

# **Securities Report**

## **FY2022**

**FRANCE BED HOLDINGS CO., LTD.**

## 5. Financial Information

### 1. Preparation method of consolidated financial statements and financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
- (2) The Company’s financial statements are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963, hereinafter the “Regulation on Financial Statements”).

Also, the Company falls under the category of a special company submitting financial statements and prepares its financial statements in accordance with Article 127 of the Regulation on Financial Statements.

### 2. Note on independent audit

The Company’s consolidated financial statements for the fiscal year (April 1, 2021 to March 31, 2022) and financial statements for the business year (April 1, 2021 to March 31, 2022) have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

### 3. Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.

The Company has made remarkable efforts to ensure the fair presentation of consolidated financial statements and other information. Specifically, in order to properly understand the details of the accounting standards and other regulations, and to develop a system that can accurately respond to changes in accounting standards and other regulations, the Company has joined the Financial Accounting Standards Foundation and collects information when needed.

In addition, the Company participates in the training on preparation of securities (quarterly) reports conducted by the Financial Accounting Standards Foundation and in training on accounting conducted by other companies.

# 1 Consolidated financial statements and other information

## (1) Consolidated financial statements

### (i) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
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	*1 634	*1 716
Long-term loans receivable	60	47
Deferred tax assets	1,954	1,899
Retirement benefit asset	4,906	4,937
Other	*1, *2 1,233	*1, *2 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
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
<b>Liabilities</b>		
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

(ii) 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	*1 54,398
Cost of sales	*2, *4 25,392	*2, *4 25,398
Gross profit	27,038	28,999
Selling, general and administrative expenses	*3, *4 23,792	*3, *4 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	*5 4	*5 147
Gain on sale of investment securities	281	10
Total extraordinary income	286	158
Extraordinary losses		
Loss on sale of non-current assets	–	*6 0
Loss on retirement of non-current assets	*7 32	*7 37
Loss on sale of investment securities	17	–
Impairment losses	75	10
Loss on disaster	–	*8 184
Loss resulting from temporary suspension of business	*9 104	–
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	*1 (154)	*1 (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	—	—

(iii) 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



## (iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
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	*2 (586)	*2 (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)
<b>Cash flows from financing activities</b>		
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	*1 12,202	*1 10,778

## Notes

### 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.

#### Changes in scope of consolidation

HOMECARE SERVICE YAMAGUCHI Co., Ltd. was included in the scope of consolidation from 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 fiscal year under review.

- (2) Names of major unconsolidated subsidiaries:

JIANGSU FRANCE BED CO., LTD.  
FRANCE BED MEDICAL SERVICE Co., Ltd.

#### Reason for exclusion from the scope of consolidation

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 associates (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 Furnishings 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 statement 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 costs are 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.

### Significant accounting estimates

The following is a list of items recorded in the consolidated financial statements for the fiscal year under review whose amounts are based on accounting estimates and that are at risk of significantly impacting the consolidated financial statements for the following fiscal year.

• Goodwill impairment

- (1) Amount of goodwill at the end of the fiscal year under review

(Millions of yen)

	FY2021	FY2022
Goodwill	353	1,167

- (2) Major assumptions used in the calculation of the amounts recorded in the consolidated financial statements for the fiscal year under review

The Group recorded goodwill arising from the acquisition of consolidated subsidiaries KASHIDASU Co., Ltd. and HOMECARE SERVICE YAMAGUCHI Co., Ltd. Goodwill is amortized equally over the estimated period of time during which the investment is expected to yield benefits.

Also, the Company conducts quarterly assessments to determine whether there are any signs of goodwill impairment, and uses future business plans, market trends, and other factors to make decisions. In the event of a significant change in these determining factors, an impairment loss on goodwill may be recognized.

As a result of the assessment of signs of impairment in the fiscal year under review, no impairment loss on goodwill was recognized since there were no signs of impairment.

## 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.

“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. However, 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.

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.

In accordance with the provisional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, Note “Revenue recognition” for the previous fiscal year is not presented.

### 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.

Furthermore, in the Note “Financial instruments,” the Company has decided to provide notes on items such as the breakdown of fair values of financial instruments by level, among others. In accordance with the provisional treatment stipulated in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), such notes for the previous fiscal year are not presented.

## **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 cash flows 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.

## **Additional information**

### Accounting estimate of impact due to COVID-19 pandemic

The Group has determined that COVID-19 will not have a material impact on its financial results and has made accounting estimates for the impairment of non-current assets and the recoverability of deferred tax assets.



### Notes regarding consolidated balance sheet

\*1 “Investment securities” and “Other” under “Investments and other assets” invested in unconsolidated subsidiaries and affiliates are as follows:

	As of March 31, 2021	As of March 31, 2022
Investment securities (shares)	288 million yen	199 million yen
Other (investments in other securities of subsidiaries and associates)	195 million yen	195 million yen

\*2 Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

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

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

3 Contingent liabilities (Guarantee obligations)

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

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

(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.

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

## Notes regarding consolidated statement of income

### \*1 Revenue from contracts with customers

For net sales, revenues are not separately presented for revenues from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in Note “Revenue recognition, (1) Information on disaggregation of revenue from contracts with customers” in the consolidated financial statements.

### \*2 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.

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

### \*3 The major items and amounts of selling, general and administrative expenses are as follows:

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Freight storage fees	2,905 million yen	2,982 million yen
Provision of allowance for doubtful accounts	1 million yen	43 million yen
Employees' salaries and bonuses	9,353 million yen	9,860 million yen
Provision for bonuses	1,162 million yen	1,198 million yen
Provision for bonuses for directors (and other officers)	15 million yen	16 million yen
Retirement benefit expenses	47 million yen	1 million yen
Provision for retirement benefits for directors (and other officers)	20 million yen	25 million yen

### \*4 Total research and development expenses included in selling, general and administrative expenses and manufacturing costs for period

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
	200 million yen	197 million yen

### \*5 Details of gain on sale of non-current assets are as follows:

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Machinery, equipment and vehicles	0 million yen	2 million yen
Land	4 million yen	145 million yen
Total	4 million yen	147 million yen

### \*6 Details of loss on sale of non-current assets are as follows:

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Land	– million yen	0 million yen
Total	– million yen	0 million yen

\*7 Details of loss on retirement of non-current assets are as follows:

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Assets for lease	2 million yen	1 million yen
Buildings and structures	14 million yen	2 million yen
Machinery, equipment and vehicles	7 million yen	20 million yen
Tools, furniture and fixtures	1 million yen	0 million yen
Leased assets	– million yen	0 million yen
Construction in progress	– million yen	10 million yen
Software	0 million yen	– million yen
Removal costs	6 million yen	3 million yen
Total	32 million yen	37 million yen

\*8 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.

\*9 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 comprehensive income

\*1 Reclassification adjustments and tax effects relating to other comprehensive income

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
<b>Valuation difference on available-for-sale securities</b>		
Amount accrued for the fiscal year	313 million yen	(17) million yen
Reclassification adjustment(s)	(264) million yen	(9) million yen
Amount before tax effect adjustment	49 million yen	(27) million yen
Tax effect(s) amount	(15) million yen	8 million yen
Valuation difference on available-for-sale securities	34 million yen	(18) million yen
<b>Deferred gains or losses on hedges</b>		
Amount accrued for the fiscal year	50 million yen	25 million yen
Tax effect(s) amount	(15) million yen	(7) million yen
Deferred gains or losses on hedges	34 million yen	17 million yen
<b>Remeasurements of defined benefit plans, net of tax</b>		
Amount accrued for the fiscal year	209 million yen	187 million yen
Reclassification adjustment(s)	(531) million yen	(611) million yen
Amount before tax effect adjustment	(321) million yen	(423) million yen
Tax effect(s) amount	98 million yen	130 million yen
Remeasurements of defined benefit plans, net of tax	(223) million yen	(293) million yen
Total other comprehensive income	(154) million yen	(294) million yen

## 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

	Number of shares at beginning of the fiscal year (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Number of shares at end of the fiscal year (Thousand shares)
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 (Millions of yen)	Dividend per share (Yen)	Dividend record date	Effective date
June 23, 2020 General meeting of shareholders	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 (Millions of yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
June 25, 2021 General meeting of shareholders	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

	Number of shares at beginning of the fiscal year (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Number of shares at end of the fiscal year (Thousand shares)
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 (Millions of yen)	Dividend per share (Yen)	Dividend record date	Effective date
June 25, 2021 General meeting of shareholders	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

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

## Notes regarding consolidated statement of cash flows

### \*1 Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

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

### \*2 Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares

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

The components of assets and liabilities of KASHIDASU Co., Ltd. acquired by purchase of shares at the start of its consolidation, and the relationship between the acquisition cost of its shares and the related payments (net amount) were as follows:

Current assets	490 million yen
Non-current assets	60
Goodwill	375
Current liabilities	(315)
Non-current liabilities	(31)
Acquisition cost of shares	580
Cash and cash equivalents	(153)
Loans receivable to such company made between the date of acquisition of control and the deemed acquisition date	160
Net: Payments for the acquisition	586

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

The components of assets and liabilities of HOMECARE SERVICE YAMAGUCHI Co., Ltd. acquired by purchase of shares at the start of its consolidation, and the relationship between the acquisition cost of its shares and the related payments (net amount) were as follows:

Current assets	679 million yen
Non-current assets	1,066
Goodwill	879
Current liabilities	(559)
Non-current liabilities	(466)
Acquisition cost of shares	1,600
Cash and cash equivalents	(314)
Net: Payments for the acquisition	1,285

## Leases

### 1. Finance lease transactions

#### (1) Finance lease transactions that transfer ownership

##### As lessee:

##### (i) Components of leased assets

Intangible assets

This is software in the Medical Services Business.

##### (ii) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in “4. Notes regarding accounting policies, (2)

Depreciation method for important depreciable assets” of “Basis of preparation of consolidated financial statements.”

#### (2) Finance lease transactions that do not transfer ownership

##### As lessee:

##### (i) Components of leased assets

Property, plant and equipment

This is mainly rental assets (assets for lease) in the Medical Services Business.

##### (ii) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in “4. Notes regarding accounting policies, (2)

Depreciation method for important depreciable assets” of “Basis of preparation of consolidated financial statements.”

##### As lessor:

The information is omitted as it is immaterial.

### 2. Operating lease transactions

##### As lessee:

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	20	23
Due after one year	33	37
Total	54	61

##### As lessor:

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	74	81
Due after one year	2,438	2,356
Total	2,512	2,438

##### Impairment losses

There are no impairment losses allocated to leased assets.



## Financial instruments

### 1. Status of financial instruments

#### (1) Policy on financial instruments

The Group raises funds for working capital and capital expenditures necessary for the Company and its subsidiaries to carry out their business activities. Short-term working capital is financed through bank borrowings and bonds payable, while capital investment funds are financed through long-term bank borrowings, bonds payable, and sale-and-leasebacks.

Temporary surplus funds are invested in safe and highly liquid financial assets. The Company uses derivative transactions for the purpose of hedging foreign exchange risks and has a policy of not engaging in speculative transactions.

#### (2) Description of financial instruments and their risks

Trade receivables, such as notes receivable - trade, accounts receivable - trade, and electronically recorded monetary claims - operating, are exposed to customer credit risk.

Short-term investment securities and long-term investment securities are mainly designated joint operating money trusts for the purpose of short-term surplus fund management and stocks of companies with which the Company has business relationships, and are exposed to market price fluctuation risk.

Trade payables, such as notes and accounts payable - trade, and electronically recorded obligations - operating, are due within one year.

Short-term borrowings are raised for working capital and are exposed to the risk of fluctuations in interest rates. Lease liabilities under finance lease transactions are intended to finance capital expenditures and working capital requirements.

Long-term borrowings are used for long-term working capital and capital expenditures and bear fixed and variable interest rates. Bonds payable are used for working capital and capital expenditures and bear fixed interest rates. The longest term for repayment of long-term borrowings and bonds payable is 9 years and 11 months after the balance sheet date.

Derivative transactions mainly consist of forward exchange contracts and other instruments used to hedge foreign currency exchange rate fluctuation risks associated with foreign currency-denominated trade payables. Refer to the aforementioned "4. Notes regarding accounting policies, (7) Significant hedge accounting" in "Basis of preparation of consolidated financial statements" for details on hedging instruments and hedged items, hedging policy, and methods for evaluating the effectiveness of hedging with respect to hedge accounting.

#### (3) Risk management system for financial instruments

##### (i) Management of credit risk (risk related to nonperformance by suppliers and customers)

In accordance with the "Credit Management Rules," our important subsidiary, FRANCE BED CO., LTD. regularly monitors major suppliers and customers by the Credit Management Committee to manage due dates and outstanding balances for each supplier and customer and to early identify and mitigate concerns about collection due to deterioration of financial conditions and other factors. The same management in accordance with the Credit Management Rules of FRANCE BED CO., LTD. is conducted for other subsidiaries.

The credit risk of securities is minimal, as they are held in highly creditworthy designated joint operating money trusts, etc., in accordance with the "Implementation Guidelines for Investment of Surplus Funds."

The Company recognizes little credit risk in its derivative transactions, which are limited to domestic banks with high credit ratings.

##### (ii) Management of market risk (risk of fluctuations in foreign exchange rates, interest rates, etc.)

The Company's subsidiaries with foreign currency-denominated trade payables hedge their exposure to foreign exchange fluctuation risks on foreign currency-denominated trade payables primarily through the use of forward exchange contracts.

Investment securities are periodically monitored for market value and the financial condition of the issuing entity (supplier or customer company) and reported to the Director in charge of accounting. Also, the Company reviews its holdings on an ongoing basis, taking into account market conditions and relationships with suppliers and customers.

Derivative transactions are executed and managed by the department in charge with the approval of the person in charge in accordance with the "Market Risk Management Rules" and the "Risk Management Guidelines" that stipulate the transaction authority, transaction limits, and so on.

##### (iii) Management of liquidity risk (risk of failure to make payments on the due date) related to financing

The Group manages the funds of Group companies centrally at the Company through cash management services, and manages liquidity risk by having the finance division prepare and update cash flow management plans in a timely manner.

#### (4) Supplementary explanation on matters relating to fair value of financial instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may change due to the adoption of different assumptions and other factors. In addition, the contract amounts of derivative transactions in the Note "Derivatives" do not in themselves indicate the market risk associated with derivative transactions.

2. Matters relating to fair value of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them were as follows:

As of March 31, 2021

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade	9,063	9,063	–
(2) Electronically recorded monetary claims - operating	976	976	–
(3) Short-term and long-term investment securities (*2) Available-for-sale securities	3,217	3,217	–
Total assets	13,256	13,256	–
(1) Notes and accounts payable - trade	2,856	2,856	–
(2) Electronically recorded obligations - operating	2,476	2,476	–
(3) Short-term borrowings	3,300	3,300	–
(4) Bonds payable (*3)	3,000	2,996	(3)
(5) Long-term borrowings (*4)	300	299	(0)
(6) Lease liabilities (*5)	5,869	5,869	–
Total liabilities	17,802	17,798	(3)
Derivatives (*6)	51	51	–

(\*1) “Cash and deposits” are omitted because they are cash and because deposits are settled in a short period of time and their fair value approximates the carrying amount.

(\*2) The following financial instruments are not included in “(3) Short-term and long-term investment securities” because they do not have market prices and it is extremely difficult to determine their fair value. The carrying amounts of such financial instruments in the consolidated balance sheets are as follows:

Category	FY2021 (Millions of yen)
Unlisted shares	228
Shares of unconsolidated subsidiaries and affiliates	288

(\*3) Bonds payable due within one year are included.

(\*4) This is the current portion of long-term borrowings.

(\*5) Lease liabilities in current liabilities and lease liabilities in non-current liabilities are combined.

(\*6) Net receivables and payables arising from derivatives are presented on a net basis.

As of March 31, 2022

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes receivable - trade	642	642	–
(2) Accounts receivable - trade	8,548	8,548	–
(3) Electronically recorded monetary claims - operating	990	990	–
(4) Short-term and long-term investment securities (*2) Available-for-sale securities	1,588	1,588	–
<b>Total assets</b>	<b>11,770</b>	<b>11,770</b>	<b>–</b>
(1) Notes and accounts payable - trade	2,672	2,672	–
(2) Electronically recorded obligations - operating	2,176	2,176	–
(3) Short-term borrowings	3,975	3,975	–
(4) Bonds payable (*3)	2,400	2,398	(1)
(5) Long-term borrowings (*4)	2,362	2,363	0
(6) Lease liabilities (*5)	6,658	6,658	–
<b>Total liabilities</b>	<b>20,245</b>	<b>20,244</b>	<b>(1)</b>
Derivatives (*6)	76	76	–

(\*1) “Cash and deposits” are omitted because they are cash and because deposits are settled in a short period of time and their fair value approximates the carrying amount.

(\*2) Stocks and other securities without market prices are not included in “(4) Short-term and long-term investment securities.” The carrying amounts of such financial instruments in the consolidated balance sheets are as follows:

Category	FY2022 (Millions of yen)
Unlisted shares	428
Shares of unconsolidated subsidiaries and affiliates	199

(\*3) Bonds payable due within one year are included.

(\*4) Current portion of long-term borrowings is included.

(\*5) Lease liabilities in current liabilities and lease liabilities in non-current liabilities are combined.

(\*6) Net receivables and payables arising from derivatives are presented on a net basis.

Note: 1. Securities and derivatives

Short-term and long-term investment securities

For information on securities categorized by each holding purpose, refer to Note “Securities.”

Derivatives

Refer to Note “Derivatives.”

2. Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date  
As of March 31, 2021

	Within 1 year (Millions of yen)	After 1 year through 5 years (Millions of yen)	After 5 years through 10 years (Millions of yen)	After 10 years (Millions of yen)
Cash and deposits	9,702	–	–	–
Notes and accounts receivable - trade	9,063	–	–	–
Electronically recorded monetary claims - operating	976	–	–	–
Short-term and long-term investment securities				
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	–	–	–	–
(2) Other	3,100	–	–	–
Total	22,841	–	–	–

As of March 31, 2022

	Within 1 year (Millions of yen)	After 1 year through 5 years (Millions of yen)	After 5 years through 10 years (Millions of yen)	After 10 years (Millions of yen)
Cash and deposits	9,778	–	–	–
Notes receivable - trade	642	–	–	–
Accounts receivable - trade	8,548	–	–	–
Electronically recorded monetary claims - operating	990	–	–	–
Short-term and long-term investment securities				
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	–	–	–	–
(2) Other	1,500	–	–	–
Total	21,460	–	–	–

3. Scheduled repayment amounts of bonds payable, long-term borrowings, lease liabilities and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2021

	Within 1 year (Millions of yen)	After 1 year through 2 years (Millions of yen)	After 2 years through 3 years (Millions of yen)	After 3 years through 4 years (Millions of yen)	After 4 years through 5 years (Millions of yen)	After 5 years (Millions of yen)
Short-term borrowings	3,300	–	–	–	–	–
Bonds payable	600	2,100	300	–	–	–
Long-term borrowings	300	–	–	–	–	–
Lease liabilities	2,676	1,859	848	234	197	52
Total	6,876	3,959	1,148	234	197	52

As of March 31, 2022

	Within 1 year (Millions of yen)	After 1 year through 2 years (Millions of yen)	After 2 years through 3 years (Millions of yen)	After 3 years through 4 years (Millions of yen)	After 4 years through 5 years (Millions of yen)	After 5 years (Millions of yen)
Short-term borrowings	3,975	–	–	–	–	–
Bonds payable	2,100	300	–	–	–	–
Long-term borrowings	222	222	217	200	500	1,000
Lease liabilities	3,138	2,125	860	288	110	133
Total	9,436	2,648	1,077	488	610	1,133

3. Matters relating to breakdown of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Observable fair value calculated based on quoted market prices for the asset or liability for which such fair value is calculated and that are formed in an active market

Level 2 fair value: Observable fair value calculated using inputs for fair value calculation other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs for calculating unobservable fair value

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Short-term and long-term investment securities				
Available-for-sale securities				
Shares	58	–	–	58
Derivatives				
Currency-related	–	76	–	76
Total assets	58	76	–	135

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

As of March 31, 2022

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	–	642	–	642
Accounts receivable - trade	–	8,548	–	8,548
Electronically recorded monetary claims - operating	–	990	–	990
Short-term and long-term investment securities				
Other	–	1,529	–	1,529
Total assets	–	11,711	–	11,711
Notes and accounts payable - trade	–	2,672	–	2,672
Electronically recorded obligations - operating	–	2,176	–	2,176
Short-term borrowings	–	3,975	–	3,975
Bonds payable	–	2,398	–	2,398
Long-term borrowings	–	2,363	–	2,363
Lease liabilities	–	6,658	–	6,658
Total liabilities	–	20,244	–	20,244

Note: Explanation of valuation techniques used to calculate fair value and inputs related to the calculation of fair value

• Short-term and long-term investment securities

Listed shares and designated joint operating money trusts are valued using quoted market prices. Since listed shares are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, the Company's holdings of designated joint operating money trusts are classified as Level 2 fair value because they are not frequently traded in the market and are not considered quoted prices in an active market.

- Derivatives

The fair value of forward exchange contracts is determined using the discounted present value method with observable inputs such as exchange rates and is classified as Level 2 fair value.

- Notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating

The fair value of these claims is calculated using the discounted present value method based on the amount of the claim, the period to maturity, and an interest rate that takes into account credit risk for each claim classified by a certain period of time, and is classified as Level 2 fair value.

- Notes and accounts payable - trade, electronically recorded obligations - operating and short-term borrowings

The fair value of these debts is calculated using the discounted present value method based on the future cash flows of each debt classified by a certain period of time and an interest rate that takes into account the period until the due date and credit risk, and is classified as Level 2 fair value.

- Bonds payable

The fair value of bonds payable issued by the Company is determined using the discounted present value method based on the total amount of principal and interest, plus an interest rate that takes into account the remaining term of the bonds payable and credit risk, and is classified as Level 2 fair value.

- Long-term borrowings and lease liabilities

The fair value of these debts is determined using the discounted present value method based on the total amount of principal and interest, plus an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value.

## Securities

### 1. Available-for-sale securities As of March 31, 2021

	Type	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Items whose carrying amount exceeds acquisition cost	(1) Shares	16	3	12
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	16	3	12
Items whose carrying amount does not exceed acquisition cost	(1) Shares	71	106	(35)
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	3,129	3,130	(0)
	Subtotal	3,201	3,236	(35)
Total		3,217	3,239	(22)

Note: Unlisted shares (carrying amount in the consolidated balance sheet: 228 million yen) and shares of unconsolidated subsidiaries and affiliates (carrying amount in the consolidated balance sheet: 288 million yen) are not included in “Available-for-sale securities” in the above table because they do not have market prices and it is extremely difficult to determine their fair value.



As of March 31, 2022

	Type	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Items whose carrying amount exceeds acquisition cost	(1) Shares	3	1	2
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	3	1	2
Items whose carrying amount does not exceed acquisition cost	(1) Shares	54	106	(51)
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	1,529	1,530	(0)
	Subtotal	1,584	1,636	(51)
Total		1,588	1,637	(49)

Note: Unlisted shares (carrying amount in the consolidated balance sheet: 428 million yen) and shares of unconsolidated subsidiaries and affiliates (carrying amount in the consolidated balance sheet: 199 million yen) are not included in “Available-for-sale securities” in the above table because they are shares, etc. without market prices.

2. Available-for-sale securities sold

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

Type	Sale proceeds (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
(1) Shares	661	281	17
(2) Bonds			
(i) Government bonds, municipal bonds, etc.	—	—	—
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	661	281	17

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

Type	Sale proceeds (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
(1) Shares	12	10	—
(2) Bonds			
(i) Government bonds, municipal bonds, etc.	—	—	—
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	12	10	—

3. Securities for which impairment was recognized

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

Not applicable

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

Not applicable

## Derivatives

1. Derivative transactions to which hedge accounting is not applied

Not applicable

2. Derivative transactions to which hedge accounting is applied

Currency-related

As of March 31, 2021

Method of hedge accounting	Class of transactions	Principal hedge	Contract amount (Millions of yen)	More than 1 year of the contract amount, etc. (Millions of yen)	Fair value (Millions of yen)
Designated hedge accounting of forward exchange contracts, etc.	Forward exchange contracts				
	Purchased				
	US\$	Advance payments to suppliers	1,051	–	55
	EUR	Advance payments to suppliers	327	–	(3)
Total			1,379	–	51

As of March 31, 2022

Method of hedge accounting	Class of transactions	Principal hedge	Contract amount (Millions of yen)	More than 1 year of the contract amount, etc. (Millions of yen)	Fair value (Millions of yen)
Designated hedge accounting of forward exchange contracts, etc.	Forward exchange contracts				
	Purchased				
	US\$	Advance payments to suppliers	807	–	52
	EUR	Advance payments to suppliers	454	–	24
Total			1,261	–	76

## Retirement benefits

### 1. Overview of retirement benefit plans adopted

Consolidated subsidiaries have funded and unfunded defined benefit plans to provide for employee retirement benefits, and certain consolidated subsidiaries have defined contribution plans.

Defined benefit corporate pension plans (all are funded plans) provide a lump sum or annuity based on salary and length of service.

A retirement benefit trust has been established for the main defined benefit corporate pension plan.

Lump-sum retirement benefit plans (unfunded plans, but some are funded as a result of the establishment of a retirement benefit trust) provide a lump-sum payment based on salary and length of service as a retirement benefit.

The lump-sum retirement benefit plans of certain consolidated subsidiaries calculate liabilities for retirement benefits and retirement benefit expenses using the simplified method.

In some cases, extra retirement payments may be paid to employees upon their retirement, etc.

### 2. Defined benefit plans

#### (1) Reconciliation of the beginning and ending balances of projected retirement benefit obligations (excluding plans to which the simplified method is applied as described in (3))

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Balance of retirement benefit obligations at beginning of period	8,603 million yen	8,461 million yen
Service cost	384	385
Interest cost	67	66
Actuarial gains and losses accrued	44	(7)
Retirement benefits paid	(673)	(590)
Other	34	0
Balance of retirement benefit obligations at end of period	8,461	8,316

#### (2) Reconciliation of the beginning and ending balances of plan assets

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Balance of plan assets at beginning of period	13,582 million yen	13,587 million yen
Expected return on plan assets	80	71
Actuarial gains and losses accrued	260	180
Contribution from employer	26	25
Retirement benefits paid	(447)	(391)
Increase in the amount resulting from change in scope of consolidation	84	62
Balance of plan assets at end of period	13,587	13,534

(3) Reconciliation of the beginning and ending balances of retirement benefit liabilities for the plans to which the simplified method is applied

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Balance of retirement benefit liabilities at beginning of period	612 million yen	672 million yen
Retirement benefit expenses	52	56
Retirement benefits paid	(63)	(85)
Increase in the amount resulting from change in scope of consolidation	96	62
Other	(25)	(0)
Balance of retirement benefit liabilities at end of period	672	705

(4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheet

	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations of funded plans	8,553 million yen	8,379 million yen
Plan assets	(13,587)	(13,534)
	(5,033)	(5,155)
Retirement benefit obligations of unfunded plans	580	642
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,452)	(4,512)
Retirement benefit liability	453	425
Retirement benefit asset	(4,906)	(4,937)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,452)	(4,512)

(5) Amounts of retirement benefit expenses and their components

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Service cost	384 million yen	385 million yen
Interest cost	67	66
Expected return on plan assets	(80)	(71)
Amortization of actuarial gains and losses	(531)	(611)
Retirement benefit expenses calculated by simplified method	52	56
Other	2	6
Retirement benefit expenses of defined benefit plans	(103)	(167)

(6) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) are as follows:

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Actuarial gains and losses	(321) million yen	(423) million yen

(7) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

	As of March 31, 2021	As of March 31, 2022
Unrecognized actuarial gains and losses	3,084 million yen	2,660 million yen

(8) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

	As of March 31, 2021	As of March 31, 2022
Bonds	27%	28%
Shares	10	6
Cash and deposits	43	34
General account	8	5
Other	12	27
Total	100	100

Note: Total plan assets include 68% and 67% of the retirement benefit trusts established for corporate pension plans and lump-sum retirement benefit plans in the previous and current fiscal years, respectively.

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(9) Actuarial assumptions

Major actuarial assumptions (expressed as a weighted average)

	As of March 31, 2021	As of March 31, 2022
Discount rate	0.7%	0.7%
Long-term expected rate of return	1.8%	1.8%
Scheduled rate of salary increase	3.3%	3.3%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of certain consolidated subsidiaries were 167 million yen as of March 31, 2021 and 168 million yen as of March 31, 2022.

**Share options, etc.**

Not applicable

## Tax effect accounting

### 1. Major components of deferred tax assets and liabilities

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Provision for bonuses	425 million yen	440 million yen
Retirement benefit liability	1,445 million yen	1,281 million yen
Long-term accounts payable (Retirement benefits for directors (and other officers))	112 million yen	104 million yen
Impairment losses	309 million yen	298 million yen
Tax loss carryforwards (Note 2)	245 million yen	226 million yen
Loss on valuation of inventories	103 million yen	124 million yen
Other	588 million yen	798 million yen
Deferred tax assets subtotal	3,230 million yen	3,275 million yen
Valuation allowance for tax loss carryforwards (Note 2)	(218) million yen	(187) million yen
Valuation allowance for total deductible temporary differences, etc.	(856) million yen	(914) million yen
Valuation allowance subtotal (Note 1)	(1,074) million yen	(1,101) million yen
Total deferred tax assets	2,155 million yen	2,173 million yen
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(140) million yen	(131) million yen
Retirement benefit asset	(34) million yen	(25) million yen
Other	(56) million yen	(143) million yen
Total deferred tax liabilities	(231) million yen	(299) million yen
Net deferred tax assets (liabilities) (Note 3)	1,924 million yen	1,873 million yen

Notes: 1. The valuation allowance increased by 26 million yen. This was mainly due to a 38 million yen increase in valuation allowance for provision for retirement benefits for directors (and other officers) and a 31 million yen decrease in valuation allowance for tax loss carried forward at consolidated subsidiaries.

#### 2. Tax loss carryforwards and their deferred tax asset carryforwards by expiration date

As of March 31, 2021

	Within 1 year (Millions of yen)	After 1 year through 2 years (Millions of yen)	After 2 years through 3 years (Millions of yen)	After 3 years through 4 years (Millions of yen)	After 4 years through 5 years (Millions of yen)	After 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards (*)	19	22	10	51	55	85	245
Valuation allowance	(19)	(2)	(6)	(51)	(55)	(83)	(218)
Deferred tax assets	-	20	4	-	-	1	27

As of March 31, 2022

	Within 1 year (Millions of yen)	After 1 year through 2 years (Millions of yen)	After 2 years through 3 years (Millions of yen)	After 3 years through 4 years (Millions of yen)	After 4 years through 5 years (Millions of yen)	After 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards (*)	2	7	51	55	-	109	226
Valuation allowance	(2)	-	(29)	(55)	-	(100)	(187)
Deferred tax assets	-	7	22	-	-	9	39

(\*) Tax loss carryforwards are multiplied by the statutory effective tax rate.

3. Net deferred tax assets and liabilities for the previous and current fiscal years are included in the following items in the consolidated balance sheets.

	As of March 31, 2021	As of March 31, 2022
Non-current assets - Deferred tax assets	1,954 million yen	1,899 million yen
Non-current liabilities - Deferred tax liabilities	(30) million yen	(25) million yen

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible amount of entertainment expenses, etc.	1.8%	1.5%
Inhabitant per capita taxes	3.1%	2.9%
Valuation allowance	(1.5)%	0.8%
Tax deduction	(0.3)%	(2.3)%
Other	0.8%	0.7%
Effective rate of income taxes after application of deferred tax accounting	34.6%	34.2%



## Business combinations

### Business combination through acquisition

At a meeting of the Board of Directors held on November 30, 2021, the Company resolved to acquire shares of HOMECARE SERVICE YAMAGUCHI Co., Ltd. through its consolidated subsidiary FRANCE BED CO., LTD. and make it a consolidated subsidiary (a sub-subsidiary of the Company), and concluded a share transfer agreement on the same date. Based on this, on December 20, 2021, the Company completed the procedures to acquire the company's shares.

#### 1. Overview of business combination

##### (1) Name and business of acquired company

Name of acquired company: HOMECARE SERVICE YAMAGUCHI Co., Ltd.

Description of business: Welfare equipment service business, specified facility resident care business, etc.

##### (2) Main reasons for business combination

In the Medical Services Business, which is a key business of the Group, we are working to expand our business base and business scale by expanding sales bases and utilizing M&A, with the aim of increasing our market share in the welfare equipment rental business, which is the core business of the segment.

Since its establishment in 1986, HOMECARE SERVICE YAMAGUCHI Co., Ltd., whose shares were acquired by this transaction, has been providing welfare services such as sales and rentals of welfare equipment and nursing care services for residents of specified facilities, mainly in Yamaguchi Prefecture.

We believe that the addition of the customer base owned by HOMECARE SERVICE YAMAGUCHI Co., Ltd. to our Group through this share acquisition will further strengthen the business foundation of our Group's Medical Services Business and enable us to expand the scale of our business.

##### (3) Date of business combination

December 20, 2021 (Date of share acquisition)

October 31, 2021 (Deemed acquisition date)

##### (4) Legal form of business combination

Acquisition of shares for cash

##### (5) Name of company after combination

No change applied.

##### (6) Voting rights ratio acquired

100.0% (indirect ownership)

##### (7) Main basis for deciding on the acquiring company

This was based on the acquisition of shares for cash consideration.

#### 2. Period of the acquired company's results included in the consolidated financial statements

The fiscal year-end of HOMECARE SERVICE YAMAGUCHI Co., Ltd. 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.

#### 3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	1,600 million yen
Acquisition cost		1,600 million yen

#### 4. Breakdown and amount of major acquisition-related expenses

Advisory fees, etc. 44 million yen

#### 5. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

##### (1) Amount of goodwill incurred

879 million yen

The acquisition cost was fixed at the end of the fiscal year under review.

##### (2) Reason for incurrence

This is primarily the excess earning power expected from future business expansion.

##### (3) Amortization method and amortization period

Equal amortization over 5 years

6. Amount of assets and liabilities accepted on the date of business combination as well as their major components

Current assets	679 million yen
Non-current assets	1,066
Total assets	1,745
Current liabilities	559
Non-current liabilities	466
Total liabilities	1,025

7. Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the fiscal year under review as if the business combination had been completed at the beginning of the fiscal year

The information is omitted because it is difficult to reasonably calculate the estimated amount for the fiscal year under review.

**Asset retirement obligations**

Those that are recorded on the consolidated balance sheet of the asset retirement obligations

(1) Overview of the asset retirement obligations

The asset retirement obligations include restoration obligations associated with real estate lease contracts of the company submitting the consolidated financial statements and consolidated subsidiaries, expenses for recycling of specified construction materials of consolidated subsidiaries in accordance with the Construction Material Recycling Act, and expenses for disposal of equipment containing polychlorinated biphenyls (PCBs).

(2) Method of calculating the amount of the asset retirement obligations

The expected period of use is estimated as the useful life of the subject asset, and the discount rate is calculated using the interest rate of government bonds for the relevant period to calculate the amount of asset retirement obligations.

(3) Increase or decrease in the total amount of asset retirement obligations

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Beginning balance	294 million yen	343 million yen
Increased amount associated with the acquisition of property, plant and equipment	– million yen	108 million yen
Adjustments due to the passage of time	2 million yen	0 million yen
Reduced amount due to fulfillment of the asset retirement obligations	(38) million yen	– million yen
Other increase (decrease) amount	84 million yen	(13) million yen
Ending balance	343 million yen	439 million yen

### Real estate for lease, etc.

The Group has rental land, rental housing, and other assets in Tokyo, Osaka, and other areas.

Rental income from such rental properties for the fiscal year ended March 31, 2021 was 179 million yen (rental income is included in net sales, and rental expenses are included in cost of sales), while gain on sales was 4 million yen (included in extraordinary income), depreciation of idle property was 0 million yen (included in non-operating expenses), loss on retirement was 1 million yen (included in extraordinary losses), and impairment loss was 32 million yen (included in extraordinary losses). Rental income from such rental properties for the fiscal year ended March 31, 2022 was 175 million yen (rental income is included in net sales, and rental expenses are included in cost of sales), and gain on sales was 145 million yen (included in extraordinary income).

Carrying amounts in the consolidated balance sheet, increase or decrease and fair values of the rental and other investment property are as follows:

(Millions of yen)

		FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Carrying amount	Beginning balance	1,273	1,208
	Increase or decrease during period	(64)	(40)
	Ending balance	1,208	1,168
Fair value at end of period		3,230	3,473

- Notes:
1. The carrying amount represents the amount of acquisition cost less accumulated depreciation and accumulated impairment.
  2. Major decreases during the previous fiscal year included depreciation (30 million yen), retirement (1 million yen), and impairment loss (32 million yen). The major decreases in the current fiscal year were depreciation (30 million yen) and sales (11 million yen).
  3. The fair value at the end of the fiscal year is mainly based on the “assessed value of fixed assets for property tax purposes” adjusted based on reasonable standards.

### Revenue recognition

(1) Information on disaggregation of revenue from contracts with customers

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

(Millions of yen)

	Reporting segment			Other (Note 1)	Total
	Medical Services	Home Furnishings and Health	Total		
Net sales					
Goods transferred at a point in time	13,783	19,389	33,173	258	33,432
Goods transferred over time	126	26	153	–	153
Revenue from contracts with customers	13,910	19,416	33,327	258	33,586
Revenue from rental transactions, etc. (Note 2)	20,574	2	20,576	235	20,812
Sales to external customers	34,484	19,419	53,903	494	54,398

- 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. Revenue from rental transactions and real estate leasing 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.

(2) Information that provides a basis for understanding revenue from contracts with customers

The basis for understanding revenues is described in “4. Notes regarding accounting policies, (6) Accounting standards for significant income and expenses” of “Basis of preparation of consolidated financial statements.”

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed at the end of the current fiscal year

(i) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	FY2022
Receivables from contracts with customers (beginning balance)	4,588
Receivables from contracts with customers (ending balance)	4,588
Contract assets (beginning balance)	2
Contract assets (ending balance)	0
Contract liabilities (beginning balance)	351
Contract liabilities (ending balance)	293

The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 216 million yen.

(ii) Transaction price allocated to remaining performance obligations

Information on remaining performance obligations is omitted because the Group has no significant transactions with an initial expected contract period of more than one year.

## Segment information, etc.

### Segment information

#### 1. Summary of reporting segments

The reporting 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 Furnishings 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 Furnishings 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 Furnishings 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 Furnishings 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 Furnishings 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.

Related information

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

1. Information on products and services

The information is omitted because the same information is disclosed in “Segment information.”

2. Information for each region

(1) Net sales

This information is omitted because sales to customers outside Japan account for more than 90% of the net sales in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

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

1. Information on products and services

The information is omitted because the same information is disclosed in “Segment information.”

2. Information for each region

(1) Net sales

This information is omitted because sales to customers outside Japan account for more than 90% of the net sales in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

Information about impairment loss of non-current assets by reporting segment

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

This information is omitted because it is presented in “Segment information.”

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

This information is omitted because it is presented in “Segment information.”

Information about amortization and unamortized balance of goodwill by reporting segment

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

(Millions of yen)

	Reporting segment			Other	Total	Adjustments	Carrying amount
	Medical Services	Home Furnishings and Health	Total				
Amortization in the fiscal year	22	–	22	–	22	–	22
Balance at end of period	353	–	353	–	353	–	353

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

(Millions of yen)

	Reporting segment			Other	Total	Adjustments	Carrying amount
	Medical Services	Home Furnishings and Health	Total				
Amortization in the fiscal year	105	–	105	–	105	–	105
Balance at end of period	1,167	–	1,167	–	1,167	–	1,167



Information about gain on bargain purchase by reporting segment

Not applicable

Related party information

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

Not applicable

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

Not applicable

**Per share information**

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

- 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 (Millions of yen)	2,295	2,557
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent relating to common shares (Millions of yen)	2,295	2,557
Average number of shares of common shares during the fiscal year (Thousand shares)	38,339	36,871

**Subsequent events**

Purchase of treasury shares

At a Board of Directors meeting held on May 13, 2022, the Company made resolutions to acquire treasury shares and on the specific method of acquisition in accordance with the provisions of the Articles of Incorporation pursuant to Article 459, paragraph 1, item 1 of the Companies Act.

1. Reason for purchase of treasury shares

The Company will purchase its own shares to improve capital efficiency and as a part of shareholder return.

2. Details of the Board of Directors' resolution regarding the purchase of treasury shares

(1) Class of shares to be acquired

Company's common shares

(2) Total number of shares to be acquired

550,000 shares (maximum)

(1.51% of the total number of issued shares (excluding treasury shares))

(3) Total acquisition cost of shares

500,000,000 yen (maximum)

(4) Acquisition period

May 16, 2022 to August 31, 2022

(5) Acquisition method

Market purchase on the Tokyo Stock Exchange

3. Other matters

As a result of the above acquisition through market purchase, the Company acquired 73,300 shares of its common shares (acquisition cost: 64,564,500 yen) from May 16, 2022 to May 31, 2022. The information for acquisitions from June 1, 2022 to the date of submission of this annual securities report has been omitted.

## (v) Annexed consolidated detailed schedules

## Consolidated detailed schedule of corporate bonds

Company name	Issue	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Secured/unsecured	Maturity
FRANCE BED HOLDINGS CO., LTD.	9th unsecured bonds payable	September 22, 2017	800	800 (800)	0.1	None	September 22, 2022
FRANCE BED HOLDINGS CO., LTD.	10th unsecured bonds payable	September 29, 2017	700	700 (700)	0.2	None	September 29, 2022
FRANCE BED HOLDINGS CO., LTD.	11th unsecured bonds payable	September 28, 2018	750 (300)	450 (300)	0.2	None	September 29, 2023
FRANCE BED HOLDINGS CO., LTD.	12th unsecured bonds payable	September 28, 2018	750 (300)	450 (300)	0.2	None	September 29, 2023
Total	–	–	3,000 (600)	2,400 (2,100)	–	–	–

- Notes: 1. The figures shown in parentheses represent the amount to be redeemed within one year.  
2. The scheduled amount of redemption of bonds for the five years following the consolidated balance sheet date is as follows:

Within 1 year (Millions of yen)	After 1 year through 2 years (Millions of yen)	After 2 years through 3 years (Millions of yen)	After 3 years through 4 years (Millions of yen)	After 4 years through 5 years (Millions of yen)
2,100	300	–	–	–

## Consolidated detailed schedule of borrowings

Classification	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	3,300	3,975	0.5	–
Current portion of long-term borrowings	300	222	0.5	–
Current portion of lease liabilities	2,676	3,138	0.6	–
Long-term borrowings	–	2,140	0.5	From April 2023 to February 2032
Lease liabilities (excluding current portion)	3,192	3,519	0.7	From April 2023 to April 2035
Total	9,469	12,996	–	–

- Notes: 1. “Average interest rate” represents weighted average interest rate with respect to the ending balance of borrowings.  
2. The scheduled repayment amounts of long-term borrowings and lease liabilities (excluding current portion) for the five years following the consolidated balance sheet date are as follows:

	After 1 year through 2 years (Millions of yen)	After 2 years through 3 years (Millions of yen)	After 3 years through 4 years (Millions of yen)	After 4 years through 5 years (Millions of yen)
Long-term borrowings	222	217	200	500
Lease liabilities	2,125	860	288	110

## Consolidated detailed schedule of asset retirement obligations

The schedule of asset retirement obligations is omitted because the items to be presented in this schedule are presented as notes stipulated in Article 15-23 of the Regulations on Consolidated Financial Statements.

(2) Other information

Quarterly information for FY2022

Cumulative period		First quarter	Second quarter	Third quarter	FY2022
Net sales	(Millions of yen)	12,771	25,978	39,602	54,398
Profit before income taxes	(Millions of yen)	1,126	2,043	3,170	3,883
Profit attributable to owners of parent	(Millions of yen)	752	1,305	2,039	2,557
Basic earnings per share	(Yen)	20.21	35.18	55.11	69.35

Accounting period		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share	(Yen)	20.21	14.95	19.94	14.18

## 2 Financial statements, etc.

### (1) Financial statements

#### (i) Balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,030	7,455
Securities	3,100	1,500
Prepaid expenses	16	28
Short-term loans receivable from subsidiaries and associates	*1, *3 4,895	*1, *3 4,760
Current portion of long-term loans receivable from subsidiaries and associates	*1, *3 27	—
Other	*1 446	*1 551
Total current assets	17,517	14,295
Non-current assets		
Property, plant and equipment		
Buildings	7	7
Vehicles	3	1
Tools, furniture and fixtures	0	0
Total property, plant and equipment	11	8
Intangible assets		
Software	1	1
Total intangible assets	1	1
Investments and other assets		
Investment securities	124	324
Shares of subsidiaries and associates	42,943	42,943
Investments in other securities of subsidiaries and associates	195	195
Long-term prepaid expenses	4	19
Deferred tax assets	82	96
Other	106	68
Total investments and other assets	43,457	43,648
Total non-current assets	43,471	43,659
Deferred assets		
Bond issuance costs	27	10
Total deferred assets	27	10
<b>Total assets</b>	<b>61,015</b>	<b>57,964</b>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	3,300	3,900
Current portion of long-term borrowings	300	–
Current portion of bonds payable	600	2,100
Accounts payable - other	6	6
Accrued expenses	*1 122	*1 157
Income taxes payable	37	46
Deposits received from subsidiaries and associates	*1, *2 16,402	*1, *2 14,124
Provision for bonuses	18	57
Asset retirement obligations	–	28
Other	37	55
Total current liabilities	20,825	20,476
Non-current liabilities		
Bonds payable	2,400	300
Long-term borrowings	–	300
Asset retirement obligations	8	–
Other	194	170
Total non-current liabilities	2,603	770
Total liabilities	23,429	21,247
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus		
Legal capital surplus	750	750
Other capital surplus	32,285	32,286
Total capital surplus	33,035	33,036
Retained earnings		
Other retained earnings		
Retained earnings brought forward	5,176	5,241
Total retained earnings	5,176	5,241
Treasury shares	(3,626)	(4,560)
Total shareholders' equity	37,586	36,717
Total net assets	37,586	36,717
Total liabilities and net assets	61,015	57,964

## (ii) Statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Operating revenue	*1	2,222	*1	2,570
General and administrative expenses	*1, *2	923	*1, *2	1,243
Operating profit		1,298		1,326
Non-operating income				
Interest income	*1	36	*1	31
Interest on securities		2		3
Other		2	*1	1
Total non-operating income		40		37
Non-operating expenses				
Interest expenses	*1	18	*1	20
Interest on bonds		8		6
Amortization of bond issuance costs		21		17
Other	*1	4		20
Total non-operating expenses		52		65
Ordinary profit		1,286		1,298
Profit before income taxes		1,286		1,298
Income taxes - current		86		93
Income taxes - deferred		(0)		(13)
Total income taxes		85		79
Profit		1,201		1,218

(iii) 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
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	3,000	750	32,285	33,035	5,060	5,060	(2,507)	38,589
Changes during period								
Dividends of surplus					(1,085)	(1,085)		(1,085)
Profit					1,201	1,201		1,201
Purchase of treasury shares							(1,118)	(1,118)
Disposal of treasury shares								-
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	115	115	(1,118)	(1,002)
Balance at end of period	3,000	750	32,285	33,035	5,176	5,176	(3,626)	37,586

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(0)	(0)	38,589
Changes during period			
Dividends of surplus			(1,085)
Profit			1,201
Purchase of treasury shares			(1,118)
Disposal of treasury shares			-
Net changes in items other than shareholders' equity	0	0	0
Total changes during period	0	0	(1,002)
Balance at end of period	-	-	37,586



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
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	3,000	750	32,285	33,035	5,176	5,176	(3,626)	37,586
Changes during period								
Dividends of surplus					(1,154)	(1,154)		(1,154)
Profit					1,218	1,218		1,218
Purchase of treasury shares							(986)	(986)
Disposal of treasury shares			1	1			52	53
Net changes in items other than shareholders' equity								
Total changes during period	–	–	1	1	64	64	(934)	(869)
Balance at end of period	3,000	750	32,286	33,036	5,241	5,241	(4,560)	36,717

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	–	–	37,586
Changes during period			
Dividends of surplus			(1,154)
Profit			1,218
Purchase of treasury shares			(986)
Disposal of treasury shares			53
Net changes in items other than shareholders' equity	–	–	–
Total changes during period	–	–	(869)
Balance at end of period	–	–	36,717

## Notes

### Significant accounting policies

1. Evaluation criteria and evaluation methods of securities
  - (1) Securities of subsidiaries and associates  
Stated at cost determined by the moving average method
  - (2) 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
2. Accounting method for depreciation of non-current assets
  - (1) Property, plant and equipment  
The straight-line method is applied.  
The estimated useful lives of assets are principally as follows:

Buildings	10 to 18 years
Vehicles	6 years
Tools, furniture and fixtures	2 to 17 years
  - (2) 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).
  - (3) Long-term prepaid expenses  
Long-term prepaid expenses are equally amortized over the years.
3. Accounting standards for allowances and provisions
  - (1) 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.
4. Other basis of preparation of financial statements
  - (1) Treatment of deferred assets  
Bond issuance costs are amortized over the redemption period of the bonds using the straight-line method.

### Significant accounting estimates

The following is a list of items recorded in the financial statements for the fiscal year under review whose amounts are based on accounting estimates and that are at risk of significantly impacting the financial statements for the following fiscal year.

- Impairment of shares of subsidiaries and associates and other securities of subsidiaries and associates
  - (1) Amount of shares of subsidiaries and associates and other securities of subsidiaries and associates at the end of the fiscal year under review

	(Millions of yen)	
	FY2021	FY2022
Shares of subsidiaries and associates	42,943	42,943
Investments in other securities of subsidiaries and associates	195	195

- (2) Major assumptions used in the calculation of the amounts recorded in the financial statements for the fiscal year under review  
The Company recognizes impairment on shares of subsidiaries and associates without market prices and other securities of subsidiaries and associates up to their actual value if their actual value, calculated based on the most recent financial statements, has declined by 50% or more compared to their acquisition cost. If the actual value of an asset declines by 30% or more from its acquisition cost, the asset is written down to its actual value, unless the recoverability of the asset is supported by sufficient evidence.

No valuation losses on shares of subsidiaries and associates and other securities of subsidiaries and associates were recognized in the fiscal year under review.

### Changes in accounting policies

#### Application of Accounting Standard for Revenue Recognition, etc.

Effective from the fiscal year under review, the Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related measures. 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. There is no impact from this change in accounting policies.

#### 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). There is no impact from this change in accounting policies.

### Notes regarding balance sheet

\*1 Monetary receivables from and monetary liabilities to subsidiaries and associates (including those presented separately)

	As of March 31, 2021	As of March 31, 2022
Short-term monetary receivables	5,168 million yen	5,110 million yen
Short-term monetary liabilities	16,436 million yen	14,173 million yen

\*2 The Company has adopted the FRANCE BED HOLDINGS GROUP Cash Management Service (CMS) to ensure the efficient management and procurement of funds for the entire Group. “Deposits received from subsidiaries and associates” represents funds deposited by these companies.

\*3 The Company has adopted the FRANCE BED HOLDINGS GROUP Cash Management Service (hereinafter the “CMS”) to ensure the efficient management and procurement of funds for the entire Group.  
The Company has entered into basic CMS operation consignment agreements with five Group companies and has set a limit on the amount of loans that can be lent by CMS. The unused lines of credit based on these agreements as of the end of the fiscal year under review are as follows:

	As of March 31, 2021	As of March 31, 2022
Total lending limits under CMS	12,190 million yen	12,540 million yen
Loan outstanding balance	4,677 million yen	4,760 million yen
Unused amount	7,512 million yen	7,780 million yen

Since the above basic CMS operation consignment agreements include a limited use of funds, the full amount of the loan will not necessarily be disbursed.

### Notes regarding statement of income

\*1 Transactions with subsidiaries and associates

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Operating transactions		
Operating revenue	2,222 million yen	2,570 million yen
General and administrative expenses	381 million yen	592 million yen
Non-operating transactions	37 million yen	33 million yen

\*2 The major items and amounts of general and administrative expenses are as follows:

---

	FY2021 (from April 1, 2020 to March 31, 2021)	FY2022 (from April 1, 2021 to March 31, 2022)
Employees' salaries and bonuses	143 million yen	321 million yen
Remuneration for directors (and other officers)	145 million yen	165 million yen
Bonuses for directors (and other officers)	60 million yen	61 million yen
Provision for bonuses	18 million yen	57 million yen
Shareholder benefit expenses	200 million yen	175 million yen
Depreciation	7 million yen	23 million yen

## Securities

As of March 31, 2021

Shares of subsidiaries (carrying amount in the balance sheet for the fiscal year under review: 42,943 million yen) and other securities of subsidiaries and associates (carrying amount in the balance sheet for the fiscal year under review: 195 million yen) are not stated because they do not have market prices and it is extremely difficult to determine their fair value.

As of March 31, 2022

Shares of subsidiaries (carrying amount in the balance sheet for the fiscal year under review: 42,943 million yen) and other securities of subsidiaries and associates (carrying amount in the balance sheet for the fiscal year under review: 195 million yen) are not stated because they are shares, etc. without market prices.

## Tax effect accounting

### 1. Major components of deferred tax assets and liabilities

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Provision for bonuses	5 million yen	17 million yen
Accrued enterprise tax	6 million yen	8 million yen
Loss on valuation of investment securities	68 million yen	68 million yen
Loss on valuation in other securities of subsidiaries and associates	12 million yen	12 million yen
Long-term accounts payable (Retirement benefits for directors (and other officers))	59 million yen	52 million yen
Share-based payment expenses (Performance-linked share-based remuneration for directors (and other officers))	5 million yen	– million yen
Asset retirement obligations	– million yen	8 million yen
Other	5 million yen	10 million yen
Deferred tax assets subtotal	164 million yen	179 million yen
Valuation allowance	(81) million yen	(81) million yen
Total deferred tax assets	83 million yen	98 million yen
Deferred tax liabilities		
Other	(1) million yen	(1) million yen
Total deferred tax liabilities	(1) million yen	(1) million yen
Net deferred tax assets	82 million yen	96 million yen

### 2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Amount exempted from profits, such as dividend income	(30.5)%	(30.7)%
Non-deductible amount of entertainment expenses, etc.	4.8%	4.1%
Other	1.7%	2.1%
Effective rate of income taxes after application of deferred tax accounting	6.6%	6.2%

## Subsequent events

### Purchase of treasury shares

At a Board of Directors meeting held on May 13, 2022, the Company made resolutions to acquire treasury shares and on the specific method of acquisition in accordance with the provisions of the Articles of Incorporation pursuant to Article 459, paragraph 1, item 1 of the Companies Act.

1. Reason for purchase of treasury shares

The Company will purchase its own shares to improve capital efficiency and as a part of shareholder return.

2. Details of the Board of Directors' resolution regarding the purchase of treasury shares

(1) Class of shares to be acquired

Company's common shares

(2) Total number of shares to be acquired

550,000 shares (maximum)

(1.51% of the total number of issued shares (excluding treasury shares))

(3) Total acquisition cost of shares

500,000,000 yen (maximum)

(4) Acquisition period

May 16, 2022 to August 31, 2022

(5) Acquisition method

Market purchase on the Tokyo Stock Exchange

3. Other matters

As a result of the above acquisition through market purchase, the Company acquired 73,300 shares of its common shares (acquisition cost: 64,564,500 yen) from May 16, 2022 to May 31, 2022. The information for acquisitions from June 1, 2022 to the date of submission of this annual securities report has been omitted.

(iv) Annexed detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

Classification	Types of assets	Balance at beginning of period	Increase during period	Decrease during period	Amortization in the fiscal year	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	7	20	–	19	7	16
	Vehicles	3	–	–	2	1	10
	Tools, furniture and fixtures	0	–	–	0	0	7
	Total	11	20	–	22	8	34
Intangible assets	Software	1	0	–	0	1	–

Annexed detailed schedule of provisions

(Millions of yen)

Account	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Provision for bonuses	18	57	18	57

(2) Components of major assets and liabilities

This information is omitted because consolidated financial statements are prepared.

(3) Other information

Not applicable