



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

February 7, 2023

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 filing quarterly report: February 10, 2023 Scheduled start date of dividend payments: –
 Supplementary briefing materials on results: None
 Briefing on quarterly results: None

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

1. Consolidated financial results for the third quarter of fiscal year ending March 31, 2023
 (April 1, 2022 – December 31, 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)	%
Q3 FY ending March 2023	407,120	12.1	13,416	8.6	12,895	4.2	7,450	6.7
Q3 FY ended March 2022	363,154	—	12,359	(14.6)	12,374	(16.8)	6,983	(20.9)

Note: Comprehensive income: Q3 FY ending March 2023: ¥9,264 million (63.9%)

Q3 FY ended March 2022: ¥5,653 million ((46.9%))

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q3 FY ending March 2023	78.96	71.57
Q3 FY ended March 2022	74.01	67.10

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 previous first quarter of consolidated fiscal year, the figures for the third 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 fiscal year ended March 31, 2022 are not shown.

(2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Million yen)	(Million yen)	%
Q3 FY ending March 2023	370,136	126,906	33.4
FY ended March 2022	335,074	122,318	35.3

Reference: Equity: Q3 FY ending March 2023: ¥123,733 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	—	0.00	—		
FY ending March 2023 (forecast)				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)
Full-year	560,000	8.9	21,000	2.4	21,000	(1.4)	12,500	2.7	132.49

Notes: 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) Special account processing applied in preparation of quarterly consolidated financial statements: None
- (3) Changes made in accounting policies, accounting estimates, and/or restatements:
- (i) Changes in accounting policies associated with changes in accounting standards, etc.: 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)	Q3 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	Q3 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)	Q3 FY ending March 2023	94,350,266 shares	Q3 FY ended March 2022	94,350,312 shares

- * 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 “Information on consolidated financial forecasts and other forward-looking statements” on page 3 of the [attached materials].

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Qualitative information on business results

(1) Description of business results

While there are signs of recovery in domestic socio-economic activities due to the relaxation of movement restrictions associated with the spread of COVID-19 and the impact of the government's tourism support measures, the outlook remains uncertain due to the soaring resource prices, rising prices of commodities, and the rapid depreciation of the yen caused by the prolonged situation in Russia and Ukraine.

In the healthcare industry to which the Group belongs, there is a need to build an efficient, effective, and high-quality medical system that can deal with the event such as COVID-19 spread, and to realize medical care which simultaneously achieves safety, security and quality, the promotion of initiatives including work style reform for the doctors are also required.

Under these circumstances, while the Group's business was entirely affected by soaring prices of energy and raw materials, the business performance generally progressed according to the plan due to the smooth progress of projects in Total Pack Produce business. Furthermore, the Group keep on promoting 4 core strategic measures set forth in the medium-term management plan, "Further high growth of core business", "Further expand value", "Functional organization enhancement strategy", and "Activities for sustainability".

For the third quarter of the current consolidated cumulative period, the various factors noted above resulted in net sales of 407,120 million yen (up 12.1% YoY), operating profit of 13,416 million yen (up 8.6% YoY), ordinary profit of 12,895 million yen (up 4.2% YoY), and profit attributable to owners of the parent of 7,450 million yen (up 6.7% YoY).

Business results by segment are summarized below.

(i) Total Pack Produce business

In Total Pack Produce business, manufacturers still struggled to procure electrical components and were affected by soaring raw material prices, and subsidiaries in Myanmar were also subjected to financial sanction by western countries. However, the projects' completion and new orders were steadily recorded. Also, in heavy ion therapy center, the number of new outpatients and treatment cases increased due to the expansion of treatment areas covered by national insurance from April 2022.

As a result, this segment recorded net sales of 77,904 million yen (up 39.5% YoY) and segment profit (operating profit) of 4,899 million yen (up 21.0% YoY).

(ii) Medical Supply business

In Medical Supply business, while the business was affected by soaring raw material prices and logistic costs, newly contracted SPD facilities steadily operated. Furthermore, the demand for medical materials recovered due to the increase in the number of surgical cases.

As a result, this segment recorded net sales of 282,204 million yen (up 5.8% YoY) and segment profit (operating profit) of 4,372 million yen (up 4.4% YoY).

(iii) Lifecare business

In Lifecare business, the food service business was affected by soaring ingredient prices, and new M&A-related expenses were recorded. The nursing care business continued to maintain high occupancy rate, however it was also affected by soaring utility costs.

As a result, this segment recorded net sales of 24,331 million yen (up 28.8% YoY) and segment profit (operating profit) of 1,709 million yen (down 6.3% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, despite the implementation of small-scale M&As and the efforts in improving management efficiency, the business poorly performed due to the impact of drug price revisions and recording upfront costs for new store openings.

As a result, this segment recorded net sales of 22,680 million yen (up 4.8% YoY) and segment profit (operating profit) of 2,322 million yen (down 4.9% YoY)

(2) Analysis of Financial Position

Assets at the end of the consolidated third quarter under review stood at 370,136 million yen, up 35,061 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 10,783 million yen in cash and deposits, 6,394 million yen in goodwill, 5,350 million yen in merchandise and finished goods, 3,504 million yen in buildings and structures, despite decrease of 1,833 million yen in notes, accounts receivable, and contract asset.

Liabilities stood at 243,229 million yen, up 30,473 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 9,153 million yen in short-term loans payable, 7,257 million yen in electronically recorded obligations - operating, 4,189 million yen in long-term loans payable, despite decrease of 2,848 million yen in income taxes payable.

Net assets stood at 126,906 million yen, up 4,587 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 7,450 million yen in retained earnings from profit attributable to owners of parent, despite decrease of 3,868 million yen in retained earnings due to cash dividends paid, and 855 million yen in non-controlling interest.

As a result of all these factors, equity capital ratio at the end of the consolidated third quarter under review stood at 33.4%. (down 1.9% 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	Q3 Fiscal year ending March 31, 2023 (Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	73,808	84,591
Notes, accounts receivable, and contract asset	113,429	111,596
Electronically recorded monetary claims – operating	4,720	5,855
Lease investment assets	3,634	3,493
Merchandise and finished goods	18,778	24,128
Work in process	2,317	3,693
Raw materials and supplies	1,010	1,703
Other	9,724	11,387
Allowance for doubtful accounts	(895)	(1,007)
Total current assets	226,529	245,442
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	20,245	23,749
Land	16,293	18,087
Real estate for rent, net	10,993	11,005
Other, net	10,464	12,546
Total property, plant, and equipment	57,995	65,388
Intangible assets		
Goodwill	8,336	14,730
Other	1,017	1,179
Total intangible assets	9,354	15,910
Investments and other assets		
Investment securities	23,608	25,629
Long-term loans receivable	7,518	7,233
Other	11,810	12,311
Allowance for doubtful accounts	(1,741)	(1,780)
Total investments and other assets	41,195	43,394
Total non-current assets	108,545	124,693
Total assets	335,074	370,136

(Unit: Million yen)

	Fiscal year ended March 31, 2022	Q3 Fiscal year ending March 31, 2023 (Dec 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	100,071	104,073
Electronically recorded obligations - operating	22,173	29,431
Short-term loans payable	2,401	11,554
Income taxes payable	4,980	2,132
Provision for bonuses	2,461	1,395
Current portion of bonds payable	—	25,022
Other	16,281	23,677
Total current liabilities	148,371	197,288
Non-current liabilities		
Bonds with share acquisition rights	25,041	—
Long-term loans payable	29,970	34,160
Net defined benefit liability	2,938	3,400
Asset retirement obligations	873	1,098
Other	5,560	7,282
Total non-current liabilities	64,384	45,941
Total liabilities	212,756	243,229
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,908	23,533
Retained earnings	91,964	95,546
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	115,899	119,105
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	1,503	3,254
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustments	842	1,329
Remeasurements of defined benefit plans	44	41
Total accumulated other comprehensive income	2,390	4,628
Non-controlling interests	4,028	3,172
Total net assets	122,318	126,906
Total liabilities and net assets	335,074	370,136

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

 Quarterly consolidated statement of income
 Consolidated cumulative third quarter

(Unit: Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	363,154	407,120
Cost of sales	326,745	365,107
Gross profit	36,408	42,012
Sales, general, and administrative expenses	24,049	28,596
Operating profit	12,359	13,416
Non-operating profit		
Interest income	212	237
Dividend income	153	169
Equity gains of affiliated companies	74	—
Reversal of allowance for doubtful accounts	2	9
Other	266	351
Total non-operating profit	708	768
Non-operating expenses		
Interest expenses	214	306
Equity losses of affiliated companies	—	7
Foreign exchange loss	367	929
Commission paid	36	19
Other	74	26
Total non-operating expenses	693	1,289
Ordinary profit	12,374	12,895
Extraordinary profit		
Gains on sales of non-current assets	1	17
Subsidy income	—	45
Other	1	5
Total extraordinary profit	3	69
Extraordinary losses		
Losses on sales of non-current assets	1	2
Losses on retirement of non-current assets	3	25
Other	—	3
Total extraordinary losses	5	31
Profit before income taxes	12,372	12,933
Income taxes - current	4,072	4,758
Income taxes - deferred	1,410	1,104
Total income taxes	5,483	5,863
Profit	6,889	7,070
Losses attributable to non-controlling interests	(94)	(379)
Profit attributable to owners of parent	6,983	7,450

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative third quarter

	(Unit: Million yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net income	6,889	7,070
Other comprehensive income		
Valuation differences on available-for-sale securities	(1,575)	1,751
Foreign currency translation adjustments	323	433
Remeasurements of defined benefit plans	16	(5)
Share of other comprehensive income of entities accounted for using equity method	0	14
Total other comprehensive income	(1,235)	2,194
Comprehensive income	5,653	9,264
(Breakdown)		
Comprehensive income attributable to owners of parent	5,671	9,687
Comprehensive income attributable to non-controlling interests	(17)	(422)

(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 third quarter (April 1, 2021 – December 31, 2021)

1 Net sales and profit (loss) by reportable segments

(Unit: Million yen)

	Reportable segments					Adjustments*1	Amount recorded on consolidated financial statements*2
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Total		
Net sales							
(1) Sales to outside customers	55,864	266,757	18,887	21,644	363,154	—	363,154
(2) Intersegment sales or transfers	1,318	967	135	80	2,502	(2,502)	—
Subtotal	57,182	267,725	19,023	21,724	365,656	(2,502)	363,154
Segment profit	4,049	4,187	1,825	2,443	12,504	(145)	12,359

Notes: 1 The figure of (145) million yen in adjustments to segment profit includes (54) million yen in cancellation of intersegment transactions and (87) million yen in companywide costs not allocated among reportable segments. These companywide costs consist mainly of parent company's operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.

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

2 Notes on changes in reportable segments, etc.

From the first quarter of 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 third quarter of the consolidated fiscal year.

II. Consolidated cumulative third quarter under review (April 1, 2022 – December 31, 2022)

1 Net sales and profit (loss) by reportable segments

(Unit: Million yen)

	Reportable segments					Adjustments*1	Amount recorded on consolidated financial statements*2
	Total Pack Produce business	Medical Supply business	Lifecare business	Dispensing Pharmacy business	Total		
Net sales							
(1) Sales to outside customers	77,904	282,204	24,331	22,680	407,120	—	407,120
(2) Intersegment sales or transfers	2,141	1,215	66	80	3,504	(3,504)	—
Subtotal	80,046	283,419	24,398	22,760	410,624	(3,504)	407,120
Segment profit	4,899	4,372	1,709	2,322	13,303	113	13,416

Notes: 1 The figure of 113 million yen in adjustments to segment profit includes (73) million yen in cancellation of intersegment transactions and 191 million yen in companywide costs not allocated among reportable segments. These companywide costs consist mainly of parent company's operating expenses and sales, general, and administrative expenses not attributable to individual reportable segments.

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

2 Notes on assets in reportable segments, etc.

During the third quarter consolidated cumulative period, we acquired shares of Kingrun Co., Ltd. along with its 11 subsidiaries and added it to the scope of consolidation.

As a result of this event, assets in "Total Pack Produce Business" segment increased by 26,202 million yen compared to the end of the previous consolidated fiscal year.

3 Information on impairment loss on non-current assets or goodwill, per reportable segments

(significant impairment loss on non-current assets)

Not applicable

(significant fluctuations in the amount of goodwill)

During the third quarter consolidated cumulative period, we acquired shares of Kingrun Co., Ltd. along with its 11 subsidiaries and added it to the scope of consolidation.

The increase in goodwill in the "Total Pack Produce Business" segment due to the event is 7,101 million yen in the third quarter of the current consolidated cumulative period.

The amount of goodwill is a tentatively calculated amount as the allocation of the acquisition cost has not been completed as of the end of the third quarter consolidated fiscal year.

(significant gain on negative goodwill)

Not applicable