



Summary of Financial Statements
for First Quarter of Fiscal Year Ending March 31, 2023 [Japanese GAAP]
(Consolidated)

August 9, 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
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Scheduled date for filing quarterly report: August 12, 2022 Scheduled start date for dividend payments: -
Supplementary briefing materials on results: None
Briefing on quarterly results: None

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

1. Consolidated financial results for the first quarter of fiscal year ending March 31, 2023
(April 1, 2022 – June 30, 2022)

(1) Consolidated operating results (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%
Q1 FY ending March 2023	121,214	6.1	2,830	(8.9)	2,913	(4.7)	1,585	(1.1)
Q1 FY ended March 2022	114,215	—	3,106	7.6	3,057	(0.2)	1,602	(2.5)

Note: Comprehensive income: Q1 FY ending March 2023: ¥ 2,859 million (88.5 %)
Q1 FY ended March 2022: ¥ 1,517 million ((54.6) %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q1 FY ending March 2023	16.80	15.22
Q1 FY ended March 2022	16.99	15.39

Note: 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 the previous first quarter of fiscal year, the figures for the first quarter of 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 quarter is not shown.

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Million yen)	(Million yen)	%
Q1 FY ending March 2023	326,767	121,286	35.9
FY ended March 2022	335,074	122,318	35.3

Reference: Equity: Q1 FY ending March 2023: ¥117,162 million; FY ended March 2022: ¥118,289 million

2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2022	—	0.00	—	41.00	41.00
FY ending March 2023	—	—	—	—	—
FY ending March 2023 (forecast)	—	0.00	—	42.00	42.00

Note: Revisions made in most recently announced dividend forecasts: None

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
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million 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

Note: Revisions made in most recently announced forecasts of business performance: None

Notes

- (1) Changes made in significant subsidiaries during consolidated cumulative quarter under review: None
- (2) Application of special accounting methods for preparation of quarterly consolidated financial statements: None
- (3) Changes made in accounting policies, accounting estimates, and/or restatements:
- (i) Changes in accounting policies associated with changes in accounting standards, etc.: None
- (ii) Any changes in accounting policies other than those under (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

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

(i) Number of shares issued and outstanding at the end of the period (including treasury stock)	Q1 FY ending March 2023	101,669,400 shares	FY ended March 2022	101,669,400 shares
(ii) Number of treasury stock at the end of the period	Q1 FY ending March 2023	7,319,138 shares	FY ended March 2022	7,319,116 shares
(iii) Average number of shares during the period (quarterly cumulative)	Q1 FY ending March 2023	94,350,273 shares	Q1 FY ended March 2022	94,350,323 shares

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

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

- The forecasts of financial results and other forward-looking statements provided herein are based on information available 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 3 of the Annexed Materials.

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1. Qualitative information on business results

(1) Description of business results

The Japanese economy during the first quarter of the current consolidated cumulative period, although the impact of COVID-19 is easing and economic activities are gradually returning to normal, the rapid depreciation of the yen and soaring market price of food, energy, and raw materials due to the unstable international situation, including the situation in Russia and Ukraine, which makes the future outlook remain uncertain as well as concerns about further price increases. Healthcare industry in which the Group operates, though the number of surgeries has been on a recovery trend due to an increase in the number of medical consultations, there is a continued demand to build an efficient, effective, and high-quality medical care system that can respond to COVID-19.

In the Group business under such conditions, projects in the Total Pack Produce business progressed smoothly, and a hospital in Bangladesh was able to reach its grand opening. However, all businesses were affected by soaring food, energy, and raw material prices.

For the first quarter of the current consolidated cumulative period, the various factors noted above resulted in net sales of 121,214 million yen (up 6.1% YoY), operating profit of 2,830 million yen (down 8.9% YoY), ordinary profit of 2,913 million yen (down 4.7% YoY), and profit attributable to owners of the parent of 1,585 million yen (down 1.1% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

In Total Pack Produce business, in addition to the completion of projects and the steady increase in new orders, the number of new outpatients and the number of treatment cases in Osaka Heavy Ion Therapy Center increased due to the expansion of areas covered by insurance from April this year. On the other hand, the manufacturer-affiliated companies are facing difficulties in procuring some electrical components, and the soaring raw material prices have also contributed to lower performance compared to the previous fiscal year.

As a result, this segment recorded net sales of 16,707 million yen (down 0.7% YoY) and segment profit (operating profit) of 624 million yen (down 28.3% YoY).

(ii) Medical Supply business

In Medical Supply business, demand for medical supplies recovered due to an increase in the number of surgical cases, however, the number of projects related to subsidy budget for infection control decreased, in addition to recording upfront expenses associated with the operation of new SPD facilities.

As a result, this segment recorded net sales of 90,461 million yen (up 7.3% YoY) and segment profit (operating profit) of 984 million yen (down 7.3% YoY).

(iii) Lifecare business

In Lifecare business, the food supply business was affected by soaring food prices, and new M&A-related expenses were recorded, however, the occupancy rate remained high and the business efficiency improvement was progressed. As a result, this segment recorded net sales of 6,831 million yen (up 10.9% YoY) and segment profit (operating profit) of 531 million yen (down 9.5% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, the performance remained firm due to the opening of new stores and streamlining of management.

As a result, this segment recorded net sales of 7,214 million yen (up 4.5% YoY) and segment profit (operating profit) of 641 million yen (up 6.5% YoY).

(2) Analysis of Financial Position

Assets at the end of the consolidated first quarter under review stood at 326,767 million yen, down 8,306 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 16,926 million yen in notes, accounts receivable, and contract asset, despite increases of 2,774 million yen in electronically recorded monetary claims – operating, 2,299 million yen in merchandise and finished goods, and 2,077 million yen in investment securities.

Liabilities stood at 205,480 million yen, down 7,275 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 10,446 million yen in notes and accounts payable – trade, despite increases of 3,055 million yen in electronically recorded obligations – operating.

Net assets stood at 121,286 million yen, down 1,031 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decline included decreases of 3,868 million yen in retained earnings due to payment of dividends, despite increases of 1,585 million yen in retained earnings from profit attributable to owners of parent.

As a result of all these factors, equity capital ratio at the end of the consolidated first quarter under review stood at 35.9% (up 0.6% from the end of the previous consolidated fiscal year)

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

In general, business performance matched financial forecasts made at the start of the period. The consolidated financial forecasts for the fiscal year remain unchanged from the forecasts announced on May 10, 2022.

2. Quarterly consolidated financial statements and notes thereto

(1) Quarterly consolidated balance sheet

(Unit: Million yen)

	Fiscal year ended March 31, 2022	Q1 Fiscal year ending March 31, 2023 (June 30, 2022)
Assets		
Current assets		
Cash and deposits	73,808	72,264
Notes, accounts receivable, and contract asset	113,429	96,502
Electronically recorded monetary claims – operating	4,720	7,495
Lease investment assets	3,634	3,586
Merchandise and finished goods	18,778	21,077
Work in process	2,317	2,482
Raw materials and supplies	1,010	1,166
Other	9,724	10,896
Allowance for doubtful accounts	(895)	(1,001)
Total current assets	226,529	214,470
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	20,245	20,377
Land	16,293	16,479
Real estate for rent, net	10,993	11,139
Other, net	10,464	10,784
Total property, plant, and equipment	57,995	58,781
Intangible assets		
Goodwill	8,336	8,756
Other	1,017	1,200
Total intangible assets	9,354	9,956
Investments and other assets		
Investment securities	23,608	25,685
Long-term loans receivable	7,518	7,475
Other	11,810	12,146
Allowance for doubtful accounts	(1,741)	(1,748)
Total investments and other assets	41,195	43,559
Total non-current assets	108,545	112,297
Total assets	335,074	326,767

(Unit: Million yen)

	Fiscal year ended March 31, 2022	Q1 Fiscal year ending March 31, 2023 (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	100,071	89,625
Electronically recorded obligations - operating	22,173	25,229
Short-term loans payable	2,401	2,579
Income taxes payable	4,980	2,057
Provision for bonuses	2,461	2,652
Other	16,281	18,007
Total current liabilities	148,371	140,150
Non-current liabilities		
Bonds with share acquisition rights	25,041	25,035
Long-term loans payable	29,970	30,704
Net defined benefit liability	2,938	2,986
Asset retirement obligations	873	889
Other	5,560	5,714
Total non-current liabilities	64,384	65,329
Total liabilities	212,756	205,480
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,908	23,908
Retained earnings	91,964	89,681
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	115,899	113,615
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	1,503	1,806
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustments	842	1,697
Remeasurements of defined benefit plans	44	40
Total accumulated other comprehensive income	2,390	3,546
Non-controlling interests	4,028	4,124
Total net assets	122,318	121,286
Total liabilities and net assets	335,074	326,767

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

Quarterly consolidated statement of income

Consolidated cumulative first quarter

(Unit: Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	114,215	121,214
Cost of sales	103,106	109,659
Gross profit	11,109	11,554
Sales, general, and administrative expenses	8,003	8,724
Operating profit	3,106	2,830
Non-operating profit		
Interest income	72	79
Dividend income	99	107
Equity gains of affiliated companies	7	—
Reversal of allowance for doubtful accounts	7	3
Other	75	98
Total non-operating profit	261	288
Non-operating expenses		
Interest expenses	61	76
Equity losses of affiliated companies	—	3
Foreign exchange loss	205	113
Commission paid	19	8
Other	23	3
Total non-operating expenses	309	205
Ordinary profit	3,057	2,913
Extraordinary profit		
Gains on sales of non-current assets	0	1
Gains on sales of investment securities	1	—
Other	—	0
Total extraordinary profit	1	1
Extraordinary losses		
Losses on sales of non-current assets	0	2
Losses on retirement of non-current assets	0	6
Losses on change in equity	—	2
Other	—	0
Total extraordinary losses	0	11
Profit before income taxes	3,058	2,903
Income taxes - current	990	1,166
Income taxes - deferred	552	208
Total income taxes	1,543	1,375
Profit	1,515	1,527
Losses attributable to non-controlling interests	(87)	(57)
Profit attributable to owners of parent	1,602	1,585

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative first quarter

(Unit: Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income	1,515	1,527
Other comprehensive income		
Valuation differences on available-for-sale securities	10	303
Foreign currency translation adjustments	(5)	1,013
Remeasurements of defined benefit plans	5	(4)
Share of other comprehensive income of entities accounted for using equity method	(8)	19
Total other comprehensive income	1	1,332
Comprehensive income	1,517	2,859
(Breakdown)		
Comprehensive income attributable to owners of parent	1,603	2,741
Comprehensive income attributable to non-controlling interests	(85)	118

(3) Notes on consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on marked changes to shareholders' equity)

Not applicable

(Segment information, etc.)

[Segment information]

I. Previous consolidated cumulative first quarter (April 1 – June 30, 2021)

1 Net sales and profit (loss) by reportable segments

(Unit: Million 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	16,827	84,322	6,161	6,904	114,215	—	114,215
(2) Intersegment sales or transfers	397	420	43	23	885	(885)	—
Subtotal	17,225	84,742	6,205	6,927	115,100	(885)	114,215
Segment profit	870	1,062	587	602	3,122	(16)	3,106

Notes:

- The figure of (16) million yen in adjustments to segment profit includes (18) million yen for the cancellation of intersegment transactions and 7 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.
 - Segment profit is adjusted against the operating profit reported on the consolidated statement of income.
- 2 Notes on changes in reportable segments, etc.
- From the first quarter of this consolidated 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".
- 3 Information on impairment loss and goodwill on fixed assets by reportable segments
- No material impairment losses, changes in the amount of goodwill, and material gains on negative goodwill on fixed assets was recognized in the first quarter of the consolidated fiscal year.

II. Consolidated cumulative first quarter under review (April 1 – June 30, 2022)

1 Net sales and profit (loss) by reportable segments

(Unit: Million 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	16,707	90,461	6,831	7,214	121,214	—	121,214
(2) Intersegment sales or transfers	564	371	18	23	978	(978)	—
Subtotal	17,271	90,832	6,849	7,238	122,192	(978)	121,214
Segment profit	624	984	531	641	2,781	48	2,830

Notes:

- The figure of 48 million yen in adjustments to segment profit includes (17) million yen for the cancellation of intersegment transactions and 66 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.
 - Segment profit is adjusted against the operating profit reported on the consolidated statement of income.
- 2 Information on impairment loss and goodwill on fixed assets by reportable segments
 No material impairment losses, changes in the amount of goodwill, and material gains on negative goodwill on fixed assets was recognized in the first quarter of the current consolidated fiscal year.

(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. Pursuant to the share transfer agreement, we received common shares of Kingrun Co., Ltd. on July 1, 2022, making it a subsidiary.

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

(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

<u>Consideration for acquisition: Cash</u>	<u>8,708 million yen</u>
Acquisition cost:	8,708 million yen

3. Description and amount of major acquisition-related expenses

Advisory cost, etc. (approximation): 328 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.