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Notice of Development of a Medium-Term Management Plan

The France Bed Group has developed a new Medium-Term Management Plan for the three years ending in FY2024 (the fiscal year ending March 2024). The following is an overview of the plan.

1. Background of the Medium-Term Management Plan

Under the previous Medium-Term Management Plan (fiscal year ended March 31, 2019 to fiscal year ended March 31, 2021), the Group sought to enhance its corporate value, strengthening particularly the senior-care businesses. Although we did not achieve the numerical targets, we were able to achieve to a certain degree the results sought in the Plan, such as expanding our market share in the rental business handling special-needs equipment in the Medical Services Business, our core business, and improving the profitability of the Home Furnishing and Health Business.

Looking at the environment surrounding the core senior-care businesses, as of November 2020, the elderly population (people aged 65 or more) was 36.20 million, accounting for 28.8% of the total population. The elderly population and the percentage of elderly hit a record high. The working age population (people aged 15 or over but less than 65) was 74.45 million, accounting for 59.2% of the total population. This population and its percentage fell sharply from their peaks in 1995 (87.26 million, 69.5%). The elderly population in Japan will continue to increase until 2042, and the decline in the working age population will accelerate. The birthrate is declining and the population is aging sharply, and shortages in medical and long-term care workers will become more serious.

In this environment, baby boomers will start to become advanced elderly people in the period of the new Medium-Term Management Plan, and issues such as a shortage in long-term care workers in society and increasing numbers of elderly people cared for by elderly people are expected to become more serious. Responding to the situation, the Group will concentrate its management resources on the senior-care businesses and help solve those problems by providing new products and services. We will also enhance ESG management to help achieve a sustainable society to improve corporate value.

2. Overview of the Medium-Term Management Plan

(1) Period

Three years from FY2022 through FY2024

(2) The Group's vision

The Group aims to become a company that is expected in society to exist over 100 years by providing products and services that are useful in people's lives and continuing seeking to create new value. It should be a company that "is of use to society and contributes to society," emphasizing ESG factors in management and creating social value.

3. Major Strategies in the Medium-Term Management Plan

(1) Concentrating management resources in the business of renting special-needs equipment to expand business (Medical Services Business)

As the shortage of long-term care workers and the increase in elderly people cared for by elderly people at home are becoming more serious, in the Medical Services Business, the Group's core business, the Group will develop special-needs equipment that will help achieve labor saving and reduce effort by combining the technologies it has developed over many years in the special-needs equipment industry with cutting-edge technologies to support long-time care workers with the equipment. In this way, the Group will expand its sales and profits.

In the special-needs equipment rental business for home care, primarily services under long-term care insurance, the Group will bolster its business by increasing sales staff and opening new stores and through M&A in urban areas where the population of advanced elderly people is rising sharply. The Group will focus on renting, by developing products for wholesale and strengthening marketing in regions where elderly people are distributed across a wide area. In this way, the Group will establish the leading position in terms of domestic market share as a special-needs equipment rental business.

To develop infrastructure to expand the special-needs equipment rental business, the Group will seek to expand maintenance centers and strengthen delivery systems in priority areas. The Group will also strengthen the sales support system and advance digital transformation to increase labor productivity and operating efficiency.

(2) Increasing profit margins by providing products that meet prevailing needs (Home Furnishing and Health Business)

In the Home Furnishing and Health Business, primarily the manufacturing and sale of beds for households, we expect that demand will be firm at a certain level. This reflects rising demand for beds and other furniture for people spending longer hours at home due to stay-at-home requests and working from home to feel as comfortable as possible, as well as replacement demand associated with renovations, which will offset a continued fall in housing starts, which are closely related to the business, due to the declining birthrate and aging population and the spread of COVID-19.

In this environment, the business will focus on the development of middle-to-high-price products having unique functions and high added value and increase showrooms that will display those products. The Group will promote sales by holding display and sale events.

In the e-commerce market, which is expanding amid the COVID-19 pandemic, the Group will expand the lineup of products that are easy to deliver and are suitable for online sales. The Group will build a system to cooperate with small and medium-sized e-commerce operators to respond to changes in consumers' purchasing behavior.

(3) Strengthening the business base to support continuous business growth

We believe that advancing business portfolio management and ESG management, which takes into consideration the environment, society and governance, is necessary to improve the Group's corporate value over the medium to long term. The Group has identified five themes (provision of safer and securer high value-added products, pursuit of the reuse and recycling of resources, CO₂ emissions reduction and energy conversion, cultivation of human resources and promotion of diversity and work-life balance) and a base to support business (governance, compliance and financial soundness) as material issues that may affect the medium- to long-term growth of the Group. We will set concrete goals and key performance indicators (KPI). The Group will position them as important management issues and will pursue initiatives, including disclosure.

4. Numerical Targets in Medium-Term Management Plan

(1) Consolidated results targets

Million yen

	FY2021 (Results)	FY2024 (Targets)
Net sales	52,430	59,000
Operating profit	3,246	4,850
Ordinary profit	3,451	4,800
Profit	2,295	3,200
ROE	6.1%	8.0%

(2) Targets in each segment

Million yen

		FY2021 (Results)	FY2024 (Targets)
Medical Services Business	Net sales	32,839	37,700
	Ordinary profit	2,954	3,800
Home Furnishing and Health Business	Net sales	19,186	21,300
	Ordinary profit	522	1,000
Other	Net sales	404	–
	Ordinary profit	(25)	–
Consolidated total	Net sales	52,430	59,000
	Ordinary profit	3,451	4,800

(Note) From the Medium-Term Management Plan, to enhance business portfolio management, the Group has changed segment targets that had been based on operating profit to those based on ordinary profit.

5. Shareholder Return Etc.

(1) Enhance capital efficiency

- The basic policy is to enhance shareholder value through investment in sustainable growth and continual and stable shareholder return, while ensuring financial soundness. The Group aims to increase ROE to 8% or higher in three years from the current 6% range.

(2) Shareholder return

- The basic policy is paying stable dividends. While maintaining 15 yen semiannually (30 yen annually) regardless of the income level, we aim to raise the dividend level with a consolidated payout ratio target of around 50%, comprehensively considering investment necessary for the medium- to long-term growth of the Group.
- The Group will consider acquiring treasury shares flexibly.

(Note) The numerical targets and other forward-looking statements included in this material are based on information available at the time of preparation of this material and involve risks and uncertainties. Actual results may differ materially from the forward-looking statements depending on future changes in domestic and overseas circumstances, including economic conditions and business operation. This material does not guarantee any future results.