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## Consolidated Financial Statements for Third Quarter of Fiscal Year Ending March 31, 2024 [Japanese GAAP]

February 9, 2024

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 13, 2024 Scheduled start date of dividend payments: –  
 Supplementary briefing materials on results: None  
 Briefing on quarterly results: None

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

### 1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2024 (April 1, 2023 – December 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%
Q3 FY ending March 2024	453,057	11.3	15,130	13.2	15,788	22.9	7,224	(3.0)
Q3 FY ended March 2023	407,120	12.1	13,370	8.2	12,849	3.8	7,450	6.7

Note: Comprehensive income: Q3 FY ending March 2024: ¥8,820 million ((4.8%))  
 Q3 FY ended March 2023: ¥9,262 million (63.8%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q3 FY ending March 2024	76.57	—
Q3 FY ended March 2023	78.96	71.57

Note: At the end of the 31st consolidated fiscal year, provisional accounting treatment related to corporate combinations has been finalized, and the consolidated operating results for the third quarter of the fiscal year ended March 2023 reflect the contents of the finalized accounting treatment.

Note: For the third quarter of fiscal year ending March 2024, diluted net income per share are not provided as there are no outstanding potential shares.

#### (2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Million yen)	(Million yen)	%
Q3 FY ending March 2024	370,280	135,947	35.9
FY ended March 2023	381,977	131,115	33.5

Reference: Equity: Q3 FY ending March 2024: ¥132,865 million; FY ended March 2023: ¥128,037 million

### 2. Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY ended March 2023	—	0.00	—	42.00	42.00
FY ending March 2024	—	0.00	—	—	—
FY ending March 2024 (forecast)	—	—	—	48.00	48.00

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

Note: Dividend breakdown for the fiscal year ending March 31, 2024 (forecast)

Ordinary dividend ¥43.00 Commemorative dividend ¥5.00

### 3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	600,000	4.8	23,500	11.1	23,500	14.0	12,500	3.6	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 2024	101,669,400 shares	FY ended March 2023	101,669,400 shares
(ii) Number of treasury stock at the end of the period	Q3 FY ending March 2024	7,319,175 shares	FY ended March 2023	7,319,175 shares
(iii) Average number of shares during the period (quarterly cumulative)	Q3 FY ending March 2024	94,350,225 shares	Q3 FY ended March 2023	94,350,266 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].

○ Index of attached materials

1. Qualitative information on quarterly results .....	2
(1) Description of business results .....	2
(2) Analysis of financial position .....	3
(3) Information on consolidated financial forecasts and other forward-looking statements .....	3
2. Quarterly consolidated financial statements and notes thereto .....	4
(1) Quarterly consolidated balance sheet .....	4
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income ....	6
(3) Notes on quarterly consolidated financial statements .....	8
(Notes on the going concern assumption) .....	8
(Notes on marked changes to shareholders' equity) .....	8
(Segment information, etc.) .....	8

## 1. Qualitative information on business results

### (1) Description of business results

During the current cumulative period of the third quarter, the Japanese economy experienced a gradual normalization of economic activities as restrictions due to the COVID-19 pandemic were eased. However, uncertainties persisted due to unstable overseas conditions, the depreciation of the yen leading to soaring energy and raw material prices, global financial tightening, and concerns about the future of the Chinese economy.

In the healthcare industry to which the Group operates, special provisions for hospitals bed keeping fees and medical fees at medical institutions have been revised due to changes in the states of COVID-19 under the Infectious Diseases Control Law. In prefectures, as the guideline towards the 8<sup>th</sup> medical program, correspondence for various tasks, which were highlighted by pandemic of COVID-19, in regional healthcare and the change of population structure has been required.

In this situation, the group has increased its net sales and profit in all reporting segments compared to the same cumulative period of the previous fiscal year, indicating a solid performance trend. On the other hand, the group's two consolidated subsidiary companies in Republic of the Union of Myanmar has been affected by financial sanctions from the Europe and the U.S. and the forced convertibility of foreign currency starting from the military coup. Given the further tightening of financial sanctions, the situation where it has become increasingly difficult about collection or purchasing by foreign currency is progressing, and it is anticipated that such circumstances will continue in the future. Consequently, it was determined that the anticipated excess profitability would not be achievable as initially expected. Therefore, an impairment loss of the entire amount equivalent to goodwill, which is 2,635 million yen, was recognized as an extraordinary loss in the cumulative period of the second quarter of the consolidated fiscal year. In addition, this fiscal period marks the second phase of our medium-term management plan, "SHIP VISION 2024," and we have continued to advance the four key initiatives originally outlined: "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 453,057 million yen (up 11.3% YoY), operating profit of 15,130 million yen (up 13.2% YoY), ordinary profit of 15,788 million yen (up 22.9% YoY), and profit attributable to owners of the parent of 7,224 million yen (down 3.0% YoY). Additionally, it should be noted that as of the end of the previous consolidated fiscal year, the provisional accounting treatment related to corporate combinations has been finalized. Therefore, in comparing and analyzing with the cumulative consolidated period of the previous quarter, the amounts were reflected with the finalized provisional accounting treatment were used.

Business results by segment are summarized below.

#### (i) Total Pack Produce business

In Total Pack Produce business, while project assignments have tended to be concentrated in the fourth quarter of the current period, performance has progressed as planned up to the end of the current third quarter consolidated cumulative period for this fiscal year. Although there continues to be an impact from prolonged lead times for electrical components in the manufacturer segment, this situation has eased compared to the last fiscal year. Additionally, in Osaka 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. Furthermore, the performance of Kingrun Group, which joined in the Group in July 2022, contributed from the first quarter of the current consolidated cumulative period.

As a result, this segment recorded net sales of 84,574 million yen (up 8.6% YoY) and segment profit (operating profit) of 5,738 million yen (up 18.2% YoY).

#### (ii) Medical Supply business

In Medical Supply business, operation of new SPD consignment facilities which entrusted in second half of the last fiscal year has shifted steadily. Furthermore, while the rising prices of materials and labor costs affected the business, the demand for medical materials recovered due to the increase in the number of surgical cases in our customer's hospitals.

As a result, this segment recorded net sales of 316,849 million yen (up 12.3% YoY) and segment profit (operating profit) of 4,609 million yen (up 5.4% YoY).

#### (iii) Lifecare business

In Lifecare business, the Group made efforts to thoroughly manage utility expenses to mitigate the impact of soaring utility costs. Despite conducting rent increase at the beginning of the current fiscal year, the Group maintained consistently high occupancy rates. Furthermore, in food service businesses, the Group was able to overcome the increase in food prices by leveraging the contribution from a company that joined the group in the previous period, resulting in increased revenue and profit.

As a result, this segment recorded net sales of 27,333 million yen (up 11.9% YoY) and segment profit (operating profit) of 2,060 million yen (up 20.5% YoY).

(iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, the performance shifted steadily through newly opening stores and M&A in small scale.

As a result, this segment recorded net sales of 24,401 million yen (up 7.6% YoY) and segment profit (operating profit) of 2,670 million yen (up 15.0% YoY)

(2) Analysis of Financial Position

Assets at the end of the consolidated third quarter stood at 370,280 million yen, down 11,697 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease included decreases of 17,988 million yen in notes, accounts receivable, and contract asset, 3,655 million yen in goodwill, despite increases of 4,572 million yen in merchandise and finished goods, 2,363 million yen in investment securities, 2,276 million yen in electronically recorded monetary claims – operating.

Liabilities stood at 234,332 million yen, down 16,530 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease included decreases of 25,016 million yen in current portion of bonds payable, 7,819 million yen in notes and accounts payable-trade, despite increase of 14,847 million yen in short-term loans payable.

Net assets stood at 135,947 million yen, up 4,832 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 7,224 million yen in retained earnings from profit attributable to owners of parent, 1,293 million yen in valuation differences on available-for-sale securities, despite decrease of 3,962 million yen in retained earnings due to cash dividends paid.

As a result of all these factors, equity capital ratio at the end of the consolidated third quarter stood at 35.9%. (up 2.4% from the end of the previous consolidated fiscal year)

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

The consolidated financial forecasts for the fiscal year remain unchanged from the forecasts announced on November 10, 2023.

## 2. Quarterly consolidated financial statements and notes thereto

## (1) Quarterly consolidated balance sheet

(Unit: Million yen)

	Fiscal year ended March 31, 2023	Q3 Fiscal year ending March 31, 2024 (Dec. 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	80,839	81,278
Notes, accounts receivable, and contract asset	131,539	113,551
Electronically recorded monetary claims – operating	5,374	7,651
Lease investment assets	3,102	3,002
Merchandise and finished goods	21,389	25,962
Work in process	3,776	5,197
Raw materials and supplies	1,504	2,097
Other	10,817	12,239
Allowance for doubtful accounts	(1,101)	(1,245)
Total current assets	257,241	249,736
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	23,446	23,090
Land	18,209	18,045
Real estate for rent, net	10,951	10,951
Other, net	12,521	11,610
Total property, plant, and equipment	65,127	63,698
Intangible assets		
Goodwill	12,320	8,665
Other	3,828	3,512
Total intangible assets	16,149	12,177
Investments and other assets		
Investment securities	25,424	27,788
Long-term loans receivable	7,117	6,888
Other	12,605	11,698
Allowance for doubtful accounts	(1,689)	(1,707)
Total investments and other assets	43,458	44,668
Total non-current assets	124,735	120,543
Total assets	381,977	370,280

(Unit: Million yen)

	Fiscal year ended March 31, 2023	Q3 Fiscal year ending March 31, 2024 (Dec 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	109,883	102,063
Electronically recorded obligations - operating	28,622	35,370
Short-term loans payable	1,815	16,662
Income taxes payable	5,332	1,998
Provision for bonuses	2,908	1,324
Current portion of bonds with share acquisition rights	25,016	-
Other	23,441	25,441
Total current liabilities	197,020	182,861
Non-current liabilities		
Long-term loans payable	41,571	38,543
Net defined benefit liability	3,383	3,465
Asset retirement obligations	1,156	1,167
Other	7,730	8,294
Total non-current liabilities	53,842	51,471
Total liabilities	250,862	234,332
Net assets		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,533	23,447
Retained earnings	100,158	103,420
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	123,718	126,894
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	2,978	4,271
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustments	1,305	1,657
Remeasurements of defined benefit plans	32	39
Total accumulated other comprehensive income	4,319	5,971
Non-controlling interests	3,077	3,082
Total net assets	131,115	135,947
Total liabilities and net assets	381,977	370,280

## (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, 2022	Nine months ended December 31, 2023
Net sales	407,120	453,057
Cost of sales	365,107	407,486
Gross profit	42,012	45,571
Sales, general, and administrative expenses	28,642	30,441
Operating profit	13,370	15,130
Non-operating profit		
Interest income	237	247
Dividend income	169	206
Equity gains of affiliated companies	-	631
Other	361	395
Total non-operating profit	768	1,481
Non-operating expenses		
Interest expenses	306	331
Equity losses of affiliated companies	7	-
Foreign exchange loss	929	349
Other	46	142
Total non-operating expenses	1,289	823
Ordinary profit	12,849	15,788
Extraordinary profit		
Gains on sales of non-current assets	17	43
Gains on negative goodwill	-	3
Subsidy income	45	-
Other	5	6
Total extraordinary profit	69	53
Extraordinary losses		
Impairment loss	-	2,635
Losses on retirement of non-current assets	25	16
Losses on sales of subsidiaries and affiliates' stocks	-	129
Other	5	2
Total extraordinary losses	31	2,784
Profit before income taxes	12,887	13,057
Income taxes - current	4,758	4,886
Income taxes - deferred	1,060	1,055
Total income taxes	5,819	5,941
Profit	7,068	7,115
Losses attributable to non-controlling interests	(381)	(108)
Profit attributable to owners of parent	7,450	7,224



Quarterly consolidated statement of comprehensive income  
 Consolidated cumulative third quarter

	(Unit: Million yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	7,068	7,115
Other comprehensive income		
Valuation differences on available-for-sale securities	1,751	1,293
Foreign currency translation adjustments	433	418
Remeasurements of defined benefit plans	(5)	3
Share of other comprehensive income of entities accounted for using equity method	14	(9)
Total other comprehensive income	2,194	1,705
Comprehensive income	9,262	8,820
(Breakdown)		
Comprehensive income attributable to owners of parent	9,687	8,876
Comprehensive income attributable to non-controlling interests	(424)	(55)

## (3) Notes on quarterly 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, 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	4,853	4,372	1,709	2,322	13,257	113	13,370

- 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.
- 3 At the end of the previous consolidated fiscal year (April 1, 2022 – December 31, 2022), the provisional accounting treatment related to corporate combinations has been finalized. Therefore, in comparing and analyzing with the cumulative consolidated period of the previous quarter, amounts reflecting the finalized provisional accounting treatment are being used.

## 2 Notes on changes in reportable segments, etc.

During the third quarter in consolidated cumulative period, the Group 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 27,123 million yen compared to the end of the previous consolidated fiscal year.

## 3 Information on impairment loss and goodwill on fixed assets by 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 5,147 million yen in the third quarter of the current consolidated cumulative period. Additionally, the amount of goodwill reflects the finalized content of the provisional accounting treatment related to corporate combinations.

(significant gain on negative goodwill)

Not applicable

## II. Consolidated cumulative third quarter (April 1, 2023 – December 31, 2023)

## 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	84,574	316,849	27,233	24,401	453,057	—	453,057
(2) Intersegment sales or transfers	2,131	903	42	77	3,154	(3,154)	—
Subtotal	86,706	317,752	27,275	24,478	456,212	(3,154)	453,057
Segment profit	5,738	4,609	2,060	2,670	15,078	51	15,130

Notes: 1 The figure of 51 million yen in adjustments to segment profit includes (83) million yen in cancellation of intersegment transactions and 136 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.

(significant impairment loss on non-current assets)

In the Total Pack Produce business, considering the progress of the Myanmar operations compared to the initial business plan and the outlook for future performance, it has been determined that the originally anticipated excess earning power cannot be expected. As a result, an impairment loss has been recognized for goodwill.

The amount of the impairment loss recognized for goodwill due to this event is 2,635 million yen for the cumulative period of the third quarter.

(significant fluctuations in the amount of goodwill)

As mentioned above (significant impairment loss related to on non-current assets), the Company has impaired the goodwill in the Total Pack Produce business.

(significant gain on negative goodwill)

Not applicable