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February 9, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 7840
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 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	42,885	0.2	3,136	(2.0)	3,171	(1.2)	1,960	(3.2)
December 31, 2022	42,758	7.9	3,201	6.8	3,212	6.0	2,026	(0.6)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥1,636 million [(1.6)%]
 For the nine months ended December 31, 2022: ¥1,664 million [(1.6)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	54.42	–
December 31, 2022	56.05	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	63,928	38,444	60.1	1,066.84
March 31, 2023	64,679	38,124	58.9	1,058.41

Reference: Equity
 As of December 31, 2023: ¥38,444 million
 As of March 31, 2023: ¥38,124 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	16.00	–	20.00	36.00
Fiscal year ending March 31, 2024	–	17.00	–		
Fiscal year ending March 31, 2024 (Forecast)				21.00	38.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

(Percentages indicate year-on-year changes.)

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

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2023	38,397,500 shares
As of March 31, 2023	41,397,500 shares

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

As of December 31, 2023	2,361,601 shares
As of March 31, 2023	5,377,343 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	36,030,624 shares
Nine months ended December 31, 2022	36,155,350 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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

Caution regarding forward-looking statements

This document contains forward-looking statements including performance forecasts based on information available to the Company at the time of disclosure and certain assumptions that the Company believes to be reasonable. The Company makes no assurances as to their outcomes. Actual performance may differ substantially from these forecasts owing to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2023 (the “period under review”), the Japanese economy saw further normalization of social and economic activity following the COVID-19 pandemic, with personal consumption, capital investment and demand from inbound tourists heading toward recovery. At the same time, however, the outlook remained uncertain due to factors such as sharp rises in raw material and energy prices mainly due to an increase in geopolitical risks including the prolonged Ukraine situation and the yen’s depreciation.

Under these circumstances, the Group concentrated business resources owned by the Group into the senior-care business with the fiscal year ending March 31, 2024 being the final year of the three-year medium-term management plan announced in May 2021. And by doing so, through new products and services, we worked to find solutions to issues facing society as a whole, such as the shortage of human resources for nursing care and the increase in elderly care by the elderly. Furthermore, we aim to further enhance corporate value through promoting ESG management that is oriented toward the realization of a sustainable society. The key policies we worked on were as follows: (1) expanding business by concentrating management resources on the welfare equipment rental business (the Medical Services Business), (2) improving the profit margin by developing products that meet prevailing needs (the Home Furnishings and Health Business) and (3) strengthening the management base that supports corporate growth on an ongoing basis.

In terms of operating results of the Group in the period under review, the Medical Services Business saw rental sales falter in the core welfare equipment rental business, mainly due to an increase in people moving from their homes into medical institutions and the like following the subsidence of the COVID-19 pandemic and an increasingly evident shortage of delivery capacity amid a pressing need to address the so-called 2024 problem in the logistics industry. In the Home Furnishings and Health Business, customer visits to furniture stores decreased due to price increases and changes in consumer behavior following the subsidence of the COVID-19 pandemic. As a result, net sales amounted to 42,885 million yen, up 0.2% year on year.

In terms of profit, the Home Furnishings and Health Business encountered diminishing consumer sentiment toward durables along with a backlash in demand against a last-minute rush of demand that occurred prior to price hikes implemented in the previous fiscal year. These factors decreased profit margins, and as a result operating profit amounted to 3,136 million yen, down 2.0% year on year, ordinary profit amounted to 3,171 million yen, down 1.2% year on year, and profit attributable to owners of parent amounted to 1,960 million yen, down 3.2% year on year.

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

(i) Medical Services Business

In the core welfare equipment rental business, while taking steps to strengthen our competitiveness by hiring sales and maintenance personnel with the aim of continual rental expansion, we set up booths at various trade fairs including the fields of medical and rehabilitation, and organized sessions where numerous service professionals and general users could try out the products, focusing on rental expansion.

In new product development, we rolled out: the MULTI FIT AIR Mattress, an air mattress whose length can be adjusted to fit the length of the bed frame; the RaKuDa, a bed for home-care needs that can be delivered and assembled by one person; and the CYCLEAN Mattress, a spring mattress for nursing care designed specifically for sleep comfort. We held nationwide product launch events where we conveyed the appeal of product features to care managers, product users, and welfare equipment wholesalers.

As a result, the Medical Services Business recorded net sales of 27,941 million yen, up 1.4% year on year, and ordinary profit of 2,325 million yen, up 2.5% year on year.

(ii) Home Furnishings and Health Business

In the Home Furnishings and Health Business, amid falling consumer sentiment toward durables, we focused on sales of high-performance higher-price-bracket products such as the motorized bed series, mainly through our own showrooms.

In new product development, in addition to the renewal of FRANCE BED's high-end model mattress, THE FRANCEBED, we launched GRANSUS, a new series of motorized reclining beds, and the new ECOCOMFORT Motorized Bed sleeping equipment that harmonizes with ethical lifestyles. Moreover, from January 2024 onward, we will launch the 75th Anniversary Commemorative Model Bed and the LT (LIFE TREATMENT) LEGACY premium model mattress that strikes a balance between luxurious sleep comfort and reduced environmental burden.

In the hotel department, capital investments in hotels grew active due to the recovery in demand from both domestic and inbound tourists, driving brisk sales of Eco Mark-certified products.

As a result, the Home Furnishings and Health Business posted net sales of 14,569 million yen, down 2.0% year on year, and ordinary profit of 847 million yen, down 12.6% year on year.

(2) Explanation of Financial PositionAssets

Total assets decreased by 751 million yen from the end of the previous fiscal year ("the previous year-end"), to 63,928 million yen as of December 31, 2023. Current assets were up 54 million yen to 33,020 million yen from the previous year-end. This was primarily due to increases of 2,000 million yen in securities and 659 million yen in inventories, which were partially offset by decreases of 2,004 million yen in cash and deposits and 760 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating). Non-current assets decreased by 799 million yen from the previous year-end to 30,880 million yen. This result was primarily due to the purchase, depreciation and amortization of property, plant and equipment, and intangible assets.

Liabilities

Total liabilities decreased by 1,071 million yen from the previous year-end to 25,483 million yen. This result was primarily due to decreases of 300 million yen in bonds payable (current portion) and 948 million yen in income taxes payable, which were partially offset by an increase of 1,200 million yen in short-term borrowings and long-term borrowings (including current portion of long-term borrowings).

Net assets

Net assets increased by 320 million yen from the previous year-end to 38,444 million yen. This was primarily due to 1,960 million yen of profit attributable to owners of parent, which was partially offset by a decrease resulting from the 1,333 million yen payment of dividends from surplus.

As a result, the equity-to-asset ratio increased to 60.1% from 58.9% at the previous year-end.

(3) Explanation of Forward-looking Statements Including Consolidated Earnings Forecasts

The consolidated earnings forecasts that we announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 on May 15, 2023 remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	9,355	7,350
Notes and accounts receivable - trade	9,482	8,664
Electronically recorded monetary claims - operating	1,025	1,083
Securities	3,500	5,500
Merchandise and finished goods	5,880	6,412
Work in process	373	414
Raw materials and supplies	2,128	2,214
Other	1,257	1,408
Allowance for doubtful accounts	(38)	(27)
Total current assets	32,966	33,020
Non-current assets		
Property, plant and equipment		
Land	7,197	7,212
Other, net	13,871	13,977
Total property, plant and equipment	21,069	21,189
Intangible assets		
Goodwill	929	751
Other	1,295	1,137
Total intangible assets	2,225	1,888
Investments and other assets	8,385	7,802
Total non-current assets	31,680	30,880
Deferred assets	33	27
Total assets	64,679	63,928
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,658	2,526
Electronically recorded obligations - operating	1,868	2,077
Short-term borrowings	2,550	2,650
Current portion of long-term borrowings	200	290
Current portion of bonds payable	300	-
Income taxes payable	1,069	121
Provision for bonuses	1,538	832
Other provisions	16	11
Asset retirement obligations	71	71
Other	6,448	6,438
Total current liabilities	16,721	15,019
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term borrowings	3,900	4,910
Provisions	149	151
Retirement benefit liability	507	469
Asset retirement obligations	340	341
Other	3,435	3,091
Total non-current liabilities	9,833	10,464
Total liabilities	26,555	25,483

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	1	–
Retained earnings	38,706	36,581
Treasury shares	(4,941)	(2,170)
Total shareholders' equity	36,766	37,411
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(22)	(24)
Deferred gains or losses on hedges	12	12
Remeasurements of defined benefit plans	1,367	1,045
Total accumulated other comprehensive income	1,358	1,033
Total net assets	38,124	38,444
Total liabilities and net assets	64,679	63,928

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**Quarterly Consolidated Statement of Income (Cumulative)**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	42,758	42,885
Cost of sales	19,729	19,346
Gross profit	23,028	23,538
Selling, general and administrative expenses	19,827	20,402
Operating profit	3,201	3,136
Non-operating income		
Interest income	4	5
Dividend income	13	12
Other	131	113
Total non-operating income	149	132
Non-operating expenses		
Interest expenses	69	62
Share of loss of entities accounted for using equity method	3	1
Other	65	33
Total non-operating expenses	137	97
Ordinary profit	3,212	3,171
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investments in capital of subsidiaries and associates	16	-
Insurance claim income	148	-
Total extraordinary income	167	0
Extraordinary losses		
Loss on sale of non-current assets	1	-
Loss on retirement of non-current assets	20	3
Loss on valuation of investment securities	56	0
Loss on valuation of investments in capital of subsidiaries and associates	9	-
Total extraordinary losses	87	3
Profit before income taxes	3,292	3,167
Income taxes - current	878	702
Income taxes - deferred	386	504
Total income taxes	1,265	1,207
Profit	2,026	1,960
Profit attributable to owners of parent	2,026	1,960

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	2,026	1,960
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(1)
Deferred gains or losses on hedges	(44)	(0)
Remeasurements of defined benefit plans, net of tax	(330)	(322)
Total other comprehensive income	(362)	(324)
Comprehensive income	1,664	1,636
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,664	1,636
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes Regarding Quarterly Consolidated Financial Statements**Notes Regarding the Going Concern Assumption**

Not applicable

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

The Company cancelled 3,000,000 treasury shares on May 31, 2023 based on a resolution adopted at the Board of Directors meeting held on May 15, 2023. Furthermore, the Company disposed of 16,200 treasury shares on July 21, 2023 based on a resolution adopted at the Board of Directors meeting held on June 28, 2023. As a result, capital surplus fell into negative figures, and this capital deficit was subtracted from retained earnings.

As a result, retained earnings decreased by 2,752 million yen and treasury shares decreased by 2,771 million yen in the period under review, and retained earnings was 36,581 million yen and treasury shares was 2,170 million yen at the end of the period under review.

Segment Information

Information on net sales and profit (loss) by reporting segment

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on quarterly consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	27,542	14,878	42,420	337	42,758	–	42,758
Internal sales among segments or transfers	2	220	222	5	228	(228)	–
Total	27,544	15,098	42,643	343	42,986	(228)	42,758
Segment profit (loss)	2,267	970	3,238	2	3,240	(27)	3,212

Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on quarterly consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	27,941	14,569	42,511	373	42,885	–	42,885
Internal sales among segments or transfers	5	231	237	5	243	(243)	–
Total	27,947	14,801	42,748	379	43,128	(243)	42,885
Segment profit (loss)	2,325	847	3,173	2	3,175	(4)	3,171

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)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Elimination of inter-segment transactions	1,072	1,124
Corporate revenue and expenses*	(1,100)	(1,128)
Total	(27)	(4)

* 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.

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