (decrease) in cash and cash equivalents	12,706	11,316
Cash and cash equivalents at the beginning of the period	58,787	71,494
Cash and cash equivalents at the end of the period	71,494	82,810

(5) Notes on consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Changes in presentation)

(Consolidated balance sheet)

“Securities” included in “Other” of “Current assets” in the previous consolidated fiscal year is listed independently in the current consolidated balance sheet due to their its increased importance.

(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, 2018–March 31, 2019)

(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	99,441	290,363	23,500	25,585	438,890	5,157	444,048	—	444,048
(2) Intersegment sales or transfers	2,100	1,274	205	1,803	5,383	258	5,641	(5,641)	—
Subtotal	101,542	291,637	23,705	27,388	444,274	5,415	449,690	(5,641)	444,048
Segment profit	9,794	4,191	1,625	2,193	17,804	421	18,226	(273)	17,952
Segment assets	101,706	112,541	24,932	15,350	254,531	2,681	257,212	41,999	299,212
Other items									
Depreciation	1,306	446	657	239	2,650	56	2,706	136	2,842
Amortization of goodwill	70	616	403	511	1,602	59	1,661	—	1,661
Amortization of negative goodwill	232	—	0	—	232	—	232	—	232
Impairment loss	—	—	—	—	—	44	44	—	44
Investment in entities accounted for using equity method	303	—	—	—	303	—	303	—	303
Increase in property, plant and equipment, and intangible fixed assets	1,575	1,342	298	297	3,514	31	3,546	15	3,561

Notes:

- The “Other” category includes businesses not included in reporting business segments, such as the veterinary hospital business, sales of physical and chemical apparatus, and security business.
- The amounts of the various adjustments are described below.
 - The figure of ¥(273) million yen in adjustments to segment profit includes ¥(84) million yen for the cancellation of intersegment transactions and ¥(192) 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 ¥41,999 million yen in adjustments to segment assets includes ¥(9,094) million yen for cancellation of intersegment transactions, ¥(116) million yen for offsetting of negative goodwill, and ¥51,169 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 ¥15 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, 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, and security 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.

[Related information]

Previous consolidated fiscal year (April 1, 2018–March 31, 2019)

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, 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.

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

Previous consolidated fiscal year (April 1, 2018–March 31, 2019)

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

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

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, 2018–March 31, 2019)

(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	565	3,233	3,030	2,158	8,987	432	–	9,420
(Negative goodwill) Ending balance	116	–	–	–	116	–	–	116

Notes:

1. Amounts of amortization of goodwill and amortization of negative goodwill are omitted because similar information is reported under segment information.
2. Negative goodwill was incurred for reasons including corporate consolidations implemented before March 31, 2010 and is indicated on the Consolidated Balance Sheet after offsetting.

This 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	–	–	–	–	–	–	–	–

Notes:

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

[Information on gains on bargain purchases per reporting segment]

Previous consolidated fiscal year (April 1, 2018–March 31, 2019)

No important gains on bargain purchases occurred.

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

No important gains on bargain purchases occurred.

(Per-share information)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	(Yen)	(Yen)
Net assets per share	2,003.36	2,146.71
Net income per share	227.75	248.03
Diluted net income per share	221.11	225.24

Notes:

1. Net income per share was calculated based on the following information:

Account	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income per share		
Profit attributable to owners of parent (millions yen)	11,236	11,803
Amount not attributable to owners of common stock (millions yen)	-	-
Profit attributable to owners of parent related to common stock (millions yen)	11,236	11,803
Average shares of common stock during the period (shares)	49,335,752	47,587,591
Diluted net income per share	221.11	225.24
Adjustment for profit attributable to owners of parent (millions yen)	(5)	(16)
[Interest income (after tax equivalent deduction) (millions yen)]	[(5)]	[(17)]
Increase in number of common stock (shares)	1,456,876	4,741,064
[Bonds with share acquisition rights included in above (shares)]	[1,456,876]	[4,741,064]
Description of potentially dilutive common shares not included in the computation of diluted earnings per share because of their anti-dilutive effect	-	-

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

Account	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Total net assets (millions yen)	97,734	104,681
Amount subtracted from total net assets (millions yen)	2,314	2,897
[Non-controlling interests included in above (millions yen)]	[(2,314)]	[(2,897)]
Ending balance of net assets related to common stock (millions yen)	95,420	101,784
Ending number of shares of common stock used in calculation of net assets per share (shares)	47,630,165	47,414,073

(Important subsequent information)

(Purchase of shares of subsidiaries)

The Group has been developing dialysis and CT services in the Republic of the Union of Myanmar (hereinafter "Myanmar") since 2014. In order to further expand the business by utilizing the experience and know-how cultivated so far, we acquired the shares of Okkar Thiri Co., Ltd., which is the largest medical device sales company in Myanmar, and Snow Everest Co., Ltd., which is the third largest on April 27, 2020, and made them consolidated subsidiaries.

(1) Overview of business combination

① Name of the acquired company, details of its business, and name of the combined company

Name of the acquired company	Okkar Thiri Co.,Ltd.	Snow Everest Co.,Ltd.
Business content	Sales of medical devices and equipment	Sales of medical devices and equipment
Name of the combined company	Okkar Thiri Co.,Ltd.	Snow Everest Co.,Ltd.

② Main reasons for business combination

In the field of medical equipment wholesale business in Myanmar, the company develop Total Pack Produce business in their own way, which is one of the group's main businesses, through a wide range of facility consulting, medical equipment sales, and maintenance for major medical institutions in the country as an agent of major manufacturers in Europe, the United States, and Japan.

The Group has acquired shares for the purpose of further expanding its business in Myanmar.

③ Date of business combination

April 27, 2020

④ Legal form of business combination

Acquisition of shares

⑤ Voting right ratio acquired

	Okkar Thiri Co.,Ltd.	Snow Everest Co.,Ltd.
Voting rights ratio owned before the acquisition of shares	14.9%	14.0%
Voting rights ratio additionally acquired through the acquisition of shares	65.1%	66.0%
Voting rights ratio after the acquisition of shares	80.0%	80.0%

⑥ Major reason for deciding the acquiring company

For the acquisition of shares for which the Group will pay cash.

(2) Breakdown of acquisition cost and consideration by type of the acquired company

	Okkar Thiri Co.,Ltd.	Snow Everest Co.,Ltd.
Market value of the equity held immediately before the date of business combination on the date of business combination	822 million yen	242 million yen
Consideration for additional common stock acquired on the date of business combination	Cash 3,592 million yen	Cash 1,142 million yen
Acquisition cost	4,414 million yen	1,384 million yen

(3) Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition

	Okkar Thiri Co., Ltd.	Snow Everest Co., Ltd.
Loss on step acquisition	71 million yen	21 million yen

(4) Amount of goodwill incurred, cause, and amortization method and amortization period

Calculation is in progress.

(5) Amount of assets and liabilities assumed on the day of business combination and their main breakdown

Calculation is in progress.

(Purchase of treasury stock)

At its meeting held May 12, 2020, the Company's board of directors passed a resolution related to the purchase of treasury shares pursuant to Article 156 of the Companies Act applicable with rewording as required under Article 165, Paragraph 3 of that Act.

1. Reason for purchase of treasury shares

Treasury shares was purchased to implement dynamic capital policies in response to changes affecting business conditions.

2. Details of purchase

- | | |
|---|--|
| (1) Class of stock subject to the purchase: | Company common stock |
| (2) Total number of shares to be purchased: | Up to 480,000 shares
(Corresponding percentage of total shares issued and outstanding, not including treasury shares: 1.0%) |
| (3) Total purchase price of stock: | Up to 2 billion yen |
| (4) Period of purchase: | May 13, 2020–March 31, 2021 |
| (5) Method of purchase: | Market purchases on the Tokyo Stock Exchange |