

Securities Report

FY2023

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, 2022 to March 31, 2023) and financial statements for the business year (April 1, 2022 to March 31, 2023) 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, 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	*1 716	*1 519
Long-term loans receivable	47	72
Deferred tax assets	1,899	2,043
Retirement benefit asset	4,937	4,725
Other	*1, *2 1,203	*1, *2 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
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

(ii) 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	*1	54,398	*1	58,578
Cost of sales	*2, *4	25,398	*2, *4	27,384
Gross profit		28,999		31,194
Selling, general and administrative expenses	*3, *4	25,081	*3, *4	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	*5	147	*5	2
Gain on sale of investment securities		10		1
Gain on sale 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	*6	0	*6	8
Loss on retirement of non-current assets	*7	37	*7	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	*8	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	*1 (294)	*1 (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	—	—

(iii) 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

(iv) 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	*2 (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	*1 10,778	*1 10,355

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.

- (2) Names of 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 unconsolidated subsidiaries and affiliates are not accounted for using the equity method (JIANGSU FRANCE BED CO., LTD. and FRANCE BED MEDICAL SERVICE Co., Ltd.), 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 primarily 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 accounts receivable-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 merchandise or goods is mainly from wholesale or from sale through manufacturing, etc., and the Group bears a performance obligation to deliver merchandise or goods in accordance with sales contracts concluded with customers. At the moment of delivery of merchandise or goods, the customer gains control over the merchandise or goods 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 deduct 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)

	FY2022	FY2023
Goodwill	1,167	929

- (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.

Unapplied accounting standards

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

ASBJ Statement No. 28 “Partial Amendments to Accounting Standard for Tax Effect Accounting” and related materials (hereinafter “ASBJ Statement No. 28 etc.”) were released in February 2018, and the transfer of the practical guidelines related to tax effect accounting from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan was completed. During the course of this examination, the following two points of discussion, which were to be reviewed again following the release of ASBJ Statement No. 28 etc., were examined and released.

- Recording categories of tax expenses (taxation of other comprehensive income)
- Tax effects related to sale of shares of subsidiaries etc. (shares of subsidiaries and affiliates) when the group taxation regime is applied

(2) Planned date of application

Shall apply beginning from the start of FY2025.

(3) Effects from application of these accounting standards etc.

The amount of the effect on the consolidated financial statements resulting from application of “Accounting Standard for Current Income Taxes” and other accounting standards is currently being evaluated.

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.”

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, 2022	As of March 31, 2023
Investment securities (shares)	199 million yen	204 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, 2022	As of March 31, 2023
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, 2022	As of March 31, 2023
Employees	7 million yen	Employees 4 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, 2022	As of March 31, 2023
FB Tomonokai Co., Ltd.	508 million yen	520 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.

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

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Freight storage fees	2,982 million yen	2,988 million yen
Provision of allowance for doubtful accounts	43 million yen	(9) million yen
Employees' salaries and bonuses	9,860 million yen	10,513 million yen
Provision for bonuses	1,198 million yen	1,372 million yen
Provision for bonuses for directors (and other officers)	16 million yen	16 million yen
Retirement benefit expenses	1 million yen	(14) million yen
Provision for retirement benefits for directors (and other officers)	25 million yen	27 million yen

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
	197 million yen	185 million yen

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Machinery, equipment and vehicles	2 million yen	2 million yen
Land	145 million yen	– million yen
Total	147 million yen	2 million yen

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Assets for lease	– million yen	1 million yen
Machinery, equipment and vehicles	– million yen	7 million yen
Land	0 million yen	– million yen
Total	0 million yen	8 million yen

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Assets for lease	1 million yen	2 million yen
Buildings and structures	2 million yen	2 million yen
Machinery, equipment and vehicles	20 million yen	17 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Leased assets	0 million yen	0 million yen
Construction in progress	10 million yen	0 million yen
Removal costs	3 million yen	0 million yen
Total	37 million yen	23 million yen

*8 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 comprehensive income

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Amount accrued for the fiscal year	(17) million yen	(37) million yen
Reclassification adjustment(s)	(9) million yen	54 million yen
Amount before tax effect adjustment	(27) million yen	17 million yen
Tax effect(s) amount	8 million yen	(5) million yen
Valuation difference on available-for-sale securities	(18) million yen	11 million yen
Deferred gains or losses on hedges		
Amount accrued for the fiscal year	25 million yen	(58) million yen
Tax effect(s) amount	(7) million yen	17 million yen
Deferred gains or losses on hedges	17 million yen	(40) million yen
Remeasurements of defined benefit plans, net of tax		
Amount accrued for the fiscal year	187 million yen	(51) million yen
Reclassification adjustment(s)	(611) million yen	(635) million yen
Amount before tax effect adjustment	(423) million yen	(687) million yen
Tax effect(s) amount	130 million yen	211 million yen
Remeasurements of defined benefit plans, net of tax	(293) million yen	(475) million yen
Total other comprehensive income	(294) million yen	(504) million yen

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

	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:
- 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.
 - 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

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

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)	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 (Millions of yen)	Dividend per share (Yen)	Dividend record date	Effective date
June 24, 2022 General meeting of shareholders	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

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

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

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

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

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

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

Not applicable

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, 2022	As of March 31, 2023
Due within one year	23	21
Due after one year	37	29
Total	61	50

As lessor:

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Due within one year	81	81
Due after one year	2,356	2,275
Total	2,438	2,356

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.

Securities and 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 expenditure requirements. Long-term borrowings are used for long-term working capital and capital expenditures and bear fixed 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 8 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, 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) Securities and investment securities (*2) Available-for-sale securities	1,588	1,588	–
Total assets	11,770	11,770	–
(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	–
Total liabilities	20,245	20,244	(1)
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) Securities and 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.

As of March 31, 2023

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes receivable - trade	557	557	–
(2) Accounts receivable - trade	8,925	8,925	–
(3) Electronically recorded monetary claims - operating	1,025	1,025	–
(4) Securities and investment securities (*2) Available-for-sale securities	3,649	3,649	–
Total assets	14,158	14,158	–
(1) Notes and accounts payable - trade	2,658	2,658	–
(2) Electronically recorded obligations - operating	1,868	1,868	–
(3) Short-term borrowings	2,550	2,550	–
(4) Bonds payable (*3)	1,800	1,782	(17)
(5) Long-term borrowings (*4)	4,100	4,058	(41)
(6) Lease liabilities (*5)	5,887	5,887	–
Total liabilities	18,864	18,805	(59)
Derivatives (*6)	18	18	–

(*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) Securities and investment securities.” The carrying amounts of such financial instruments in the consolidated balance sheets are as follows:

Category	FY2023 (Millions of yen)
Unlisted shares	164
Shares of unconsolidated subsidiaries and affiliates	204

(*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

Securities and 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, 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	–	–	–
Securities and investment securities				
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	–	–	–	–
(2) Other	1,500	–	–	–
Total	21,460	–	–	–

As of March 31, 2023

	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	9,355	–	–	–
Notes receivable - trade	557	–	–	–
Accounts receivable - trade	8,925	–	–	–
Electronically recorded monetary claims - operating	1,025	–	–	–
Securities and investment securities				
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	–	–	–	–
(2) Other	3,500	–	–	–
Total	23,364	–	–	–

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, 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

As of March 31, 2023

	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	2,550	–	–	–	–	–
Bonds payable	300	–	–	–	1,500	–
Long-term borrowings	200	200	200	500	2,200	800
Lease liabilities	3,078	1,824	705	132	32	114
Total	6,128	2,024	905	632	3,732	914

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
Securities and investment securities				
Available-for-sale securities				
Shares	58	–	–	58
Derivatives				
Currency-related	–	76	–	76
Total assets	58	76	–	135

As of March 31, 2023

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	119	–	–	119
Derivatives				
Currency-related	–	18	–	18
Total assets	119	18	–	138

(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
Securities and 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

As of March 31, 2023

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	–	557	–	557
Accounts receivable - trade	–	8,925	–	8,925
Electronically recorded monetary claims - operating	–	1,025	–	1,025
Securities and investment securities				
Other	–	3,529	–	3,529
Total assets	–	14,038	–	14,038
Notes and accounts payable - trade	–	2,658	–	2,658
Electronically recorded obligations - operating	–	1,868	–	1,868
Short-term borrowings	–	2,550	–	2,550
Bonds payable	–	1,782	–	1,782
Long-term borrowings	–	4,058	–	4,058
Lease liabilities	–	5,887	–	5,887
Total liabilities	–	18,805	–	18,805

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

- Securities and 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, 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.

As of March 31, 2023

	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	116	150	(34)
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	3,529	3,530	(0)
	Subtotal	3,646	3,680	(34)
Total		3,649	3,682	(32)

Note: Unlisted shares (carrying amount in the consolidated balance sheet: 164 million yen) and shares of unconsolidated subsidiaries and affiliates (carrying amount in the consolidated balance sheet: 204 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

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	—

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

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

3. Securities for which impairment was recognized

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

Not applicable

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

Impairment was carried out in the fiscal year under review and a loss on valuation of investment securities of 219 million yen was recorded.

When carrying out impairment, in cases when the fair value at the end of the period had declined by 50% or more from the acquisition cost, in general impairment is performed. In cases when the fair value had declined by 30% or more to less than 50%, issues including recoverability are considered and a decision on whether or not impairment is necessary is made.

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, 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

As of March 31, 2023

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	646	–	7
	EUR	Advance payments to suppliers	348	–	10
Total			995	–	18

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 retirement benefits liability 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))

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Balance of retirement benefit obligations at beginning of period	8,461 million yen	8,316 million yen
Service cost	385	390
Interest cost	66	65
Actuarial gains and losses accrued	(7)	(39)
Retirement benefits paid	(590)	(426)
Other	0	7
Balance of retirement benefit obligations at end of period	8,316	8,314

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Balance of plan assets at beginning of period	13,587 million yen	13,534 million yen
Expected return on plan assets	71	87
Actuarial gains and losses accrued	180	(90)
Contribution from employer	25	31
Retirement benefits paid	(391)	(312)
Increase in the amount resulting from change in scope of consolidation	62	–
Balance of plan assets at end of period	13,534	13,250

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Balance of retirement benefit liability at beginning of period	672 million yen	705 million yen
Retirement benefit expenses	56	67
Retirement benefits paid	(85)	(56)
Increase in the amount resulting from change in scope of consolidation	62	–
Other	(0)	1
Balance of retirement benefit liability at end of period	705	718

(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, 2022	As of March 31, 2023
Retirement benefit obligations of funded plans	8,379 million yen	8,381 million yen
Plan assets	(13,534)	(13,250)
	(5,155)	(4,868)
Retirement benefit obligations of unfunded plans	642	650
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,512)	(4,217)
Retirement benefit liability	425	507
Retirement benefit asset	(4,937)	(4,725)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(4,512)	(4,217)

(5) Amounts of retirement benefit expenses and their components

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Service cost	385 million yen	390 million yen
Interest cost	66	65
Expected return on plan assets	(71)	(87)
Amortization of actuarial gains and losses	(611)	(635)
Retirement benefit expenses calculated by simplified method	56	67
Other	6	10
Retirement benefit expenses of defined benefit plans	(167)	(189)

(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:

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Actuarial gains and losses	(423) million yen	(687) 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, 2022	As of March 31, 2023
Unrecognized actuarial gains and losses	2,660 million yen	1,973 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, 2022	As of March 31, 2023
Bonds	28%	29%
Shares	6	7
Cash and deposits	34	32
General account	5	5
Other	27	28
Total	100	100

Note: Total plan assets include 67% and 66% 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, 2022	As of March 31, 2023
Discount rate	0.7%	0.7%
Long-term expected rate of return	1.8%	1.8%
Scheduled rate of salary increase	3.3%	3.2%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of certain consolidated subsidiaries were 168 million yen as of March 31, 2022 and 172 million yen as of March 31, 2023.

Share options, etc.

Not applicable

Tax effect accounting

1. Major components of deferred tax assets and liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	440 million yen	475 million yen
Retirement benefit liability	1,281 million yen	1,242 million yen
Long-term accounts payable (Retirement benefits for directors (and other officers))	104 million yen	104 million yen
Impairment losses	298 million yen	298 million yen
Tax loss carryforwards (Note 2)	226 million yen	245 million yen
Loss on valuation of inventories	124 million yen	127 million yen
Other	798 million yen	891 million yen
Deferred tax assets subtotal	3,275 million yen	3,384 million yen
Valuation allowance for tax loss carryforwards (Note 2)	(187) million yen	(214) million yen
Valuation allowance for total deductible temporary differences, etc.	(914) million yen	(916) million yen
Valuation allowance subtotal (Note 1)	(1,101) million yen	(1,130) million yen
Total deferred tax assets	2,173 million yen	2,253 million yen
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(131) million yen	(121) million yen
Valuation difference on available-for-sale securities	– million yen	(0) million yen
Retirement benefit asset	(25) million yen	(18) million yen
Other	(143) million yen	(87) million yen
Total deferred tax liabilities	(299) million yen	(228) million yen
Net deferred tax assets (liabilities) (Note 3)	1,873 million yen	2,025 million yen

Notes: 1. The valuation allowance increased by 29 million yen. This was mainly due to a 67 million yen increase in valuation allowance for loss on valuation of investment securities, a 27 million yen increase in valuation allowance for tax loss carried forward, and a 15 million yen decrease in valuation allowance for provision for retirement benefits for directors (and other officers).

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

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

As of March 31, 2023

	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 (*)	–	39	55	–	–	150	245
Valuation allowance	–	(16)	(55)	–	–	(143)	(214)
Deferred tax assets	–	23	–	–	–	7	30

(*) 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, 2022	As of March 31, 2023
Non-current assets - Deferred tax assets	1,899 million yen	2,043 million yen
Non-current liabilities - Deferred tax liabilities	(25) million yen	(18) 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, 2022	As of March 31, 2023
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible amount of entertainment expenses, etc.	1.5%	1.5%
Inhabitant per capita taxes	2.9%	2.7%
Valuation allowance	0.8%	2.3%
Tax deduction	(2.3)%	(0.2)%
Other	0.7%	1.2%
Effective rate of income taxes after application of deferred tax accounting	34.2%	38.1%

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 removal of asbestos when disassembling plant buildings.

(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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Beginning balance	343 million yen	439 million yen
Increased amount associated with the purchase of property, plant and equipment	108 million yen	47 million yen
Adjustments due to the passage of time	0 million yen	0 million yen
Reduced amount due to fulfillment of the asset retirement obligations	– million yen	(72) million yen
Other increase (decrease) amount	(13) million yen	(2) million yen
Ending balance	439 million yen	412 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, 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).

Rental income from such rental properties for the fiscal year ended March 31, 2023 was 187 million yen (rental income is included in net sales, and rental expenses are included in cost of sales).

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)

		FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Carrying amount	Beginning balance	1,208	1,168
	Increase or decrease during period	(40)	29
	Ending balance	1,168	1,197
Fair value at end of period		3,473	3,908

- 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) and sales (11 million yen). The major increase in the current fiscal year was acquisition (51 million yen). The major decrease was depreciation (22 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

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

(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	15,574	19,946	35,521	328	35,849
Goods transferred over time	241	–	241	–	241
Revenue from contracts with customers	15,815	19,946	35,762	328	36,090
Revenue from rental transactions, etc. (Note 2)	22,237	3	22,240	247	22,487
Sales to external customers	38,053	19,949	58,003	575	58,578

- 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	FY2023
Receivables from contracts with customers (beginning balance)	4,588	4,588
Receivables from contracts with customers (ending balance)	4,588	4,878
Contract assets (beginning balance)	2	0
Contract assets (ending balance)	0	–
Contract liabilities (beginning balance)	351	293
Contract liabilities (ending balance)	293	284

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

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 162 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 goods 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.

Related information

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

1. Information on goods 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 external customers in 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.

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

1. Information on goods 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 external customers in 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 losses of non-current assets by reporting segment

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

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

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

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

Information about amortization and unamortized balance of goodwill by reporting segment

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

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

(Millions of yen)

	Reporting segment			Other	Total	Adjustments	Carrying amount
	Medical Services	Home Furnishings and Health	Total				
Amortization in the fiscal year	237	–	237	–	237	–	237
Balance at end of period	929	–	929	–	929	–	929

Information about gain on bargain purchase by reporting segment

Not applicable

Related party information

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

Not applicable

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

Not applicable

Per share information

	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 yen	1,058.41 yen
Basic earnings per share	69.35 yen	74.80 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:

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

Subsequent events

Cancellation of treasury shares

At a Board of Directors meeting held on May 15, 2023, the Company made resolutions to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act, and the cancellation of treasury shares was carried out as described below.

- Reason for cancellation of treasury shares
The Company will cancel treasury shares to improve capital efficiency and expand shareholder returns.
- Class of shares to be cancelled
Company's common shares
- Number of shares to be cancelled
3,000,000 shares
(7.24% of the total number of issued shares (including treasury shares) prior to cancellation)
- Cancellation date
May 31, 2023
- Total number of issued shares after cancellation
38,397,500 shares

(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]	–	0.1	None	September 22, 2022
FRANCE BED HOLDINGS CO., LTD.	10th unsecured bonds payable	September 29, 2017	700 [700]	–	0.2	None	September 29, 2022
FRANCE BED HOLDINGS CO., LTD.	11th unsecured bonds payable	September 28, 2018	450 [300]	150 [150]	0.2	None	September 29, 2023
FRANCE BED HOLDINGS CO., LTD.	12th unsecured bonds payable	September 28, 2018	450 [300]	150 [150]	0.2	None	September 29, 2023
FRANCE BED HOLDINGS CO., LTD.	13th unsecured bonds payable	November 30, 2022	–	1,500	0.1	None	November 30, 2027
Total	–	–	2,400 [2,100]	1,800 [300]	–	–	–

- 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)
300	–	–	–	1,500

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	3,975	2,550	0.5	–
Current portion of long-term borrowings	222	200	0.4	–
Current portion of lease liabilities	3,138	3,078	0.5	–
Long-term borrowings	2,140	3,900	0.5	From April 2024 to February 2032
Lease liabilities (excluding current portion)	3,519	2,808	0.6	From April 2024 to April 2035
Total	12,996	12,537	–	–

- 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	200	200	500	2,200
Lease liabilities	1,824	705	132	32

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 FY2023

Cumulative period		First quarter	Second quarter	Third quarter	FY2023
Net sales	(Millions of yen)	13,765	28,244	42,758	58,578
Profit before income taxes	(Millions of yen)	890	2,042	3,292	4,366
Profit attributable to owners of parent	(Millions of yen)	544	1,239	2,026	2,702
Basic earnings per share	(Yen)	14.98	34.21	56.05	74.80

Accounting period		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share	(Yen)	14.98	19.24	21.86	18.74

2 Financial statements, etc.

(1) Financial statements

(i) Balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	7,455	6,783
Securities	1,500	3,500
Prepaid expenses	28	22
Short-term loans receivable from subsidiaries and associates	*1, *3 4,760	*1, *3 4,760
Current portion of long-term loans receivable from subsidiaries and associates	–	*1, *3 6
Other	*1 551	*1 582
Total current assets	14,295	15,654
Non-current assets		
Property, plant and equipment		
Buildings	7	35
Vehicles	1	18
Tools, furniture and fixtures	0	10
Total property, plant and equipment	8	65
Intangible assets		
Software	1	0
Total intangible assets	1	0
Investments and other assets		
Investment securities	324	125
Shares of subsidiaries and associates	42,943	42,943
Investments in other securities of subsidiaries and associates	195	195
Long-term loans receivable from subsidiaries and associates	–	*1, *3 21
Long-term prepaid expenses	19	9
Deferred tax assets	96	101
Other	68	46
Total investments and other assets	43,648	43,442
Total non-current assets	43,659	43,508
Deferred assets		
Bond issuance costs	10	33
Total deferred assets	10	33
Total assets	57,964	59,196

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Short-term borrowings	3,900	2,550
Current portion of bonds payable	2,100	300
Accounts payable - other	6	7
Accrued expenses	*1 157	*1 177
Income taxes payable	46	46
Deposits received from subsidiaries and associates	*1, *2 14,124	*1, *2 15,919
Provision for bonuses	57	62
Asset retirement obligations	28	-
Other	55	28
Total current liabilities	20,476	19,093
Non-current liabilities		
Bonds payable	300	1,500
Long-term borrowings	300	2,300
Other	170	170
Total non-current liabilities	770	3,970
Total liabilities	21,247	23,063
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus		
Legal capital surplus	750	750
Other capital surplus	32,286	32,286
Total capital surplus	33,036	33,036
Retained earnings		
Other retained earnings		
Retained earnings brought forward	5,241	5,062
Total retained earnings	5,241	5,062
Treasury shares	(4,560)	(4,941)
Total shareholders' equity	36,717	36,157
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-	(24)
Total valuation and translation adjustments	-	(24)
Total net assets	36,717	36,133
Total liabilities and net assets	57,964	59,196

(ii) Statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Operating revenue	*1	2,570	*1	2,761
General and administrative expenses	*1, *2	1,243	*1, *2	1,430
Operating profit		1,326		1,330
Non-operating income				
Interest income	*1	31	*1	29
Interest on securities		3		4
Other	*1	1		1
Total non-operating income		37		36
Non-operating expenses				
Interest expenses	*1	20	*1	25
Interest expenses on bonds		6		4
Amortization of bond issuance costs		17		11
Other		20		4
Total non-operating expenses		65		44
Ordinary profit		1,298		1,322
Extraordinary income				
Gain on sale of non-current assets		–		1
Total extraordinary income		–		1
Extraordinary losses				
Loss on retirement of non-current assets		–		0
Loss on valuation of investment securities		–		164
Total extraordinary losses		–		164
Profit before income taxes		1,298		1,159
Income taxes - current		93		100
Income taxes - deferred		(13)		5
Total income taxes		79		105
Profit		1,218		1,053

(iii) 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
		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

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
		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	32,286	33,036	5,241	5,241	(4,560)	36,717
Changes during period								
Dividends of surplus					(1,232)	(1,232)		(1,232)
Profit					1,053	1,053		1,053
Purchase of treasury shares							(381)	(381)
Disposal of treasury shares								–
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	(178)	(178)	(381)	(559)
Balance at end of period	3,000	750	32,286	33,036	5,062	5,062	(4,941)	36,157

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	–	–	36,717
Changes during period			
Dividends of surplus			(1,232)
Profit			1,053
Purchase of treasury shares			(381)
Disposal of treasury shares			–
Net changes in items other than shareholders' equity	(24)	(24)	(24)
Total changes during period	(24)	(24)	(584)
Balance at end of period	(24)	(24)	36,133

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	8 to 18 years
Vehicles	6 years
Tools, furniture and fixtures	6 to 15 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)	
	FY2022	FY2023
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.

Notes regarding balance sheet

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

	As of March 31, 2022	As of March 31, 2023
Short-term monetary receivables	5,110 million yen	5,144 million yen
Long-term monetary receivables	– million yen	21 million yen
Short-term monetary liabilities	14,173 million yen	15,973 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 six 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, 2022	As of March 31, 2023
Total lending limits under CMS	12,540 million yen	12,540 million yen
Loan outstanding balance	4,760 million yen	4,787 million yen
Unused amount	7,780 million yen	7,753 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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Operating transactions		
Operating revenue	2,570 million yen	2,761 million yen
General and administrative expenses	592 million yen	745 million yen
Non-operating transactions	33 million yen	31 million yen

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

	FY2022 (from April 1, 2021 to March 31, 2022)	FY2023 (from April 1, 2022 to March 31, 2023)
Employees’ salaries and bonuses	321 million yen	400 million yen
Remuneration for directors (and other officers)	165 million yen	171 million yen
Bonuses for directors (and other officers)	61 million yen	77 million yen
Provision for bonuses	57 million yen	62 million yen
Shareholder benefit expenses	175 million yen	194 million yen
Depreciation	23 million yen	13 million yen

Securities

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.

As of March 31, 2023

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, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	17 million yen	21 million yen
Accrued enterprise tax	8 million yen	7 million yen
Loss on valuation of investment securities	68 million yen	119 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))	52 million yen	52 million yen
Asset retirement obligations	8 million yen	– million yen
Other	10 million yen	20 million yen
Deferred tax assets subtotal	179 million yen	233 million yen
Valuation allowance	(81) million yen	(131) million yen
Total deferred tax assets	98 million yen	101 million yen
Deferred tax liabilities		
Other	(1) million yen	0 million yen
Total deferred tax liabilities	(1) million yen	0 million yen
Net deferred tax assets	96 million yen	101 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, 2022	As of March 31, 2023
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Amount exempted from profits, such as dividend income	(30.7)%	(34.4)%
Non-deductible amount of entertainment expenses, etc.	4.1%	5.1%
Non-deductible amount of bonuses for directors (and other officers) (performance-based monetary remuneration)	1.5%	2.0%
Valuation allowance	–%	4.3%
Other	0.6%	1.4%
Effective rate of income taxes after application of deferred tax accounting	6.2%	9.1%

Changes in presentation

“Non-deductible amount of bonuses for directors (and other officers) (performance-based monetary remuneration),” which was previously included in “Other” in the results for the previous fiscal year, is separately presented from the fiscal year under review as it has increased in importance. Notes for the previous fiscal year have been restated to reflect this change in presentation.

As a result, the 2.1% presented in “Other” in the previous fiscal year has been reclassified as 1.5% “Non-deductible amount of bonuses for directors (and other officers) (performance-based monetary remuneration)” and 0.6% “Other.”

Subsequent events

Cancellation of treasury shares

At a Board of Directors meeting held on May 15, 2023, the Company made resolutions to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act, and the cancellation of treasury shares was carried out as described below.

1. Reason for cancellation of treasury shares
The Company will cancel treasury shares to improve capital efficiency and expand shareholder returns.
2. Class of shares to be cancelled
Company’s common shares
3. Number of shares to be cancelled
3,000,000 shares
(7.24% of the total number of issued shares (including treasury shares) prior to cancellation)
4. Cancellation date
May 31, 2023
5. Total number of issued shares after cancellation
38,397,500 shares

(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	37	0	9	35	1
	Vehicles	1	20	0	2	18	1
	Tools, furniture and fixtures	0	11	0	1	10	0
	Total	8	68	0	12	65	3
Intangible assets	Software	1	–	–	0	0	–

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	57	62	57	62

(2) Components of major assets and liabilities

This information is omitted because consolidated financial statements are prepared.

(3) Other information

Not applicable