Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (under Japanese GAAP)

May 25, 2020

Company name: France Bed Holdings Co., Ltd.
Listing: Tokyo Stock Exchange
Code number: 7840
URL https://www.francebed-hd.co.jp
Representative: Shigeru Ikeda, President & CEO
Contact person: Tsutomu Shimada, Director (Accounting Group) Tel: +81-3-6741-5501
Scheduled date of Ordinary General Shareholders' Meeting: June 23, 2020
Scheduled date to commence dividend payment: June 24, 2020
Scheduled date to file Securities Report: June 23, 2020
Preparation of supplementary material on financial results: Yes
Holding of earnings announcement: No

(Amounts less than one million yen are truncated)

1. Consolidated Results for the Fiscal Year Ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2020	52,430	1.2	2,492	5.4	2,436	3.1	1,520	(41.5)
Fiscal year ended March 31, 2019	51,764	(1.2)	2,363	(9.3)	2,361	(9.3)	2,599	43.9

Note: Comprehensive income

Fiscal year ended March 31, 2020: ¥887 million (-%)

Fiscal year ended March 31, 2019: ¥(711) million (-%)

	Profit per share	Fully diluted profit per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	39.07	—	4.0	3.9	4.7
Fiscal year ended March 31, 2019	66.02	—	6.5	3.6	4.5

Note: Share of profit of entities accounted for using equity method:

Fiscal year ended March 31, 2020: ¥4 million

Fiscal year ended March 31, 2019: ¥4 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	59,798	37,481	62.6	966.70
As of March 31, 2019	63,256	38,207	60.4	972.64

Note: Shareholders' equity

As of March 31, 2020: ¥37,481 million

As of March 31, 2019: ¥38,207 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2020	1,164	(3,826)	(688)	10,636
Fiscal year ended March 31, 2019	9,786	(7,147)	(1,905)	13,988

2. Dividends

	Cash dividends per share					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2019	―	12.50	―	15.50	28.00	1,099	42.4	2.8
Fiscal year ended March 31, 2020	―	14.00	―	14.00	28.00	1,085	71.6	2.8
Fiscal year ending March 31, 2021 (Forecast)	―	14.00	―	14.00	28.00		―	

Note: Breakdown of the year-end dividend per share for the fiscal year ended March 31, 2019: Ordinary dividend: ¥12.50; Commemorative dividend: ¥3.00

3. Forecast of Results for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Forecast of results for the fiscal year ending March 31, 2021, is as yet to be determined as the impact of the COVID-19 pandemic is difficult to estimate at this point in time. It will be promptly announced when it becomes available for disclosure.

Footnotes

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

(2) Changes in accounting policies, changes in accounting estimates, and restatements of financial statements for prior periods:

1) Changes in accounting policies due to revisions to accounting : None
2) Changes in accounting policies for other reasons: : None
3) Changes in accounting estimates: : None
4) Restatement of financial statements for prior periods: : None

(3) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)
2) Number of treasury shares at the end of the period
3) Average number of shares during the period

As of March 31, 2020	41,397,500 shares	As of March 31, 2019	41,397,500 shares
As of March 31, 2020	2,625,530 shares	As of March 31, 2019	2,115,636 shares
As of March 31, 2020	38,906,169 shares	As of March 31, 2019	39,374,818 shares

Note: The consolidated financial results presented herein are not subject to audits by certified public accountants or an audit firm.

Note regarding the appropriate use of performance forecasts and other related items:
Caution concerning forward-looking statements
Forecast of results for the fiscal year ending March 31, 2021, is as yet to be determined as the impact of the COVID-19 pandemic is difficult to estimate at this point in time. It will be promptly announced when it becomes available for disclosure. For further information on the forecast, please refer to "1. Overview of Operating Results, etc. (4) Future Outlook" on page 4 of this document.

Method of obtaining supplementary materials for the financial results.
Supplementary materials for the financial results will be posted on the Company's website.

Contents

1. Summary of Operating Results

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2020

Japan is facing the issue of an increasingly aging and shrinking population. The latest population estimates published by the Ministry of Internal Affairs and Communications show that 28.5% of the population is aged 65 and older, and that the percentage has been constantly rising over the years. By contrast, the working-age population represents 59.5% of the total population, the lowest percentage since statistics became available in 1950. The increasingly aging society and rapidly shrinking workforce are two of the most pressing issues that the nursing-care industry needs to address.

In addition, due to the spread of COVID-19 worldwide starting at the beginning of 2020, stagnation in economic activities in Japan has become apparent, making the future outlook uncertain.

Under these circumstances, the France Bed Group (the “Group”) formulated its Medium-Term Management Plan for FY2019-2021. The basic policy underlying the plan is to maximize the enterprise value of the Group by focusing its available resources on enhancing and expanding its senior-care businesses that meet the needs of an aging society. Accordingly, the Group has been implementing the following four key initiatives: 1) bolster the senior-care businesses (focus available resources on our core competency); 2) improve the profitability of the Home Furnishing and Health Business (seek quality of business rather than sales volume); 3) enhance our overseas businesses; and 4) make our management infrastructure more solid.

The Group reported consolidated net sales of 52,430 million yen for the fiscal year ended March 31, 2020 (“the fiscal year under review”), up 1.2% from the previous fiscal year. The growth in net sales was driven primarily by increased sales from the rental business of special-needs equipment, which is the core of the Medical Services Business, as part of the nursing-care services that are essential to maintain users' and their family members' day-to-day lives. Another factor is that the impact of COVID-19 on business performance in the Home Furnishing and Health Business was limited. In addition, improved profitability was seen in the Home Furnishing and Health Business in the second half of the year due to the revised list prices on products and the reorganized operations. As a result, the Group posted operating profit of 2,492 million yen (up 5.4% year on year) and ordinary profit of 2,436 million yen (up 3.1% year on year).

Meanwhile, in part due to an absence of extraordinary income posted in the fiscal year ended March 31, 2019, ("the previous fiscal year") resulting from the partial cancelation and redemption of the retirement benefit trust of the Group’s consolidated subsidiary, profit attributable to owners of parent decreased by 41.5% year on year to 1,520 million yen for the fiscal year under review.

The performance of each business segment in the fiscal year under review is described below:

The Company made changes in reporting segments starting from the fiscal year under review, and the comparison and analysis of the results for the fiscal year under review were made on the basis of the revised classification. For more details, please refer to "3. Matters related to changes in reporting segments" under "Segment Information" in "4. Consolidated Financial Statements and Primary Notes, (5) Notes Regarding Consolidated Financial Statements."

1) Medical Services Business

We opened four new sales offices in Chiba, Osaka, Saitama, and Shizuoka Prefectures, and relocated one of our existing sales offices to better serve customers in the southern part of Chiba Prefecture.

As part of our efforts to expand our product offerings, we launched the new Multi Fit series brand in April 2019, which is designed to fit the diverse needs of customers. Under this brand, we offered the new MFB-930 Multi Fit nursing bed for home use with its size being adjustable depending on the height of a user and the room size, and the new Multi Fit wheelchair, which makes it easy for a user to remain comfortably seated. We also started a rental service in the Tokai region for the new MPB-SU B30SW multi-position bed, which makes getting up easy. This is a new product whose angle is adjustable to four positions—from the horizontal position to the upright position—to support a user's independence and reduce the burden on caregivers.

In the Reha tech-branded business targeted at active seniors, we continued to hold health-promotion events in local communities to sell health-support products. We also continued our efforts to increase sales of products not covered by the government-sponsored nursing-care insurance program by providing an opportunity to test-drive alternative means of personal mobility, such as motor-assisted wheelchairs and tricycles, to elderly people who were considering voluntarily surrendering their driver’s licenses.

In addition, amid a rapidly increasing number of elderly people with dementia, we published a product catalog "France Bed's attentive way to help—Products to support those with dementia" in March 2020, in an effort to provide basic knowledge about dementia and offer information on equipment that helps address problems associated with dementia. The catalog has been distributed to hospitals, pharmacies, and other businesses.

For hospitals and welfare facilities, we made efforts to receive new and replacement orders for our mainstay motorized beds, and promoted the Monitoring Care System M-2, a labor-saving robotic system built into a bed that detects the user’s body movements on and off the bed and alerts an on-call nurse.

We also expanded our product portfolio to include beds for ICU and furniture for patient rooms, waiting rooms, and other rooms, and implemented initiatives to increase the sales of such products.

In addition, we started to rent motorized beds and wheelchairs to hospitals and senior-care homes that meet their patients' and residents' needs.

As a result, the Group achieved net sales of 31,235 million yen, in the Medical Services Business, up 5.0% year on year. The operating profit in this segment declined 5.3% year on year to 2,326 million yen, due to the opening of new sales offices, proactive marketing of new flagship products, and the reallocation of human resources into growing areas.

2) Home Furnishing and Health Business

We used our showrooms located around the country, including three new ones that opened in Kumamoto, Okayama, and Kanagawa Prefectures, to jointly hold sales events with our retail partners, in which we demonstrated to consumers value-added products that promote health and better sleep as well as products available only from us. We also expanded our sales channels to include online retailers, home improvement stores, and mass merchandisers.

In an effort to increase sales of value-added products, we introduced the Culiess AG™ antibacterial mattresses with a top layer woven from AGliza® antibacterial threads jointly developed with Toyobo Co., Ltd., which helped boost sales and profit. We also strove to increase sales of products designed to be available for home delivery to adapt to the online shopping era, such as the CompactOne bed frame that can be packed into a single cardboard box and the FoldAir spring mattress that can be folded into three.

In response to the demand for hotel accommodation, the Group achieved strong sales of Slumberland-branded beds, our top-of-the-line beds used in the finest hotels around the world, and high-quality, high-performance beds in The Hotel FranceBed series to hotels in major urban areas and business hotel chains. However, due to the COVID-19 pandemic, the supply of parts and components from overseas countries has been delayed and this will affect performance in the latter part of the fiscal year under review.

As a result, the Group posted net sales of 20,842 million yen in the Home Furnishing and Health Business, down 0.9% year on year, with operating profit of 128 million yen, an upturn from operating loss of 66 million yen for the previous fiscal year.

(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2020

Assets

Total assets as of March 31, 2020, decreased by 3,457 million yen from the previous year-end to 59,798 million yen. Current assets decreased by 3,109 million yen from the previous year-end to 31,836 million yen. This was primarily due to decreases of 4,951 million yen in cash and deposits (including time deposits with maturities of more than three months when deposited), and of 439 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), which were partially offset by increases of 200 million yen in securities, of 589 million yen in inventories, and of 1,419 million yen in accounts receivable - other, which was included in “Other” of “Current assets.” Non-current assets decreased by 321 million yen from the previous year-end to 27,913 million yen. This was mainly attributable to the purchase and depreciation or amortization of property, plant and equipment as well as intangible assets, along with a decrease in investment securities.

Liabilities

Total liabilities decreased by 2,731 million yen from the previous year-end to 22,317 million yen, reflecting a decrease of 2,724 million yen in income taxes payable.

Net assets

Total net assets decreased by 726 million yen from the previous year-end to 37,481 million yen. Primary factors that contributed to their increase included 1,520 million yen in profit attributable to owners of parent, while those that contributed to their decrease included the payment of dividends of 1,151 million yen from surplus, the purchase of treasury shares of 493 million yen, and a decrease of 599 million yen in remeasurements of defined benefits plans.

As a result, shareholders' equity ratio was up to 62.6% from 60.4% at the previous year-end.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2020

Cash and cash equivalents as of March 31, 2020, decreased by 3,351 million yen from the previous year-end to 10,636 million yen. Summaries of cash flows from each activity are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,164 million yen, compared with 9,786 million yen for the previous fiscal year. Operating cash inflows included profit before income taxes of 2,361 million yen, the reporting of depreciation (a non-cash item) of 4,518 million yen, and the collection of trade receivables of 441 million yen, which were partially offset by cash outflows that included an increase in inventories of 589 million yen, the payment of 213 million yen of notes and accounts payable - trade, and the payment of 4,321 million yen of income taxes.

Cash flows from investing activities

Net cash used in investing activities amounted to 3,826 million yen, compared with 7,147 million yen for the previous fiscal year. Investing cash inflows included proceeds from withdrawal of time deposits of 2,000 million yen, which were partially offset by cash outflows that included the purchase of securities of 600 million yen, the purchase of property, plant and equipment of 5,249 million yen, and the purchase of intangible assets of 370 million yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 688 million yen, compared with 1,905 million yen for the previous fiscal year. Financing cash inflows included proceeds from short-term borrowings of 650 million yen and proceeds from sale and leaseback transactions of 3,317 million yen, which were partially offset by cash outflows that included redemption of bonds amounting to 600 million yen, the purchase of treasury shares of 495 million yen, repayments of finance lease obligations of 2,408 million yen, and the payment of cash dividends of 1,150 million yen.

Reference: Cash flow metrics

	FY2016	FY2017	FY2018	FY2019	FY2020
Shareholders' equity ratio (%)	61.0	60.9	62.7	60.4	62.6
Shareholders' equity ratio at market value (%)	71.0	59.5	58.2	56.0	59.1
Ratio of interest-bearing debt to cash flow (number of years)	1.7	1.3	2.3	1.1	10.4
Interest coverage ratio (times)	72.3	107.2	72.5	173.2	19.2

Shareholders’ equity ratio: shareholders’ equity / total assets

Shareholders’ equity ratio at market value: total market capitalization / total assets

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

Interest coverage ratio: cash flow / interest payment

Notes: 1. From the beginning of the fiscal year ended March 31, 2019, the Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Accordingly, the figures for shareholders’ equity ratio and shareholders’ equity ratio at market value for the fiscal year ended March 31, 2018, are shown after applying the accounting standard retrospectively.

2. Each indicator has been calculated on the basis of consolidated financial figures.

3. Total market capitalization has been calculated on the basis of the number of shares issued excluding treasury shares.

4. Cash flow refers to cash flows from operating activities.

5. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet on which interest is paid.

(4) Future Outlook

Due to the impact of the COVID-19 pandemic, the future outlook is increasingly uncertain, with fears of extended stagnation in economic activities both in Japan and abroad, a possible further delay in the recovery of domestic consumer spending, and other factors.

Under these circumstances, the special-needs equipment rental business, which is the core of the Medical Services Business within the Group, is expected to remain robust, as nursing-care services are essential to maintain users' and their family members' day-to-day lives. However, sales activities targeted at hospitals and welfare facilities will not be able to resume until the medical front line returns to normal.

With regard to sales activities targeted at furniture retailers, the core of the Home Furnishing and Health Business, this is likely to be impacted by restriction placed on going out, resulting a decline in the number of store visitors, and cancelations of various events. Sales activities targeted at hotels are also expected to be affected in a way that low occupancy rates at hotels in Japan will have an adverse effect on hotel management, leading to a decrease in new capital investment.

For these reasons, forecast of results for the fiscal year ending March 31, 2021, is as yet to be determined as there are so many uncertain factors involved, such as when the COVID-19 pandemic will abate and what extent the pandemic affects the economy, that it is difficult to reasonably estimate at this point. It will be promptly announced when it becomes available for disclosure.

(5) Basic Policy for Profit Distribution, and Dividends in FY2020 and FY2021

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

Based on this policy, the Company plans to pay a year-end dividend of 14.0 yen per share for FY2020 as announced on May 15, 2019.

The Company plans to place this matter on the proposal of the 17th ordinary general shareholders' meeting scheduled for June 2020.

Additionally, for FY2021, the Company plans to pay an interim dividend of 14.0 yen per share and a year-end dividend of 14.0 yen per share for an annual dividend of 28.0 yen per share.

(6) Business and Other Risks

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

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

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

1) Business environment of the Group

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

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

2) Product defects

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

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

3) Unauthorized disclosure of personal information

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

4) Credit

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

5) Exchange rate fluctuations

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

In addition, the Group enters into import and export transactions with multiple countries mainly in Asia and Europe, and will continue to do so. Therefore, the Group’s performance and financial position could be affected by the deterioration of the import-export environment due to changes in the economic situation, occurrence of disasters, and other events in each country.

6) Disasters

As the Group operates many business bases centered in Japan, if a natural disaster such as typhoon and earthquake were to occur, or in the case of a fire, power outage, epidemic or other incident, the Group would be exposed to a risk of substantial costs incurred by an absence of business activities at suspended business bases, or due to the repair of facilities in question. Accordingly, if such a risk arises and is determined as a financial difficulty, we will swiftly set up a crisis task force and take measures. However, depending on the period and costs of any impact, or if consumer sentiment declines, the Group's performance and financial position could be impacted.

2. Corporate Group

The Company's corporate group consists of the Company, nine subsidiaries (five consolidated subsidiaries and four non-consolidated subsidiaries), and three affiliates, and mainly engages in the Medical Services Business and the Home Furnishing and Health Business.

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

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

Business segments	Business activities	Group companies
Medical Services Business	Manufacture, procurement, rental, retail sale and wholesale of medical and nursing-care beds and special-needs equipment, and linen supply for hospitals, hotels, and other facilities.	France Bed Co., Ltd. Tsubasa Co., Ltd. Jiangsu France Bed Co., Ltd. France Bed Medical Service Co., Ltd. Mistral Service Co., Ltd.
Home Furnishing and Health Business	Manufacture, procurement, wholesale and door-to-door sale of beds, furniture, bedding, health appliances, and other products, and advertising and setting up of exhibition venues	France Bed Co., Ltd. France Bed Sales Co., Ltd. FB Tomonokai Co., Ltd. Tokyo Bed Co., Ltd. France Bed Furniture Co., Ltd. Jiangsu France Bed Co., Ltd.
Other	Real estate leasing	France Bed Co., Ltd. France Bed Sales Co., Ltd

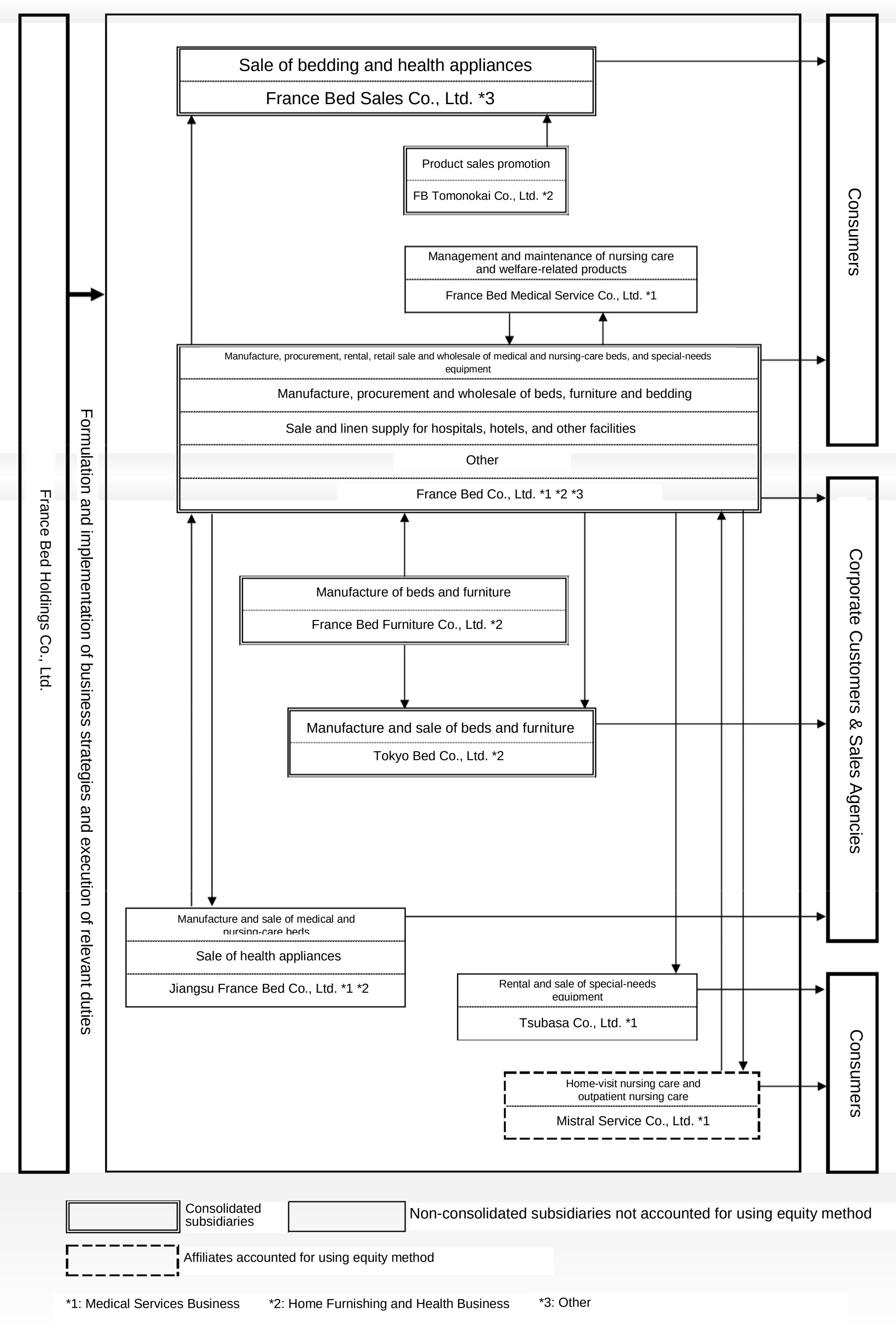
Notes:

1. FB Tomonokai Co., Ltd., a subsidiary of the Company's consolidated subsidiary, France Bed Sales Co., Ltd., solicits its members based on contracts for specified prepaid transactions relevant to products marketed by France Bed Sales Co., Ltd., and mediates product sales to such its members.
2. Major non-consolidated subsidiaries and entities not accounted for using equity method:
   Tsubasa Co., Ltd., Jiangsu France Bed Co., Ltd., and France Bed Medical Service Co., Ltd.
   Tsubasa Co., Ltd., Jiangsu France Bed Co., Ltd., and France Bed Medical Service Co., Ltd. have been excluded from the scope of consolidation and from the scope of application of the equity method because they are small in size and their amounts in terms of total assets, net sales, profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), etc. do not materially impact the consolidated financial statements.

France Bed Holdings Co., Ltd. (7840) Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

Operating Structure

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



3. Basic Approach to Selection of Accounting Standards

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

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

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2019 (as of March 31, 2019)	FY2020 (as of March 31, 2020)
Assets		
Current assets		
Cash and deposits	12,688	7,737
Notes and accounts receivable - trade	9,238	8,822
Electronically recorded monetary claims - operating	812	788
Securities	3,299	3,499
Merchandise and finished goods	5,108	5,764
Work in process	450	400
Raw materials and supplies	2,074	2,057
Other	1,317	2,771
Allowance for doubtful accounts	(43)	(5)
Total current assets	34,946	31,836
Non-current assets		
Property, plant and equipment		
Assets for lease	5,182	5,185
Accumulated depreciation	(3,516)	(3,559)
Assets for lease, net	1,665	1,626
Buildings and structures	15,496	15,110
Accumulated depreciation	(10,846)	(10,334)
Buildings and structures, net	4,649	4,776
Machinery, equipment and vehicles	6,169	5,741
Accumulated depreciation	(4,825)	(4,490)
Machinery, equipment and vehicles, net	1,343	1,250
Tools, furniture and fixtures	2,735	2,799
Accumulated depreciation	(2,360)	(2,452)
Tools, furniture and fixtures, net	374	347
Land	5,621	5,457
Leased assets	9,120	10,691
Accumulated depreciation	(5,847)	(6,588)
Leased assets, net	3,272	4,102
Construction in progress	32	58
Total property, plant and equipment	16,960	17,618
Intangible assets		
Leased assets	1,124	970
Software	490	663
Other	114	62
Total intangible assets	1,729	1,696
Investments and other assets		
Investment securities	1,025	820
Long-term loans receivable	55	27
Deferred tax assets	2,071	1,778
Retirement benefit asset	5,277	4,877
Other	*1 1,240	*1 1,218
Allowance for doubtful accounts	(125)	(125)
Total investments and other assets	9,545	8,597
Total non-current assets	28,235	27,913
Deferred assets		
Bond issuance costs	74	48
Total deferred assets	74	48
Total assets	63,256	59,798

(Million yen)

	FY2019 (as of March 31, 2019)	FY2020 (as of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,066	2,828
Electronically recorded obligations - operating	2,116	2,140
Short-term borrowings	2,050	2,700
Current portion of bonds	600	600
Lease obligations	1,913	2,364
Income taxes payable	2,793	68
Accrued consumption taxes	59	193
Provision for bonuses	1,237	1,221
Provision for bonuses for directors (and other officers)	10	11
Asset retirement obligations	-	17
Other	3,068	2,219
Total current liabilities	16,915	14,365
Non-current liabilities		
Bonds payable	3,600	3,000
Long-term borrowings	300	300
Lease obligations	2,723	3,164
Deferred tax liabilities	26	22
Provision for retirement benefits for directors (and other officers)	107	53
Provision for contingent loss	8	8
Retirement benefit liability	533	510
Asset retirement obligations	214	276
Other	618	615
Total non-current liabilities	8,132	7,951
Total liabilities	25,048	22,317
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	-	0
Retained earnings	34,307	34,676
Treasury shares	(2,045)	(2,507)
Total shareholders' equity	35,262	35,168
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(49)
Deferred gains or losses on hedges	(5)	1
Remeasurements of defined benefits plans	2,960	2,360
Total accumulated other comprehensive income	2,945	2,312
Total net assets	38,207	37,481
Total liabilities and net assets	63,256	59,798

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
Net sales	51,764	52,430
Cost of sales	*1 26,271	*1 26,512
Gross profit	25,492	25,917
Selling, general and administrative expenses	23,128	23,425
Operating profit	2,363	2,492
Non-operating income		
Interest income	1	7
Dividend income	20	19
Share of profit of entities accounted for using equity method	4	4
Rental income	23	25
Compensation income	50	25
Difference due to change in contract of insurance	―	20
Other	94	75
Total non-operating income	195	178
Non-operating expenses		
Interest expenses	56	59
Sales discounts	34	34
Amortization of bond issuance costs	25	25
Share-based remuneration expenses	11	28
Other	69	85
Total non-operating expenses	198	234
Ordinary profit	2,361	2,436
Extraordinary income		
Gain on sales of non-current assets	60	133
Gain on sales of investment securities	―	0
Gain on liquidation of subsidiaries	10	―
Gain on redemption of retirement benefit trust	*2 2,733	―
Total extraordinary income	2,804	133
Extraordinary losses		
Loss on sales of non-current assets	―	0
Loss on retirement of non-current assets	61	19
Impairment loss	*3 762	*3 10
Loss on valuation of investment securities	50	174
Loss on valuation of investments in other securities of subsidiaries and associates	19	―
Loss on liquidation of business	*4 96	―
Loss on liquidation of subsidiaries and associates	―	3
Total extraordinary losses	991	208
Profit before income taxes	4,175	2,361
Income taxes - current	3,432	269
Income taxes - deferred	(1,856)	572
Total income taxes	1,575	841
Profit	2,599	1,520
Profit attributable to owners of parent	2,599	1,520

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
Profit	2,599	1,520
Other comprehensive income		
Valuation difference on available-for-sale securities	(82)	(39)
Deferred gains or losses on hedges	35	6
Remeasurements of defined benefits plans, net of tax	(3,263)	(599)
Total other comprehensive income	(3,310)	(632)
Comprehensive income	(711)	887
(Breakdown)		
Comprehensive income attributable to owners of parent	(711)	887
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity

FY2019 (from April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000	－	33,669	(2,041)	34,628
Changes during period					
Dividends of surplus			(994)		(994)
Profit attributable to owners of parent			2,599		2,599
Purchase of treasury shares				(985)	(985)
Disposal of treasury shares		(0)		14	14
Cancellation of treasury shares		(966)		966	
Transfer from retained earnings to capital surplus		967	(967)		
Net changes in items other than shareholders' equity					
Total changes during period	－	－	638	(4)	633
Balance at end of period	3,000	－	34,307	(2,045)	35,262

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefits plans	Total accumulated other comprehensive income	
Balance at beginning of period	72	(40)	6,224	6,255	40,884
Changes during period					
Dividends of surplus					(994)
Profit attributable to owners of parent					2,599
Purchase of treasury shares					(985)
Disposal of treasury shares					14
Cancellation of treasury shares					－
Transfer from retained earnings to capital surplus					－
Net changes in items other than shareholders' equity	(82)	35	(3,263)	(3,310)	(3,310)
Total changes during period	(82)	35	(3,263)	(3,310)	(2,677)
Balance at end of period	(9)	(5)	2,960	2,945	38,207

FY2020 (from April 1, 2019 to March 31, 2020)

(Milions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000	–	34,307	(2,045)	35,262
Changes during period					
Dividends of surplus			(1,151)		(1,151)
Profit attributable to owners of parent			1,520		1,520
Purchase of treasury shares				(493)	(493)
Disposal of treasury shares		0		30	30
Cancellation of treasury shares					–
Transfer from retained earnings to capital surplus					–
Net changes in items other than shareholders' equity					
Total changes during period	–	0	368	(462)	(93)
Balance at end of period	3,000	0	34,676	(2,507)	35,168

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefits plans	Total accumulated other comprehensive income	
Balance at beginning of period	(9)	(5)	2,960	2,945	38,207
Changes during period					
Dividends of surplus					(1,151)
Profit attributable to owners of parent					1,520
Purchase of treasury shares					(493)
Disposal of treasury shares					30
Cancellation of treasury shares					–
Transfer from retained earnings to capital surplus					–
Net changes in items other than shareholders' equity	(39)	6	(599)	(632)	(632)
Total changes during period	(39)	6	(599)	(632)	(726)
Balance at end of period	(49)	1	2,360	2,312	37,481

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	4,175	2,361
Depreciation	4,190	4,518
Impairment loss	762	10
Loss (gain) on sales of non-current assets	(60)	(133)
Loss on retirement of non-current assets	61	19
Increase (decrease) in allowance for doubtful accounts	(15)	(37)
Increase (decrease) in provision for bonuses	(4)	(16)
Increase (decrease) in provision for bonuses for directors (and other officers)	4	0
Increase (decrease) in retirement benefit liability	(7)	(35)
Decrease (increase) in retirement benefit asset	5,136	(451)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	10	(53)
Loss (gain) on sales of investment securities	—	(0)
Loss (gain) on valuation of investment securities	50	174
Loss on valuation of investments in other securities of subsidiaries and associates	19	—
Loss on liquidation of business	96	—
Loss (gain) on liquidation of subsidiaries	(10)	—
Loss (gain) on liquidation of subsidiaries and associates	—	3
Gain on redemption of retirement benefit trust	(2,733)	—
Interest and dividend income	(22)	(27)
Interest expenses	56	59
Share of loss (profit) of entities accounted for using equity method	(4)	(4)
Decrease (increase) in trade receivables	735	441
Decrease (increase) in inventories	(154)	(589)
Increase (decrease) in trade payables	1	(213)
Increase (decrease) in accrued expenses	37	(204)
Other, net	(185)	(302)
Subtotal	12,140	5,519
Interest and dividends received	22	27
Interest paid	(56)	(60)
Income taxes paid	(2,319)	(4,321)
Net cash provided by (used in) operating activities	9,786	1,164

(Million yen)

	FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,836)	(5,249)
Proceeds from sales of property, plant and equipment	167	350
Payments into time deposits	(2,000)	—
Proceeds from withdrawal of time deposits	—	2,000
Purchase of securities	—	(600)
Purchase of investment securities	(251)	(0)
Proceeds from sales of investment securities	—	1
Purchase of shares of subsidiaries and associates	—	(28)
Purchase of investments in other securities of subsidiaries and associates	(68)	—
Proceeds from liquidation of subsidiaries	55	—
Proceeds from liquidation of subsidiaries and associates	—	45
Loan advances	(83)	—
Collection of loans receivable	45	28
Purchase of intangible assets	(176)	(370)
Payments for asset retirement obligations	—	(5)
Other, net	1	1
Net cash provided by (used in) investing activities	(7,147)	(3,826)
Cash flows from financing activities		
Proceeds from short-term borrowings	200	650
Repayments of short-term borrowings	(200)	—
Proceeds from issuance of bonds	2,938	—
Redemption of bonds	(3,450)	(600)
Purchase of treasury shares	(987)	(495)
Proceeds from sales of treasury shares	—	0
Proceeds from sale and leaseback transactions	2,621	3,317
Repayments of lease obligations	(2,036)	(2,408)
Dividends paid	(992)	(1,150)
Other, net	—	(1)
Net cash provided by (used in) financing activities	(1,905)	(688)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	733	(3,351)
Cash and cash equivalents at beginning of period	13,254	13,988
Cash and cash equivalents at end of period	* 13,988	* 10,636

(5) Notes Regarding Consolidated Financial Statements
Notes Regarding Going Concern Assumption
Not applicable.

Basis of Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 5
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.

(2) Names of major non-consolidated subsidiaries:
Tsubasa Co., Ltd.
Jiangsu France Bed Co., Ltd.
France Bed Medical Service Co., Ltd.
Reason for exclusion from the scope of consolidation
The non-consolidated subsidiaries have been excluded from the scope of consolidation as they are all small in size and their total amounts in terms of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

2. Application of the Equity Method

(1) Number of affiliates accounted for using equity method: 1
Name of affiliates:
Mistral Service Co., Ltd.

(2) The major non-consolidated subsidiaries and affiliates (Tsubasa Co., Ltd., Jiangsu France Bed Co., Ltd., and France Bed Medical Service Co., Ltd.) are not accounted for using the equity method, as their exclusion has a minor impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), and is considered immaterial from the overall perspective.

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

3. Fiscal Year of the Consolidated Subsidiaries

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

4. Notes Regarding Accounting Policies

(1) Valuation standards and methods for important assets

1) Securities

a. Available-for-sale securities

- Market value available
Stated at market value as of the consolidated balance sheet date. (The difference in valuation is fully charged to net assets, with the cost of securities sold calculated by the moving average method.)
- Market value not available
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

2) Derivatives
Stated at market value

3) 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

1) Property, plant and equipment

The straight-line method is applied.

The estimated useful lives of assets are principally as follows:

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

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

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 or 10 years).

3) Leased assets

a. Leased assets related to finance lease transactions involving the transfer of ownership

Leased assets related to finance lease transactions involving the transfer of ownership are depreciated using the same method applied for non-current assets owned by the Company.

b. Leased assets related to finance lease transactions not involving the transfer of 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.

4) Long-term prepaid expenses

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

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

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

2) 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.

3) 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.

4) 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.

5) Provision for contingent loss

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

(4) Accounting method for retirement benefits

1) 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.

2) 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.

3) 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.

4) 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.

(5) Significant hedge accounting

1) Method of hedge accounting

Deferral hedge accounting has been adopted. The designation of hedges is applied to certain monetary receivables and payables denominated in foreign currencies hedged by forward exchange contracts.

2) 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).

3) 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.

4) Method of evaluating hedge effectiveness

a. Test in advance

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

b. Post testing

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

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

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

(7) Treatment of deferred
assets

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

(8) Other significant matters for preparing consolidated financial statements

Accounting for consumption tax

The tax-exclusion method is adopted for consumption tax and local consumption tax.

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

Changes to Presentation

Consolidated Statements of Income

"Insurance claim income," which was separately presented under "non-operating income" in the previous fiscal year, is included in "other" from the fiscal year under review since the amount fell below 10% 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, "insurance claim income" of 22 million yen and "other" of 71 million yen under "non-operating income" in the consolidated statements of income for the previous fiscal year have been restated as "other" of 94 million yen.

"Rental expenses," which was separately presented under "non-operating expenses" in the previous fiscal year, is included in "other" from the fiscal year under review since the amount fell below 10% of the total amount of non-operating expenses. In addition, "share-based remuneration expenses," which was included in "other" under "non-operating expenses" in the previous fiscal year, is separately presented from the fiscal year under review since the amount exceeded 10% of the total amount of non-operating expenses. Consolidated financial statements for the previous fiscal year have been restated to reflect these changes in presentation.

As a result, "rental expenses" of 21 million yen and "other" of 60 million yen under "non-operating expenses" in the consolidated statements of income for the previous fiscal year have been restated as "share-based remuneration expenses" of 11 million yen and "other" of 69 million yen.

Consolidated Statements of Cash Flows

"Increase (decrease) in long-term accounts payable - other," which was separately presented under "cash flows from operating activities" in the previous fiscal year, is included in "other" from the fiscal year under review since the amount has become no longer significant. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, "increase (decrease) in long-term accounts payable - other" of negative 86 million yen and "other" of negative 99 million yen, which were presented under "cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year have been restated as "other" of negative 185 million yen.

Notes Regarding Consolidated Balance Sheets

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Other (guarantee deposits)	¥10 million	¥10 million

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

2. Guarantee obligations

(1) The Group provides guarantees for loans to the following companies and others.

FY2019 (As of March 31, 2019)		FY2020 (As of March 31, 2020)	
Tsubasa Co., Ltd.	¥46 million	Tsubasa Co., Ltd.	¥－million
Employees	¥11 million	Employees	¥10 million
Total	¥57 million	Total	¥10 million

(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.

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
FB Tomonokai Co., Ltd.	¥475 million	¥484 million

Notes Regarding Consolidated Statements of Income

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

FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
¥44 million	¥90 million

*2 Gain on redemption of retirement benefit trust

FY2019 (from April 1, 2018 to March 31, 2019)

This is attributable to unrecognized actuarial gains or losses being treated collectively, resulting from partial redemption of the retirement benefit trust of the Group’s consolidated subsidiary, France Bed Co., Ltd.

FY2020 (from April 1, 2019 to March 31, 2020)

Not applicable.

*3. Impairment loss

FY2019 (from April 1, 2018 to March 31, 2019)

The Group recognized impairment loss for the following asset groups.

Location	Facility	Type	Amount
Tosu, Saga Prefecture	Distribution warehouse	Buildings, structures, etc.	¥230 million
Chitose, Hokkaido	Factory	Buildings, structures, machinery and equipment, etc.	¥46 million
Sagamihara, Kanagawa Prefecture	Training facility	Land, buildings, structures, etc.	¥486 million
Sapporo, Hokkaido and five other stores	Stores	Buildings, etc.	¥10 million
Total			¥773 million

The business assets of the Group are grouped in accordance with classification for management accounting, but lease assets and idle assets are grouped individually as an independent cash generating unit.

Of the above assets, with regard to the distribution warehouse in Tosu, Saga Prefecture, it was decided to demolish the buildings. As a result, their book values have been reduced to recoverable amounts, and such reduced amounts as well as the estimated demolition costs have been recorded as an impairment loss (230 million yen, including 27 million yen for buildings, 13 million yen for structures, 0 million yen for machinery and equipment, 0 million yen for vehicles, 2 million yen for tools, furniture and fixtures, and 187 million yen for estimated demolition costs) under extraordinary losses. While the recoverable amounts were evaluated based on value in use, they were assumed to be zero, as no future cash flows for these assets were expected.

With regard to the Hokkaido factory in Chitose, Hokkaido, following the suspension of production, there were buildings, structures, and machinery and equipment that were not expected to be used in the future. As a result, their book values have been reduced to recoverable amounts, and such reduced amounts as well as the estimated demolition costs have been recorded as impairment loss (46 million yen, including 8 million yen for buildings, 0 million yen for structures, 11 million yen for machinery and equipment, 0 million yen for vehicles, 0 million yen for tools, furniture and fixtures, and 25 million yen for estimated demolition costs) under extraordinary losses. While the recoverable amounts were evaluated based on value in use, they were assumed to be zero, as no future cash flows for these assets were expected.

With regard to the training facility in Sagamihara, Kanagawa Prefecture, the book value has been reduced to the recoverable amount following the decision to sell, and such reduced amount has been recorded as impairment loss (486 million yen, including 439 million yen for land, 46 million yen for buildings, 1 million yen for structures, and 0 million yen for tools, furniture and fixtures) under extraordinary losses. The recoverable amounts were measured using the net realizable value based on the real estate appraisal.

With regard to the store in Sapporo, Hokkaido and five other stores, following the decision to withdraw from the commodities and sundries sales business, the book values have been reduced to recoverable amounts, and such reduced amounts have been recorded as loss on liquidation of business (10 million yen, including 9 million yen for buildings, 0 million yen for furniture and fixtures, and 0 million yen for software) under extraordinary losses. The recoverable amounts were evaluated at memorandum value.

FY2020 (from April 1, 2019 to March 31, 2020)

The Group recognized impairment loss for the following asset groups.

Location	Facility	Type	Amount
Kakegawa, Shizuoka Prefecture	Factory	Machinery and equipment, tools, furniture and fixtures	¥10 million
Total			¥10 million

The business assets of the Group are grouped in accordance with classification for management accounting, but lease assets and idle assets are grouped individually as an independent cash generating unit.

With regard to the above assets, following the review of production systems as part of the reorganization of the Shizuoka factory, there were machinery and equipment, tools, furniture and fixtures that were not expected to be used in the future. As a result, their book values have been reduced to recoverable amounts, and such reduced amounts as well as removal costs have been recorded as impairment loss (10 million yen, including 9 million yen for machinery and equipment, 0 million yen for tools, furniture and fixtures, and 0 million yen for removal costs) under extraordinary losses. While the recoverable amounts were evaluated based on estimated sales value for assets to be sold, and on value in use for assets to be disposed. However, value in use for assets to be disposed was assumed to be zero, as no future cash flows for these assets were expected.

*4. Loss on liquidation of business

FY2019 (from April 1, 2018 to March 31, 2019)

This is attributable to the loss in conjunction with the decision to withdraw from the commodities and sundries sales business at France Bed Sales Co., Ltd., a consolidated subsidiary of the Group. It includes loss on disposal and valuation of inventories, impairment loss on non-current assets, and other loses.

FY2020 (from April 1, 2019 to March 31, 2020)

Not applicable.

Notes Regarding Consolidated Statements of Changes in Equity

FY2019 (from April 1, 2018 to March 31, 2019)

1. Type and number of shares issued and treasury shares

	As of the beginning of period (Thousands of shares)	Increase during period (Thousands of shares)	Decrease during period (Thousands of shares)	As of the end of period (Thousands of shares)
Shares issued				
Common shares (Note 1)	42,397	—	1,000	41,397
Total	42,397	—	1,000	41,397
Treasury shares				
Common shares (Note 2, 3)	2,130	1,000	1,015	2,115
Total	2,130	1,000	1,015	2,115

Notes:

1. The decrease of 1,000 thousand shares in the total number of common shares issued is due to retirement of treasury shares by resolution of the Board of Directors.
2. The increase of 1,000 thousand shares in the number of common shares held as treasury shares consists of a purchase of 1,000 thousand shares and a purchase of 0 thousand shares representing less than one unit by resolution of the Board of Directors.
3. The decrease of 1,015 thousand shares in the number of common shares held as treasury shares consists of retirement of 1,000 thousand shares and disposal of 15 thousand shares by resolution of the Board of Directors.

2. Dividends

(1) Amounts paid

(Resolution)	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 22, 2018 Shareholders' meeting	Common shares	¥503 million	¥12.50	March 31, 2018	June 25, 2018
October 31, 2018 Board of Directors' meeting	Common shares	¥491 million	¥12.50	September 30, 2018	December 7, 2018

(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)	Type of stock	Total dividends paid	Source of dividends	Dividend per share	Dividend record date	Effective date
June 25, 2019 Shareholders' meeting	Common shares	¥608 million	Retained earnings	¥15.50	March 31, 2019	June 26, 2019

Note:

The dividend per share of ¥15.50 includes a commemorative dividend of ¥3.00 to celebrate the 70th founding anniversary of France Bed Co., Ltd., a consolidated subsidiary of the Company.

FY2020 (from April 1, 2019 to March 31, 2020)

1. Type and number of shares issued and treasury shares

	As of the beginning of the period (Thousands of shares)	Increase during period (Thousands of shares)	Decrease during period (Thousands of shares)	As of the end of the period (Thousands of shares)
Shares issued				
Common shares	41,397	―	―	41,397
Total	41,397	―	―	41,397
Treasury shares				
Common shares (Note 1, 2)	2,115	542	32	2,625
Total	2,115	542	32	2,625

Notes:

1. The increase of 542 thousand shares in the number of common shares held as treasury shares consists of a purchase of 500 thousand shares, gratis acquisition of 41 thousand shares through restricted stock-based remuneration, and a purchase of 0 thousand shares representing less than one unit by a resolution of the Board of Directors.
2. The decrease of 32 thousand shares in the number of common shares held as treasury shares consists of disposal of 32 thousand shares and sales of 0 thousand shares representing less than one unit in response to an additional purchase request, by a resolution of the Board of Directors.

2. Dividends

(1) Amounts paid

(Resolution)	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 25, 2019 Shareholders' meeting	Common shares	¥608 million	¥15.50	March 31, 2019	June 26, 2019
October 31, 2019 Broad of Directors' meeting	Common shares	¥542 million	¥14.00	September 30, 2019	December 6, 2019

Note: The dividend per share of ¥15.50 by a resolution adopted at Shareholders' meeting held on June 25, 2019, includes a commemorative dividend of ¥3.00 to celebrate the 70th founding anniversary of France Bed Co., Ltd., a consolidated subsidiary of the Company.

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

The following matters are to be resolved.

(Resolution)	Type of stock	Total dividends paid	Source of dividends	Dividend per share	Dividend record date	Effective date
June 23, 2020 Shareholders' meeting	Common shares	¥542 million	Retained earnings	¥14.00	March 31, 2020	June 24, 2020

Notes Regarding Consolidated Statements of Cash Flows

* Reconciliation of accounts in the consolidated balance sheets to cash and cash equivalents at the end of the period

	FY2019 (From April 1, 2018 to March 31, 2019)	FY2020 (From April 1, 2019 to March 31, 2020)
Cash and deposits	¥12,688 million	¥7,737 million
Short-term investment securities	¥3,299 million	¥3,499 million
Time deposits with maturities of more than three months	¥ (2,000) million	¥ - million
when deposited	¥ - million	¥ (600) million
Cash and cash equivalents	¥13,988 million	¥10,636 million

Segment Information

1. Summary of reporting segments

The reporting segments of the Group are those units for which separate financial information can be obtained among the constituent units of the Group, which is regularly examined by the Board of Directors in order to determine the allocation of management resources and assess business performance.

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

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

Medical Services : Manufacture, procurement, rental, retail sale and wholesale of medical and nursing care beds and care equipment, and linen supply for hospitals, hotels, and other facilities.

Home Furnishing and Health: Manufacture, procurement, wholesale and door-to-door sale of beds, furniture, bedding and health appliances, etc., and advertising and setting up of exhibition venues.

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

Accounting treatment for reporting business segments are the same as those stated in “Basis of Preparation of Consolidated Financial Statements.”

Income (loss) of reporting segments is based on operating profit.

Internal revenues among segments and transfers are based on prevailing market prices.

3. Matters related to changes in reporting segments

In the previous fiscal year ended March 31, 2019, France Bed Sales Co., Ltd., a consolidated subsidiary of the Company, discontinued its business of selling commodities and sundries. Upon review of the business management classification of France Bed Sales, the Company, starting from the fiscal year under review, presented the business results of France Bed Sales and FB Tomonokai, both of which had previously been presented under “Other” segment, under the Home Furnishing and Health Business.

Segment information for the previous fiscal year presented results prepared on the basis of the revised classification.

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

FY2019 (from April 1, 2018 to March 31, 2019)

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on consolidated financial statements (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	29,744	21,043	50,788	976	51,764	―	51,764
Internal sales among segments or transfers	6	251	258	5	263	(263)	―
Total	29,750	21,295	51,046	982	52,028	(263)	51,764
Segment income (loss)	2,457	(66)	2,391	(60)	2,330	33	2,363
Segment assets	36,502	28,289	64,792	626	65,418	(2,162)	63,256
Other items							
Depreciation	3,581	595	4,177	9	4,186	4	4,190
Impairment loss	380	382	762	―	762	―	762
Increase in property, plant and equipment and intangible assets	4,904	683	5,588	17	5,605	0	5,606

FY2020 (from April 1, 2019 to March 31, 2020)

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount reported on consolidated financial statements (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	31,235	20,842	52,077	353	52,430	—	52,430
Internal sales among segments or transfers	1	261	263	5	269	(269)	—
Total	31,236	21,103	52,340	359	52,699	(269)	52,430
Segment income	2,326	128	2,454	4	2,459	32	2,492
Segment assets	35,256	26,469	61,726	794	62,521	(2,722)	59,798
Other items							
Depreciation	3,973	529	4,503	10	4,513	4	4,518
Impairment loss	—	10	10	—	10	—	10
Increase in property, plant and equipment and intangible assets	4,569	616	5,186	197	5,383	0	5,383

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 income (Million yen)

	FY2019	FY2020
Elimination of inter-segment transactions	902	905
Corporate expenses*	(869)	(872)
Total	33	32

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

Segment assets (Million yen)

	FY2019	FY2020
Elimination of inter-segment transactions	(17,299)	(17,564)
Corporate assets*	15,137	14,841
Total	(2,162)	(2,722)

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

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

Per Share Information

	FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
Net assets per share	¥972.64	¥966.70
Profit per share	¥66.02	¥39.07

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

	FY2019 (from April 1, 2018 to March 31, 2019)	FY2020 (from April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent (Million yen)	2,599	1,520
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	2,599	1,520
Average number of shares of common shares during the fiscal year (Thousands of shares)	39,374	38,906

Significant Subsequent Events

Not applicable.