



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

May 10, 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
Contact: (Title) Executive Director (Name) Hiroshi Yokoyama
Tel.: +81-6-6369-0130

Scheduled date for regular general meeting of shareholders: June 29, 2022

Scheduled start date for dividend payments: June 30, 2022

Scheduled date for filing securities report: June 29, 2022

Supplementary briefing materials on results: Y

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

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

1. Consolidated financial results for the fiscal year ended March 31, 2022

(April 1, 2021 – March 31, 2022)

(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 2022	514,353	—	20,505	(5.9)	21,287	(2.2)	12,172	(0.9)
FY ended March 2021	497,156	2.6	21,800	16.0	21,761	9.2	12,280	4.0

Note: Comprehensive income: FY ended March 2022: ¥ 11,061 million ((23.4) %);

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

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	(Yen)	(Yen)	%	%	%
FY ended March 2022	129.01	117.01	10.6	6.4	4.0
FY ended March 2021	129.99	117.95	11.5	6.8	4.4

Reference: Share of profit (loss) of entities accounted for using equity method: FY ended March 31, 2022: ¥357 million;

FY ended March 31, 2021: ¥(40) million

Note1: As the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of this fiscal year, the figures for the fiscal year ended March 31, 2022 are those after retrospectively applying the accounting standard and relevant revised ASBJ regulations. Due to the above reason, YoY rate of change in net sales for the fiscal year ended March 31, 2022 are not shown.

Note2: 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	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2022	335,074	122,318	35.3	1,253.73
FY ended March 2021	334,498	115,103	33.3	1,181.14

Reference: Equity: FY ended March 2022: ¥118,289 million; FY ended March 2021: ¥111,440 million

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. “Net assets per share” are calculated as if the relevant stock split was executed at the beginning of the previous consolidated fiscal year ended March 31, 2021.

(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 2022	12,428	(3,870)	(8,842)	72,804
FY ended March 2021	19,772	(19,289)	(10,465)	72,950

2. Dividends

	Annual dividends					Total annual dividends (Millions yen)	Payout ratio (consolidated) %	Dividends to net assets (consolidated) %
	End Q1 (Yen)	End Q2 (Yen)	End Q3 (Yen)	Year-end (Yen)	Total (Yen)			
FY ended March 2021	–	0.00	–	80.00	80.00	3,774	30.8	3.5
FY ended March 2022	–	0.00	–	41.00	41.00	3,868	31.8	3.4
FY ending March 2023 (projected)	–	0.00	–	42.00	42.00		31.7	

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. Annual dividends for the year ended March 31, 2022 and Forecasted annual dividends for the year ending March 31, 2023 are the amount after the relevant stock split.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages represent changes from previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Millions yen)	%	(Yen)
Cumulative through second quarter	250,000	6.5	7,500	(1.2)	7,500	1.7	4,500	9.3	47.69
Full-year	560,000	8.9	21,000	2.4	21,000	(1.4)	12,500	2.7	132.49

Notes

- (1) Changes made in significant subsidiaries during consolidated cumulative quarter under review: None
- (2) Changes made in accounting policies, accounting estimates, and/or restatements:
- (i) Changes in accounting policies associated with changes in accounting standards, etc.: Yes
- (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 stocks)

(i) Number of shares issued and outstanding at the end of the period (including treasury stock)	FY ended 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	FY ended March 2022	7,319,116 shares	FY ended March 2021	7,319,054 shares
(iii) Average number of shares during the period	FY ended March 2022	94,350,306 shares	FY ended March 2021	94,470,499 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.

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

(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 2022	8,075	5.5	6,237	(2.2)	6,270	0.9	6,173	0.6
FY ended March 2021	7,657	6.5	6,377	10.6	6,214	7.4	6,137	8.8

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY ended March 2022	65.43	59.27
FY ended March 2021	64.97	58.87

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. “Net income per share” and “Diluted net income per share” are calculated as if the relevant stock split was executed at the beginning of the previous consolidated fiscal year ended March 31, 2021.

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions yen)	(Millions yen)	%	(Yen)
FY ended March 2022	83,219	48,634	58.4	515.46
FY ended March 2021	85,527	48,395	56.6	512.93

Reference: Equity: FY ended March 31, 2022: ¥ 48,634 million; FY ended March 31, 2021: ¥ 48,395 million

Note: The company executed a two-for-one common stock split, effective on April 1, 2021. “Net assets per share” are calculated as if the relevant stock split was executed at the beginning of the previous consolidated fiscal year ended March 31, 2021.

* This summary of financial results is not subject to quarterly review by a Certified Public Accountant or an audit firm.

* Information on appropriate use of financial forecasts and other special notes:

- The forecasts of financial results and other forward-looking statements provided herein are based on information available at the time this document was prepared and certain assumptions considered reasonable. Actual results may differ significantly from forecasts due to various factors. For assumptions underlying forecasts of financial results, notes on use of forecasts of financial results, and other related information, please refer to “Future outlook” on page 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.

○ Index of attached materials

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1. Qualitative information on business results

(1) Description of business results

The Japanese economy during FY ended March 2022 showed signs of recovery with the progress of vaccinations under the long-running effect of COVID-19, however the outlook for the global economy remains uncertain due to the re-spread of COVID-19 caused by the new variant 'omicron' in January 2022, in addition, geopolitical risks surrounding the tense situation in Ukraine, rising raw fuel prices and interest rates, shortages of electrical components, and the trends of financial measures and exchange rate.

Healthcare industry in which the Group operates, although the impact of the infectious diseases is easing, the provision of regular medical care remained restrained due to continued restrictions on medical treatment and postponement of surgeries because of COVID-19. On the other hand, new initiatives beyond the conventional framework, such as remote diagnosis using DX, etc., have emerged.

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 manufacturer business that we had to temporarily postpone new contracts, and the impact of a reactionary decline in demand for infection control products.

For FY ending March 2022, the various factors noted above resulted in net sales of 514,353 million yen (previous consolidated FY was 497,156 million yen), operating profit of 20,505 million yen (down 5.9% YoY), ordinary profit of 21,287 million yen (down 2.2% YoY), and profit attributable to owners of the parent of 12,172 million yen (down 0.9% YoY).

Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020) have been applied from the beginning 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 previous fiscal year. For details, please refer to "3. Consolidated financial statements and notes thereto (5) Notes on consolidated financial statements (Segment information, etc.)".

Business results by segment are summarized below.

The Company has changed the classification of reportable segments from this consolidated fiscal year. Comparison and analysis with the previous fiscal year are based on the classification after the change.

(i) Total Pack Produce business

In Total Pack Produce business, the business performance declined due to the fact that most of the project projects that reached completion year were medium to small in scale, the impact of order adjustments due to tight procurement of electrical component parts by manufacturers, and the impact of a reactionary decline in demand for infection control products using subsidies for measures against COVID-19. On the other hand, 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. In Overseas business, the medical equipment sales business in the Republic of Myanmar, despite the impact of the lockdown due to COVID-19, military coup, and financial sanctions by the U.S. and Europe, the results were generally as planned. As a result, this segment recorded net sales of 99,539 million yen (previous consolidated FY was 104,355 million yen) and segment profit (operating profit) of 9,265 million yen (down 5.3% YoY).

(ii) Medical Supply business

In Medical Supply business, although the impact of restrictions on medical treatment at medical institutions continued, the number of SPD contracts continue to increase, and the new medical material logistics base "Osaka Solution Center" is now in full-scale operation. On the other hand, profits decreased due to a reactionary decline in demand for infectious disease control products and delays in delivery of some products.

As a result, this segment recorded net sales of 360,635 million yen (previous consolidated FY was 341,157 million yen) and segment profit (operating profit) of 6,209 million yen (down 10.8% YoY).

(iii) Lifecare business

In Lifecare business, the occupancy rate remained high thanks to the use of our detailed information sharing system, which connects residents and their families via the Internet as an infection control measures. Also, the business performance was firm with increase of three facilities through M&A and the number of contract customers in the food supply business, and because the hydroponics which is an employment support business for people with handicaps got on track.

As a result, this segment recorded net sales of 25,247 million yen (previous consolidated FY was 24,571 million yen) and segment profit (operating profit) of 2,407 million yen (up 7.6% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, the number of consultations has been on a recovery trend compared to previous fiscal 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 28,930 million yen (previous consolidated FY was 27,070 million yen) and segment profit (operating profit) of 3,200 million yen (up 11.0% YoY)

(2) Analysis of Financial Position

(i) Current assets

The balance of current assets at the end of this consolidated fiscal year stood at 226,529 million yen (vs. a balance of 221,890 million yen at the end of the previous consolidated fiscal year), an increase of 4,638 million yen since the end of the previous consolidated fiscal year.

Major reasons included increases of 2,638 million yen in merchandise and finished goods and 640 million yen in electronically recorded monetary claims-operating and decrease of 759 million yen in allowance for doubtful accounts, despite decrease of 688 million yen in short-term loans receivable.

(ii) Non-current assets

The balance of non-current assets at the end of this consolidated fiscal year stood at 108,545 million yen (vs. a balance of 112,607 million yen at the end of the previous consolidated fiscal year), a decrease of 4,062 million yen since the end of the previous consolidated fiscal year.

Major reasons included decreases of 2,517 million yen in investment securities, 1,268 million yen in goodwill, and 1,380 million yen in construction in progress, despite increases of 783 million yen in buildings and structures.

(iii) Current liabilities

The balance of current liabilities at the end of this consolidated fiscal year stood at 148,371 million yen (vs. a balance of 151,942 million yen at the end of the previous consolidated fiscal year), a decrease of 3,571 million yen since the end of the previous consolidated fiscal year.

Major reasons included decreases of 2,137 million yen in notes and accounts payable – trade, 2,118 million yen in current portion of long-term loans payable, despite increase of 1,153 million yen in short-term loans payable.

(iv) Non-current liabilities

The balance of non-current liabilities at the end of this consolidated fiscal year stood at 64,384 million yen (vs. a balance of 67,451 million yen at the end of the previous consolidated fiscal year), a decrease of 3,066 million yen since the end of the previous consolidated fiscal year.

Major reasons included decrease of 2,750 million yen in long-term loans payable and 254 million yen in deferred tax liabilities.

(v) Net assets

The balance of net assets at the end of this consolidated fiscal year stood at 122,318 million yen (vs. a balance of 115,103 million yen at the end of the previous consolidated fiscal year), an increase of 7,214 million yen since the end of the previous consolidated fiscal year.

Major reasons included an increase 12,172 million yen in retained earnings from profit attributable to owners of parent, despite decrease of 3,774 million yen in retained earnings due to payment of dividends and 2,420 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 72,804 million yen, decrease 146 million yen from the balance of 72,950 million yen at the end of the previous consolidated fiscal year.

(i) Cash flow from operating activities

Cash flow provided from operating activities was 12,428 million yen (down 7,343 million yen compared to the previous consolidated fiscal year). Major contributing factors included the recording of 20,804 million yen in profit before income taxes and 3,609 million yen in depreciation and amortization, despite payment of 9,170 million yen in income taxes, increase of 3,325 million yen in inventories, and decrease of 1,645 million yen in notes and accounts payable - trade.

(ii) Cash flow from investing activities

Cash flow expended in investing activities was 3,870 million yen (down 15,419 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 3,124 million yen on purchase of property, plant, and equipment and 346 million yen on purchase of intangible assets.

(iii) Cash flow from financing activities

Cash flow expended in financing activities was 8,842 million yen (up 1,623 million yen compared to the previous consolidated fiscal year). Major contributing factors included expenditures of 6,056 million yen on repayment of long-term loans payable and 3,774 million yen on cash dividends paid, despite proceeds of 1,014 million yen from short-term loans payable.

Reference: Trends in cash flow indices

	FY ended March 2018	FY ended March 2019	FY ended March 2020	FY ended March 2021	FY ended March 2022
Equity capital ratio (%)	35.0	31.9	33.0	33.3	35.3
Mark-to-market equity capital ratio (%)	66.5	72.3	67.9	87.7	56.0
Years of debt redemption (years)	2.3	6.9	2.9	3.4	5.1
Interest coverage ratio (times)	80.6	40.9	89.4	61.1	43.7

* Equity capital ratio = equity capital/total assets

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

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

Interest coverage ratio = operating cash flows/interest paid

Notes:

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

(4) Future outlook

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

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

The business performance projected for the next fiscal year (FY ending March 2023) is summarized below. The items described in "Important subsequent information" are reflected in the earnings forecast.

<Projected consolidated results>

(Unit: Millions yen, %)

	FY ending March 2023 (projected)			FY ended March 2022 (actual)	
		Profit margin	YoY change		Profit margin
Net sales	560,000	–	8.9	514,353	–
Operating profit	21,000	3.8	2.4	20,505	4.0
Ordinary profit	21,000	3.8	(1.4)	21,287	4.1
Profit attributable to owners of parent	12,500	2.2	2.7	12,172	2.4

The projected amount of (year-end) dividends per share in FY ending March 2023 is 42 yen.

2. Basic approach in selecting accounting standards

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

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

3. Consolidated financial statements and notes thereto

(1) Consolidated balance sheet

(Unit: Millions yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Assets		
Current assets		
Cash and deposits	73,907	73,808
Notes receivable - trade	—	2,163
Accounts receivable - trade	—	109,399
Notes and accounts receivable - trade	113,720	—
Electronically recorded monetary claims - operating	4,080	4,720
Lease investment assets	3,349	3,634
Merchandise and finished goods	16,139	18,778
Work in process	1,893	2,317
Raw materials and supplies	691	1,010
Short-term loans receivable	2,406	1,718
Other	7,356	9,872
Allowance for doubtful accounts	(1,654)	(895)
Total current assets	221,890	226,529
Non-current assets		
Property, plant, and equipment		
Buildings and structures	34,378	36,716
Accumulated depreciation	(14,917)	(16,470)
Buildings and structures, net	19,461	20,245
Machinery, equipment and vehicles	8,039	8,195
Accumulated depreciation	(2,704)	(3,448)
Machinery, equipment and vehicles, net	5,335	4,746
Land	15,947	16,293
Real estate for rent	14,599	14,895
Accumulated depreciation	(3,691)	(3,902)
Real estate for rent, net	10,907	10,993
Construction in progress	2,629	1,249
Other	12,863	14,560
Accumulated depreciation	(9,203)	(10,092)
Other, net	3,659	4,468
Total property, plant, and equipment	57,941	57,995
Intangible assets		
Goodwill	9,604	8,336
Other	976	1,017
Total intangible assets	10,581	9,354
Investments and other assets		
Investment securities	26,125	23,608
Long-term loans receivable	7,655	7,518
Net defined benefit asset	936	1,012
Deferred tax assets	3,443	3,184
Claims provable in bankruptcy, claims provable in rehabilitation and other	65	86
Guarantee deposits	6,509	6,260
Other	1,088	1,266
Allowance for doubtful accounts	(1,739)	(1,741)
Total investments and other assets	44,085	41,195
Total non-current assets	112,607	108,545
Total assets	334,498	335,074

(Unit: Millions yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,209	100,071
Electronically recorded obligations - operating	21,481	22,173
Short-term loans payable	1,248	2,401
Current portion of long-term loans payable	5,926	3,807
Income taxes payable	6,168	4,980
Provision for bonuses	2,508	2,461
Other	12,400	12,473
Total current liabilities	151,942	148,371
Non-current liabilities		
Bonds with share acquisition rights	25,066	25,041
Long-term loans payable	32,721	29,970
Net defined benefit liability	2,902	2,938
Deferred tax liabilities	1,652	1,397
Asset retirement obligations	849	873
Other	4,260	4,162
Total non-current liabilities	67,451	64,384
Total liabilities	219,394	212,756
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,891	23,908
Retained earnings	83,565	91,964
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	107,483	115,899
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	3,923	1,503
Deferred gains or losses on hedges	0	1
Foreign currency translation adjustments	68	842
Remeasurements of defined benefit plans	(35)	44
Total accumulated other comprehensive income	3,957	2,390
Non-controlling interests	3,663	4,028
Total net assets	115,103	122,318
Total liabilities and net assets	334,498	335,074

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

Consolidated statement of income

(Unit: Millions yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	497,156	514,353
Cost of sales	442,670	460,709
Gross profit	54,486	53,643
Sales, general, and administrative expenses		
Directors' compensation	1,507	1,521
Salaries and allowances	10,968	11,223
Bonuses	1,445	1,325
Retirement benefit expenses	431	458
Provision for bonus	1,147	1,004
Other	17,185	17,605
Total sales, general, and administrative expenses	32,685	33,138
Operating profit	21,800	20,505
Non-operating profit		
Interest income	313	289
Dividend income	281	211
Equity gains of affiliated companies	—	357
Reversal of allowance for doubtful accounts	—	270
Foreign exchange profit	119	—
Other	714	344
Total non-operating profit	1,430	1,473
Non-operating expenses		
Interest expenses	325	283
Equity losses of affiliated companies	40	—
Foreign exchange loss	—	284
Provision for doubtful accounts	631	32
Commission paid	219	43
Other	251	46
Total non-operating expenses	1,468	691
Ordinary profit	21,761	21,287
Extraordinary profit		
Gains on sales of non-current assets	5	1
Gains on sales of investment securities	27	1
Other	2	0
Total extraordinary profit	35	3
Extraordinary losses		
Losses on step acquisitions	92	—
Losses on sales of non-current assets	6	1
Losses on retirement of non-current assets	148	243
Impairment loss	271	241
Other	42	0
Total extraordinary losses	561	486
Profit before income taxes	21,235	20,804
Income taxes - current	8,975	7,921
Income taxes - deferred	(102)	496
Total income taxes	8,873	8,418
Profit	12,362	12,385
Profit attributable to non-controlling interests	82	213
Profit attributable to owners of parent	12,280	12,172

Consolidated statement of comprehensive income

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income	12,362	12,385
Other comprehensive income		
Valuation differences on available-for-sale securities	1,904	(2,420)
Foreign currency translation adjustments	285	1,016
Remeasurements of defined benefit plans	(107)	84
Share of other comprehensive income of entities accounted for using equity method	(2)	(4)
Total other comprehensive income	2,079	(1,323)
Comprehensive income	14,442	11,061
(Breakdown)		
Comprehensive income attributable to owners of parent	14,295	10,605
Comprehensive income attributable to non-controlling interests	146	455

(3) Consolidated statement of changes in shareholders' equity

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

(Unit: Millions yen)

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

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

This consolidated fiscal year (April 1, 2021–March 31, 2022)

(Unit: Millions yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	15,553	23,891	83,565	(15,526)	107,483
Changes of items during period					
Dividends of surplus			(3,774)		(3,774)
Profit attributable to owners of parent			12,172		12,172
Purchase of treasury stock				(0)	(0)
Change of scope of consolidation					—
Capital increases by consolidated subsidiaries		17			17
Net changes of items other than shareholders' equity					
Total changes of items during period	—	17	8,398	(0)	8,415
Balance at end of current period	15,553	23,908	91,964	(15,526)	115,899

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Differed gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,923	0	68	(35)	3,957	3,663	115,103
Changes of items during period							
Dividends of surplus							(3,774)
Profit attributable to owners of parent							12,172
Purchase of treasury stock							(0)
Change of scope of consolidation							—
Capital increases by consolidated subsidiaries							17
Net changes of items other than shareholders' equity	(2,420)	0	773	79	(1,566)	365	(1,200)
Total changes of items during period	(2,420)	0	773	79	(1,566)	365	7,214
Balance at end of current period	1,503	1	842	44	2,390	4,028	122,318

(4) Consolidated statement of cash flows

(Unit: Millions yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes	21,235	20,804
Depreciation and amortization	3,170	3,609
Impairment loss	271	241
Amortization of goodwill	1,957	1,879
Share of loss (profit) of entities accounted for using equity method [() represents profit]	40	(357)
Increase (decrease) in provision for bonuses [() represents decrease]	312	(66)
Increase (decrease) in allowance for doubtful accounts [() represents decrease]	1,498	(159)
Increase (decrease) in lease investment assets [() represents increase]	151	(285)
Increase (decrease) in net defined benefit liability [() represents decrease]	(36)	117
Loss on retirement of property, plant, and equipment	21	243
Loss on retirement of intangible assets	127	0
Interest and dividend income	(595)	(500)
Interest expenses	325	283
Decrease (increase) in notes and accounts receivable – trade [() represents increase]	(12,344)	(97)
Decrease (increase) in inventories [() represents increase]	(1,679)	(3,625)
Increase (decrease) in notes and accounts payable – trade [() represents decrease]	11,598	(1,645)
Other	704	544
Subtotal	26,757	21,283
Interest and dividend income received	642	599
Interest expenses paid	(323)	(284)
Income taxes paid	(7,304)	(9,170)
Cash flows from operating activities	19,772	12,428

	(Unit: Millions yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(218)	(185)
Proceeds from withdrawal of time deposits	167	146
Purchase of property, plant, and equipment	(4,632)	(3,124)
Proceeds from sales of property, plant, and equipment	499	70
Purchase of intangible assets	(378)	(346)
Payments of short-term loans receivable	(849)	(401)
Collection of short-term loans receivable	241	330
Payments of long-term loans receivable	(143)	(220)
Collection of long-term loans receivable	266	269
Purchase of investment securities	(408)	(15)
Proceeds from sales and redemption of investment securities	140	1
Purchase of shares of subsidiaries and associates	(9,797)	(121)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,122)	(216)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	24
Other	(54)	(83)
Cash flows from investing activities	(19,289)	(3,870)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable [() represents decrease]	(2,542)	1,014
Proceeds from long-term loans payable	1,586	299
Repayments of long-term loans payable	(4,555)	(6,056)
Purchase of treasury stock	(1,078)	(0)
Cash dividends paid	(3,556)	(3,774)
Dividends paid to non-controlling shareholders	(69)	(16)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(48)
Repayments of lease obligations	(248)	(249)
Other	0	(11)
Cash flows from financing activities	(10,465)	(8,842)
Effect of exchange rate change on cash and cash equivalents	123	130
Increase (decrease) in cash and cash equivalents [() represents decrease]	(9,859)	(154)
Cash and cash equivalents at the beginning of the period	82,810	72,950
Cash and cash equivalents from newly consolidated subsidiaries	—	8
Cash and cash equivalents at the end of the period	72,950	72,804

(5) Notes on consolidated financial statements

(Notes on the going concern assumption)

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 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 Accounting Standard for Revenue Recognition. The cumulative impact of retroactively applying the new accounting policy prior to the beginning of the current fiscal year is added or subtracted to the retained earnings at the beginning 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 current consolidated cumulative period decreased by 4,889million yen, respectively. However, there is no cumulative impact on net assets at the beginning of the current consolidated fiscal year, so there is no impact on the beginning balance of retained earnings for the current consolidated fiscal year. For the impact on segment information, please refer to "3. Consolidated financial statements and notes thereto (5) Notes on consolidated financial statements (Segment information, etc.)".

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable" recorded in "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year will be included in "Notes receivable - trade", "Accounts receivable - trade", and "Other" from 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 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 consolidated financial statements.

(Changes in presentation method)

Since the "subsidy income" of "non-operating income" posted independently in the previous consolidated fiscal year is less important, it is included in "Other" from the current consolidated fiscal year. In order to reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, in the consolidated income statement for the previous consolidated fiscal year, "subsidy income" of 298 million yen and "Other" of 416 million yen, which were stated in "non-operating income", are now reclassified as "Other" of 714 million yen.

(Segment information, etc.)

[Segment information]

1 Overview of reportable segments

The Company's reportable 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 reportable 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. From the current fiscal year, due to the change in management accounting categories, The Company has changed the classification of reportable segments, such as including businesses that were previously included in "Other" into "Total Pack Produce Business". The segment information for the previous consolidated fiscal year is created according to the changed classification.

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

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

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

As described in the change in accounting policy, the accounting method for revenue recognition was changed due to the Accounting Standard for Revenue Recognition that has been applied from the beginning of the current consolidated fiscal year, the company has also changed the method of calculation profit or loss for business segments. As a result of this change, sales to external customers in the "Medical Supply Business" segment for the current consolidated fiscal year have decreased by ¥ 4,889 million compared to the previous method. Although the internal sales or transfers between segments of the "Dispensing Pharmacy Business" segment for the current consolidated fiscal year decreased by ¥ 30,958 million in the same way, this event has no effect on the amount recorded in the consolidated income statement

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

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

(Unit: Millions yen)

	Reportable segment					Adjustments*1	Amount recorded on consolidated financial statements*2
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Subtotal		
Net sales							
(1) Sales to outside customers	104,355	341,157	24,571	27,070	497,156	—	497,156
(2) Intersegment sales or transfers	3,658	3,203	228	27,410	34,501	(34,501)	—
Subtotal	108,014	344,361	24,800	54,481	531,657	(34,501)	497,156
Segment profit	9,781	6,958	2,237	2,884	21,861	(61)	21,800
Segment assets	118,465	143,889	34,449	25,753	322,557	11,940	334,498
Other items							
Depreciation	1,608	578	622	283	3,093	77	3,170
Amortization of goodwill	484	532	401	538	1,957	—	1,957
Impairment loss	—	209	33	27	271	—	271
Investment in entities accounted for using equity method	393	—	9,621	—	10,015	—	10,015
Increase in property, plant, and equipment, and intangible fixed assets	1,202	2,986	295	375	4,860	91	4,951

Notes:

1. The amounts of the various adjustments are described below.

- (1) The figure of (61) million yen in adjustments to segment profit includes (78) million yen for the cancellation of intersegment transactions and 0 million yen for companywide costs not allocated to an individual reportable segment. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.
- (2) The figure of 11,940 million yen in adjustments to segment assets includes (19,293) million yen for cancellation of intersegment transactions, and 31,690 million yen for companywide assets not allocated to an individual reportable segment. These companywide assets consist mainly of assets related to administrative sections not attributable to individual reportable segments.
- (3) The figure of 91 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 reportable segments.

2. Segment profit is adjusted against the operating profit reported on the consolidated statement of income.

Consolidated fiscal year under review (April 1, 2021–March 31, 2022)

(Unit: Millions yen)

	Reportable segment					Adjustments*1	Amount recorded on consolidated financial statements*2
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Subtotal		
Net sales							
(1) Sales to outside customers	99,539	360,635	25,247	28,930	514,353	—	514,353
(2) Intersegment sales or transfers	2,176	1,256	188	101	3,724	(3,724)	—
Subtotal	101,716	361,892	25,436	29,032	518,077	(3,724)	514,353
Segment profit	9,265	6,209	2,407	3,200	21,082	(577)	20,505
Segment assets	121,743	144,820	34,755	27,629	328,947	6,127	335,074
Other items							
Depreciation	1,628	955	646	314	3,545	63	3,608
Amortization of goodwill	503	411	408	556	1,879	—	1,879
Impairment loss	—	241	—	—	241	—	241
Investment in entities accounted for using equity method	560	—	9,803	—	10,363	—	10,363
Increase in property, plant, and equipment, and intangible fixed assets	1,326	712	499	491	3,029	205	3,235

Notes:

1. The amounts of the various adjustments are described below.

- (1) The figure of (577) million yen in adjustments to segment profit includes (73) million yen for the cancellation of intersegment transactions and (509) million yen for companywide costs not allocated to an individual reportable segment. These companywide costs consist mainly of parent company operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.
- (2) The figure of 6,127 million yen in adjustments to segment assets includes (19,662) million yen for cancellation of intersegment transactions, and 26,538 million yen for companywide assets not allocated to an individual reportable segment. These companywide assets consist mainly of assets related to administrative sections not attributable to individual reportable segments.
- (3) The figure of 205 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 reportable segments.

2. Segment profit is adjusted against the operating profit reported on the consolidated statement of income.

[Related information]

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

1 Product and service-specific information

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

2 Region-specific information

(1) Net sales

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

(2) Property, plant, and equipment

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

3 Information concerning key individual customers

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

This consolidated fiscal year (April 1, 2021–March 31, 2022)

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 reportable segment]

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

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

This consolidated fiscal year (April 1, 2021–March 31, 2022)

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

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

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

(Unit: Millions yen)

	Reportable segment					Companywide/ cancellation	Total
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Subtotal		
(Goodwill) Ending balance	3,997	1,943	2,226	1,436	9,604	—	9,604

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

This consolidated fiscal year (April 1, 2021–March 31, 2022)

(Unit: Millions yen)

	Reportable segment					Companywide/ cancellation	Total
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Subtotal		
(Goodwill) Ending balance	3,991	1,424	1,946	974	8,336	—	8,336

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

[Information on gains on bargain purchases per reportable segment]

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

No important gains on bargain purchases occurred.

This consolidated fiscal year (April 1, 2021–March 31, 2022)

No important gains on bargain purchases occurred.

(Per-share information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	(Yen)	(Yen)
Net assets per share	1,181.14	1,253.73
Net income per share	129.99	129.01
Diluted net income per share	117.95	117.01

Notes:

- The company executed a two-for-one common stock split, effective on April 1, 2021. "Net assets per share", "Net income per share", and "Diluted net income per share" are calculated as if the relevant stock split was executed at the beginning of the previous consolidated fiscal year ended March 31, 2021.
- "Net income per share" and "Diluted net income per share" are calculated based on the following information:

Account	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income per share		
Profit attributable to owners of parent (millions yen)	12,280	12,172
Amount not attributable to owners of common stock (millions yen)	—	—
Profit attributable to owners of parent related to common stock (millions yen)	12,280	12,172
Average shares of common stock during the period (shares)	94,470,499	94,350,306
Diluted net income per share		
Adjustment for profit attributable to owners of parent (millions yen)	(16)	(16)
[Interest income (after tax equivalent deduction) (millions yen)]	[(17)]	[(17)]
Increase in number of common stock (shares)	9,503,636	9,529,091
[Bonds with share acquisition rights included in above (shares)]	[9,503,636]	[9,529,091]
Description of potentially dilutive common shares not included in the computation of diluted earnings per share because of their anti-dilutive effect	—	—

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

Account	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total net assets (millions yen)	115,103	122,318
Amount subtracted from total net assets (millions yen)	3,663	4,028
[Non-controlling interests included in above (millions yen)]	[3,663]	[4,028]
Ending balance of net assets related to common stock (millions yen)	111,440	118,289
Ending number of shares of common stock used in calculation of net assets per share (shares)	94,350,346	94,350,284

(Important subsequent information)

(Business combination through acquisition)

At a meeting of the Board of Directors held on April 27, 2022, the Company resolved to acquire shares of Kingrun Co., Ltd. and made into an affiliate, also entered into a share transfer agreement on the same date.

1. Overview of the business combination

(1) Name and business of the acquired company

Name of the acquired company: Kingrun Co., Ltd.

Business: Curtain leasing and sales business for medical institutions and nursing care facilities, comprehensive support business for furniture, fittings, and facilities, cleaning business, renovation business, welfare vehicle sales business, nursing care facility management business, food supply business, agricultural business, energy conservation business

(2) Principal purpose of the business combination

The company's product capabilities and extensive customer base are expected to create synergies for the entire group, including the Total Pack Produce business, and further enhance the corporate value.

(3) Date of the business combination

July 1, 2022 (scheduled)

(4) Legal form of the business combination

Acquisition of shares for consideration of cash

(5) Name following the business combination

Kingrun Co., Ltd.

(6) Ratio of voting rights acquired

Ratio of voting rights held immediately prior to acquisition: 14.9%

Ratio of voting rights to be acquired on the date of the business combination: 83.1%

Ratio of voting rights after the acquisition: 98.0%

(7) Grounds for deciding on the company to be acquired

The Group's mission is "Creating environment for medical professionals" under the management philosophy of "SHIP" (Sincere (heart of sincerity), Humanity (heart of humanity), Innovation (spirit of innovator), and PartnerSHIP (spirit of partnership)). Based on the above philosophy, the Group has set "Medical", "Health", "Nursing", "Welfare", and "Services" as its business domains, and mainly develops Total Pack Produce Business (comprehensive provision of consulting services to medical institutions, manufacturing, sales, and leasing of medical equipment and facilities, and real estate leasing to medical institutions), Medical Supply Business (sales of medical consumables and equipment), Lifecare Business (operation of nursing care homes and group homes, food supply, and rehabilitation support service), and Dispensing Pharmacy Business (operation of dispensing pharmacies).

Kingrun Co., Ltd. and its subsidiaries are the pioneers in the curtain leasing and sales business for medical institutions and nursing care facilities, and are also engaged in other businesses such as comprehensive support for furniture, fittings, and facilities, cleaning business, renovation business, welfare vehicle sales business, nursing care facility management business, food supply business, etc., and their strength lies in building medium- to long-term relationships with medical institutions and nursing care facilities nationwide through these wide-ranging business.

Kingrun Co., Ltd. and its subsidiaries' product capabilities and extensive customer base are expected to create synergies for the entire group, including the Total Pack Produce business, and further enhance the corporate value.

2. Acquisition Cost and Consideration of Acquired Company by Item

Consideration for acquisition: Cash	8,708 million yen
Acquisition cost:	8,708 million yen

3. Description and amount of major acquisition-related expenses

Advisory cost, etc. (approximation): 330 million yen

4. Amount of goodwill generated, grounds for generation, amortization method and amortization period

Not confirmed at the present moment.

5. Breakdown of principal amounts of assets to be acquired and liabilities assumed on the date of the business combination

Not confirmed at the present moment.