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

November 10, 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  
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Scheduled date for filing quarterly report: November 13, 2023 Scheduled start date of dividend payments: –  
 Supplementary briefing materials on results: Yes  
 Briefing on quarterly results: Yes (for institutional investors and analysts)

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

### 1. Consolidated financial results for the second quarter of fiscal year ending March 31, 2024 (April 1, 2023 – September 30, 2023)

(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)	%
Q2 FY ending March 2024	296,771	12.6	9,238	15.9	10,116	34.9	3,686	(11.0)
Q2 FY ended March 2023	263,520	12.3	7,971	5.0	7,498	1.6	4,143	0.6

Note: Comprehensive income: Q2 FY ending March 2024: ¥5,582 million (17.6%)  
 Q2 FY ended March 2023: ¥6,774 million (84.6%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Q2 FY ending March 2024	39.07	35.38
Q2 FY ended March 2023	43.92	39.80

### (2) Consolidated financial condition

	Total assets	Net assets	Equity capital ratio
	(Million yen)	(Million yen)	%
Q2 FY ending March 2024	375,250	132,709	34.5
FY ended March 2023	381,977	131,115	33.5

Reference: Equity: Q2 FY ending March 2024: ¥129,406 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: Yes

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)	Q2 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	Q2 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)	Q2 FY ending March 2024	94,350,225 shares	Q2 FY ended March 2023	94,350,268 shares

\* This financial result is not subject to quarterly review by certified public accountant or audit firm.

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

- The forecasts of financial results and other forward-looking statements provided herein are based on information available at the time this document was prepared, and certain assumptions considered reasonable. Actual results may differ significantly from forecasts due to various factors. For assumptions underlying forecasts of financial results, notes on use of forecasts of financial results, and other related information, please refer to "Information on consolidated financial forecasts and other forward-looking statements" on page 3 of the [attached materials].

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## 1. Qualitative information on business results

### (1) Description of business results

The Japanese economy during the second quarter of the current consolidated cumulative period, showed signs of normalization in socioeconomic activities due to easing of restrictions on movement caused by the COVID-19. On the other hand, the future remains uncertain, with energy prices remaining high due to Russia's invasion of Ukraine, soaring food prices, economic slowdown expected due to financial tightening in various countries, and unstable exchange rates.

Healthcare industry in which the Group operates, due to the change in the position of COVID-19 under the Infectious Diseases Act, reviews of the bed reservation fees for medical institutions and special treatment fees have been implemented. Additionally, in various prefectures, guidelines have been established as part of the 8th phase of the Medical Care Plan to address various challenges in regional healthcare that have become evident due to the spread of the COVID-19 pandemic and to adapt to changes in the population structure.

In the Group business under such conditions, the business progressed as planned due to smooth progress of the projects in the Total Pack Produce business. However, 2 consolidated subsidiaries in the Republic of the Union of Myanmar have been affected by the impact of Western financial sanctions and forced currency conversion resulting from the military coup that occurred previously. Furthermore, with the recent strengthening of additional financial sanctions, it has become increasingly difficult to recover foreign currency or make purchases. Given the prospect of such circumstances continuing in the future, it has been determined that the originally anticipated excess earning power cannot be expected. As a result, the full amount of goodwill, total of 2,635 million yen, has been recognized as an extraordinary loss through impairment. In addition, this fiscal year marks the second term of the medium-term management plan "SHIP VISION 2024", the Group continued to promote 4 core strategic initially set forth "Further high growth of core business", "Further expand value", "Functional organization enhancement strategy", and "Activities for sustainability".

For the second quarter of the current consolidated cumulative period, the various factors noted above resulted in net sales of 296,771 million yen (up 12.6% YoY), operating profit of 9,238 million yen (up 15.9% YoY), ordinary profit of 10,116 million yen (up 34.9% YoY), and profit attributable to owners of the parent of 3,686 million yen (down 11.0% YoY).

Business results by segment are summarized below.

#### (i) Total Pack Produce business

In Total Pack Produce business, the projects were steadily progressed. Although the manufacturers were still affected by the long lead time in procuring electrical components, it has eased compared to the previous fiscal year. Also, the number of new outpatients and treatment cases in Osaka Heavy Ion Therapy Center increased due to the expansion of areas covered by Japanese national medical insurance from April 2022. In addition, the business results of Kingrun Group, which joined in the Group in July last year, has contributed since the first quarter consolidated cumulative period for this fiscal year.

As a result, this segment recorded net sales of 56,665 million yen (up 16.5% YoY) and segment profit (operating profit) of 3,443 million yen (up 28.3% YoY).

#### (ii) Medical Supply business

In Medical Supply business, the business was affected by the souring prices of raw materials and labor costs, however, demand for medical supplies recovered due to an increase in the number of surgical cases.

As a result, this segment recorded net sales of 205,922 million yen (up 11.5% YoY) and segment profit (operating profit) of 2,800 million yen (up 4.2% YoY).

#### (iii) Lifecare business

In Lifecare business, the nursing care homes maintained high occupancy rate, although it was affected by rising utility costs. Also, the sales increase in food supply thanks to the contribution of the performance of companies that joined the Group in the previous fiscal year, the group could overcome the soaring food prices.

As a result, this segment recorded net sales of 18,010 million yen (up 16.4% YoY) and segment profit (operating profit) of 1,293 million yen (up 16.3% YoY).

#### (iv) Dispensing Pharmacy business

In Dispensing Pharmacy business, due to the new store openings and small scale of M&A, etc., the performance has steadily increased.

As a result, this segment recorded net sales of 16,173 million yen (up 9.9% YoY) and segment profit (operating profit) of 1,676 million yen (up 18.1% YoY).

## (2) Analysis of Financial Position

### (i) Assets, liabilities, and net assets

Assets at the end of the consolidated second quarter under review stood at 375,250 million yen, down 6,727 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease included decrease of 15,467 million yen in notes, accounts receivable, and contract asset, 3,263 million yen in goodwill, despite increases of 7,213 million yen in cash and deposits, 2,145 million yen in merchandise and finished goods. Liabilities stood at 242,541 million yen, down 8,321 million yen from the end of the previous consolidated fiscal year. The primary reasons for this decrease included decrease of 10,155 million yen in notes and accounts payable – trade, despite increases of 4,160 million yen in electronically recorded obligations – operating. Net assets stood at 132,709 million yen, up 1,593 million yen from the end of the previous consolidated fiscal year. The primary reasons for this increase included increases of 3,686 million yen in retained earnings from profit attributable to owners of parent, 935 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 second quarter stood at 34.5%. (up 1.0% from the end of the previous consolidated fiscal year)

### (ii) Cash flow

Cash flow proceeded by operating activities during the consolidated cumulative second quarter under review totaled 15,628 million yen (proceeds up 8,581 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include decrease of 15,301 million yen in notes and accounts receivable - trade, 7,392 million yen in profit before income taxes, despite the payment of 5,245 million yen for income taxes, and decrease of 6,104 million yen in notes and accounts payable – trade. Cash flow used in investing activities totaled 1,627 million yen (expenses down 3,393 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include expense of 1,698 million yen for purchase of property, plant, and equipment, 232 million yen for purchase of shares subsidiaries resulting in change in scope of consolidation, despite proceeds of 340 million yen from sale of tangible fixed assets. Cash flow used in financing activities totaled 7,001 million yen (proceeds up 9,515 million yen from the same period in the previous consolidated fiscal year). Major contributing factors include payment of 3,962 million yen for cash dividends paid, and expense of 3,142 million yen for repayments of long-term loans payable. As the result of the above factors, the balance of cash and cash equivalents at the end of the consolidated cumulative second quarter stood at 86,175 million yen, up 7,154 million yen 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 12, 2023.

## 2. Quarterly consolidated financial statements and notes thereto

## (1) Quarterly consolidated balance sheet

(Unit: Million yen)

	Fiscal year ended March 31, 2023	Q2 Fiscal year ending March 31, 2024 (Sep. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	80,839	88,052
Notes, accounts receivable, and contract asset	131,539	116,072
Electronically recorded monetary claims – operating	5,374	6,591
Lease investment assets	3,102	2,999
Merchandise and finished goods	21,389	23,534
Work in process	3,776	4,532
Raw materials and supplies	1,504	1,750
Other	10,817	11,161
Allowance for doubtful accounts	(1,101)	(1,185)
Total current assets	257,241	253,511
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	23,446	23,518
Land	18,209	18,067
Real estate for rent, net	10,951	11,008
Other, net	12,521	11,785
Total property, plant, and equipment	65,127	64,380
Intangible assets		
Goodwill	12,320	9,056
Other	3,828	3,601
Total intangible assets	16,149	12,658
Investments and other assets		
Investment securities	25,424	27,097
Long-term loans receivable	7,117	6,982
Other	12,605	12,315
Allowance for doubtful accounts	(1,689)	(1,695)
Total investments and other assets	43,458	44,699
Total non-current assets	124,735	121,738
Total assets	381,977	375,250

(Unit: Million yen)

	Fiscal year ended March 31, 2023	Q2 Fiscal year ending March 31, 2024 (Sep 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	109,883	99,727
Electronically recorded obligations - operating	28,622	32,783
Short-term loans payable	1,815	1,953
Income taxes payable	5,332	3,923
Provision for bonuses	2,908	2,822
Current portion of bonds with share acquisition rights	25,016	25,004
Other	23,441	24,236
Total current liabilities	197,020	190,450
Non-current liabilities		
Long-term loans payable	41,571	39,473
Net defined benefit liability	3,383	3,423
Asset retirement obligations	1,156	1,160
Other	7,730	8,034
Total non-current liabilities	53,842	52,090
Total liabilities	250,862	242,541
<b>Net assets</b>		
Shareholders' equity		
Capital stock	15,553	15,553
Capital surplus	23,533	23,447
Retained earnings	100,158	99,882
Treasury stock	(15,526)	(15,526)
Total shareholders' equity	123,718	123,356
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	2,978	3,913
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustments	1,305	2,096
Remeasurements of defined benefit plans	32	37
Total accumulated other comprehensive income	4,319	6,049
Non-controlling interests	3,077	3,302
Total net assets	131,115	132,709
<b>Total liabilities and net assets</b>	<b>381,977</b>	<b>375,250</b>

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

Quarterly consolidated statement of income

Consolidated cumulative second quarter

(Unit: Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	263,520	296,771
Cost of sales	236,793	267,232
Gross profit	26,726	29,538
Sales, general, and administrative expenses	18,755	20,300
Operating profit	7,971	9,238
Non-operating profit		
Interest income	158	163
Dividend income	115	147
Equity gains of affiliated companies	-	549
Foreign exchange gain	-	32
Other	225	291
Total non-operating profit	498	1,183
Non-operating expenses		
Interest expenses	190	221
Equity losses of affiliated companies	10	-
Foreign exchange loss	743	-
Other	27	84
Total non-operating expenses	971	305
Ordinary profit	7,498	10,116
Extraordinary profit		
Gains on sales of non-current assets	17	44
Subsidy income	45	-
Other	0	6
Total extraordinary profit	64	50
Extraordinary losses		
Impairment loss	-	2,635
Losses on retirement of non-current assets	13	7
Losses on sale of affiliated company shares	-	129
Other	5	1
Total extraordinary losses	18	2,773
Profit before income taxes	7,543	7,392
Income taxes - current	3,378	3,539
Income taxes - deferred	304	168
Total income taxes	3,683	3,707
Profit	3,860	3,684
Losses attributable to non-controlling interests	(283)	(1)
Profit attributable to owners of parent	4,143	3,686



Quarterly consolidated statement of comprehensive income  
 Consolidated cumulative second quarter

(Unit: Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	3,860	3,684
Other comprehensive income		
Valuation differences on available-for-sale securities	1,357	935
Foreign currency translation adjustments	1,541	970
Remeasurements of defined benefit plans	(4)	2
Share of other comprehensive income of entities accounted for using equity method	20	(10)
Total other comprehensive income	2,914	1,897
Comprehensive income	6,774	5,582
(Breakdown)		
Comprehensive income attributable to owners of parent	6,791	5,416
Comprehensive income attributable to non-controlling interests	(16)	165

## (3) Consolidated statement of cash flows

(Unit: Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,543	7,392
Depreciation and amortization	2,189	2,653
Impairment loss	-	2,635
Amortization of goodwill	1,176	1,066
Share of loss (profit) of entities accounted for using equity method	10	(549)
Increase (decrease) in provision for bonuses	(465)	(88)
Increase (decrease) in allowance for doubtful accounts	201	89
Increase (decrease) in net defined benefit liability	40	71
Loss (profit) on sales of affiliated company shares	-	129
Interest and dividend income	(273)	(310)
Interest expenses	190	221
Decrease (increase) in notes and accounts receivable – trade	7,582	15,301
Decrease (increase) in inventories	(3,202)	(3,109)
Increase (decrease) in notes and accounts payable – trade	(4,078)	(6,104)
Decrease (increase) in lease investment assets	98	102
Other	440	1,079
Subtotal	11,453	20,580
Interest and dividend income received	432	512
Interest expenses paid	(190)	(219)
Income taxes paid	(4,648)	(5,245)
Net cash provided by operating activities	7,046	15,628
<b>Cash flows from investing activities</b>		
Payments into time deposits	(185)	(222)
Proceeds from withdrawal of time deposits	240	249
Purchase of property, plant, and equipment	(1,395)	(1,698)
Proceeds from sales of property, plant, and equipment	114	340
Purchase of intangible assets	(307)	(72)
Payments of short-term loans receivable	(107)	(17)
Collection of long-term loans receivable	198	218
Purchase of investment securities	(116)	(91)
Proceeds from shares of subsidiaries resulting in change in scope of consolidation	382	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,998)	(232)
Sales of shares of subsidiaries resulting in change in scope of consolidation	-	(172)
Other	(846)	71
Net cash used in investing activities	(5,021)	(1,627)

(Unit: Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans-net	8,830	185
Proceeds from long-term loans payable	471	62
Repayments of long-term loans payable	(2,763)	(3,142)
Purchase of treasury stock	(0)	-
Cash dividends paid	(3,868)	(3,962)
Cash dividends paid to non-controlling interests	(22)	(25)
Repayments of lease obligations	(132)	(117)
<b>Net cash used in financing activities</b>	<b>2,514</b>	<b>(7,001)</b>
Effect of exchange rate change on cash and cash equivalents	139	154
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,680</b>	<b>7,154</b>
Cash and cash equivalents at the beginning of the period	72,804	79,020
<b>Cash and cash equivalents at the end of the period</b>	<b>77,484</b>	<b>86,175</b>

## (4) 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 second quarter (April 1, 2022 – September 30, 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	48,651	184,681	15,472	14,715	263,520	—	263,520
(2) Intersegment sales or transfers	1,341	722	28	49	2,141	(2,141)	—
Subtotal	49,992	185,404	15,501	14,764	265,661	(2,141)	263,520
Segment profit	2,684	2,687	1,111	1,419	7,903	67	7,971

Notes: 1 The figure of 67 million yen in adjustments to segment profit includes (29) million yen in cancellation of intersegment transactions and 98 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.

During the second quarter consolidated cumulative period, the Company has acquired shares of Kingrun Co., Ltd. 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 second quarter consolidated cumulative period, the Company has acquired shares of Kingrun Co., Ltd. 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 second 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 second quarter consolidated fiscal year.

(significant gain on negative goodwill)

Not applicable

## II. Consolidated cumulative second quarter under review (April 1, 2023 – September 30, 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	56,665	205,922	18,010	16,173	296,771	—	296,771
(2) Intersegment sales or transfers	1,592	598	22	47	2,261	(2,261)	—
Subtotal	58,257	206,520	18,033	16,220	299,032	(2,261)	296,771
Segment profit	3,443	2,800	1,293	1,676	9,213	25	9,238

Notes: 1 The figure of 25 million yen in adjustments to segment profit includes (57) million yen in cancellation of intersegment transactions and 81 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 Information on impairment loss on non-current assets or goodwill, per reportable segments

(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 second 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