Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name: FRANCE BED HOLDINGS CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 7840
URL: https://www.francebed-hd.co.jp
Representative: Shigeru Ikeda, Representative Director, Chairman and President
Inquiries: Akihiko Osada, Director (in charge of Accounting/General Affairs Group)
Telephone: +81-3-6741-5501
Scheduled date of annual general meeting of shareholders: June 24, 2022
Scheduled date to commence dividend payments: June 27, 2022
Scheduled date to file annual securities report: June 24, 2022
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	54,398	3.7	3,918	20.7	3,959	14.7	2,557	11.3
March 31, 2021	52,430	(0.0)	3,246	30.2	3,451	41.6	2,295	50.9

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥2,262 million [5.6%]
For the fiscal year ended March 31, 2021: ¥2,140 million [141.1%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	69.35	–	6.8	6.2	7.2
March 31, 2021	59.87	–	6.1	5.6	6.1

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2022: ¥(1) million
For the fiscal year ended March 31, 2021: ¥3 million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	64,298	37,540	58.3	1,030.11
March 31, 2021	62,217	37,412	60.1	998.31

Reference: Equity
As of March 31, 2022: ¥37,540 million
As of March 31, 2021: ¥37,412 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	6,011	(7,778)	316	10,778
March 31, 2021	10,408	(6,995)	(1,918)	12,202

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	14.00	–	16.00	30.00	1,142	50.1	3.0
Fiscal year ended March 31, 2022	–	15.00	–	18.00	33.00	1,210	47.5	3.2
Fiscal year ending March 31, 2023 (Forecast)	–	16.00	–	17.00	33.00		45.3	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	57,500	5.7	4,200	7.1	4,180	5.5	2,650	3.6	72.71

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Note: The Company included HOMECARE SERVICE YAMAGUCHI Co., Ltd. in its scope of consolidation from the fiscal year under review even though the subsidiary does not correspond to a specified subsidiary. For details, please refer to "(5) Notes Regarding Consolidated Financial Statements (Changes in Significant Subsidiaries during the Fiscal Year under Review)" under 4. Consolidated Financial Statements and Primary Notes on page 21 of the accompanying materials.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	41,397,500 shares
As of March 31, 2021	41,397,500 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2022	4,954,623 shares
As of March 31, 2021	3,921,557 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	36,871,681 shares
Fiscal year ended March 31, 2021	38,339,910 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other special matters

Caution regarding forward-looking statements

This document contains forward-looking statements including performance forecasts based on information available to the Company at the time of disclosure and certain assumptions that the Company believes to be reasonable. The Company makes no assurances as to their outcomes. Actual performance may differ substantially from these forecasts owing to a wide range of factors. For the assumptions underlying the forecasts and precautions when using the forecasts, please refer to 1. Summary of Operating Results, etc.; (4) Future Outlook on page 5 of the accompanying materials.

How to obtain supplementary material on financial results

The Company is scheduled to make a presentation of financial results for institutional investors and securities analysts on Thursday, May 26, 2022. The presentation's handout materials will be posted on the Company's website by the day before the presentation.

Attached Material

Index

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2022

During the current fiscal year (the "period under review"), signs of recovery appeared in the Japanese economy with progress achieved in vaccinations against COVID-19. However, the outlook for the economy remained uncertain due to factors such as the spread of infection caused by new COVID-19 variants.

In the nursing care industry to which our Group belongs, demand for home care continued to expand, despite signs of a gradual move toward entry into facilities, etc. by elderly people who had refrained from entering facilities due to the COVID-19 pandemic. At the same time, in the furniture and home furnishings industry, furniture store visitors have decreased, held down by the intermittent issuance of priority measures under the pandemic, such as declarations of emergency and infection prevention measures.

Under these circumstances, the Group formulated a medium-term management plan for the three years starting from April 2021. Based on our policy of seeking to continue to enhance corporate value and promoting ESG management to realize a sustainable society by resolving issues facing society as a whole, such as the shortage of human resources for nursing care and the increase in elderly care by the elderly, through new products and services by concentrating the Group's management resources on the senior-care business, the Group is working on major initiatives such as (1) expanding business by concentrating management resources on the rental business of welfare equipment (the Medical Services Business), (2) improving the profit margin by developing products that meet prevailing needs (the Home Furnishing and Health Business) and (3) strengthening the management base that supports corporate growth on an ongoing basis.

In this environment, consolidated net sales amounted to 54,398 million yen, up 3.7% year on year, reflecting continued strength in the core rental business for welfare equipment and increased revenue from M&A in the Medical Services Business, as well as a sales recovery in home beds and other products in the Home Furnishing and Health Business compared with the previous year under the pandemic. Moreover, with a reduction in the cost of sales ratio, etc., the Group posted operating profit of 3,918 million yen for the period under review, up 20.7% year on year. The Group's ordinary profit amounted to 3,959 million yen, up 14.7% year on year, and its profit attributable to owners of parent rose to 2,557 million yen, up 11.3% year on year.

In line with the application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. from the period under review, the accounting treatment for revenue recognition differs from the previous consolidated fiscal year (the "previous period"). In the summary of operating results, year-on-year comparisons are shown based on different accounting treatment methods.

For more information, please refer to "(5) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policies)" under "4. Consolidated Financial Statements and Primary Notes."

The performance of each business segment for the period under review is described below:

From the period under review, the calculation basis for segment profit has been changed from operating profit to ordinary profit. As a result, the comparisons and analysis for the period under review are based on segment profit after the change. For more information, please refer to "2. Method of calculating net sales, profit (loss), assets and other items by reporting segment" under "(5) Notes Regarding Consolidated Financial Statements (Segment Information)" of "4. Consolidated Financial Statements and Primary Notes."

(i) Medical Services Business

To meet expanded demand for home care, in the core welfare equipment rental business, the Group worked to strengthen its delivery structure, increase its sales force, and expand business sites for rental of welfare equipment. These efforts, centered on Tokyo, Nagoya, and Osaka, included sites operated by KASHIDASU Co., Ltd., which had become a Company subsidiary in the previous period; new office openings of the Oshiage Sales Office (Sumida-ku, Tokyo) and Sakai Sales Office (Sakai-shi, Osaka Prefecture); and the construction of a new service center for welfare equipment disinfection and maintenance in Kodaira-shi, Tokyo. The Company also acquired all shares in HOMECARE SERVICE YAMAGUCHI Co., Ltd., an operator of welfare equipment rental and other businesses in an area centered on Yamaguchi Prefecture, and made the company a consolidated subsidiary, in December 2021.

In the product strategy, the Group worked to increase the recognition of its Multi-position Beds launched in 2020 to provide self-reliance support to users and ease the stress on caregivers. Specifically, the Group broadcast television commercials for the Beds, organized regional sessions to give care managers a chance to try out the Beds, and exhibited the Beds at international special-needs equipment shows. In the Multi-fit series, based on the concept of "fitting things to people," the Group launched the Multi-fit Handrail, a new in-house product for the handrail market that is seeing high demand in homes.

For hospitals and welfare facilities, the Group focused on sales of products that help reduce contact and save labor, including ICT- and IoT-related products such as beds featuring Monitoring Care System M2 and Powered Turning Beds, positioning these products as equipment that makes up for nursing and nursing care manpower shortages and improves working conditions.

As a result, the Medical Services Business recorded net sales of 34,484 million yen for the period under review, up 5.0% year on year, and ordinary profit of 2,882 million yen, down 2.4% year on year.

(ii) Home Furnishing and Health Business

In the Home Furnishing and Health Business, the Life Treatment Mattress series, which was awarded the Eco Mark and whose standard feature is an antibacterial function, performed strongly, tapping into rising hygiene and environmental awareness amid the protracted pandemic. Strong results achieved by the series contributed to improved profit margins. Meanwhile, in February 2022, the Group developed MORELIY, an eco-friendly disassembling system which makes mattresses easier to disassemble at the time of their disposal. Processes and structures that could be disassembled were productized and installed in MORELIY to separate mattresses for their recycling. MORELIY won the 2021 Good Design Award based on an evaluation of those points.

In addition, in view of growing health awareness in recent years, the Group began selling the RAMIDUS I, a bed-type massage machine for a full-body massage in the sleeping position. The Group expanded the lineup of such items in response to cocooning demand that expanded under the pandemic.

As a showroom-related initiative, the Group opened directly operated showrooms in Utsunomiya-shi, Tochigi Prefecture in July 2021 and Kanazawa-shi, Ishikawa Prefecture in November 2021. In February of this year, the Group opened France Bed Odawara Showroom in Odawara-shi, Kanagawa Prefecture, the first such opening in a large commercial facility in the Kanto region. With thorough infection control measures, the Group also opened three new France Bed Galleries displaying only the Group's products in the furniture stores of business partners, expanding spaces where customers can view high value-added products that aid health maintenance and sleep quality enhancement.

As a result, the Home Furnishing and Health Business posted net sales of 19,419 million yen, up 1.2% year on year, and ordinary profit of 1,117 million yen, up 118.6% year on year.

(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2022

Assets

Total assets increased by 2,080 million yen from the previous year-end, to 64,298 million yen as of March 31, 2022. Current assets were down 895 million yen to 31,159 million yen from the previous year-end. This was primarily due to increases of 142 million yen in notes receivable - trade and accounts receivable - trade and in electronically recorded monetary claims - operating, and an increase of 613 million yen in inventories, partially offset by decreases including 1,600 million yen in securities. Non-current assets increased by 2,993 million yen from the end of the previous period to 33,128 million yen. This reflected the purchase and depreciation and amortization of property, plant and equipment and intangible assets, in addition to the purchase of buildings, the generation of goodwill from M&A, and an increase in investment securities, among other factors.

Liabilities

Total liabilities increased by 1,953 million yen to 26,757 million yen from the previous year-end. This result was primarily due to increases of 2,737 million yen in borrowings (including long-term) and 789 million yen in lease liabilities (including long-term), and decreases of 483 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating), 738 million yen in income taxes payable, and 333 million yen in accrued consumption taxes.

Net assets

Net assets increased by 127 million yen from the previous year-end, to 37,540 million yen. This was primarily due to decreases resulting from the 1,154 million yen payment of dividends from surplus and the 933 million yen purchase and disposal of treasury shares, which were partially offset by 2,557 million yen profit attributable to owners of parent.

As a result, the equity-to-asset ratio decreased to 58.3% from 60.1% at the previous year-end.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2022

Cash and cash equivalents decreased by 1,423 million yen from the previous year-end, to 10,778 million yen as of March 31, 2022. Details of individual cash flow items are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to 6,011 million yen, compared with 10,408 million yen for the same period the previous year. This was primarily due to included profit before income taxes of 3,883 million yen, the reporting of depreciation (a non-cash item) of 5,468 million yen, an increase in inventories of 678 million yen, a decrease in trade payables of 586 million yen, and income taxes and other payments of 1,841 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 7,778 million yen, compared with 6,995 million yen for the same period the previous year. This was primarily due to purchase of property, plant and equipment of 6,403 million yen, purchase of intangible assets of 176 million yen, and purchase of shares of subsidiaries resulting in changes in scope of consolidation of 1,285 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 316 million yen, compared with 1,918 million yen for the same period the previous year. Financing cash inflows included an increase of 600 million yen in short-term borrowings and 2,300 million yen in long-term borrowings, and sales and leasebacks of 3,828 million yen. These were offset by cash outflows that included payback of long-term borrowings amounting to 307 million yen, redemption of bonds amounting to 600 million yen, purchase of treasury shares amounting to 990 million yen, repayments of finance lease liabilities amounting to 3,361 million yen, and the payment of cash dividends amounting to 1,152 million yen.

Reference: Cash flow metrics

	FY2018	FY2019	FY2020	FY2021	FY2022
Equity-to-asset ratio (%)	62.7	60.4	62.6	60.1	58.3
Equity-to-asset ratio at market value (%)	58.2	56.0	59.1	58.3	49.0
Ratio of interest-bearing debt to cash flow (number of years)	2.3	1.1	10.4	1.1	2.5
Interest coverage ratio (times)	72.5	173.2	19.2	159.6	79.9

Equity-to-asset ratio: shareholders' equity / total assets

Equity-to-asset ratio at market value: total market capitalization / total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest payment

Notes:
1. From the beginning of the fiscal year ended March 31, 2019, the Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, the figures for equity-to-asset ratio and equity-to-asset ratio at market value for the fiscal year ended March 31, 2018, are shown after applying the accounting standard retrospectively.
2. Each indicator has been calculated on the basis of consolidated financial figures.
3. Total market capitalization has been calculated on the basis of the number of shares issued excluding treasury shares.
4. Cash flow refers to cash flows from operating activities.
5. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet on which interest is paid.

(4) Future Outlook

In Japan's economy, further hikes are forecast in the price of raw materials and resources due to the situation surrounding Russia and Ukraine, as well as sharp fluctuations in exchange rates.

Amid this business environment, under the three-year medium-term management plan announced in May 2021, the Group will concentrate its management resources on the senior-care business and will continue advancing ESG management aimed at achieving a sustainable society.

In the Medical Services Business, we will work to expand our share in the home care welfare equipment rental business, for which demand is expected to increase as the elderly population grows, by aggressively pushing ahead with measures such as M&A and reinforcement of our sales and delivery structure through reinforcement of personnel and bases and through the opening of sales bases in Tokyo, Nagoya, and Osaka regions. Meanwhile, as issues such as a shortage of caregivers due to a shrinking labor force and old people providing care for old people at home become more serious, we will also focus on the development and sales expansion of new labor-saving products such as care robots, to help solve such issues.

In the Home Furnishing and Health Business, amid dramatic changes in consumer attitudes towards living environment and sleep, we will focus on development and sales expansion of products with functional value in terms of hygiene and environmental performance, and will also aim to expand our group showrooms as spaces for properly conveying these product features. In measures to address the e-commerce market, we will enhance our lineup of products suited to online sales and will also expand our framework for logistics collaboration with online shopping operators.

Accordingly, the Group's consolidated results forecasts for the fiscal year ending March 31, 2023 are net sales of 57,500 million yen, operating profit of 4,200 million yen, ordinary profit of 4,180 million yen, and profit attributable to owners of parent of 2,650 million yen.

(5) Basic Policy for Profit Distribution, and Dividends in FY2022 and FY2023

To maximize its shareholder value, the Company regards profit distribution as one of its key management priorities. The Company decides its dividends by comprehensively taking into account its performance, operating environment and the necessity of enhancing its financial soundness in line with its basic policy of making every effort to maintain stable dividend payments.

Based on this policy, the Company plans to pay a year-end dividend of 18.0 yen per share for FY2022, an increase of 3.0 yen from 15.0 yen per share as announced on May 14, 2021.

The Company plans to place this matter on the proposal of the 19th ordinary general shareholders' meeting scheduled for June 2022.

Additionally, for FY2023, the Company plans to pay an interim dividend of 16.0 yen per share and a year-end dividend of 17.0 yen per share for an annual dividend of 33.0 yen per share.

(6) Business risks

Risks that may affect the business results, financial position, stock prices, etc. of the Group include those listed below. However, the listed factors do not cover all risks related to the Group, and there are other risks that exist, but which are difficult to foresee. The Group has established an Information Management Committee, a body to examine and review internal control-related matters, such as risk management, corporate information management and control, and compliance. The Committee gathers information and reports to the Board of Directors.

In addition, the Group has a Crisis Response Rules in place. When an event occurs that is considered to be a financial difficulty, a task force headed by the Representative Director, Chairman and President shall be swiftly set up, and measures shall be taken.

Matters concerning the future in this document are decisions made by the Group at the end of the fiscal year under review.

(i) Business environment of the Group

a. The Group's Medical Services Business relies greatly on the government-sponsored nursing-care insurance program based on the Long-Term Care Insurance Act, with sales related to nursing care insurance accounting for more than 50% of the net sales of the Medical Services Business. To address this risk, the Group works to expand sales of products that are not related to nursing care by focusing on the development and sale of Reha tech-branded products targeted at active seniors, in order to build a profit base that does not rely so heavily on the nursing-care insurance program. However, revisions are made every three years to the nursing-care insurance program, so the Group's services may be excluded from services covered by the insurance, or the percentages of insurance coverage applicable to the Group's services may be reduced. In such a case, net sales would decline, and the Group's performance and financial position would deteriorate.

b. The furniture retail markets for the suppliers and customers of the Group's Home Furnishing and Health Business tend to be susceptible to influences such as economic trends and accompanying change in consumer sentiment, land price fluctuations and the housing tax system. To address this risk, the Group promotes diversification beyond transactions with existing furniture retailers to include sales channels such as online retailers, home improvement stores, and mass merchandisers, in a bid to maintain sales and ensure profitability. However, if market demand shrinks due to declined income stemming from economic stagnation, a rise in market interest rates, an increase in land value, a rise in housing-related taxes, the increasingly aging and shrinking population, and other factors; or if our competitors get ahead of us in similar products or in technology areas despite our product differentiation efforts, the Group is likely to face a decline in sales and a reduction in sales prices, leading to a lower profit margin. In addition, a deterioration of our customers' financial position, customer defaults, and other events would also impact the Group's performance and financial position.

(ii) Product defects

The Group manufactures its products in its factories in accordance with the Japanese Industrial Standards (JIS) and Francebed Engineering Standards (FES), which are based on the Group's own quality criteria that are even stricter than JIS. However, there is no guarantee that defects will not occur in any of the products. Moreover, while the Group holds a product liability insurance, there is no guarantee that this insurance will ultimately be sufficient to cover the amount of compensation to be borne, and the Group may not always be able to continue holding such insurance.

In the event that a product defect occurs for which the Group bears liability, or if a large-scale recall is carried out in the interests of customer safety, or in other such circumstances, we may receive administrative directives from regulatory bodies, and costs of collecting such products and liabilities for damages would be incurred. This could ruin the Group's credibility and cause significant damage to our product reputation and brand, potentially resulting in lower net sales and affecting the Group's performance and financial position.

(iii) Unauthorized disclosure of personal information

Due to the nature of its business, the Group handles a large volume of personal information such as customer information and pays particular attention to the protection of personal information in the conduct of its business activities, and takes measures to protect confidentiality. The Group also purchases liability insurance to mitigate any losses arising from such risks and provide compensation to any victims. However, if a leak of personal information were to occur due to an information security incident caused by a cyberattack or other attack, the Group could be held legally responsible, and it could experience a major loss of credibility that could affect its performance and financial position.

(iv) Credit

The Group engages in a range of business transactions and bears a credit risk that could result in losses such as those incurred due to a supplier's or customer's worsened credit standing or bankruptcy. In order to control this risk, the Group has set a credit limit and a payment method for each supplier and customer, and has established a committee for the protection of accounts receivable to flexibly manage credit risk. However, because it is difficult to eliminate all such risks, the Group's performance and financial position could be adversely affected in the event of deterioration in credit standing or bankruptcy of a supplier or customer

(v) Exchange rate fluctuations

The Group engages in import and export transactions of raw materials and manufactured products, and bears the risk of fluctuations in exchange rates with regard to related foreign-currency denominated monetary receivables and payables (including foreign currency denominated forecasted transactions). The Group therefore enters into derivative transactions for the purpose of hedging risks associated with exchange rate fluctuations, but it is difficult to completely eliminate all such risks, including the indirect impact of exchange rate fluctuations. It is therefore possible that the Group's performance and financial position could be affected by exchange rate fluctuations.

In addition, the Group enters into import and export transactions with multiple countries mainly in Asia and Europe, and will continue to do so. It is therefore possible that the Group's performance and financial position could be affected by changes in the export and import environment associated with changes in the economic situation in each country or social upheaval caused by disaster, riots, terrorism, wars or other factors.

(vi) Disasters

As the Group operates many business bases centered in Japan, if a natural disaster such as typhoon and earthquake were to occur, or in the case of a fire, power outage, epidemic or other incident, the

Group would be exposed to a risk of substantial costs incurred by an absence of business activities at suspended business bases, or due to the repair of facilities in question.

In the case of an unprecedented pandemic like the COVID-19 pandemic, the Company must prioritize the safety of its officers and employees as well as its other stakeholders and it is required to significantly downscale its business operations to prevent the spread of infection. If such a situation arises, the Group will immediately set up a crisis task force led by the Company's Representative Director, Chairman and President and take measures based on a business continuity plan detailing actions to be taken by individual officers and employees and individual departments. However, depending on the duration of the disaster and the economic impact, the Group's performance and financial position could be impacted.

(vii) Risks related to changes in social conditions

In its business activities, the Group faces the risk of impacts from fluctuations in resource demand and resource costs associated with social turmoil stemming from disasters, riots, terrorism, war, and other causes, and from changes in economic conditions, primarily in overseas resource-producing countries. While we pay constant close attention to movements in social conditions in Japan and overseas, there is a possibility of increases in the costs borne by the Group, including prices for raw materials and product procurement as well as general costs, which in turn would impact the Group's business performance and financial status.

2. Corporate Group

The Company’s corporate group consists of the Company, eleven subsidiaries (eight consolidated subsidiaries and three unconsolidated subsidiaries), and one affiliate, and mainly engages in the Medical Services Business and the Home Furnishing and Health Business.

The Group’s businesses and relationship between its businesses and Group companies are described below.

The classification of business segments in the Segment Information is the same as that below.

Business segments	Business activities	Major group companies
Medical Services	Manufacture, procurement, rental, retail sale and wholesale of medical and nursing care beds and welfare equipment, and linen supply for hospitals, hotels, and other facilities	FRANCE BED CO., LTD. TSUBASA CO., LTD. KASHIDASU Co., Ltd. HOMECARE SERVICE YAMAGUCHI Co., Ltd. JIANGSU FRANCE BED CO., LTD. FRANCE BED MEDICAL SERVICE Co., Ltd. Mistral Service Co., Ltd.
Home Furnishing and Health	Manufacture, procurement, wholesale and door-to-door sale of beds, furniture, bedding, health appliances, and other products, and advertising and setting up of exhibition venues	FRANCE BED CO., LTD. FRANCE BED SALES CO., LTD. FB Tomonokai Co., Ltd. TOKYO BED CO., LTD. FRANCE BED FURNITURE CO., LTD. JIANGSU FRANCE BED CO., LTD.
Other	Real estate leasing and other businesses	FRANCE BED CO., LTD. FRANCE BED SALES CO., LTD.

Notes: 1. FB Tomonokai Co., Ltd., a subsidiary of the Company’s consolidated subsidiary, FRANCE BED SALES CO., LTD., solicits its members based on contracts for specified prepaid transactions relevant to products marketed by FRANCE BED SALES CO., LTD., and mediates product sales to such its members.

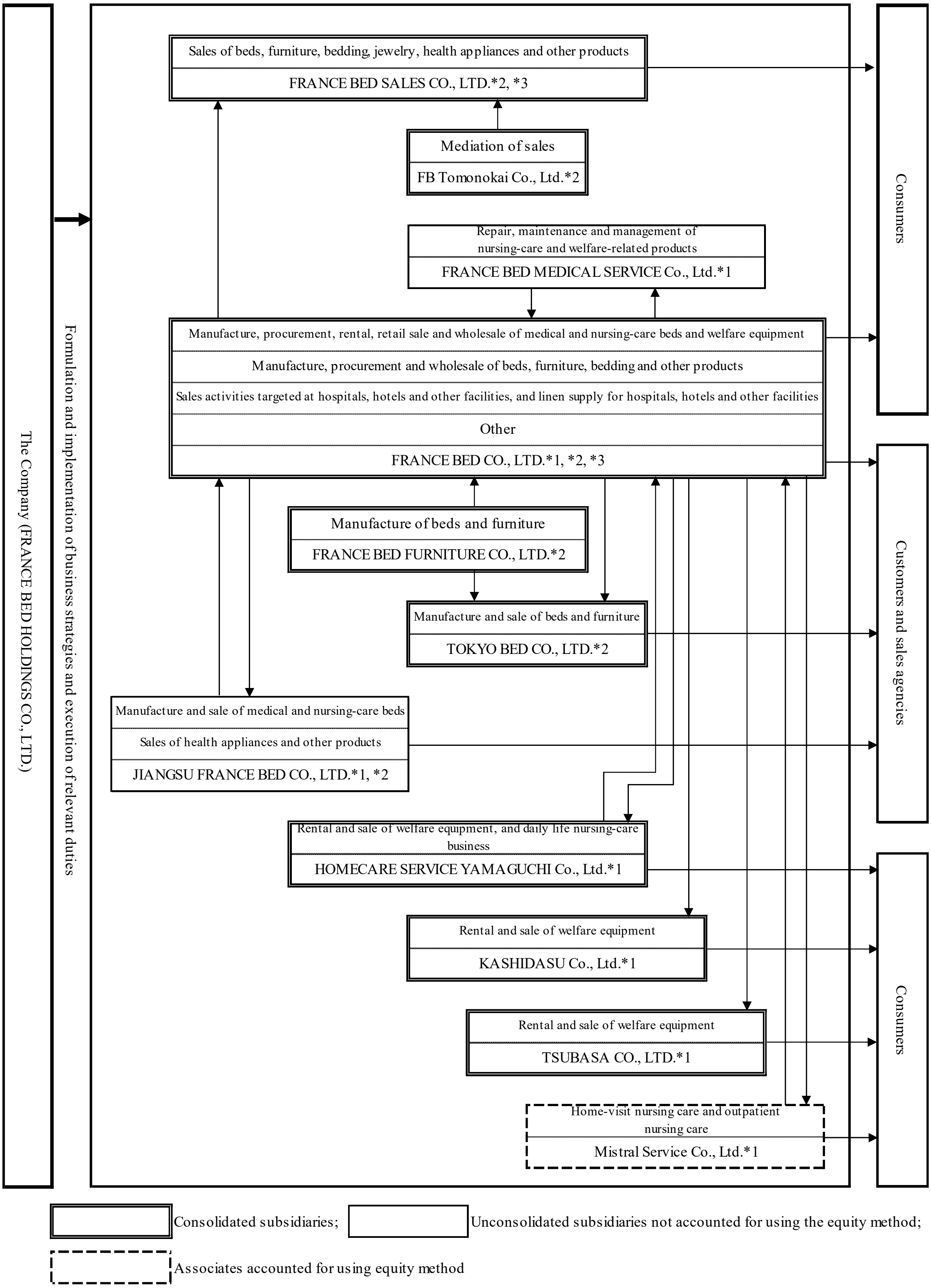
2. Affiliate accounted for using the equity method: Mistral Service Co., Ltd.

3. Major unconsolidated subsidiaries and entities not accounted for using equity method: JIANGSU FRANCE BED CO., LTD. and FRANCE BED MEDICAL SERVICE Co., Ltd.

JIANGSU FRANCE BED CO., LTD. and FRANCE BED MEDICAL SERVICE Co., Ltd. have been excluded from the scope of consolidation and from the scope of application of the equity method because they are small in size and their amounts in terms of total assets, net sales, profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), etc. do not materially impact the consolidated financial statements.

[Operating Structure]

The figure below shows the Group’s operating structure. Only major business relationships are included.



*1. Medical Services Business, *2. Home Furnishing and Health Business, *3 Other

3. Basic Approach to Selection of Accounting Standards

The Group applies the J-GAAP as accounting standards to ensure the comparability of its consolidated financial statements from period to period and among entities.

The Group will appropriately respond to the application of the International Financial Reporting Standards (IFRS) upon taking into account circumstances both in Japan and abroad.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

		As of March 31, 2021		As of March 31, 2022
Assets				
Current assets				
Cash and deposits		9,702		9,778
Notes and accounts receivable - trade		9,063		–
Notes receivable - trade		–		642
Accounts receivable - trade		–		8,548
Contract assets		–		0
Electronically recorded monetary claims - operating		976		990
Securities		3,100		1,500
Merchandise and finished goods		5,487		5,857
Work in process		415		422
Raw materials and supplies		1,885		2,122
Other		1,438		1,349
Allowance for doubtful accounts		(14)		(53)
Total current assets		32,055		31,159
Non-current assets				
Property, plant and equipment				
Assets for lease		5,336		5,314
Accumulated depreciation		(3,566)		(3,542)
Assets for lease, net		1,769		1,772
Buildings and structures		15,214		17,822
Accumulated depreciation		(10,647)		(11,516)
Buildings and structures, net		4,567		6,305
Machinery, equipment and vehicles		5,750		5,754
Accumulated depreciation		(4,449)		(4,484)
Machinery, equipment and vehicles, net		1,301		1,269
Tools, furniture and fixtures		2,950		3,201
Accumulated depreciation		(2,588)		(2,808)
Tools, furniture and fixtures, net		361		392
Land		6,991		7,197
Leased assets		12,209		14,280
Accumulated depreciation		(7,661)		(9,251)
Leased assets, net		4,548		5,029
Construction in progress		93		48
Total property, plant and equipment		19,633		22,016
Intangible assets				
Goodwill		353		1,167
Leased assets		823		668
Software		635		568
Other		14		18
Total intangible assets		1,826		2,423
Investments and other assets				
Investment securities		634		716
Long-term loans receivable		60		47
Deferred tax assets		1,954		1,899
Retirement benefit asset		4,906		4,937
Other	*1	1,233	*1	1,203
Allowance for doubtful accounts		(115)		(116)
Total investments and other assets		8,674		8,688
Total non-current assets		30,135		33,128

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred assets		
Bond issuance costs	27	10
Total deferred assets	27	10
Total assets	62,217	64,298

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,856	2,672
Electronically recorded obligations - operating	2,476	2,176
Short-term borrowings	3,300	3,975
Current portion of long-term borrowings	300	222
Current portion of bonds payable	600	2,100
Lease liabilities	2,676	3,138
Income taxes payable	1,224	485
Accrued consumption taxes	449	116
Contract liabilities	–	293
Provision for bonuses	1,378	1,423
Provision for bonuses for directors (and other officers)	15	16
Provision for loss on disaster	–	102
Asset retirement obligations	–	72
Other	2,420	2,376
Total current liabilities	17,698	19,174
Non-current liabilities		
Bonds payable	2,400	300
Long-term borrowings	–	2,140
Lease liabilities	3,192	3,519
Deferred tax liabilities	30	25
Provision for retirement benefits for directors (and other officers)	73	187
Provision for contingent loss	7	8
Retirement benefit liability	453	425
Asset retirement obligations	343	366
Other	604	609
Total non-current liabilities	7,106	7,583
Total liabilities	24,804	26,757
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	0	1
Retained earnings	35,881	37,236
Treasury shares	(3,626)	(4,560)
Total shareholders' equity	35,255	35,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15)	(34)
Deferred gains or losses on hedges	35	53
Remeasurements of defined benefit plans	2,137	1,843
Total accumulated other comprehensive income	2,157	1,862
Total net assets	37,412	37,540
Total liabilities and net assets	62,217	64,298

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

Consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Net sales		52,430		54,398
Cost of sales	*1	25,392	*1	25,398
Gross profit		27,038		28,999
Selling, general and administrative expenses		23,792		25,081
Operating profit		3,246		3,918
Non-operating income				
Interest income		3		4
Dividend income		17		11
Rental income		25		26
Share of profit of entities accounted for using equity method		3		–
Patent-related income		–		45
Other		345		112
Total non-operating income		395		199
Non-operating expenses				
Interest expenses		64		74
Sales discounts		29		–
Share of loss of entities accounted for using equity method		–		1
Amortization of bond issuance costs		21		17
Rental expenses		20		19
Other		54		45
Total non-operating expenses		190		158
Ordinary profit		3,451		3,959
Extraordinary income				
Gain on sale of non-current assets		4		147
Gain on sale of investment securities		281		10
Total extraordinary income		286		158
Extraordinary losses				
Loss on sale of non-current assets		–		0
Loss on retirement of non-current assets		32		37
Loss on sale of investment securities		17		–
Impairment losses		75		10
Loss on disaster		–	*2	184
Loss resulting from temporary suspension of business	*3	104		–
Total extraordinary losses		229		233
Profit before income taxes		3,508		3,883
Income taxes - current		1,285		1,046
Income taxes - deferred		(73)		280
Total income taxes		1,212		1,326
Profit		2,295		2,557
Profit attributable to owners of parent		2,295		2,557

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	2,295	2,557
Other comprehensive income		
Valuation difference on available-for-sale securities	34	(18)
Deferred gains or losses on hedges	34	17
Remeasurements of defined benefit plans, net of tax	(223)	(293)
Total other comprehensive income	(154)	(294)
Comprehensive income	2,140	2,262
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,140	2,262
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

FY2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000	0	34,676	(2,507)	35,168
Cumulative effects of changes in accounting policies					–
Restated balance	3,000	0	34,676	(2,507)	35,168
Changes during period					
Dividends of surplus			(1,085)		(1,085)
Profit attributable to owners of parent			2,295		2,295
Purchase of treasury shares				(1,118)	(1,118)
Disposal of treasury shares					–
Merger of unconsolidated subsidiaries by consolidated subsidiaries					–
Change in scope of consolidation			(4)		(4)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,205	(1,118)	86
Balance at end of period	3,000	0	35,881	(3,626)	35,255

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(49)	1	2,360	2,312	37,481
Cumulative effects of changes in accounting policies					–
Restated balance	(49)	1	2,360	2,312	37,481
Changes during period					
Dividends of surplus					(1,085)
Profit attributable to owners of parent					2,295
Purchase of treasury shares					(1,118)
Disposal of treasury shares					–
Merger of unconsolidated subsidiaries by consolidated subsidiaries					–
Change in scope of consolidation					(4)
Net changes in items other than shareholders' equity	34	34	(223)	(154)	(154)
Total changes during period	34	34	(223)	(154)	(68)
Balance at end of period	(15)	35	2,137	2,157	37,412

FY2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000	0	35,881	(3,626)	35,255
Cumulative effects of changes in accounting policies			(43)		(43)
Restated balance	3,000	0	35,837	(3,626)	35,211
Changes during period					
Dividends of surplus			(1,154)		(1,154)
Profit attributable to owners of parent			2,557		2,557
Purchase of treasury shares				(986)	(986)
Disposal of treasury shares		1		52	53
Merger of unconsolidated subsidiaries by consolidated subsidiaries			(3)		(3)
Change in scope of consolidation					–
Net changes in items other than shareholders' equity					
Total changes during period	–	1	1,399	(934)	465
Balance at end of period	3,000	1	37,236	(4,560)	35,677

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(15)	35	2,137	2,157	37,412
Cumulative effects of changes in accounting policies					(43)
Restated balance	(15)	35	2,137	2,157	37,369
Changes during period					
Dividends of surplus					(1,154)
Profit attributable to owners of parent					2,557
Purchase of treasury shares					(986)
Disposal of treasury shares					53
Merger of unconsolidated subsidiaries by consolidated subsidiaries					(3)
Change in scope of consolidation					–
Net changes in items other than shareholders' equity	(18)	17	(293)	(294)	(294)
Total changes during period	(18)	17	(293)	(294)	171
Balance at end of period	(34)	53	1,843	1,862	37,540

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,508	3,883
Depreciation	4,931	5,468
Impairment losses	75	10
Amortization of goodwill	22	105
Loss (gain) on sale of non-current assets	(4)	(147)
Loss on retirement of non-current assets	32	37
Increase (decrease) in allowance for doubtful accounts	(15)	37
Increase (decrease) in provision for bonuses	132	(27)
Increase (decrease) in provision for bonuses for directors (and other officers)	2	0
Increase (decrease) in retirement benefit liability	(73)	(42)
Decrease (increase) in retirement benefit asset	(346)	(440)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	14	14
Loss (gain) on sale of investment securities	(264)	(10)
Interest and dividend income	(21)	(15)
Interest expenses	64	74
Share of loss (profit) of entities accounted for using equity method	(3)	1
Loss on disaster	–	184
Decrease (increase) in trade receivables	(194)	194
Decrease (increase) in inventories	556	(678)
Increase (decrease) in trade payables	253	(586)
Increase (decrease) in accrued expenses	105	67
Other, net	380	(221)
Subtotal	9,155	7,912
Interest and dividends received	21	15
Interest paid	(65)	(75)
Income taxes refund (paid)	1,296	(1,841)
Net cash provided by (used in) operating activities	10,408	6,011

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,575)	(6,403)
Proceeds from sale of property, plant and equipment	4	170
Purchase of securities	(1,300)	(1,300)
Proceeds from redemption of securities	1,300	1,400
Purchase of investment securities	(99)	(199)
Proceeds from sale of investment securities	661	12
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(586)	(1,285)
Purchase of shares of subsidiaries and associates	(59)	–
Loan advances	(145)	–
Proceeds from collection of loans receivable	–	5
Purchase of intangible assets	(159)	(176)
Payments for asset retirement obligations	(37)	–
Other, net	–	(0)
Net cash provided by (used in) investing activities	(6,995)	(7,778)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	600	600
Proceeds from long-term borrowings	–	2,300
Repayments of long-term borrowings	–	(307)
Redemption of bonds	(600)	(600)
Purchase of treasury shares	(1,118)	(990)
Proceeds from sale and leaseback transactions	3,135	3,828
Repayments of lease liabilities	(2,851)	(3,361)
Dividends paid	(1,083)	(1,152)
Net cash provided by (used in) financing activities	(1,918)	316
Effect of exchange rate change on cash and cash equivalents	0	–
Net increase (decrease) in cash and cash equivalents	1,494	(1,449)
Cash and cash equivalents at beginning of period	10,636	12,202
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	70	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	25
Cash and cash equivalents at end of period	* 12,202	* 10,778

(5) Notes Regarding Consolidated Financial Statements

Notes Regarding the Going Concern Assumption

Not applicable

Changes in Significant Subsidiaries during the Fiscal Year under Review

The Company included HOMECARE SERVICE YAMAGUCHI Co., Ltd. in its scope of consolidation from the third quarter of the period under review though the subsidiary does not correspond to a specified subsidiary, following the acquisition of all of its shares through FRANCE BED CO., LTD., its consolidated subsidiary, in the third quarter of the period under review.

Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 8

Names of consolidated subsidiaries:

FRANCE BED CO., LTD.

FRANCE BED FURNITURE CO., LTD.

FRANCE BED SALES CO., LTD.

FB Tomonokai Co., Ltd.

TOKYO BED CO., LTD.

TSUBASA CO., LTD.

KASHIDASU Co., Ltd.

HOMECARE SERVICE YAMAGUCHI Co., Ltd.

<u>Changes in scope of consolidation</u>

HOMECARE SERVICE YAMAGUCHI Co., Ltd. was included in the scope of consolidation from the third quarter of the fiscal year under review as a result of acquisition of all the shares of HOMECARE SERVICE YAMAGUCHI Co., Ltd. through FRANCE BED CO., LTD., which is a consolidated subsidiary of the Company, during the third quarter of the fiscal year under review.

(2) Names of major unconsolidated subsidiaries:

JIANGSU FRANCE BED CO., LTD.

FRANCE BED MEDICAL SERVICE Co., Ltd.

<u>Reason for exclusion from the scope of consolidation</u>

The unconsolidated subsidiaries have been excluded from the scope of consolidation as they are all small in size and their total amounts in terms of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

2. Application of the Equity Method

(1) Number of affiliates accounted for using equity method: 1

Name of affiliates:

Mistral Service Co., Ltd.

(2) The major unconsolidated subsidiaries and affiliates (JIANGSU FRANCE BED CO., LTD. and FRANCE BED MEDICAL SERVICE Co., Ltd.) are not accounted for using the equity method,

as their exclusion has a minor impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), and is considered immaterial from the overall perspective.

(3) The balance sheet date of Mistral Service Co., Ltd., the affiliate accounted for using the equity method, is different from the consolidated balance sheet date. Therefore, financial statements related to the fiscal year of Mistral Service Co., Ltd. are used.

3. Fiscal Year of the Consolidated Subsidiaries

The fiscal year-end of HOMECARE SERVICE YAMAGUCHI Co., Ltd., a consolidated subsidiary, is October 31. In preparing the consolidated financial statements, financial statements based on provisional financial results as of January 31 are used. However, adjustments necessary for consolidation are made for important transactions occurring between the date above and the consolidated balance sheet dates.

The balance sheet dates of other consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Notes Regarding Accounting Policies

(1) Valuation standards and methods for important assets

(i) Securities

a. Available-for-sale securities

- Items other than stock, etc. without market price

  Stated at market value (The difference in valuation is fully charged to net assets, with the cost of securities sold calculated by the moving average method.)

- Stock, etc. without market price

  Stated at cost determined by the moving average method

b. Investments in other securities of subsidiaries and associates

Stated at cost determined by the moving average method

(ii) Derivatives

Stated at market value

(iii) Inventories

a. Merchandise, finished goods and work in process

Stated at cost determined by the first-in, first-out method. (Balance sheet values are calculated by reducing the book values of these assets based on a decline in profitability.)

b. Raw materials and supplies

Stated at cost determined by the last purchase method. (Balance sheet values are calculated by reducing the book values of these assets based on a decline in profitability.)

(2) Depreciation method for important depreciable assets

(i) Property, plant and equipment

The straight-line method is applied.

The estimated useful lives of assets are principally as follows:

Assets for lease 3 to 10 years

Buildings and structures 2 to 55 years

machinery, equipment and vehicles 2 to 13 years tools, furniture and fixtures 2 to 20 years

Assets for lease whose acquisition cost is less than 200,000 yen are equally depreciated over three years as lump-sum depreciable assets.

(ii) Intangible assets

The straight-line method is applied.

Software for internal use is amortized using the straight-line method over the estimated usable period for office use (5 years or 10 years).

(iii) Leased assets

a. Leased assets related to finance lease transactions that transfer ownership

The same depreciation method applied to non-current assets owned by the Company is applied.

b. Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions not involving the transfer of ownership are depreciated on the straight-line method over the lease period of the leased assets, assuming the lease period as the useful life and no residual value.

(iv) Long-term prepaid expenses

Long-term prepaid expenses are equally amortized over the years.

(3) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from trade and other receivables, based on the historical rate of credit losses for general receivables and on the individual collectability for specific receivables such as receivables with default possibility.

(ii) Provision for bonuses

The provision for bonuses for employees is provided at the amount borne for the fiscal year under review of the estimated amounts to be paid.

(iii) Provision for bonuses for directors (and other officers)

The provision for bonuses for directors (and other officers) is provided at an amount based on the estimated amount to be paid in the fiscal year under review.

(iv) Provision for retirement benefits for directors (and other officers)

The provision for retirement benefits for directors (and other officers) is provided at an amount required to be paid at the end of the fiscal year under review, based on internal rules and regulations.

(v) Provision for contingent loss

The provision for contingent loss is provided at an amount considered necessary, with a reasonable estimate for possible future contingencies.

(vi) Provision for loss on disaster

An estimated amount is provided at the end of the period under review, in preparation for expenditures for the dismantling, etc. of assets damaged by snow at the Chitose, Hokkaido warehouse of consolidated subsidiary FRANCE BED CO., LTD.

(4) Method and period of goodwill amortization

Goodwill is amortized equally over the estimated period of time during which the investment is expected to yield benefits.

(5) Accounting method for retirement benefits

(i) Method for attributing expected retirement benefits to periods of service

In calculating the amount of retirement benefit obligations, the projected benefit method is adopted for attributing estimated retirement benefits over the period up to the end of the fiscal year under review.

(ii) Treatment of actuarial gains or losses

Actuarial gains or losses are amortized using the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of the eligible employees at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

(iii) Accounting treatment of unrecognized actuarial gains or losses

Unrecognized actuarial gains or losses are recorded after adjustments for tax effects, as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(iv) Adoption of the simplified method by companies that are small in size

Certain consolidated subsidiaries, in the calculation of retirement benefit liability and retirement benefit expenses, apply the simplified method in which the amount to be required at the year-end for voluntary termination is used as retirement benefit obligations.

(6) Accounting standards for significant income and expenses

The Group's main business is the manufacture, rental, retail sale, and wholesale of medical and nursing care beds and welfare equipment; home renovation; linen supply for hospitals, hotels, and other facilities in the Medical Services Business, as well as the manufacture and wholesale of beds, furniture, bedding, health equipment, and other products in the Home Furnishing and Health Business.

Income related to the sale of goods or products is mainly from wholesale or from sale through manufacturing, etc., and the Group bears a performance obligation to deliver goods or products in accordance with sales contracts concluded with customers. At the moment of delivery of goods or products, the customer gains control over the goods or products and the performance obligation is deemed to be satisfied, with revenue recognized at the time of arrival or acceptance of the goods or products.

For construction contracts, revenue was previously recognized when the performance obligation was fully satisfied. However, in cases where control over goods or services is transferred to the customer for a certain period of time, we recognize revenue over a certain period of time as we satisfy the performance obligation to transfer goods or services to the customer. For construction contracts in which the period from the date of commencement of transactions to the time when the performance obligation is expected to be fully satisfied is very short, we recognize revenue when the performance obligation has been fully satisfied by applying alternative treatment, without recognizing revenue over a certain period of time.

Rental transactions in the Medical Services Business fall under "lease transactions," which are exempted from the Revenue Recognition Accounting Standard, and thus are not included in the revenue generated from contracts with customers.

For certain expenses that were previously recorded as selling, general and administrative expenses and sales discounts that were previously recorded as non-operating expenses, we reduce them from net sales as consideration to be paid to customers.

Consideration for transactions is received within one year of fulfilling the performance obligation and does not include significant financial components.

(7) Significant hedge accounting

(i) Method of hedge accounting

Deferral hedge accounting has been adopted. Designated hedge accounting is applied to certain monetary receivables and payables denominated in foreign currencies hedged by forward exchange.

(ii) Hedging instruments and hedged items

a. Hedging instruments

Derivative transactions (forward exchange contracts)

b. Hedged items

Monetary receivables and payables denominated in foreign currencies exposed to exchange rate fluctuation risk (including foreign currency denominated forecasted transactions).

(iii) Hedging policy

Derivative transactions are conducted mainly for the purpose of hedging the foreign exchange fluctuation risks associated with imports of raw materials and merchandise. In undertaking derivative transactions, they are controlled so that the hedge ratio is maintained to be over a certain level with the planned transaction amount as the maximum limit.

(iv) Method of evaluating hedge effectiveness

a. Prospective test

Verifies whether the transaction is consistent with the Market Risk Management Rules and the Risk Management Guidelines.

b. Retrospective test

Verifies whether the market and cash flow fluctuations were avoided, for exchange rate fluctuation risk in foreign currency denominated transactions.

(8) Scope of cash and cash equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value with redemption due dates arriving within three months from the acquisition date.

(9) Treatment of deferred assets

Bond issuance cost is amortized over the redemption period of the bonds using the straight-line method.

(10) Other significant matters for preparing consolidated financial statements

Accounting for non-deductible consumption taxes

Non-deductible consumption taxes related to non-current assets are treated as periodic expenses attributable to the fiscal year under review.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Revenue Recognition Accounting Standard”) and related measures at the beginning of the fiscal year under review. Accordingly, the Company recognizes amounts expected to be received in exchange for promised goods or services as revenue at the point where control over the goods and services has been transferred to the customer. Major changes attributable to the application are as follows:

1. For sales transactions in which revenue was previously recognized at the time of shipment, revenue is recognized at the time of arrival of shipment or acceptance inspection.
2. For construction contracts, revenue was previously recognized when the performance obligation was fully satisfied. However, in cases where control over goods or services is transferred to the customer for a certain period of time, we recognize revenue over a certain period of time as we satisfy the performance obligation to transfer goods or services to the customer. For construction contracts in which the period from the date of commencement of transactions to the time when the performance obligation is expected to be fully satisfied is very short, we recognize revenue when the performance obligation has been fully satisfied by applying alternative treatment, without recognizing revenue over a certain period of time.
3. For certain expenses that were previously recorded as selling, general and administrative expenses and sales discounts that were previously recorded as non-operating expenses, we reduce them from net sales as consideration to be paid to customers.
4. In buy-sell transactions, we previously recognized the extinguishment of raw materials, etc. which had been supplied for value, but we have decided not to recognize the extinguishment of raw materials, etc. which were supplied for value because we are obliged to repurchase them in the transactions. In these transactions, we do not recognize revenue from the transfer of supplied goods.

The application of the Revenue Recognition Accounting Standard and related measures follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the current fiscal year are adjusted in retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from this initial balance. However, as a result of applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy is not applied retroactively to contracts in which the amount of almost all revenues was recognized according to the previous treatment before the beginning of the current fiscal year. In addition, we account for all contract changes made prior to the beginning of the current fiscal year by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the current fiscal year.

As a result, net sales for the period under review decreased by 38 million yen, cost of sales increased by 58 million yen, and selling, general and administrative expenses decreased by 87 million yen. Operating profit decreased by 9 million yen, non-operating expenses decreased by 28 million yen, and ordinary profit and profit before income taxes each increased by 19 million yen. The balance of retained earnings at the beginning of the period under review decreased 43 million yen.

The effect of this change on per-share information for the period under review is immaterial.

As the Revenue Recognition Accounting Standard and related measures were applied, “Notes and accounts receivable - trade,” which was presented in “Current assets” in the consolidated balance sheet for the previous fiscal year, is posted in “Notes receivable - trade,” “Accounts receivable - trade,” and “Contract assets” from the period under review; and “Advances received,” which was included in “Other” presented in “Current liabilities” in the consolidated balance sheet for the previous fiscal year, is posted in “Contract liabilities” and “Other” from the period under review. In accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method is not made for the previous fiscal year.

Application of Accounting Standard for Fair Value Measurement, Etc.

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) from the beginning of the fiscal year under review, and has decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the consolidated financial statements.

Changes in Presentation

Consolidated statement of income

"Subsidies for employment adjustment" under "Non-operating income," which was separately set out in the results for the previous fiscal year, is included in "Other" in the period under review, as it composed less than 10/100 of total non-operating income. "Rental income," which was previously included in "Other" under "Non-operating income," is separately presented from the period under review as the amount exceeded 10/100 of the total amount of non-operating income. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, 227 million yen for "Subsidies for employment adjustment" and 143 million yen for "Other" presented in "Non-operating income" in the consolidated statement of income for the previous fiscal year has been reclassified as 25 million yen for "Rental income" and 345 million yen for "Other," respectively.

Consolidated statement of cash flows

"Subsidies for employment adjustment" under "Cash flows from operating activities," which was separately set out in the results for the previous fiscal year, is included in "Other" in the period under review, as it was of negligible amount. In line with this, "Amount of employment adjustment subsidy received," which was separately set out under the "Subtotal" field of "Cash flows from operating activities" in the results for the previous fiscal year, is included in "Other" in the period under review. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, the (227) million yen for "Subsidies for employment adjustment," 223 million yen for "Amount of employment adjustment subsidy received," and 384 million yen for "Other" presented in "Cash flows from operating activities" in the consolidated statement of income for the previous fiscal year have been reclassified as 380 million yen for "Other," and "Subtotal" has been changed from 8,932 million yen to 9,155 million yen.

Notes Regarding Consolidated Balance Sheet

*1 Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Other (guarantee deposits)	9	9

There are no secured liabilities corresponding to the above assets pledged as collateral.

2. Contingent liabilities (Guarantee obligations)

(1) The Group provides guarantees for the following loans.

(Millions of yen)

As of March 31, 2021		As of March 31, 2022	
Employees	8	Employees	7

(2) There is a possibility that the following liability will be incurred in relation to the following company's deposit entrustment contract for the security money for prepaid services.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
FB Tomonokai Co., Ltd.	494	508

Notes Regarding Consolidated Statement of Income

*1 The balance sheet values of inventories reflected a reduction in book value due to a decline in profitability, and the following loss on valuation of inventories was included in cost of sales.

(Millions of yen)

FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
156	117

*2 Loss on disaster

FY2021 (from April 1, 2020 to March 31, 2021)

Not applicable

FY2022 (from April 1, 2021 to March 31, 2022)

These are expenditures for the disposal of inventory and dismantling of equipment, etc. damaged by snow at the Chitose, Hokkaido warehouse of consolidated subsidiary FRANCE BED CO., LTD., including 102 million yen in provision for loss on disaster.

*3 Loss resulting from temporary suspension of business

FY2021 (from April 1, 2020 to March 31, 2021)

In response to state of emergency declarations due to the COVID-19 pandemic, the Group suspended operations at production bases and temporarily closed its showrooms. The Group recorded fixed costs (such as personnel expenses and depreciation) for this suspension of operations and temporary closure as loss resulting from temporary suspension of business under extraordinary losses.

FY2022 (from April 1, 2021 to March 31, 2022)

Not applicable

Notes Regarding Consolidated Statement of Changes in Equity

FY2021 (from April 1, 2020 to March 31, 2021)

1. Class and total number of issued shares, and class and number of treasury shares

(Thousand shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Common shares	41,397	–	–	41,397
Total	41,397	–	–	41,397
Treasury shares				
Common shares (Note 1)	2,625	1,296	–	3,921
Total	2,625	1,296	–	3,921

Note: 1. The increase of 1,296 thousand shares in the number of common shares held as treasury shares consists of a purchase of 1,295 thousand shares and a purchase of 0 thousand shares representing less than one unit by resolution of the Board of Directors.

2. Dividends

(1) Amounts paid

(Resolution)	Class of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Dividend record date	effective date
June 23, 2020 Shareholders' meeting	Common shares	542	14.00	March 31, 2020	June 24, 2020
November 6, 2020 Board of Directors' meeting	Common shares	542	14.00	September 30, 2020	December 4, 2020

(2) Dividends for which the record date is during the fiscal year under review, but the effective date is in the following fiscal year.

(Resolution)	Class of shares	Total dividends paid (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
June 25, 2021 Shareholders' meeting	Common shares	599	Retained earnings	16.00	March 31, 2021	June 28, 2021

FY2022 (from April 1, 2021 to March 31, 2022)

1. Class and total number of issued shares, and class and number of treasury shares

(Thousand shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Common shares	41,397	–	–	41,397
Total	41,397	–	–	41,397
Treasury shares				
Common shares (Note 1, 2)	3,921	1,089	56	4,954
Total	3,921	1,089	56	4,954

Notes: 1. The increase of 1,089 thousand shares in the number of common shares held as treasury shares consists of a purchase of 1,080 thousand shares, gratis acquisition of 9 thousand shares through restricted stock-based remuneration, and a purchase of 0 thousand shares representing less than one unit by a resolution of the Board of Directors.

2. The decrease of 56 thousand shares in the number of common shares held as treasury shares consists of disposal of 56 thousand treasury shares, by a resolution of the Board of Directors.

2. Dividends

(1) Amounts paid

(Resolution)	Class of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
June 25, 2021 Shareholders' meeting	Common shares	599	16.00	March 31, 2021	June 28, 2021
November 5, 2021 Board of Directors' meeting	Common shares	554	15.00	September 30, 2021	December 3, 2021

(2) Dividends for which the record date is during the fiscal year under review, but the effective date is in the following fiscal year.

The following matters are to be resolved.

(Resolution)	Class of shares	Total dividends paid (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
June 24, 2022 Shareholders' meeting	Common shares	655	Retained earnings	18.00	March 31, 2022	June 27, 2022

Notes Regarding Consolidated Statement of Cash Flows

* Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of yen)

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Cash and deposits	9,702	9,778
Securities	3,100	1,500
Designated joint operating money trust, etc. with maturities of more than three months when purchased	(600)	(500)
Cash and cash equivalents	12,202	10,778

Segment Information

1. Summary of reporting segments

   The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance.

   The Group identifies the business segments based on similarities in the products and services provided and other factors. It has two reporting segments: the Medical Services Business, and the Home Furnishing and Health Business.

   The main products and services of each reporting segment are as follows.

Medical Services:	Manufacture, procurement, rental, retail sale and wholesale of medical and nursing-care beds and welfare equipment, and linen supply for hospitals, hotels, and other facilities.
Home Furnishing and Health:	Manufacture, procurement, wholesale and door-to-door sale of beds, furniture, bedding, health appliances, and other products, and advertising and setting up of exhibition venues

2. Method of calculating net sales, profit (loss), assets and other items by reporting segment

   The accounting method for the business segments that are reportable is the same as described in "Basis of Preparation of Consolidated Financial Statements."

   In addition, the Group has developed a new medium-term management plan for the three years ending FY2024 (the fiscal year ending March 31, 2024) and announced it on May 14, 2021. As the Group has changed the target for each segment from operating profit to ordinary profit for the purpose of strengthening the management of the business portfolio under the medium-term management plan, the Group has changed the basis of calculation of segment profit from operating profit to ordinary profit from the current fiscal year.

   The segment information for the previous fiscal year is prepared based on the changes above.

   Intersegment revenue or transfers are based on actual market price.

   As described in "Changes in Accounting Policies," the Company has adopted the Revenue Recognition Accounting Standard in consolidated financial statements from the period under review and changed accounting methods for revenue recognition. Reflecting this change, it modified the method for measuring the profits and losses of its business segments.

   As a result of the change, compared to the previous methods, net sales and segment profit for the Medical Services Business decreased 15 million yen and 4 million yen, respectively, in the period under review. Net sales and segment profit for Home Furnishing and Health Business decreased 25 million yen and increased 23 million yen, respectively. Net sales and segment profit for the Other segment increased 2 million yen and 0 million yen, respectively.

3. Information on net sales, profit (loss), assets and other items by reporting segment

FY2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Carrying amount (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	32,839	19,186	52,025	404	52,430	–	52,430
Internal sales among segments or transfers	4	229	233	6	240	(240)	–
Total	32,843	19,415	52,259	411	52,670	(240)	52,430
Segment profit (loss)	2,956	511	3,467	4	3,471	(20)	3,451
Segment assets	39,450	25,898	65,349	826	66,175	(3,958)	62,217
Other items							
Depreciation	4,365	541	4,907	17	4,924	6	4,931
Impairment losses	–	43	43	32	75	–	75
Increase in property, plant and equipment and intangible assets	6,222	538	6,760	5	6,766	4	6,770

FY2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Carrying amount (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	34,484	19,419	53,903	494	54,398	–	54,398
Internal sales among segments or transfers	6	244	251	7	258	(258)	–
Total	34,490	19,664	54,154	501	54,656	(258)	54,398
Segment profit (loss)	2,882	1,117	4,000	3	4,004	(45)	3,959
Segment assets	43,181	24,974	68,155	812	68,968	(4,670)	64,298
Other items							
Depreciation	4,841	587	5,429	16	5,446	22	5,468
Impairment losses	–	10	10	–	10	–	10
Increase in property, plant and equipment and intangible assets	6,230	411	6,641	1	6,643	20	6,663

Notes: 1. The "Other" segment is a business segment not included in any of the reporting segments and includes such businesses as real estate leasing.

2. The details of "Adjustments" are as follows:

Segment profit (loss)

(Millions of yen)

	FY2021	FY2022
Elimination of inter-segment transactions	915	1,225
Corporate expenses*	(935)	(1,271)
Total	(20)	(45)

* Corporate expenses are primarily expenses relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that do not belong to the reporting segments.

Segment assets (Millions of yen)

	FY2021	FY2022
Elimination of inter-segment transactions	(21,834)	(19,495)
Corporate assets*	17,875	14,825
Total	(3,958)	(4,670)

* Corporate assets are primarily surplus funds (cash and deposits) and assets relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that do not belong to the reporting segments.

3. Segment profit (loss) is adjusted to be consistent with ordinary profit reported in the consolidated financial statements.

Per Share Information

(Yen)

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	998.31	1,030.11
Basic earnings per share	59.87	69.35

Notes: 1. Diluted earnings per share is not presented since the Company has no dilutive shares.
2. The basis for calculating basic earnings per share is as follows.

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (Million yen)	2,295	2,557
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent relating to common shares (Million yen)	2,295	2,557
Average number of shares of common shares during the fiscal year (Thousand shares)	38,339	36,871

Significant Subsequent Events

Not applicable