May 15, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: FRANCE BED HOLDINGS CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 7840
URL: https://www.francebed-hd.co.jp
Representative: Shigeru Ikeda, Representative Director, Chairman and President
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Telephone: +81-3-6741-5501
Scheduled date of annual general meeting of shareholders: June 23, 2023
Scheduled date to commence dividend payments: June 26, 2023
Scheduled date to file annual securities report: June 23, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

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

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	58,578	7.6	4,481	14.3	4,485	13.2	2,702	5.6
March 31, 2022	54,398	3.7	3,918	20.7	3,959	14.7	2,557	11.3

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥2,197 million [(2.8)%]
For the fiscal year ended March 31, 2022: ¥2,262 million [5.6%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	74.80	–	7.1	6.9	7.6
March 31, 2022	69.35	–	6.8	6.2	7.2

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2023: ¥4 million
For the fiscal year ended March 31, 2022: ¥(1) million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	64,679	38,124	58.9	1,058.41
March 31, 2022	64,298	37,540	58.3	1,030.11

Reference: Equity
As of March 31, 2023: ¥38,124 million
As of March 31, 2022: ¥37,540 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	8,928	(6,691)	(2,659)	10,355
March 31, 2022	6,011	(7,778)	316	10,778

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	15.00	–	18.00	33.00	1,210	47.5	3.2
Fiscal year ended March 31, 2023	–	16.00	–	20.00	36.00	1,296	48.1	3.4
Fiscal year ending March 31, 2024 (Forecast)	–	17.00	–	21.00	38.00		44.8	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	60,500	3.2	4,850	8.2	4,850	8.1	3,050	12.8	84.67

*** Notes**

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

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

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 2023	41,397,500 shares
As of March 31, 2022	41,397,500 shares

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

As of March 31, 2023	5,377,343 shares
As of March 31, 2022	4,954,623 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	36,121,556 shares
Fiscal year ended March 31, 2022	36,871,681 shares

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

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

Caution regarding forward-looking statements

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

How to obtain supplementary material on financial results

The Company is scheduled to make a presentation of financial results for institutional investors and securities analysts on Thursday, June 1, 2023. The presentation’s handout materials will be posted on the Company’s website by the day before the presentation.

Attached Material

Index

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2023

During fiscal year ended March 31, 2023 (the “period under review”), the Japanese economy saw progression in the normalization of social and economic activity in line with the relaxation of measures against COVID-19. At the same time, the outlook remained uncertain due to factors such as the rise in energy and other prices stemming from the Ukraine situation and rapid fluctuations in exchange rates caused by monetary tightening by various Western countries.

In the nursing care industry to which our Group belongs, against the backdrop of the increasingly graying population, demand for home care continues to rise. At the same time, in the furniture and home furnishings industry, consumer sentiment toward consumer durables continues to be low in the face of the rising cost of goods, particularly with respect to daily essentials.

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

Amid such circumstances, in terms of operating results of the Group in the period under review, as a result of increased revenue in the Medical Services Business from solid performance in the core welfare equipment rental business and from M&A, as well as strong performance in higher-price-bracket products such as motorized beds and health appliances in the Home Furnishings and Health Business, net sales amounted to 58,578 million yen, up 7.6% year on year. Moreover, as a result of working towards keeping its cost ratio from rising, the Group posted operating profit of 4,481 million yen for the period under review, up 14.3% year on year. The Group’s ordinary profit amounted to 4,485 million yen, up 13.2% year on year, and its profit attributable to owners of parent rose to 2,702 million yen, up 5.6% year on year.

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

(i) Medical Services Business

In the core welfare equipment rental business, in addition to continuous reinforcement of sales and maintenance personnel, in response to an expansion in demand for welfare equipment and medical equipment that will accompany the increased population of elderly people in Tokyo going forward, Medicarent Tokyo was newly established in May 2022, for the cleaning, disinfection, and maintenance of rental welfare equipment. We are integrating the headquarters function of the Medical Services Business with this facility and focusing our efforts on developing products specifically designed to be rented, and effectively utilizing rental products, with the aim of expanding profits and reducing the environmental burden. Through our efforts to effectively utilize rental products, we have decreased the number of products disposed of by a considerable amount, curbed the number of unused products required for new rentals, and developed tools that increase maintenance efficiency, among other results.

In sales to hospitals and welfare facilities, while impacts such as of the global semiconductor shortage and soaring material prices have been considerable, we have also seen remarkable replacement demand for beds with functions that help to save labor on the nursing care front lines. Sales of functional beds and accessories and care robots, particularly monitoring sensors, have been trending favorably as a result.

As a result, the Medical Services Business recorded net sales of 38,053 million yen for the period under review, up 10.3% year on year, and ordinary profit of 3,363 million yen, up 16.6% year on year.

(ii) Home Furnishings and Health Business

In the Home Furnishings and Health Business, although the cost of manufacturing rose due to soaring material prices and the impact of the yen’s depreciation, as a result of focusing on sales of higher-price-bracket products such as the Eco Mark-certified Life Treatment Mattress series with standard feature of an antibacterial function, bed-type massage machines, and motorized bed series, we secured higher revenues and profit in spite of falling consumer sentiment toward durable consumer goods.

Additionally, industry leading initiatives such as mattress development that makes mattresses easy to break apart upon discarding them have been recognized as the Company received top honors in the Eco Mark Award 2022 held by the Japan Environment Association.

In recent years, amid a decrease in domestic furniture shops, in our efforts to develop showrooms to expand opportunities to show products by the Group, we opened Namba Showroom in April 2022 and Fukuyama Showroom in February 2023, the latter being the Group’s first location in the Bingo area, in order to meet diverse consumer needs. Simultaneously, the Group renovated our existing showrooms, including the flagship Akasaka Showroom and Osaka Showroom, as well as Asahikawa Showroom and Sapporo Showroom.

For its domestic hotels, largely due to government-sponsored nationwide travel assistance and recovery in inbound travel in line with the subsiding of the COVID-19 pandemic, the Group focused on sales of Eco Mark-certified hotel mattresses and other products with high value-added amid a recovery in demand for accommodations.

As a result, the Home Furnishings and Health Business posted net sales of 19,949 million yen, up 2.7% year on year, and ordinary profit of 1,141 million yen, up 2.1% year on year.

(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2023

Assets

Total assets increased by 381 million yen from the previous year-end to 64,679 million yen as of March 31, 2023. Current assets were up 1,806 million yen to 32,966 million yen from the previous year-end. This result was primarily due to increases of 326 million yen in notes and accounts receivable - trade and electronically recorded monetary claims - operating, and 2,000 million yen in securities, which were partially offset by a decrease of 422 million yen in cash and deposits. Non-current assets decreased by 1,448 million yen from the previous year-end to 31,680 million yen. This result was primarily due to the purchase and depreciation and amortization of property, plant and equipment and intangible assets and a decrease in investment securities.

Liabilities

Total liabilities decreased by 202 million yen from the previous year-end to 26,555 million yen. This result was primarily due to decreases of 322 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating), 600 million yen in bonds payable (including current portion), and 770 million yen in lease liabilities (including long-term), which were partially offset by increases of 312 million yen in borrowings (including long-term) and 584 million yen in income taxes payable.

Net assets

Net assets increased by 584 million yen from the previous year-end to 38,124 million yen. This was primarily due to 2,702 million yen of profit attributable to owners of parent, which were partially offset by decreases resulting from the 1,232 million yen payment of dividends from surplus and the 381 million yen purchase of treasury shares.

As a result, the equity-to-asset ratio increased to 58.9% from 58.3% at the previous year-end.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2023

Cash and cash equivalents decreased by 422 million yen from the previous year-end to 10,355 million yen as of March 31, 2023. Details of individual cash flow items are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to 8,928 million yen, compared with 6,011 million yen for the same period the previous year. This was primarily due to profit before income taxes of 4,366 million yen, the reporting of depreciation (a non-cash item) of 5,562 million yen, an increase in trade receivables of 325 million yen, a decrease in trade payables of 322 million yen, and income taxes and other payments of 1,042 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 6,691 million yen, compared with 7,778 million yen for the same period the previous year. This was primarily due to the purchase of property, plant and equipment of 4,438 million yen, the purchase of intangible assets of 361 million yen, and the purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities amounted to 2,659 million yen, compared with 316 million yen in net cash provided by financing activities for the same period the previous year. Financing cash outflows included short-term borrowings of 1,425 million yen, the payback of long-term borrowings of 262 million yen, the redemption of bonds of 2,100 million yen, the purchase of treasury shares of 382 million yen, repayments of finance lease liabilities of 3,703 million yen, and the payment of cash dividends of 1,230 million yen. These were offset by cash inflows that included long-term borrowings of 2,000 million yen, the issuance of bonds of 1,465 million yen, and sales and leasebacks of 2,980 million yen.

Reference: Cash flow metrics

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity-to-asset ratio (%)	60.4	62.6	60.1	58.3	58.9
Equity-to-asset ratio at market value (%)	56.0	59.1	58.3	49.0	58.9
Ratio of interest-bearing debt to cash flow (number of years)	1.1	10.4	1.1	2.5	1.6
Interest coverage ratio (times)	173.2	19.2	159.6	79.9	100.0

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

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

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

Interest coverage ratio: cash flow / interest payment

Notes:
1. Each indicator has been calculated on the basis of consolidated financial figures.
2. Total market capitalization has been calculated on the basis of the number of shares issued excluding treasury shares.
3. Cash flow refers to cash flows from operating activities.
4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet on which interest is paid.

(4) Future Outlook

Going forward, the Japanese economy is expected to see a moderate recovery in market conditions centered on domestic demand in line with the downgrading of COVID-19 to Category V. However, there are also concerns of a potential downswing caused by further rises in prices and a slowdown in economies overseas as well as risks such as the increasing seriousness of the Ukraine situation. As such, the outlook remains uncertain.

Amid this business environment, with the fiscal year ending March 31, 2024 being the final year of the three-year medium-term management plan announced in May 2021, the Group will concentrate its management resources on the senior-care business and will continue advancing sustainability management aimed at achieving a sustainable society by expanding rental transactions that make effective use of resources in all businesses.

In the Medical Services Business, we will work to expand our share in the home care welfare equipment rental business, for which demand is expected to increase as the elderly population grows, by aggressively pushing ahead with measures such as M&A and the reinforcement of our sales structure through augmenting sales personnel with a particular focus on the Tokyo, Nagoya, and Osaka regions.

In the Home Furnishings and Health Business, amid dramatic changes in consumer attitudes towards living environment and sleep, we will focus on development and sales expansion of products that offer consideration towards the environment, convenience, and other forms of value-added, and will also aim to expand our group showrooms as spaces for properly conveying these product features.

Accordingly, the Group's consolidated results forecasts for the fiscal year ending March 31, 2024 are net sales of 60,500 million yen, operating profit of 4,850 million yen, ordinary profit of 4,850 million yen, and profit attributable to owners of parent of 3,050 million yen.

(5) Basic Policy for Profit Distribution, and Dividends in FY2023 and FY2024

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

Based on this policy, the Company plans to pay a year-end dividend of 20.0 yen per share for FY2023, an increase of 3.0 yen from 17.0 yen per share as announced on May 13, 2022. The Company plans to place this matter on the proposal of the 20th ordinary general shareholders' meeting scheduled for June 2023.

Additionally, for FY2024, the Company plans to pay an interim dividend of 17.0 yen per share and a year-end dividend of 21.0 yen per share for an annual dividend of 38.0 yen per share.

(6) Business Risks

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

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

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

(i) Risks related to business environment of the Group

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

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

(ii) Risks related to product defects

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

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

(iii) Risks related to unauthorized disclosure of personal information

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

(iv) Risks related to credit

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

(v) Risks related to exchange rate fluctuations

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

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

(vi) Risks related to disasters

As the Group operates many business bases centered in Japan, if a natural disaster such as typhoon and earthquake were to occur, or in the case of a fire, power outage, epidemic or other incident, the Group would be exposed to a risk of substantial costs incurred by an absence of business activities at suspended business bases, or due to the repair of facilities in question.

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

(vii) Risks related to changes in social conditions

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

(viii) Risks related to securing of human capital

In order to achieve stable growth in its ongoing endeavor to expand its businesses, the Group conducts measures such as regularly recruiting new graduates and hiring mid-career employees according to necessity. Also, in addition to stably securing human resources through an ongoing employment program that leverages the experience of elderly employees and an internal program for promoting part-time workers to regular employees, the Group conducts human resource development through the likes of participation in internal and external training. In doing so, the

Group endeavors to maintain and improve the quality of the products and services that it provides under each of its businesses.

While the Group will continue to work towards securing and developing human resources going forward, should personnel shortages resulting from the likes of a failure to meet necessary headcount targets or a larger-than-expected personnel outflow occur, the resulting drop in work efficiency and other effects may impact the Group’s performance and financial status.

2. Corporate Group

The Company's corporate group consists of the Company, ten subsidiaries (eight consolidated subsidiaries and two unconsolidated subsidiaries), and one affiliate, and mainly engages in the Medical Services Business and the Home Furnishings and Health Business.

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

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

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

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

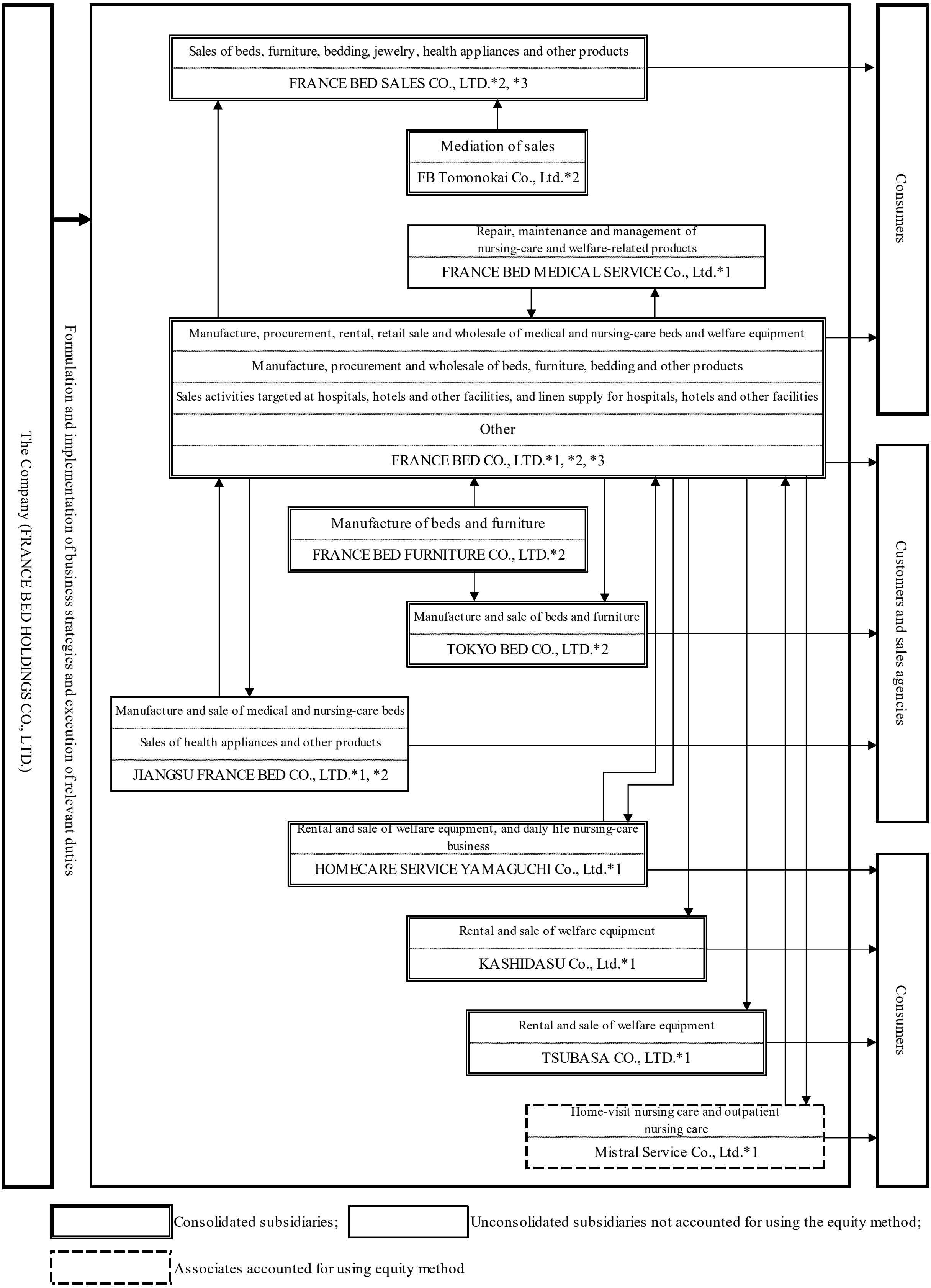
2. Affiliate accounted for using the equity method: Mistral Service Co., Ltd.

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

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

[Operating Structure]

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



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

3. Basic Approach to Selection of Accounting Standards

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

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

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	9,778	9,355
Notes receivable - trade	642	557
Accounts receivable - trade	8,548	8,925
Contract assets	0	–
Electronically recorded monetary claims - operating	990	1,025
Securities	1,500	3,500
Merchandise and finished goods	5,857	5,880
Work in process	422	373
Raw materials and supplies	2,122	2,128
Other	1,349	1,257
Allowance for doubtful accounts	(53)	(38)
Total current assets	31,159	32,966
Non-current assets		
Property, plant and equipment		
Assets for lease	5,314	5,088
Accumulated depreciation	(3,542)	(3,488)
Assets for lease, net	1,772	1,599
Buildings and structures	17,822	17,888
Accumulated depreciation	(11,516)	(11,879)
Buildings and structures, net	6,305	6,009
Machinery, equipment and vehicles	5,754	5,678
Accumulated depreciation	(4,484)	(4,399)
Machinery, equipment and vehicles, net	1,269	1,279
Tools, furniture and fixtures	3,201	3,255
Accumulated depreciation	(2,808)	(2,902)
Tools, furniture and fixtures, net	392	353
Land	7,197	7,197
Leased assets	14,280	14,965
Accumulated depreciation	(9,251)	(10,455)
Leased assets, net	5,029	4,509
Construction in progress	48	120
Total property, plant and equipment	22,016	21,069
Intangible assets		
Goodwill	1,167	929
Leased assets	668	513
Software	568	601
Other	18	179
Total intangible assets	2,423	2,225
Investments and other assets		
Investment securities	716	519
Long-term loans receivable	47	72
Deferred tax assets	1,899	2,043
Retirement benefit asset	4,937	4,725
Other	*1 1,203	*1 1,110
Allowance for doubtful accounts	(116)	(85)
Total investments and other assets	8,688	8,385
Total non-current assets	33,128	31,680

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred assets		
Bond issuance costs	10	33
Total deferred assets	10	33
Total assets	64,298	64,679

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,672	2,658
Electronically recorded obligations - operating	2,176	1,868
Short-term borrowings	3,975	2,550
Current portion of long-term borrowings	222	200
Current portion of bonds payable	2,100	300
Lease liabilities	3,138	3,078
Income taxes payable	485	1,069
Accrued consumption taxes	116	427
Contract liabilities	293	284
Provision for bonuses	1,423	1,538
Provision for bonuses for directors (and other officers)	16	16
Provision for loss on disaster	102	–
Asset retirement obligations	72	71
Other	2,376	2,657
Total current liabilities	19,174	16,721
Non-current liabilities		
Bonds payable	300	1,500
Long-term borrowings	2,140	3,900
Lease liabilities	3,519	2,808
Deferred tax liabilities	25	18
Provision for retirement benefits for directors (and other officers)	187	141
Provision for contingent loss	8	8
Retirement benefit liability	425	507
Asset retirement obligations	366	340
Other	609	608
Total non-current liabilities	7,583	9,833
Total liabilities	26,757	26,555
Net assets		
Shareholders’ equity		
Share capital	3,000	3,000
Capital surplus	1	1
Retained earnings	37,236	38,706
Treasury shares	(4,560)	(4,941)
Total shareholders’ equity	35,677	36,766
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(22)
Deferred gains or losses on hedges	53	12
Remeasurements of defined benefit plans	1,843	1,367
Total accumulated other comprehensive income	1,862	1,358
Total net assets	37,540	38,124
Total liabilities and net assets	64,298	64,679

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

Consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales		54,398		58,578
Cost of sales	*1	25,398	*1	27,384
Gross profit		28,999		31,194
Selling, general and administrative expenses		25,081		26,713
Operating profit		3,918		4,481
Non-operating income				
Interest income		4		5
Dividend income		11		13
Rental income		26		19
Share of profit of entities accounted for using equity method		–		4
Patent-related income		45		22
Compensation income		7		27
Subsidies for employment adjustment		12		18
Other		91		73
Total non-operating income		199		185
Non-operating expenses				
Interest expenses		74		91
Share of loss of entities accounted for using equity method		1		–
Other		82		90
Total non-operating expenses		158		181
Ordinary profit		3,959		4,485
Extraordinary income				
Gain on sale of non-current assets		147		2
Gain on sale of investment securities		10		1
Gain on sales of investments in capital of subsidiaries and associates		–		16
Insurance claim income		–		148
Total extraordinary income		158		168
Extraordinary losses				
Loss on sale of non-current assets		0		8
Loss on retirement of non-current assets		37		23
Loss on valuation of investment securities		–		219
Loss on valuation of investments in capital of subsidiaries and associates		–		9
Impairment losses		10		26
Loss on disaster	*2	184		–
Total extraordinary losses		233		287
Profit before income taxes		3,883		4,366
Income taxes - current		1,046		1,591
Income taxes - deferred		280		72
Total income taxes		1,326		1,664
Profit		2,557		2,702
Profit attributable to owners of parent		2,557		2,702

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,557	2,702
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	11
Deferred gains or losses on hedges	17	(40)
Remeasurements of defined benefit plans, net of tax	(293)	(475)
Total other comprehensive income	(294)	(504)
Comprehensive income	2,262	2,197
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,262	2,197
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

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)
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)
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

FY2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000	1	37,236	(4,560)	35,677
Cumulative effects of changes in accounting policies					–
Restated balance	3,000	1	37,236	(4,560)	35,677
Changes during period					
Dividends of surplus			(1,232)		(1,232)
Profit attributable to owners of parent			2,702		2,702
Purchase of treasury shares				(381)	(381)
Disposal of treasury shares					–
Merger of unconsolidated subsidiaries by consolidated subsidiaries					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,469	(381)	1,088
Balance at end of period	3,000	1	38,706	(4,941)	36,766

	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	(34)	53	1,843	1,862	37,540
Cumulative effects of changes in accounting policies					–
Restated balance	(34)	53	1,843	1,862	37,540
Changes during period					
Dividends of surplus					(1,232)
Profit attributable to owners of parent					2,702
Purchase of treasury shares					(381)
Disposal of treasury shares					–
Merger of unconsolidated subsidiaries by consolidated subsidiaries					–
Net changes in items other than shareholders' equity	11	(40)	(475)	(504)	(504)
Total changes during period	11	(40)	(475)	(504)	584
Balance at end of period	(22)	12	1,367	1,358	38,124

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,883	4,366
Depreciation	5,468	5,562
Impairment losses	10	26
Amortization of goodwill	105	237
Loss (gain) on sale of non-current assets	(147)	6
Loss on retirement of non-current assets	37	23
Increase (decrease) in allowance for doubtful accounts	37	(46)
Increase (decrease) in provision for bonuses	(27)	114
Increase (decrease) in provision for bonuses for directors (and other officers)	0	(0)
Increase (decrease) in retirement benefit liability	(42)	5
Decrease (increase) in retirement benefit asset	(440)	(398)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	14	(46)
Loss (gain) on sale of investment securities	(10)	(1)
Loss (gain) on valuation of investment securities	–	219
Interest and dividend income	(15)	(19)
Interest expenses	74	91
Insurance claim income	–	(148)
Share of loss (profit) of entities accounted for using equity method	1	(4)
Loss (gain) on sales of investments in capital of subsidiaries and associates	–	(16)
Loss on valuation of investments in capital of subsidiaries and associates	–	9
Loss on disaster	184	–
Decrease (increase) in trade receivables	194	(325)
Decrease (increase) in inventories	(678)	20
Increase (decrease) in trade payables	(586)	(322)
Increase (decrease) in accrued expenses	67	241
Other, net	(221)	398
Subtotal	7,912	9,993
Interest and dividends received	15	19
Interest paid	(75)	(89)
Income taxes paid	(1,841)	(1,042)
Proceeds from insurance income	–	148
Payments associated with disaster loss	–	(101)
Net cash provided by (used in) operating activities	6,011	8,928

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,403)	(4,438)
Proceeds from sale of property, plant and equipment	170	183
Purchase of securities	(1,300)	(5,700)
Proceeds from redemption of securities	1,400	3,700
Purchase of investment securities	(199)	–
Proceeds from sale of investment securities	12	1
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,285)	–
Proceeds from sale of investments in capital of subsidiaries and associates	–	25
Loan advances	–	(34)
Proceeds from collection of loans receivable	5	7
Purchase of intangible assets	(176)	(361)
Payments for asset retirement obligations	–	(72)
Other, net	(0)	(3)
Net cash provided by (used in) investing activities	(7,778)	(6,691)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	600	(1,425)
Proceeds from long-term borrowings	2,300	2,000
Repayments of long-term borrowings	(307)	(262)
Proceeds from issuance of bonds	–	1,465
Redemption of bonds	(600)	(2,100)
Purchase of treasury shares	(990)	(382)
Proceeds from sale and leaseback transactions	3,828	2,980
Repayments of lease liabilities	(3,361)	(3,703)
Dividends paid	(1,152)	(1,230)
Net cash provided by (used in) financing activities	316	(2,659)
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(1,449)	(422)
Cash and cash equivalents at beginning of period	12,202	10,778
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	25	–
Cash and cash equivalents at end of period	* 10,778	* 10,355

(5) Notes Regarding Consolidated Financial Statements

Notes Regarding the Going Concern Assumption

Not applicable

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.

   (2) Names, etc. of unconsolidated subsidiaries:

   JIANGSU FRANCE BED CO., LTD.

   FRANCE BED MEDICAL SERVICE Co., Ltd.

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

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

2. Application of the Equity Method

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

   Name of affiliates:

   Mistral Service Co., Ltd.

   (2) Unconsolidated subsidiaries and affiliates (JIANGSU FRANCE BED CO., LTD. and FRANCE BED MEDICAL SERVICE Co., Ltd.) are not accounted for using the equity method, as their exclusion has a minor impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), and is considered immaterial from the overall perspective.

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

3. Fiscal Year of the Consolidated Subsidiaries

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

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

4. Notes Regarding Accounting Policies

(1) Valuation standards and methods for important assets

(i) Securities

a. Available-for-sale securities

- Items other than stock, etc. without market price

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

- Stock, etc. without market price

  Stated at cost determined by the moving average method

b. Investments in other securities of subsidiaries and associates

Stated at cost determined by the moving average method

(ii) Derivatives

Stated at market value

(iii) Inventories

a. Merchandise, finished goods and work in process

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

b. Raw materials and supplies

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

(2) Depreciation method for important depreciable assets

(i) Property, plant and equipment

The straight-line method is applied.

The estimated useful lives of assets are principally as follows:

Assets for lease	3 to 10 years
Buildings and structures	2 to 55 years
Machinery, equipment and vehicles	2 to 13 years
Tools, furniture and fixtures	2 to 20 years

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

(ii) Intangible assets

The straight-line method is applied.

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

(iii) Leased assets

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

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

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

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

(iv) Long-term prepaid expenses

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

(3) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

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

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

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

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

(v) Provision for contingent loss

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

(vi) Provision for loss on disaster

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

Rental transactions in the Medical Services Business fall under "lease transactions," which are exempted from the Revenue Recognition Accounting Standard, and thus are not included in the revenue generated from contracts with customers. For certain expenses that were previously recorded as selling, general and administrative expenses and sales discounts that were previously recorded as non-operating expenses, we reduce them from net sales as consideration to be paid to customers.

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

(7) Significant hedge accounting

(i) Method of hedge accounting

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

(ii) Hedging instruments and hedged items

a. Hedging instruments

Derivative transactions (forward exchange contracts)

b. Hedged items

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

(iii) Hedging policy

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

(iv) Method of evaluating hedge effectiveness

a. Prospective test

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

b. Retrospective test

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

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

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

(9) Treatment of deferred assets

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

(10) Other significant matters for preparing consolidated financial statements

Accounting for non-deductible consumption taxes

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

Changes in Presentation

Consolidated statement of income

“Compensation income” and “Subsidies for employment adjustment,” which were previously included in “Other” under “Non-operating income” in the results for the previous fiscal year, are separately presented from the fiscal year 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, 112 million yen for “Other” presented in “Non-operating income” in the consolidated statement of income for the previous fiscal year has been reclassified as 7 million yen for “Compensation income,” 12 million yen for “Subsidies for employment adjustment,” and 91 million yen for “Other.”

“Amortization of bond issuance costs” and “Rental expenses” under “Non-operating expenses,” which were separately set out in the results for the previous fiscal year, are included in “Other” in the fiscal year under review, as it composed less than 10/100 of total non-operating expenses. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, 17 million yen for “Amortization of bond issuance costs,” 19 million yen for “Rental expenses,” and 45 million yen for “Other” presented in “Non-operating expenses” in the consolidated statement of income for the previous fiscal year has been reclassified as 82 million yen for “Other.”

Notes Regarding Consolidated Balance Sheet

*1. Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Other (guarantee deposits)	9	9

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

2. Contingent liabilities (Guarantee obligations)

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

(Millions of yen)

As of March 31, 2022		As of March 31, 2023	
Employees	7	Employees	4

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
FB Tomonokai Co., Ltd.	508	520

Notes Regarding Consolidated Statement of Income

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

(Millions of yen)

FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
117	89

*2. Loss on disaster

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.

FY2023 (from April 1, 2022 to March 31, 2023)

Not applicable

Notes Regarding Consolidated Statement of Changes in Equity

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

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

(Thousand shares)

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

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

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

2. Dividends

(1) Amounts paid

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

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

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

FY2023 (from April 1, 2022 to March 31, 2023)

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

(Thousand shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Common shares	41,397	–	–	41,397
Total	41,397	–	–	41,397
Treasury shares				
Common shares (Note)	4,954	422	–	5,377
Total	4,954	422	–	5,377

Note: The increase of 422 thousand shares in the number of common shares held as treasury shares consists of a purchase of 420 thousand shares, gratis acquisition of 2 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. Dividends

(1) Amounts paid

(Resolution)	Class of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
June 24, 2022 Shareholders' meeting	Common shares	655	18.00	March 31, 2022	June 27, 2022
November 11, 2022 Board of Directors' meeting	Common shares	576	16.00	September 30, 2022	December 5, 2022

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

The following matters are to be resolved.

(Resolution)	Class of shares	Total dividends paid (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
June 23, 2023 Shareholders' meeting	Common shares	720	Retained earnings	20.00	March 31, 2023	June 26, 2023

Notes Regarding Consolidated Statement of Cash Flows

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

(Millions of yen)

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Cash and deposits	9,778	9,355
Securities	1,500	3,500
Designated joint operating money trust, etc. with maturities of more than three months when purchased	(500)	(2,500)
Cash and cash equivalents	10,778	10,355

Segment Information

1. Summary of reporting segments

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

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

   Profit figures for reporting segments are expressed in terms of ordinary profit.

   Intersegment revenue or transfers are based on actual market price.

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

   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

FY2023 (from April 1, 2022 to March 31, 2023)

(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	38,053	19,949	58,003	575	58,578	–	58,578
Internal sales among segments or transfers	3	231	234	7	242	(242)	–
Total	38,056	20,180	58,237	583	58,820	(242)	58,578
Segment profit (loss)	3,363	1,141	4,505	2	4,508	(23)	4,485
Segment assets	43,608	25,570	69,178	797	69,976	(5,296)	64,679
Other items							
Depreciation	4,935	596	5,532	17	5,549	12	5,562
Impairment losses	2	24	26	–	26	–	26
Increase in property, plant and equipment and intangible assets	4,274	568	4,843	–	4,843	68	4,912

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)

	FY2022	FY2023
Elimination of inter-segment transactions	1,225	1,416
Corporate revenue and expenses*	(1,271)	(1,439)
Total	(45)	(23)

* Corporate revenue and expenses are primarily revenue and expenses that do not belong to the reporting segments pertaining to the company submitting the consolidated financial statements.

Segment assets (Millions of yen)

	FY2022	FY2023
Elimination of inter-segment transactions	(19,495)	(21,353)
Corporate assets*	14,825	16,057
Total	(4,670)	(5,296)

* Corporate assets are primarily assets that do not belong to the reporting segments pertaining to the company submitting the consolidated financial statements.

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

Per Share Information

(Yen)

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	1,030.11	1,058.41
Basic earnings per share	69.35	74.80

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.

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent (Million yen)	2,557	2,702
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent relating to common shares (Million yen)	2,557	2,702
Average number of shares of common shares during the fiscal year (Thousand shares)	36,871	36,121

Significant Subsequent Events

Not applicable

5. Other

(1) Changes in directors (and other officers)

(i) Change in representative

Not applicable

(ii) Other changes in directors (and other officers)

Candidate for Director who is an Audit and Supervisory Committee Member to be newly elected

Noriko Otsuka, Director

Note: Noriko Otsuka is a candidate for outside Director as set forth in Article 2, item (15) of the Companies Act.

(iii) Scheduled date of assuming position

June 23, 2023