FRANCE BED HOLDINGS

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (J-GAAP)

May 15, 2019

Company name: **France Bed Holdings Co., Ltd.**
Code number: 7840 Listing exchanges: Tokyo
URL: https://www.francebed-hd.co.jp Tel: +81-3-6741-5501
Representative: Shigeru Ikeda, President
Contact person: Tsutomu Shimada, Director (Accounting Group)
Scheduled date of Ordinary General Shareholders' Meeting: June 25, 2019
Scheduled date to submit securities report: June 25, 2019
Scheduled date of the start of dividend payments: June 26, 2019
Preparation of supplementary explanation materials for financial results: Yes
Earnings announcement for the full year: Yes (for securities analysts and institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Results for the Fiscal Year Ended March 31, 2019
(April 1, 2018 – March 31, 2019)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	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, 2019	51,764	-1.2	2,363	-9.3	2,361	-9.3	2,599	43.9
Fiscal year ended March 31, 2018	52,410	0.5	2,606	12.0	2,606	13.6	1,806	-6.4

Note: Comprehensive income
FY2019: -¥711 million (–%) FY2018: ¥3,709 million (12.5%)

	Profit per share	Fully diluted profit per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2019	66.02	—	6.5	3.6	4.5
Fiscal year ended March 31, 2018	44.88	—	4.5	4.0	4.9

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
FY2019: ¥4 million FY2018: ¥6 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, 2019	63,256	38,207	60.4	972.64
As of March 31, 2018	65,140	40,884	62.7	1,015.33

Reference: Shareholders' equity
FY2019: ¥38,207 million FY2018: ¥40,884 million

Note: From the beginning of the fiscal year ended March 31, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Accordingly, figures of total assets and shareholders' equity ratio for the fiscal year ended March 31, 2018 are shown after applying the accounting standard, etc. retrospectively.

(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, 2019	9,786	(7,147)	(1,905)	13,988
Fiscal year ended March 31, 2018	4,674	(3,582)	(1,487)	13,254

2. Dividends

	Cash dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (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, 2018	—	12.50	—	12.50	25.00	1,006	55.6	2.5
Fiscal year ended March 31, 2019	——	12.50	—	15.50	28.00	1,099	42.4	2.8
Fiscal year ending March 31, 2020 (Outlook)	—	14.00	—	14.00	28.00		61.1	

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

3. Forecasts of Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentage figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	53,000	2.3	2,800	18.4	2,800	18.5	1,800	-30.7	45.82

Footnote items

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

(2) Changes in accounting principles, changes in accounting estimates, and changes in presentations due to revisions
1) Changes in accounting principles accompanying revisions in accounting standards: None
2) Changes other than those in [1] above: None
3) Changes in accounting estimates: Yes
4) Changes in presentation due to revisions: None
Note: For further information, please refer to "4. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in Accounting Estimates)" on page 22 of this document.

(3) Number of shares issued (common shares)
1) Number of shares issued at the end of the period (including treasury shares)
FY2019: 41,397,500 shares FY2018: 42,397,500 shares
2) Number of treasury shares at the end of the period
FY2019: 2,115,636 shares FY2018: 2,130,550 shares
3) Average number of shares issued during the period
FY2019: 39,374,818 shares FY2018: 40,241,567 shares

[The consolidated financial results presented herein are not subject to audits by certified public accountants or audit corporations]

[Note concerning the appropriate use of performance forecasts and other related items]
(Caution concerning forward-looking statements, etc.)
This document contains forward-looking statements including performance forecasts based on information available to the Company at the time of disclosure and certain assumptions that the Company believes to be reasonable. The Company makes no assurances as to their outcomes. Actual performance may differ substantially from these forecasts owing to a wide range of factors. For further information on the assumptions made in the preparation of the performance forecasts and cautionary notes concerning the use of performance forecasts, please refer to “1. Overview of Operating Results, etc. (1) Overview of Operating Results for the Fiscal Year Ended March 31, 2019” on page 2 of this document.

[Method of obtaining supplementary materials of the financial results]
The Company scheduled a presentation of financial results for institutional investors and securities analysts on Thursday, May 30, 2019. Handout materials and video of the presentation will be posted on its website immediately following the presentation.

Contents

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2019

Japan is currently well on its way to becoming a “super-aging society” in which one in four people are elderly, while at the same time the working age population continues to decrease as the birth rate declines. Furthermore, by the year 2025, Japan’s baby boomer generation will be elderly, at 75 years of age or older. Addressing the issues of an increasingly aging society and rapidly shrinking workforce, as well as the consequent shortage of nursing care staff, are urgent matters for the nursing care industry.

Under these circumstances, the France Bed Group (hereinafter, the “Group”) created a new Medium-term Management Plan covering the three-year period from April 2018. The basic policy of the plan is to seek to “maximize the corporate value of the Group as a whole” through the further enhancement and active development of the Group’s senior-oriented businesses, by meeting the needs of a full-fledged aging society and concentrating its management resources. The Group’s four major initiatives to implement this basic policy are as follows: 1) Further strengthen the senior-oriented businesses (concentrate management resources on our core competency); 2) Improve the profitability of the Home Furnishing and Health Business (shift from “quantity to quality”); 3) Strengthen overseas businesses; and 4) Strengthen our management infrastructure. In addition, from October 2018, the Group’s consolidated subsidiary, France Bed Co., Ltd. was reorganized to enhance its capabilities to execute our business strategy, by changing the organizational structure from regional divisions to business divisions, in an effort to clarify the profitability, accountability, and authority of each business.

In these circumstances, the Group’s consolidated net sales for the fiscal year ended March 31, 2019 (hereinafter, “the fiscal year under review”) totaled 51,764 million yen (down 1.2% year on year) due to a decline in sales to furniture retailers, which is the core of the Home Furnishing and Health Business, and a decline in sales to hospitals and welfare facilities in the Medical Services Business, despite strong sales in the special needs equipment rental division, which is the core of this business. The Group had consolidated operating profit of 2,363 million yen (down 9.3% year on year), and consolidated ordinary profit of 2,361 million yen (down 9.3% year on year), mainly due to increased expenses incurred from the posting of asset retirement obligations resulting from the execution of a reuse plan for non-current assets held by the Home Furnishing and Health Business segment, as described in “2) Home Furnishing and Health Business” in the performance of each business segment.

During the fiscal year under review, extraordinary income of 2,804 million yen was posted, mainly due to the partial cancellation and redemption of retirement benefit trust of the Group’s consolidated subsidiary, France Bed Co., Ltd., and the sale of land owned by that company. On the other hand, an extraordinary loss of 991 million yen was posted, mainly due to an impairment loss from logistics equipment, etc. in accordance with the reuse plan for non-current assets held by France Bed Co., Ltd., and withdrawal from the commodities and sundries sales business by the Group’s consolidated subsidiary, France Bed Sales Co., Ltd.

As a result, consolidated profit attributable to owners of parent was 2,599 million yen (up 43.9% year on year).

The performance of each business segment is described below.

1) Medical Services Business

In the Medical Services Business, revisions of operations systems and the rental prices for some products were made, in response to revisions to the nursing care insurance system and nursing care benefits in the fiscal year ended March 31, 2019, which set upper limits on prices for special needs equipment rentals, and made it mandatory to offer users multiple products with different functions and prices ranges, among other changes.

With regard to home nursing care, in the previous fiscal year the Group launched the sale and rental of the “Powered Turning Bed FBN-640” that reduces the nursing care burden and prevents bedsores through a function that automatically rotates patients, while maintaining the original functions of a nursing care bed. The Group worked to raise brand awareness and expand sales and rentals of this product by means such as continuing to air TV commercials, and airing a limited-time TV commercial in a tie-up with the movie, “A Banana? At This Time of Night?” which launched in December 2018. In addition to this product, the Group worked to increase product selection and improve customer satisfaction by enhancing its lineup of distinctive products, including “Grand Max” and “Espoir.” As a result of these efforts, the special needs equipment rental division posted strong sales.

With regard to the Reha tech brand aimed at active seniors, the Group worked to enhance its lineup of products to provide support for active seniors leaving the house, including the addition of a new lineup to the “R-active” senior cart series in May, and launch of the “Kasanaru Stick,” which combines a cane with an umbrella in February. The Group also focused on creating a structure to capture sales not covered by the nursing care insurance system through measures such as offering test drives of its "Motor-assist three-wheeled bicycle," and trial use and sales of hearing aids close to where customers live, in addition to holding a health promotion event, "Iki-iki Health Fair" as well as "Consultation Service for Hearing Aids" targeting nursing facility residents.

With regard to sales to hospitals and welfare facilities that are facing shortages of nurses and nursing care staff, the Group focused on promoting sales of nursing robots as products for saving power and reducing labor, including the "Monitoring Care System M-2," a monitoring robot built into a bed that detects the body movements and bed-leaving behaviors of bed users and notifies the on-call nurse, and the "Powered Turning Bed FB-640A," which promotes sound sleep, prevents bedsores and reduces the physical burdens on caregivers. However, performance suffered, primarily due to increased competition.

As a result of these initiatives, net sales for the Medical Services Business amounted to 29,744 million yen (up 0.8% year on year), and operating profit was 2,457 million yen (up 9.9% year on year).

2) Home Furnishing and Health Business

In the Home Furnishing and Health Business, amid tough conditions for sales to mainstay furniture retailers, the Group focused its efforts on sales at exhibitions with business partners and other events using its showrooms, including five newly opened showrooms (one each in Shizuoka, Shizuoka Prefecture; Fukuoka and Okawa, Fukuoka Prefecture; and two in Minato, Tokyo).

The Group has also met the recently growing e-commerce demand by launching sales of products that account for delivery issues, including the "Polute R-zero" series, which is the industry's first high-density connecting spring compress roll packing mattress, and the "FOLD AIR™," a new spring mattress featuring enhanced breathability, durability, comfort, and convenience, that can be folded in three.

The Group has additionally entered new fields and sought to bolster its earnings capabilities, such as through the development and launch of the compact Buddhist altar, "Memorina" targeting households in condominiums and other dwellings that lack a Japanese-style room or altar room, as well as seniors living in welfare facilities or other locations with limited space.

Demand for domestic hotels has been stimulated by the Tokyo Olympic and Paralympic Games, which are to be held in 2020, and by the effect of inbound tourism to Japan. The Group's sales to hotels in central urban locations and business hotel chains have been favorable for "Slumberland," a top-of-the-line brand that is used in the world's finest hotels, and for the high-quality, high-functionality brand, "The Hotel FranceBed" series. The Group has also targeted demand from hotels that are newly being opened to meet inbound-tourism demand, as well as existing hotels that are renovating their guest rooms, by launching and expanding sales of products such as a stacking bed that permits storage of a second bed underneath the main bed, and a day bed that can also be used as a sofa. In addition, in line with the overseas expansion of domestic hotel chains, the Group worked to expand sales overseas, including sales of the "Slumberland" series to local hotels located abroad.

However, overall net sales for the segment decreased, as showroom sales and sales to new channels were unable to cover the decline in sales to furniture retailers. In addition, in the fiscal year under review, the Group demolished and removed some logistics equipment, etc. based on the reuse plan for non-current assets held by the Group's consolidated subsidiary, France Bed Co., Ltd., and revised its estimate for the costs necessary to remove specified construction materials in accordance with the Construction Material Recycling Law, with regard to the factories, logistics equipment, and other non-current assets of the Group. As a result, due to an increased materiality on the consolidated financial statements, the segment recorded an operating loss, due mainly to increased expenses such as potential future expenses from asset retirement obligations.

As a result of these initiatives, net sales for the Home Furnishing and Health Business amounted to 18,742 million yen (down 3.9% year on year), and operating loss was 175 million yen (from operating profit of 314 million yen in the same period of the previous fiscal year).

3) Other

Although net sales decreased due to withdrawal from the commodities and sundries sales business, in the door-to-door sales business, the Group continued to implement projects to support the sales activities of sales staff and increase their motivation, and the Group also focused on sales of interior-related products using exhibitions and the Internet.

As a result of these initiatives, net sales for other business amounted to 3,277 million yen (down 4.1% year on year), and operating profit was 63 million yen (up 167.9% year on year).

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2019
From the beginning of the fiscal year ended March 31, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Accordingly, figures of overview of financial position for the fiscal year ended March 31, 2019 are shown after applying the accounting standard, etc. retrospectively for comparison and analysis with the figures for the fiscal year ended March 31, 2018.

(Total assets)
Total assets at the end of the fiscal year under review decreased 1,884 million yen from the end of the previous fiscal year ("the previous year-end") to 63,256 million yen. Current assets increased 2,207 million yen from the previous year-end to 34,946 million yen. Major factors underlying this change included an increase of 3,733 million yen in cash and deposits (including time deposits due over 3 months), and decreases of 999 million yen in securities and 733 million yen in notes and accounts receivable – trade (including electronically recorded monetary claims – operating). Non-current assets decreased 4,127 million yen from the previous year-end to 28,235 million yen. Major factors underlying this change included a decrease in net defined benefit asset due to the partial redemption of retirement benefit trust, and purchase and depreciation of property, plant and equipment and purchase and amortization of intangible assets.

(Liabilities)
Liabilities increased 792 million yen from the previous year-end to 25,048 million yen. Major factors underlying this change included a decrease of 450 million yen in bonds (including current portion) and an increase of 1,204 million yen in income taxes payable.

(Net assets)
Net assets decreased 2,677 million yen from the previous year-end to 38,207 million yen. Major factors for the increase included a profit attributable to owners of parent of 2,599 million yen, while major factors for the decline included dividends from surplus of 994 million yen, purchase of treasury shares of 985 million yen, and remeasurements of defined benefit plans of 3,263 million yen.
As a result, shareholders' equity ratio fell to 60.4% from the 62.7% at the previous year-end.

(3) Overview of Cash Flow Position for the Fiscal Year Ended March 31, 2019
As for the cash flows for the fiscal year under review, cash and cash equivalents increased 733 million yen from the previous year-end to 13,988 million yen. Details of individual cash flow items are as follows.

(Cash flows from operating activities)
Net cash provided by operating activities came to 9,786 million yen (4,674 million yen in the same period of the previous fiscal year). The major factors were inflows including profit before income taxes of 4,175 million yen, the reporting of depreciation (a noncash item) of 4,190 million yen, collection of notes and accounts receivable – trade of 735 million yen and redemption of retirement benefit trust of 6,000 million yen, offsetting outflows including 2,319 million yen in income taxes paid.

(Cash flows from investing activities)
Net cash used in investing activities totaled 7,147 million yen (3,582 million yen in the same period of the previous fiscal year). The major factors were outflows including a purchase of property, plant and equipment of 4,836 million yen, payments into time deposits of 2,000 million yen, and a purchase of investment securities of 251 million yen.

(Cash flows from financing activities)
Net cash used in financing activities was 1,905 million yen (1,487 million yen in the same period of the previous fiscal year). The major factors were proceeds from issuance of bonds of 2,938 million yen and sales and leasebacks of 2,621 million yen, and outflows including redemption of bonds of 3,450 million yen, purchase of treasury shares of 987 million yen, repayments of finance lease obligations of 2,036 million yen, and cash dividends paid of 992 million yen.

(Reference) Cash flow indicators

	FY2015	FY2016	FY2017	FY2018	FY2019
Shareholders' equity ratio (%)	62.7	61.0	60.9	62.7	60.4
Shareholders' equity ratio at market value (%)	64.5	71.0	59.5	58.2	56.0
Ratio of interest-bearing debt to cash flow (years)	2.1	1.7	1.3	2.3	1.1
Interest coverage ratio (times)	55.6	72.3	107.2	72.5	173.2

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 applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. Accordingly, figures of 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, etc. 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 reported on the consolidated balance sheet on which interest is paid.

(4) Future Outlook

The progressive aging society and declining birth rate in Japan are expected to increase the senior population and decrease the size of the labor force, trends that are expected to further accelerate the shortage of nursing care staff.

In such a business environment, the Group will concentrate its management resources to further strengthen its senior-oriented businesses and actively expand the business, based on the three-year Medium-term Management Plan announced in May 2018.

In the Medical Services Business, the Group aims to expand its market share by developing and introducing high-performance products with high added value in the special needs equipment rental business in the home nursing care field, where demand is expected to grow considerably with the increase in the elderly population, by expanding its sales offices and actively pursuing M&As. The Group will focus even further on developing and expanding sales of new products that result in "labor reductions and power saving" to solve issues such as the shortage of nursing care staff at facilities due to the shrinking workforce, and the increasingly serious problem of the elderly caring for the elderly at home. Furthermore, with regard to sales targeting hospitals and facilities, the Group will work to recover its sales performance by strengthening its sales capabilities.

In the Home Furnishing and Health Business, the Group will shift from "quantity to quality," through methods such as reviewing its product strategy and sales strategy, and improving its profitability by improving the cost of sales ratio and reducing costs, in light of the shrinking furniture market in Japan and changes in consumers' purchasing methods. In addition, in the hotels division, a number of new hotels are expected to open in response to demand from inbound tourism, as well as the finalization of Osaka as the site of the 2025 World Expo, and the adoption of the Draft Bill on Development of Specified Complex Tourist Facilities Areas. The Group will therefore aim to capture new sales, as well as demand such as that for bed replacement from existing hotels.

In overseas expansion, the Group will continue to promote market cultivation and export sales aimed mainly at countries in Asia and Europe, with a focus on high-performance products with high added value developed in the Japanese market.

Additionally, the Group will continue its efforts to develop Reha tech brand products for active seniors, spry old people, in preparation for revisions of the nursing care insurance system that take place every three years, while seeking to increase brand awareness and expand sales.

The Group expects to achieve net sales of 53,000 million yen, operating profit of 2,800 million yen, ordinary profit of 2,800 million yen, and profit attributable to owners of parent of 1,800 million yen on a consolidated basis for fiscal 2020.

(5) Fundamental Policy for Distribution of Earnings, and Fiscal 2019 and Fiscal 2020 Dividends

To maximize its shareholder value, the Company regards profit distribution as one of its key management priorities. The Company decides its dividend by comprehensively taking into account its performance, operating environment and the necessity of a strong balance sheet, in line with its fundamental policy of making every effort to maintain a stable dividend payment.

Based on this policy, the Company plans to pay a year-end dividend of 15.5 yen per share for Fiscal 2019, which consists of an ordinary dividend of 12.5 yen per share, as announced on May 11, 2018, and an additional commemorative dividend of 3.0 yen per share, as a sign of our gratitude to our shareholders, since the consolidated subsidiary and a core business company of the France Bed Group, France Bed Co., Ltd., will mark its 70th Anniversary in December 2019.

The Company plans to place this matter on the proposal of the 16th ordinary general shareholders' meeting scheduled for June 2019.

Additionally, for Fiscal 2020, 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 includes the following.

Matters in the text relating to the future are judgments 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 nursing care insurance system. Revisions or changes to this system could reduce net sales and affect the Group's performance and financial position.
b) The markets for 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 a housing tax system. Demand in these markets can drop from such factors as reductions in income due to economic downturns, rises in market interest rates, land prices or housing taxes. Falling demand could trigger a drop in net sales and slimmer profit margins due to lower sales prices in product lines, and could thus lead to worsened business conditions for the suppliers and customers of the Group. The downward trend could also affect the Group's performance and financial position due to the occurrence of bad debts and other problems.
c) In the other business, door-to-door sales business is regulated by law. Changes to the relevant laws could cause net sales to fall, and affect the performance and financial position of the Group.

2) Product defects

The Group manufactures its various products at Group factories in accordance with JIS (Japanese Industrial Standards) as well as FES (Francebed Engineering Standards), 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 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, substantial costs may be incurred by the Group. This could 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, etc.

Because of the nature of its business, the Group handles a large volume of personal information such as customer information. The Group pays particular attention to 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, 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 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 that risk, the Group has set a credit limit and payment method for each supplier and customer, and has set up 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, etc., of a supplier or customer.

5) Exchange rate fluctuation, etc.
The Group engages in import and export transactions of raw materials and the manufactured products, and bears the risk of fluctuations in the exchange rate with regard to related foreign-currency-denominated monetary claims and obligations (including foreign currency options). The Group therefore conducts derivative transactions for the purpose of hedging risks associated with exchange rate fluctuations, but it is difficult to completely eliminate all such risks, including 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 carries out 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 deterioration of the import-export environment due to changes in the economic situation, occurrence of disasters, etc. in each country.

2. Corporate Group

The Company's corporate group consists of the Company, eight subsidiary companies (five consolidated subsidiaries and three non-consolidated subsidiaries), and four 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.

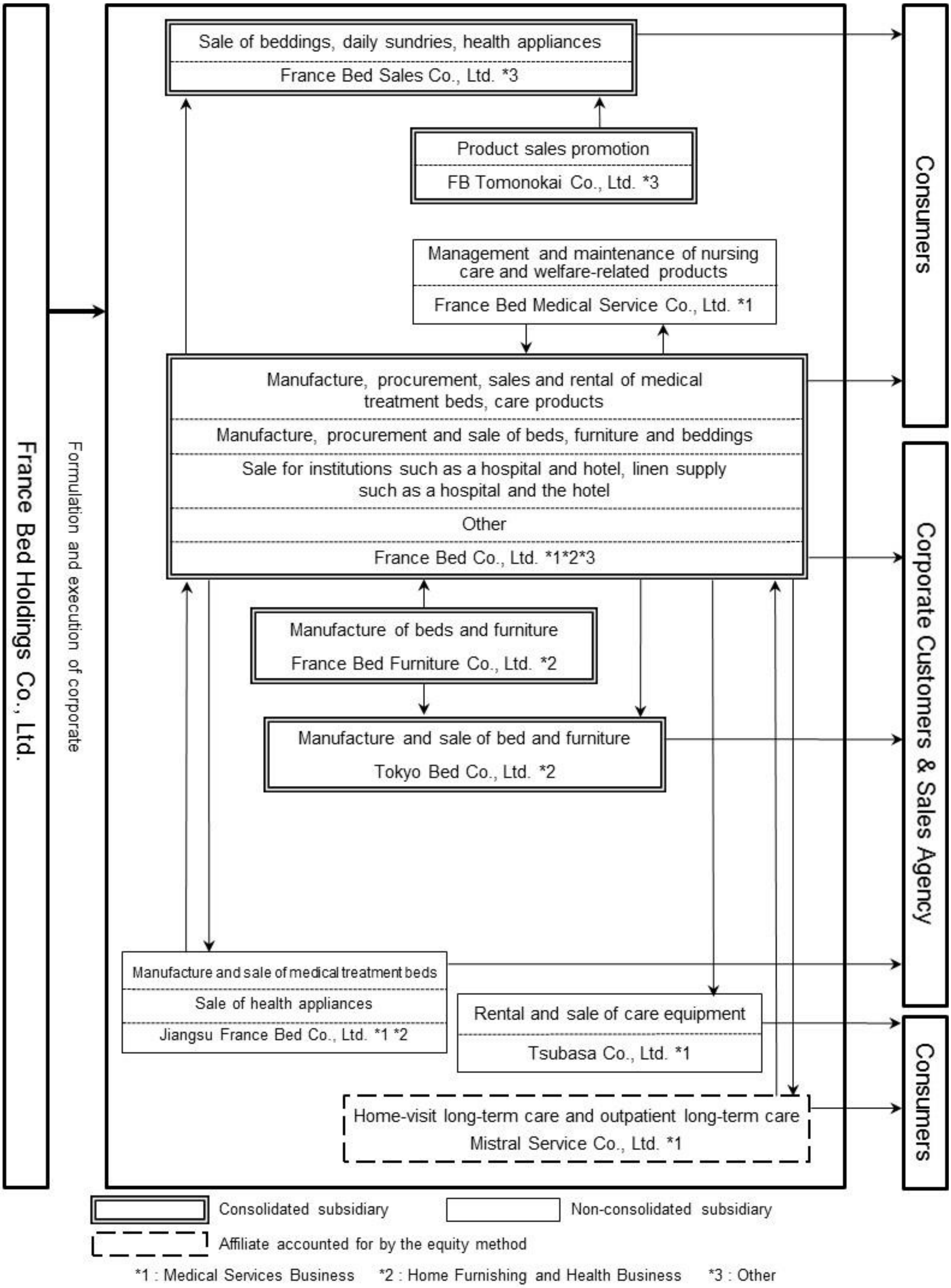
The classification of business segments in the Segment Information is the same as one applied below.

Business segments	Business activities	Group companies
Medical Services Business	Manufacture, purchase, rental, retail sale and wholesale of medical and nursing care beds and special needs equipment, and linen supply for hospitals, hotels, etc.	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, purchase and wholesale of beds, furniture and beddings, and health appliances, etc.	France Bed Co., Ltd. Tokyo Bed Co., Ltd. France Bed Furniture Co., Ltd. Jiangsu France Bed Co., Ltd.
Other	Door-to-door sales, sales of sundries, advertising and setting up of exhibition venues and real estate leasing, etc.	France Bed Co., Ltd. France Bed Sales Co., Ltd. FB Tomonokai Co., Ltd.

Notes 1. FB Tomonokai Co., Ltd., a subsidiary of the Company's consolidated subsidiary, France Bed Sales Co., Ltd., solicits members based on contracts for specified prepaid transactions relevant to products marketed by France Bed Sales Co. and mediates product sales to such members.

2. Major non-consolidated subsidiaries and companies not accounted for by the 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 since they are small in size and their amounts in terms of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. do not materially impact the consolidated financial statements.

[Operating Structure]
The figure below illustrates the Group's operating structure. Only major business relationships are included.



3. Basic Approach to the 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 between entities.
The Group will address the application of the International Financial Reporting Standards (IFRS) appropriately upon taking into account various circumstances both in Japan and abroad.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2018 (as of March 31, 2018)	FY2019 (as of March 31, 2019)
Assets		
Current assets		
Cash and deposits	8,954	12,688
Notes and accounts receivable – trade	*3 10,117	*3 9,238
Electronically recorded monetary claims – operating	*3 666	*3 812
Securities	4,299	3,299
Merchandise and finished goods	5,050	5,108
Work in process	475	450
Raw materials and supplies	1,991	2,074
Other	1,202	1,317
Allowance for doubtful accounts	(18)	(43)
Total current assets	32,739	34,946
Non-current assets		
Property, plant and equipment		
Assets for lease	5,332	5,182
Accumulated depreciation	(3,686)	(3,516)
Assets for lease, net	1,646	1,665
Buildings and structures	15,065	15,496
Accumulated depreciation	(10,824)	(10,846)
Buildings and structures, net	4,240	4,649
Machinery, equipment and vehicles	6,078	6,169
Accumulated depreciation	(4,884)	(4,825)
Machinery, equipment and vehicles, net	1,193	1,343
Tools, furniture and fixtures	2,544	2,735
Accumulated depreciation	(2,273)	(2,360)
Tools, furniture and fixtures, net	270	374
Land	6,153	5,621
Leased assets	7,906	9,120
Accumulated depreciation	(5,377)	(5,847)
Leased assets, net	2,528	3,272
Construction in progress	78	32
Total property, plant and equipment	16,112	16,960
Intangible assets		
Leased assets	1,279	1,124
Software	534	490
Other	34	114
Total intangible assets	1,848	1,729
Investments and other assets		
Investment securities	973	1,025
Long-term loans receivable	0	55
Deferred tax assets	97	2,071
Net defined benefit asset	12,375	5,277
Other	*1 1,119	*1 1,240
Allowance for doubtful accounts	(165)	(125)
Total investments and other assets	14,401	9,545
Total non-current assets	32,362	28,235
Deferred assets		
Bond issuance cost	38	74
Total intangible assets	38	74
Total assets	65,140	63,256

(Million yen)

	FY2018 (as of March 31, 2018)	FY2019 (as of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	*3 3,123	*3 3,066
Electronically recorded obligations – operating	2,057	2,116
Short-term loans payable	2,050	2,050
Current portion of bonds	3,150	600
Lease obligations	1,608	1,913
Income taxes payable	1,588	2,793
Accrued consumption taxes	121	59
Provision for bonuses	1,242	1,237
Provision for directors' bonuses	6	10
Other	*3 2,398	3,068
Total current liabilities	17,346	16,915
Non-current liabilities		
Bonds payable	1,500	3,600
Long-term loans payable	300	300
Lease obligations	2,397	2,723
Deferred tax liabilities	1,360	26
Provision for directors' retirement benefits	97	107
Provision for contingent loss	8	8
Net defined benefit liability	531	533
Asset retirement obligations	26	214
Other	687	618
Total non-current liabilities	6,909	8,132
Total liabilities	24,256	25,048
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Retained earnings	33,669	34,307
Treasury shares	(2,041)	(2,045)
Total shareholders' equity	34,628	35,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	(9)
Deferred gains or losses on hedges	(40)	(5)
Remeasurements of defined benefit plans	6,224	2,960
Total accumulated other comprehensive income	6,255	2,945
Total net assets	40,884	38,207
Total liabilities and net assets	65,140	63,256

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2018 (from April 1, 2017 to March 31, 2018)	FY2019 (from April 1, 2018 to March 31, 2019)
Net sales	52,410	51,764
Cost of sales	[1] 26,975	[1] 26,271
Gross profit	25,435	25,492
Selling, general and administrative expenses	22,828	23,128
Operating profit	2,606	2,363
Non-operating income		
Interest income	1	1
Dividend income	21	20
Share of profit of entities accounted for using equity method	6	4
Rent income	23	23
Insurance income	6	22
Compensation income	12	50
Difference due to change in contract of insurance	21	—
Other	98	71
Total non-operating income	191	195
Non-operating expenses		
Interest expenses	67	56
Sales discounts	34	34
Amortization of bond issuance cost	19	25
Rent expenses	21	21
Other	47	60
Total non-operating expenses	191	198
Ordinary profit	2,606	2,361
Extraordinary income		
Gain on sales of non-current assets	160	60
Gain on sales of investment securities	45	—
Gain on liquidation of subsidiaries	—	10
Gain on redemption of retirement benefit trust	—	[2] 2,733
Total extraordinary income	205	2,804
Extraordinary losses		
Loss on retirement of non-current assets	21	61
Impairment loss	—	[3] 762
Loss on valuation of investment securities	—	50
Loss on valuation of investments in other securities of subsidiaries and associates	—	19
Loss on liquidation of business	—	[3,4] 96
Total extraordinary losses	21	991
Profit before income taxes	2,791	4,175
Income taxes – current	1,722	3,432
Income taxes – deferred	(737)	(1,856)
Total income taxes	984	1,575
Profit	1,806	2,599
Profit attributable to owners of parent	1,806	2,599

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2018 (from April 1, 2017 to March 31, 2018)	FY2019 (from April 1, 2018 to March 31, 2019)
Profit	1,806	2,599
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(82)
Deferred gains or losses on hedges	(40)	35
Remeasurements of defined benefit plans, net of tax	1,931	(3,263)
Total other comprehensive income	1,903	(3,310)
Comprehensive income	3,709	(711)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,709	(711)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

FY2018 (from April 1, 2017, to March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,000	1,867	33,391	(4,533)	33,725
Changes of items during period					
Dividends of surplus			(1,005)		(1,005)
Profit attributable to owners of parent			1,806		1,806
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		4		98	102
Retirement of treasury shares		(2,394)		2,394	—
Transfer to capital surplus from retained earnings		522	(522)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,867)	278	2,492	903
Balance at end of current period	3,000	—	33,669	(2,041)	34,628

	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 current period	59	—	4,292	4,352	38,077
Changes of items during period					
Dividends of surplus					(1,005)
Profit attributable to owners of parent					1,806
Purchase of treasury shares					(0)
Disposal of treasury shares					102
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
Net changes of items other than shareholders' equity	12	(40)	1,931	1,903	1,903
Total changes of items during period	12	(40)	1,931	1,903	2,806
Balance at end of current period	72	(40)	6,224	6,255	40,884

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

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,000	—	33,669	(2,041)	34,628
Changes of items 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
Retirement of treasury shares		(966)		966	—
Transfer to capital surplus from retained earnings		967	(967)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	638	(4)	633
Balance at end of current 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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	72	(40)	6,224	6,255	40,884
Changes of items during period					
Dividends of surplus					(994)
Profit attributable to owners of parent					2,599
Purchase of treasury shares					(985)
Disposal of treasury shares					14
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
Net changes of items other than shareholders' equity	(82)	35	(3,263)	(3,310)	(3,310)
Total changes of items during period	(82)	35	(3,263)	(3,310)	(2,677)
Balance at end of current period	(9)	(5)	2,960	2,945	38,207

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2018 (from April 1, 2017 to March 31, 2018)	FY2019 (from April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	2,791	4,175
Depreciation	3,886	4,190
Impairment loss	—	762
Loss (gain) on sales of non-current assets	(160)	(60)
Loss on retirement of non-current assets	21	61
Increase (decrease) in allowance for doubtful accounts	44	(15)
Increase (decrease) in provision for bonuses	10	(4)
Increase (decrease) in provision for directors' bonuses	(50)	4
Increase (decrease) in net defined benefit liability	7	(7)
Decrease (increase) in net defined benefit asset	(219)	5,136
Increase (decrease) in provision for directors' retirement benefits	(449)	10
Loss (gain) on sales of investment securities	(45)	—
Loss (gain) on valuation of investment securities	—	50
Loss on valuation of investments in other securities of subsidiaries and associates	—	19
Loss on business liquidation	—	96
Loss (gain) on liquidation of subsidiaries	—	(10)
Gain on redemption of retirement benefit trust	—	(2,733)
Interest and dividend income	(23)	(22)
Interest expenses	67	56
Share of (profit) loss of entities accounted for using equity method	(6)	(4)
Decrease (increase) in notes and accounts receivable – trade	(278)	735
Decrease (increase) in inventories	(395)	(154)
Increase (decrease) in notes and accounts payable – trade	1,642	1
Increase (decrease) in accounts payable for factoring	(2,287)	—
Increase (decrease) in long-term accounts payable - other	421	(86)
Increase (decrease) in accrued expenses	22	37
Other, net	156	(99)
Subtotal	5,155	12,140
Interest and dividend income received	22	22
Interest expenses paid	(64)	(56)
Income taxes paid	(439)	(2,319)
Net cash provided by (used in) operating activities	4,674	9,786

(Million yen)

	FY2018 (from April 1, 2017 to March 31, 2018)	FY2019 (from April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,598)	(4,836)
Proceeds from sales of property, plant and equipment	249	167
Payments into time deposits	—	(2,000)
Purchase of investment securities	(106)	(251)
Proceeds from sales of investment securities	289	—
Purchase of securities of non-consolidated subsidiaries and associates	(133)	(68)
Proceeds from liquidation of subsidiaries	—	55
Payments of loans receivable	—	(83)
Collection of loans receivable	6	45
Purchase of intangible assets	(291)	(176)
Other, net	1	1
Net cash provided by (used in) investing activities	(3,582)	(7,147)
Cash flows from financing activities		
Increase in short-term loans payable	—	200
Decrease in short-term loans payable	—	(200)
Repayments of long-term loans payable	(1,200)	—
Proceeds from issuance of bonds	1,464	2,938
Redemption of bonds	(800)	(3,450)
Purchase of treasury shares	(0)	(987)
Proceeds from sales and leasebacks	1,898	2,621
Repayments of lease obligations	(1,845)	(2,036)
Cash dividends paid	(1,003)	(992)
Net cash provided by (used in) financing activities	(1,487)	(1,905)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(394)	733
Cash and cash equivalents at beginning of period	13,648	13,254
Cash and cash equivalents at end of period	* 13,254	* 13,988

(5) Notes to the Consolidated Financial Statements
(Notes to the Going Concern Assumption)
Not applicable

(Basis of Presentation 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 non-consolidated companies
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 since 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 by the 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 by the equity method, since 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 fiscal year end date of the affiliate accounted for by the equity method Mistral Service Co., Ltd. is different from the consolidated fiscal year end 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 dates of all consolidated subsidiaries coincide with the consolidated fiscal year end date.

4. Notes on Accounting Policies
(1) Standards and methods for asset valuation
1) Securities
a. Available-for-sale securities
- Fair value available:
Stated at market value as of the consolidated fiscal year end date (The valuation difference is charged to net assets using the direct transfer to capital method, with the cost of securities sold calculated by the moving average method.)
- Fair value not available:
Stated at cost determined by the moving average method

b. Securities of non-consolidated subsidiaries and associates
Stated at cost determined by the moving-average method

2) Derivatives
Stated at fair value

3) Inventories

a. Merchandise, finished goods and work in process

Mainly stated at cost determined by the first-in first-out method (Balance sheet amount is calculated by writing down the book value based on the decline in profitability.)

b. Raw materials and supplies

Stated at cost determined by the last purchase price method (Balance sheet amount is calculated by writing down the book value based on the decline in profitability.)

(2) Depreciation method used for calculating depreciable assets

1) Property, plant and equipment

The declining balance 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

Small-amount assets for lease whose acquisition cost is less than ¥200,000 are equally amortized 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 (five years or ten 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 amortized 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 accounts receivable – trade and other receivables, based on the historical write-off ratio for general receivables and on the individual collectability for specific receivables such as receivables with default possibility.

2) Provision for bonuses

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

3) Provision for directors' bonuses

The provision for directors' bonuses is provided at an amount based on the amount estimated to be paid in respect of the fiscal year under review.

4) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided at an amount required to be paid at the end of the fiscal year, based on internal 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 straight-line basis 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) Methods of accounting for 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 defined 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 recorded as retirement benefit obligations.

(Supplementary Information)

(Redemption of Retirement Benefit Trust)

Some consolidated subsidiaries have established a retirement benefit trust to prepare for future retirement benefits. However, as pension assets, including the retirement benefit trust, had remained in excess of the retirement benefit obligations, and this situation is expected to continue, the retirement benefit trust was partially cancelled.

Accordingly, 2,733 million yen was posted as extraordinary income (gain on redemption of retirement benefit trust) for the fiscal year under review.

(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 not less than 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 Market Risk Management Rules and Risk Management Guidelines

b. Post testing

Verifies that 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 using the straight-line method.

(8) Other significant matters for preparing consolidated financial statements
Accounting for consumption tax
The tax exemption 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)
(Changes Resulting from Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
From the beginning of the fiscal year ended March 31, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, "deferred tax assets" under "current assets" decreased by 592 million yen, "deferred tax assets" under "investments and other assets" increased by 19 million yen, and "deferred tax liabilities" under "non-current liabilities" decreased by 573 million yen in the consolidated balance sheets for the previous fiscal year.

Deferred tax assets and deferred tax liabilities on the same taxable entity have been offset. Accordingly, total assets decreased by 573 million yen, compared to before the change.

(Consolidated Statements of Income)
"Insurance income" and "compensation income," which were included in "other" under "non-operating income" in the previous fiscal year, are separately presented from the fiscal year under review since the amounts exceeded 10% of the total amount of non-operating income. Consolidated financial statements for the previous fiscal year have been restated to reflect these changes in presentation.

As a result, 117 million yen that was included in "other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year has been restated as "insurance income" of 6 million yen, "compensation income" of 12 million yen, and "other" of 98 million yen.

(Changes in Accounting Estimates)
(Changes in Estimates of Asset Retirement Obligations)
For the fiscal year under review, logistics equipment, etc. in Tosu, Saga Prefecture was demolished and removed in conjunction with the reuse plan for non-current assets held by the Group's consolidated subsidiary, France Bed Co., Ltd. Based on information regarding the demolition and removal, estimate for the costs necessary to remove specified construction materials in accordance with the Construction Material Recycling Law were revised with regard to the factories, logistics equipment, and other non-current assets of the Group.

In conjunction with these changes in estimates, asset retirement obligations of 187 million yen were posted for the fiscal year under review due to an increased materiality on the consolidated financial statements.

As a result of these changes in estimates, operating profit, ordinary profit, and profit before income taxes for the fiscal year under review respectively decreased by 138 million yen.

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Other (guarantee deposits)	¥11 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 the loan such as the following companies.

FY2018 (As of March 31, 2018)		FY2019 (As of March 31, 2019)	
Tsubasa Co., Ltd.	¥68 million	Tsubasa Co., Ltd.	¥46 million
Employees	¥13 million	Employees	¥11 million
Total	¥82 million	Total	¥57 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.

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
FB Tomonokai Co., Ltd.	¥465 million	¥475 million

*3. Notes matured at the end of the fiscal year

With regard to accounting for notes matured at the end of the fiscal year, such notes are settled on the clearance date. Since the last day of the fiscal year under review was a holiday for financial institutions, notes maturing at the end of the next fiscal year are included in the balance at the end of the fiscal year.

		FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
(Current assets)	Notes receivable – trade	¥73 million	¥58 million
	Electronically recorded monetary claims – operating	¥11 million	¥28 million
(Current liabilities)	Notes payable – trade	¥192 million	¥126 million
	Other (notes payable – facilities)	¥6 million	¥— million

(Notes to Consolidated Statements of Income)

*1. The balance sheet amount 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.

FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
¥41 million	¥44 million

*2. Gain on redemption of retirement benefit trust

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

*3. Impairment loss

The following group of assets recorded an impairment loss for FY2019 on a consolidated basis.

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 and remove 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 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.

*4. Loss on liquidation of business

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. A breakdown includes the amount of loss on disposal and valuation of inventories, and impairment loss on non-current assets, etc.

(Notes to Consolidated Statements of Changes in Equity)

FY2018 (From April 1, 2017 to March 31, 2018)

1. Type and number of shares issued and treasury shares

(Thousand shares)

	As of the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	As of the fiscal year-end
Shares issued				
Common shares (Note 1)	44,897	—	2,500	42,397
Total	44,897	—	2,500	42,397
Treasury shares				
Common shares (Note 2, 3)	4,732	0	2,602	2,130
Total	4,732	0	2,602	2,130

Notes 1. The decrease in the total number of shares issued of 2,500 thousand common shares is due to retirement of treasury shares by resolution of the Board of Directors.

2. The increase in the number of treasury shares of 0 thousand common shares is due to a purchase of shares representing less than one unit.

3. The decrease in the number of treasury shares of 2,602 thousand common shares consists of a decrease of 2,500 thousand shares due to retirement of treasury shares and a decrease of 102 thousand shares due to disposal of treasury 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 23, 2017 Shareholders' meeting	Common shares	¥502 million	¥12.50	March 31, 2017	June 26, 2017
October 31, 2017 Board of Directors' meeting	Common shares	¥503 million	¥12.50	September 30, 2017	December 5, 2017

(2) Dividends for which the date of record is during the current fiscal year, but the proposed 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 22, 2018 Shareholders' meeting	Common shares	¥503 million	Retained earnings	¥12.50	March 31, 2018	June 25, 2018

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

1. Type and number of shares issued and treasury shares

(Thousand shares)

	As of the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	As of the fiscal year-end
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 in the total number of shares issued of 1,000 thousand common shares is due to retirement of treasury shares by resolution of the Board of Directors.

2. The increase in the number of treasury shares of 1,000 thousand common 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 in the number of treasury shares of 1,015 thousand common shares consists of a decrease of 1,000 thousand shares due to retirement of treasury shares and a decrease of 15 thousand shares due to disposal of treasury 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 date of record is during the current fiscal year, but the proposed 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 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 Anniversary of France Bed Co., Ltd., a consolidated subsidiary of the Company.

(Notes to Consolidated Statements of Cash Flows)

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

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Cash and deposits	¥8,954 million	¥12,688 million
Marketable securities	¥4,299 million	¥3,299 million
Time deposits with the deposit term exceeding three months	¥— million	(¥2,000 million)
Cash and cash equivalents	¥13,254 million	¥13,988 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, purchase, rental, retail sale and wholesale of medical and nursing care beds and care equipment, and linen supply for hospitals, hotels, etc.

Home Furnishing and Health:

Manufacture, purchase and wholesale of beds, furniture and bedding, and health appliances, etc.

2. Method of calculating net sales, income or loss, assets and other items by reporting segments

Methods of accounting procedures for reporting business segments are the same as those for statements in “Basis of Presentation of Consolidated Financial Statements.”

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

Intersegment revenues and transfers are based on prevailing market prices.

From the beginning of the fiscal year ended March 31, 2019, the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. Accordingly, figures of segment asset for the fiscal year ended March 31, 2018 are shown after applying the accounting standard, etc. retrospectively.

3. Information on net sales, income or loss, assets and other items by reporting segments

FY2018 (From April 1, 2017 to March 31, 2018)

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to external customers	29,484	19,507	48,991	3,419	52,410	—	52,410
Internal sales among segments or transfers	5	977	982	135	1,118	(1,118)	—
Total	29,489	20,484	49,974	3,554	53,529	(1,118)	52,410
Segment income	2,235	314	2,550	23	2,574	32	2,606
Segment asset	35,872	27,738	63,611	2,470	66,081	(941)	65,140
Other items							
Depreciation	3,383	476	3,859	22	3,882	3	3,886
Impairment loss	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	3,497	390	3,887	15	3,903	(4)	3,898

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

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to external customers	29,744	18,742	48,487	3,277	51,764	—	51,764
Internal sales among segments or transfers	6	1,161	1,168	177	1,345	(1,345)	—
Total	29,750	19,904	49,655	3,455	53,110	(1,345)	51,764
Segment income / loss	2,457	(175)	2,281	63	2,345	18	2,363
Segment asset	36,502	26,696	63,199	2,362	65,561	(2,305)	63,256
Other items							
Depreciation	3,581	587	4,169	20	4,189	0	4,190
Impairment loss	380	382	762	—	762	—	762
Increase in property, plant and equipment and intangible assets	4,904	691	5,595	19	5,615	(8)	5,606

Notes 1. The “Other” segment is a business segment not included in the reporting segments and includes businesses such as door-to-door sales, sales of commodities and sundries, exhibition venue set up and real estate leasing.

2. The details of “Adjustments” are as follows.

Segment income (Million yen)

	FY2018	FY2019
Intersegment transaction elimination	856	888
Corporate expenses*	(823)	(869)
Total	32	18

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

Segment assets (Million yen)

	FY2018	FY2019
Elimination of intersegment transactions	(17,819)	(17,442)
Corporate assets*	16,878	15,137
Total	(941)	(2,305)

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

3. Segment income (loss) is adjusted with operating profit reported in the consolidated financial statements.

(Per Share Information)

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Net assets per share	¥1,015.33	¥972.64
Profit per share	¥44.88	¥66.02

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.

	FY2018 (From April 1, 2017 to March 31, 2018)	FY2019 (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent (Million yen)	1,806	2,599
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common shares (Million yen)	1,806	2,599
Average number of shares of common shares during the fiscal year (Thousand shares)	40,241	39,374

(Significant Subsequent Events)

Not applicable

5. Others

(1) Changes of Corporate Officers of the Company

1) Change of Representative of the Company (As of June 25, 2019)

- Representative Director scheduled to retire
  Representative Executive Director Kazumi Kadota (currently in charge of Planning Group)

2) Changes of Other Corporate Officers of the Company (As of June 25, 2019)

- New candidate for Director who is an Audit & Supervisory Board Member
  Director Shigeo Yamashita
  Note: Mr. Shigeo Yamashita is a candidate for Outside Director as stipulated in Article 2, Item 15 of the Companies Act.