

BRIDGE REPORT



Shigeru Ikeda, Chairman/President

FRANCE BED HOLDINGS CO., LTD. (7840)



フランスベッド ホールディングス

Company Information

Market	TSE 1st Section
Industry	Other products (manufacturing business)
Chairman/President	Shigeru Ikeda
HQ Address	Shinjuku Square Tower 6F, 6-22-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Fiscal Year-end	March
Website	https://francebed-hd.co.jp/en/

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥928	41,397,500 shares		¥38,416 million	6.1%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥30.00	3.2%	¥62.70	14.8x	¥998.31	0.9x

*The share price is the closing price on July 26. All figures are taken from the brief report on results of the fiscal year ended Mar. 2021.

Earnings Trend

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2018 Act.	52,410	2,606	2,606	1,806	44.88	25.00
March 2019 Act.	51,764	2,363	2,361	2,599	66.02	28.00
March 2020 Act.	52,430	2,492	2,436	1,520	39.07	28.00
March 2021 Act.	52,430	3,246	3,451	2,295	59.87	30.00
March 2022 Est.	54,000	3,700	3,650	2,350	62.70	30.00

*Unit: million yen, yen. Estimates are those of the Company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

This report includes the outline of France Bed Holdings, the trend of its business performance, and the interview with the Chairman and President Ikeda.

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Key Points

- As a pioneer in the welfare equipment rental business, France Bed Holdings operates the medical services business, which manufactures, procures, rents, retails, and wholesales medical/nursing-care beds and welfare equipment, and the home furnishing and health business, which manufactures, procures, and wholesales household beds, furniture, and bedding, and so on.
- For the term ended March 2021, sales were 52,430 million yen, unchanged from the previous term. As for the home furnishing and health business, which was significantly affected by the novel coronavirus pandemic, sales declined, but it was covered by the medical services business, in which the demand for nursing care-related rental was healthy and the inclusion of two subsidiaries in the scope of consolidation contributed. Operating income grew 30.2% year on year to 3,246 million yen. Although sales were unchanged, as the sales of the medical services business, whose profit margin is relatively high, increased, gross profit rose 4.3% year on year, while the increase rate in SG&A was only 1.5% year on year. Both sales and profit exceeded the revised forecasts announced in February 2021.
- For the term ending March 2022, sales are projected to rise 2.9% year on year to 54 billion yen and operating income is estimated to increase 13.9% year on year to 3.7 billion yen. Sales and profit are forecasted to grow for both businesses. The dividend is to be 30.00 yen/share, unchanged from the previous term. The expected payout ratio is 47.8%.
- The company announced the Medium-Term Management Plan (FY 3/22-FY 3/24), which has started this term. While it is anticipated that the shortage of medical and nursing-care staff will worsen through the decline in birthrate and the aging of the population, the company plans to allocate the managerial resources of its corporate group to businesses for elderly people, and offer new products and services to solve the issues in the nursing-care field. The company aims to become a company that “is of use to society and contributes to society.” By providing products and services that are useful for daily life, the company will earn revenues and post appropriate profits, strive to conduct business administration while putting importance on ESG without just sticking to economic value, and create social value at the same time. In addition, by continuously endeavoring to create new value according to the changes in the social environment, the company hopes to remain an enterprise that is expected by society to exist for over 100 years. It aims to achieve sales of 59 billion yen, an ordinary income of 4.8 billion yen, and a ROE of 8% or higher in the term ending March 2024.
- We interviewed the Chairman and President Ikeda about what he values in business administration, the company’s forte, growth strategy, problems, and message to shareholders and investors. He said, “Our company aims to contribute to society by solving the customers’ problems. As an enterprise, we must earn sales and profit, but we will keep contributing to society while recognizing the meanings of existence of our company without just pursuing efficiency. We hope that investors who can agree with our ambition will support us as shareholders from the medium/long-term viewpoint.”
- According to the Medium-Term Management Plan, ordinary income margin will exceed 10% in the term ending March

2024. To achieve this, the growth of the medical services business is essential, and another key is the progress of the home furnishing and health business, in which the CAGR of ordinary income is expected to exceed 20%. To realize it, it is important to distribute products with high added value, such as the new “Life Treatment Mattress” and the environmentally friendly mattress “Reco Plus.” We would like to pay attention to how speedily their business will grow, recouping the investment in the enlargement of showrooms of the corporate group.

- **In the long-term viewpoint, we would like to expect from their ESG-oriented management aimed at coexisting with shareholders who recognize and agree with the social roles of the company rather than sticking only to efficiency.**

1. Company Overview

The company’s management philosophy is “France Bed aims to be an affectionate company that helps people live affluent, relaxing lives through creation and innovation.” The company is engaged in the medical services business, which includes the manufacture, purchase, rental, retail, and wholesale of medical and nursing care beds and welfare equipment, and the home furnishing and health business, which includes the manufacture, purchase, and wholesale of household beds, furniture, bedding, etc. It is a pioneer in the welfare equipment rental business. The company’s characteristics and strengths include human-friendly manufacturing and a system for offering a broad range of services swiftly.

【1-1 Corporate History】

Mr. Minoru Ikeda, who is the father of Mr. Shigeru Ikeda (currently Chairman and President of France Bed Holdings Co., Ltd.), established Futaba Corporation, the predecessor of France Bed Co., Ltd., in 1949. The company manufactured seats for automobile products, and in 1956, it began manufacturing Japan’s first splittable bed, France Bed, which became a huge hit. The company name was changed to France Bed Co., Ltd. in 1961. In 1963, the company was listed on the Second Section of the Tokyo Stock Exchange, and in 1966, it was listed on the First Section of the Tokyo Stock Exchange.

At France Bed Sales Co., Ltd., which was established in 1958 mainly for the purpose of selling France Bed, Mr. Shigeru Ikeda was selling medical treatment beds for home care, which he started as a new business in 1983. When they received requests for trade-ins in cases where users died soon after the sale of the beds, the company started a rental service. In order to fully operate the rental business considering the extremely high level of customer satisfaction, in 1987, the group company Nippon Sanitary Bedding Co., Ltd. merged with France Bed Sales Co., Ltd. and changed the company name to France Bed Medical Service Co., Ltd. becoming a pioneer in the welfare equipment rental business.

Initially, the rental service itself was not well known and struggled, but it has steadily expanded by capturing the needs of local governments that want to reduce costs through switching from free provision of welfare equipment to rental.

With the start of the nursing care insurance system in 2000, the rental of welfare equipment was incorporated into the system, thanks in part to Chairman and President Ikeda’s efforts to lobby the Ministry of Health, Labour and Welfare, and business expanded rapidly. In March 2004, France Bed Holdings Co., Ltd. was established through the share transfer of France Bed Co., Ltd. and France Bed Medical Service Co., Ltd. In the same month, the company’s stock was listed on the First Section of the Tokyo Stock Exchange and the First Section of the Osaka Securities Exchange.

In April 2009, France Bed Medical Service Co., Ltd. was merged into France Bed Co., Ltd.

【1-2 Corporate Philosophy】

The company has the following management philosophy.

As stated in the interview with the President, the guiding principle of the company’s activities is to solve the product users’ problems.

- ☆ France Bed aims to be an affectionate company that helps people live affluent, relaxing lives through creation and innovation.
- ☆ We will achieve the greatest possible value for our shareholders. We will create new and highly valuable products and services.
- ☆ We will strengthen the group’s overall power by making effective use of its business resources.

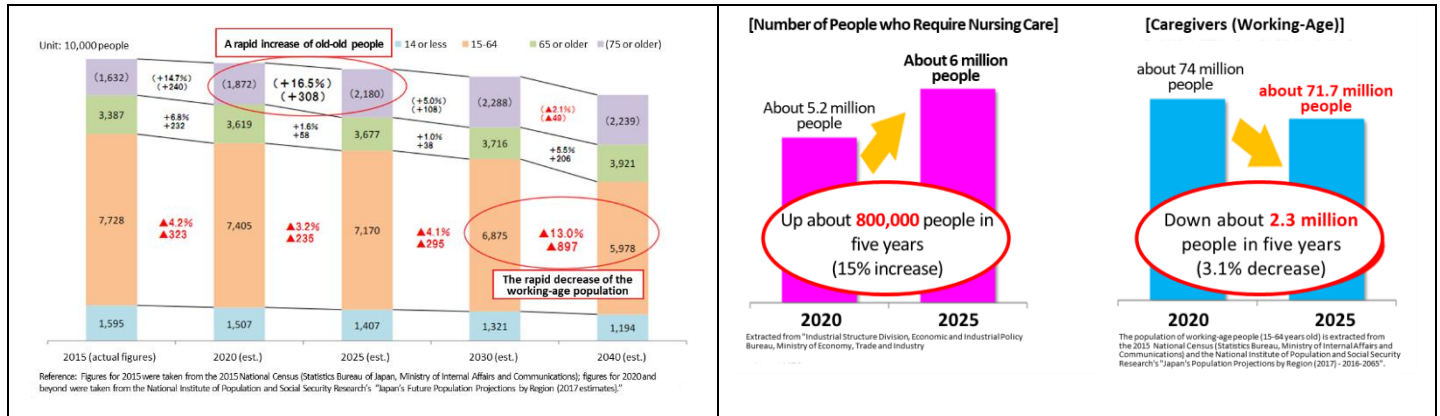
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【1-3 Environment Surrounding the Company】

(1) Declining birthrate and aging population: Lack of nursing care providers and increase in elderly care at home

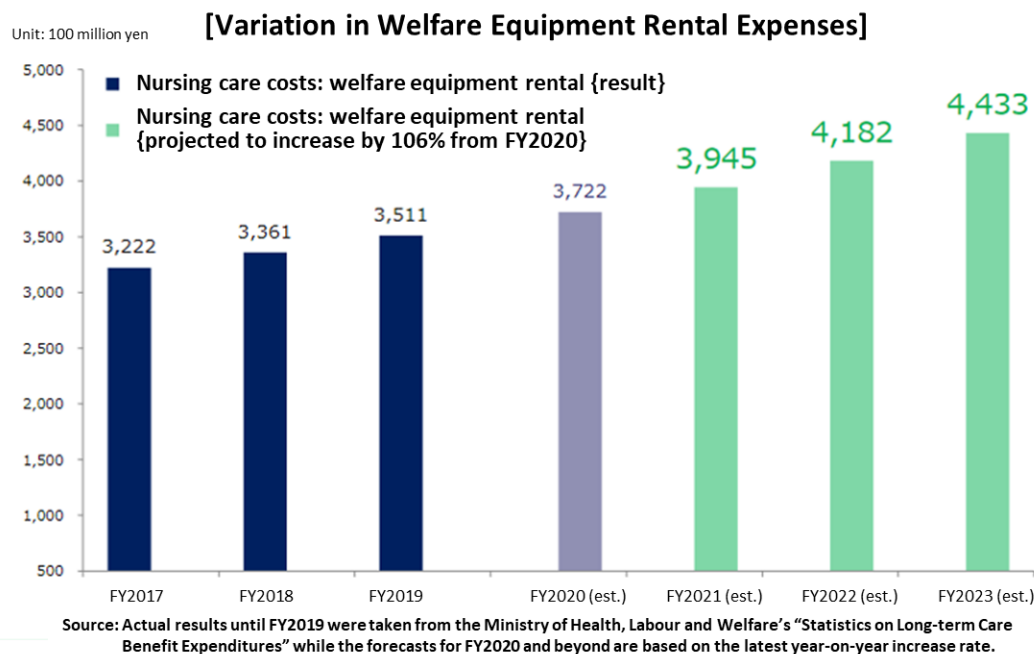
As the birthrate declines and the population ages, the number of people who require nursing care increases, while the working-age population (15-64 years old) declines. It is certain that there will be a shortage of nursing care personnel in nursing care facilities and the number of elderly caregivers at home will further increase, making coping with the super-aging society a major challenge for the Japanese society.



(Taken from the reference material of the company)

(2) Healthy welfare equipment rental market

Considering the aging of Japan's population and the increase of people who require nursing care, the company expects the cost of renting welfare equipment, mainly nursing care beds, to continue to grow steadily, and the company forecasts that it will continue to increase at an annual rate of 6% from FY2020 onward.

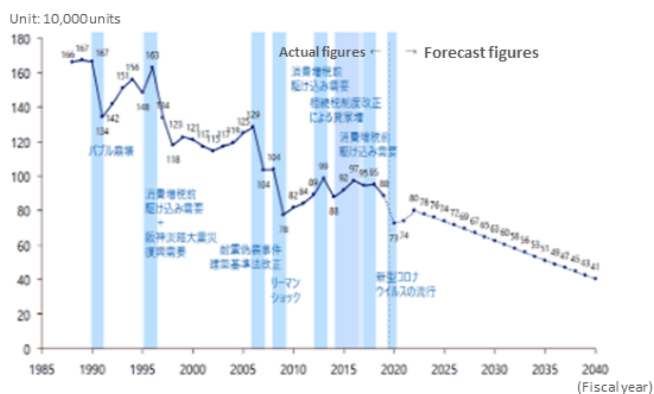
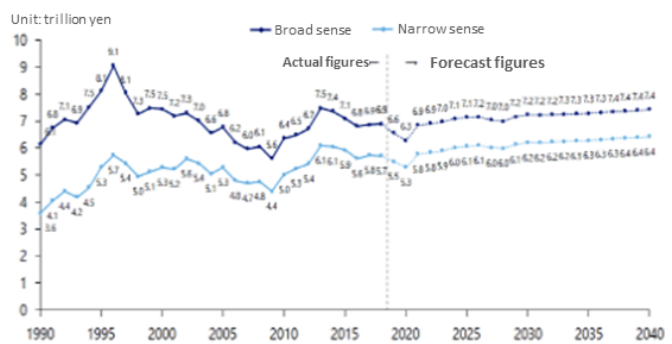


(Taken from the reference material of the company)

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**(3) Housing starts will decline, but the renovation market will remain strong**

Although the number of new housing starts is expected to decline, the renovation market is expected to expand, albeit moderately, and as a result, replacement demand for durable consumer goods is expected to be strong.

[Domestic New Housing Starts: Results and Forecasts]**[Results and Forecasts of the Renovation Market Size]**

Broad sense: The scale of the renovation market in the narrow sense plus, the amount including the purchase costs of durable consumer goods and interior goods related to renovation, such as air conditioners and furniture

Narrow sense: Extension and renovation works recorded as "new housing" in Housing Starts Statistics and repair and maintenance costs for new construction, etc.

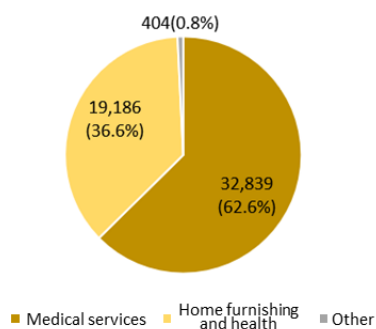
Source: Actual figures: Center for Housing Renovation and Dispute Settlement Support, "Market Size of Home Renovation (2018 Edition)"; Forecast figures: Nomura Research Institute, Ltd.

(Taken from the reference material of the company)

[1-4 Business Description]

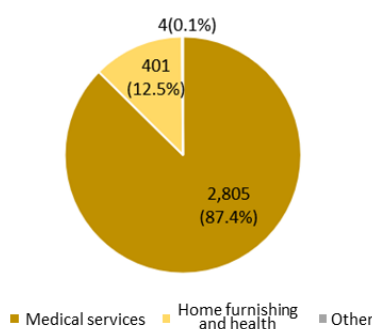
The two reported segments are Medical Services and Home Furnishing and Health. Other includes real estate leasing etc.

Sales Composition by Segment
(FY3/21, Unit: million yen)



*Net sales to external customers

Profit Composition by Segment
(FY3/21, Unit: million yen)



*Ratio to the total amount before adjustments

(1) Medical services business

In addition to developing, manufacturing, purchasing, renting, retailing, and wholesaling medical and nursing care beds and welfare equipment, the company provides linen supply services to medical and welfare facilities and hotels, although its geographic reach is limited. The company is also involved in the production of medical and welfare facilities.

The company's production and development departments, which produce beds, furniture, and nursing care products for home and institutional use, and its sales and marketing departments, which have a nationwide sales network of their own stores and affiliated distributors, work in unison to propose unique products and services.

Since 1983, when the company started Japan's first rental service for medical beds, it has been pursuing an environmentally friendly and gentle lifestyle through its services and products.

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**(Major subsidiaries and affiliates)**

France Bed Co., Ltd., Tsubasa Co., Ltd., Kashidasu Co., Ltd., Jiangsu France Bed Co., Ltd., France Bed Medical Service Co., Ltd., Mistral Service Corporation.

(Business description)**① Manufacture, purchase, rental, retail, and wholesale of medical and nursing care beds as well as welfare equipment**

The company rents and sells nursing care products, welfare equipment, health support products, and products of the Reha tech brand for active seniors through its experienced professional staff in stores and on the Internet.

At the stores, the company provides various consultation services such as nursing care consultation and care plan preparation, and holds various health-related seminars and events.

② Linen supply for medical and welfare facilities, hotels, etc.

The company provides clean and safe linens to medical and welfare facilities and hotels. All linens are finished quickly and carefully in a cleaning factory equipped with disinfection facilities. The factory meets strict hygiene standards and has been designated as a Medical Service Mark Certified Factory.

③ Production of medical and welfare facilities

Based on the demand for safety from clients, that is, medical and welfare facilities, the company is doing its utmost efforts in design and development to further improve the safety of its products. The company was also one of the first to introduce home-like designs and materials to medical and nursing care beds, adding warmth to the inorganic spaces of medical and welfare facilities. The psychological effects of interior design on medical treatment life are also taken into consideration to support the realization of a higher quality medical and welfare environment.

(Commercial distribution)

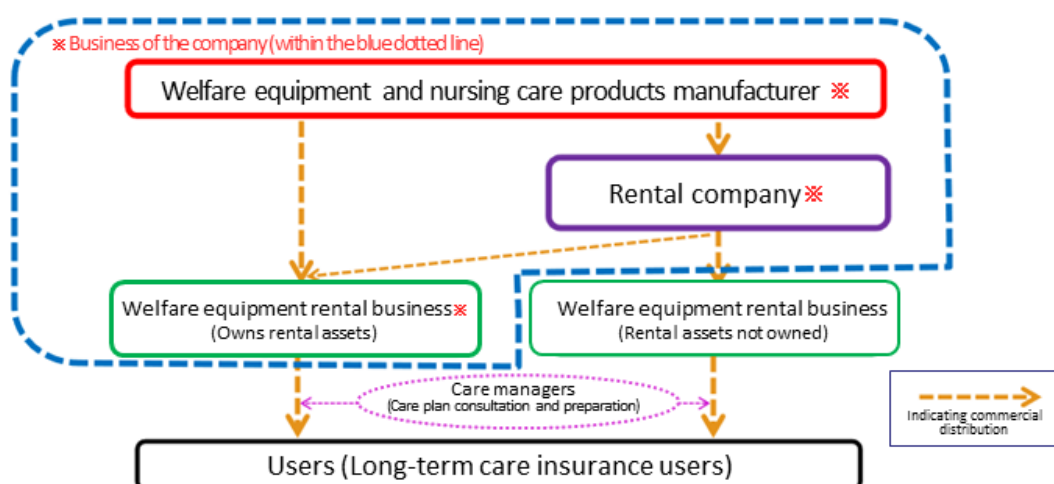
There are two main channels: direct rental and wholesale rental and sales.

***Direct rental**

The company, which is both a manufacturer of welfare and nursing care equipment and a welfare equipment rental service provider, maintains its own rental assets and rents them to users of long-term care insurance through care managers.

***Wholesale rental and sales**

The company, a manufacturer of welfare equipment and nursing care products, provides rental wholesaling and wholesales to welfare equipment rental companies, as well as wholesales of products to rental wholesalers who rent or sell products to welfare equipment rental companies.



(Taken from the reference material of the company)

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The company develops, manufactures, purchases, and sells beds, furniture, bedding, health equipment, etc.

In the production and development department, the company has been working on the development of beds and bedding products based on its research for comfortable sleep that it has been pursuing since its establishment, as well as the creation of diverse and valuable products ranging from furniture and interior design to health equipment.

In addition, the sales department has established a wide range of sales channels, including furniture stores, department stores, interior specialty stores, and lodging facilities throughout Japan.

Utilizing the unique knowledge that both divisions have built up, the company is contributing to the creation of a new, richer lifestyle culture through products and services that have never been seen before.

(Major subsidiaries and affiliates)

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.

(Business description)**① Supporting people's lives as a leading manufacturer in the furniture and interior design industry**

As a leading manufacturer in the furniture and interior design industry, the company supports the realization of affluent lifestyles by proposing high value-added products to the consumer market from various perspectives such as health, sleep, lifestyle, and environmental friendliness, with an eye on both domestic and overseas markets.

② Developing high value-added products

In addition to beds that provide comfortable sleep, which the company has pursued since its establishment, it develops a wide variety of high value-added products that create a rich and healthy lifestyle, from general interior furniture such as living room sofas and dining sets to health devices such as massage machines.

③ Production of comfortable and high-quality hotel interiors from the planning stage

Using the knowledge of creating comfortable spaces that the company has cultivated over the years, the company carries out comprehensive production services for hotels. Starting with the delivery of beds and interior furnishings, the company produces effective spaces, including the design and construction of guest rooms and lobbies, as well as interior coordination, in accordance with the concept of the hotel.

【1-5 Characteristics and strengths】**(1) Product development capabilities: Pursuing user-friendly manufacturing**

The company's management philosophy is "to be an affectionate company that helps people live affluent, relaxing lives through creation and innovation," and its guiding principle is to solve customers' problems.

Based on this guideline, the company is pursuing people-friendly manufacturing, such as an automatic bed for assisting turn over and a multi-position bed for getting up from the bed, which will help improve ADL (Activities of Daily Living) and make it easier for people to return to their homes and society.

In addition, the company is focusing on the development of environmentally friendly products.

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Supporting safe daily activities

Supporting to go out easily with unique functions and comfort



Supporting safer and more convenient wheelchair use

Supporting communication for people with dementia and aphasia

(Taken from the reference material of the company)

(2) Broad and prompt service provision system

As a leading company in the industry, the company provides a wide range of unique and friendly services for people to live with a peace of mind, from home to hospitals and facilities, including sales and rental of welfare equipment, production of hospitals and welfare facilities, and development of medical equipment.

In addition, welfare equipment including nursing beds, for example, must be installed in a house before the patient is discharged from a hospital and returns home. Therefore, it is important to be able to make arrangements quickly.

In addition to building and expanding its core maintenance center, the company is working to further strengthen its service provision system by adding small service depots, which are logistics bases without maintenance functions, in urban areas.

(3) Providing a life of affluence and gentleness

As a leading manufacturer in the furniture and interior design industry, the company has been creating a rich lifestyle culture for 70 years by pursuing the realization of a rich and gentle lifestyle.

【1-6 ROE Analysis】

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
ROE (%)	5.1	4.5	6.5	4.0	6.1
Net income margin (%)	3.70	3.45	5.02	2.90	4.38
Total asset turnover	0.85	0.82	0.81	0.85	0.86
Leverage	1.64	1.62	1.62	1.63	1.63

In the Medium-Term Management Plan (FY 3/22-FY 3/24), the company aims to achieve a ROE of 8% or higher in FY 3/24. Since the company plans to achieve a net income margin of 5.4% in FY 3/24, it will need to increase its total asset turnover and leverage to achieve a ROE of 8%.

2. Fiscal Year Ended March 2021 Earnings Results

【2-1 Overview of Results】

	FY3/20	Ratio to sales	FY3/21	Ratio to sales	YoY	Compared to forecasts 1	Compared to forecasts 2
Sales	52,430	100.0%	52,430	100.0%	-0.0%	+4.8%	+1.2%
Gross profit	25,917	49.4%	27,038	51.6%	+4.3%	-	-
SG&A	23,425	44.7%	23,792	45.4%	+1.5%	-	-
Operating Income	2,492	4.8%	3,246	6.2%	+30.2%	+29.8%	+4.7%
Ordinary Income	2,436	4.6%	3,451	6.6%	+41.6%	+32.7%	+4.6%
Net Income	1,520	2.9%	2,295	4.4%	+50.9%	+43.4%	+4.3%

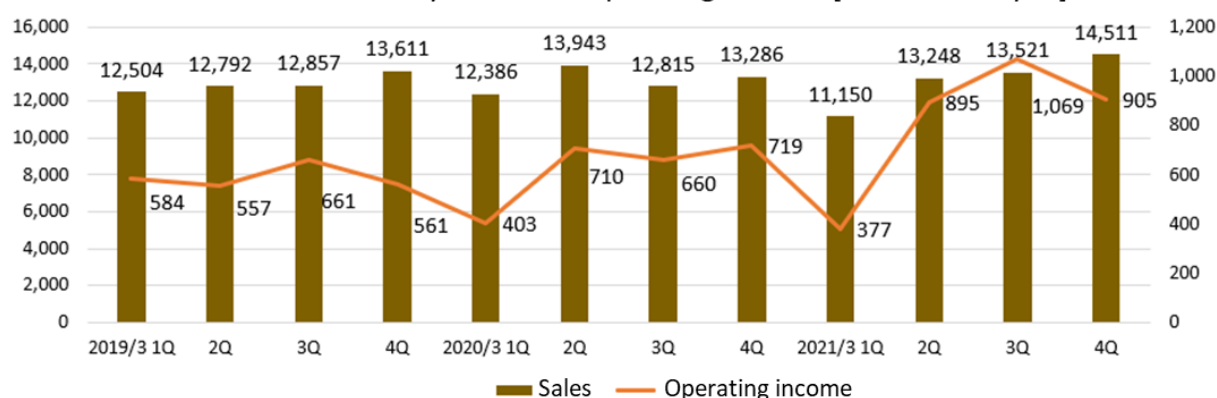
*Unit: million yen. "Compared to forecasts 1" and "Compared to forecasts 2" mean the differences from the earnings forecasts disclosed in July 2020 and February 2021, respectively.

Sales were unchanged from the previous term, but profit grew considerably, exceeding the revised forecasts.

Sales were 52,430 million yen, unchanged from the previous term. As for the home furnishing and health business, which was significantly affected by the novel coronavirus pandemic, sales declined, but it was covered by the medical services business, in which the demand for nursing care-related rental was healthy and the inclusion of two subsidiaries in the scope of consolidation contributed. Operating income grew 30.2% year on year to 3,246 million yen. Although sales were unchanged, as the sales of the medical services business, whose profit margin is relatively high, increased, gross profit rose 4.3% year on year, while the increase rate in SG&A was only 1.5% year on year.

Both sales and profit exceeded the revised forecasts announced in February 2021.

Variations in Quarterly Sales and Operating Income [unit: million yen]

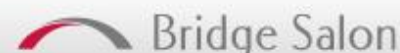


Quarterly performance bottomed out in the first quarter, and has been recovering.

【2-2 Trend in each Segment】

	FY3/20	Ratio to total sales	FY3/21	Ratio to total sales	YoY
Medical services	31,235	59.6%	32,839	62.6%	+5.1%
Home furnishing and health	20,842	39.8%	19,186	36.6%	-7.9%
Other	353	0.7%	404	0.8%	+14.6%
Total sales	52,430	100.0%	52,430	100.0%	-0.0%
Medical services	2,326	7.4%	2,805	8.5%	+20.5%
Home furnishing and health	128	0.6%	401	2.1%	+211.5%
Other	4	1.1%	4	1.0%	-7.8%

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Adjustment	32	-	35	-	-
Total profit	2,492	4.8%	3,246	6.2%	+30.2%

*Unit: million yen. The ratio of profit in each segment to total sales means profit margin in each segment.

(1) Medical services business

Sales and profit grew.

Sales rose 5.1% year on year to 32,839 million yen.

While the transactions for hospital facilities, etc. were stagnant amid the novel coronavirus pandemic, the demand for nursing care-related rental was healthy.

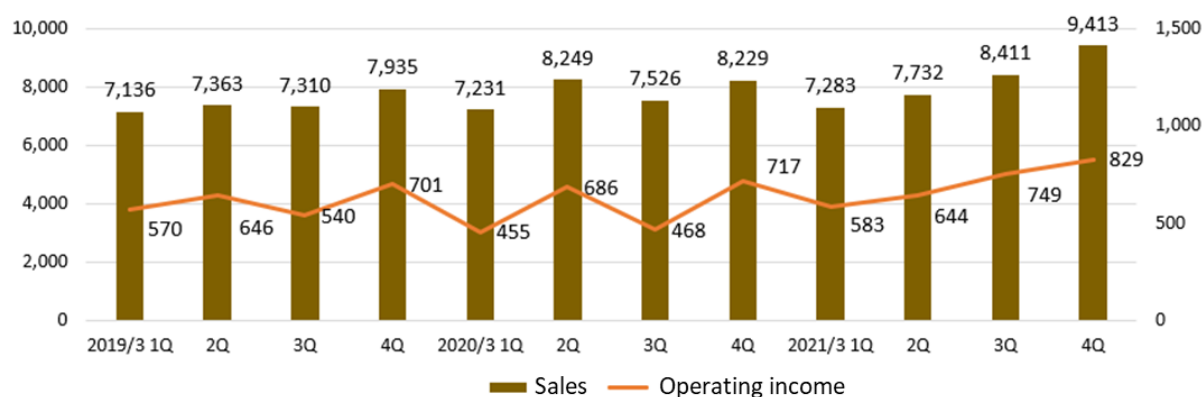
The acquisition of Tsubasa Co., Ltd. and Kashidasu Co., Ltd. as subsidiaries contributed.

Profit grew 20.5% year on year to 2,805 million yen.

Cost ratio improved, thanks to the sales growth and the healthy sales from rental of nursing-care beds, etc.

As for the transactions for hospital facilities, profit was secured thanks to the sale of products for coping with the novel coronavirus, etc.

Variations in Sales and Operating Income from the Medical Services Business
[unit: million yen]



(2) Home furnishing and health business

Sales dropped, but profit rose.

Sales declined 7.9% year on year to 19,186 million yen.

The number of visitors to furniture stores dropped steeply due to the spread of the novel coronavirus. Exhibition sale events, etc. were cancelled.

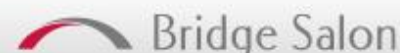
The sales to hotels, whose business performance worsened due to the novel coronavirus, nosedived.

Profit grew 211.5% year on year to 401 million yen.

Gross profit margin improved, as the company concentrated on the sale of high value-added products, although sales declined.

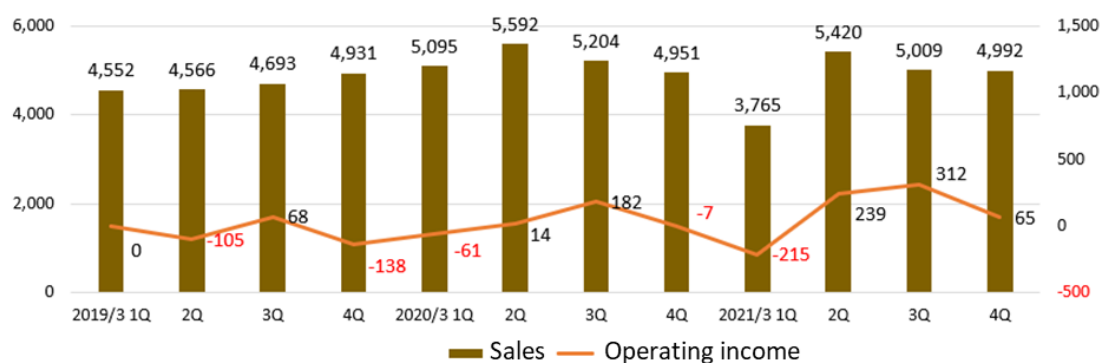
The company was able to reduce fixed expenses by 400 million yen per year through continuous efforts for structural reform, and strived to control expenditure by reconsidering unnecessary activities.

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Variations in Sales and Operating Income from the Home Furnishing and Health Business

[unit: million yen]



【2-3 Financial Standing and Cash Flows】

◎Main BS

	End of Mar. 2020	End of Mar. 2021	Increase/ decrease		End of Mar. 2020	End of Mar. 2021	Increase/ decrease
Current Assets	31,836	32,055	+218	Current Liabilities	14,365	17,698	+3,332
Cash and Deposits	7,737	9,702	+1,965	Trade Payables	4,968	5,332	+364
Trade Receivables	9,610	10,039	+429	Short-Term Debt	5,664	6,876	+1,212
Inventories	8,221	7,787	-434	Noncurrent Liabilities	7,951	7,106	-845
Noncurrent Assets	27,913	30,135	+2,221	Long-Term Debt	6,464	5,592	-872
Tangible Assets	17,618	19,633	+2,015	Total Liabilities	22,317	24,804	+2,487
Intangible Assets	1,696	1,826	+130	Net Assets	37,481	37,412	-68
Investments, Others	8,597	8,674	+77	Retained Earnings	34,676	35,881	+1,205
Total Assets	59,798	62,217	+2,418	Total Liabilities, Net Assets	59,798	62,217	+2,418

*Unit: million yen. Trade receivables include electronically recorded ones, and trade payables also include electronically recorded ones. Interest-bearing liabilities include lease obligations.

Total assets increased 2.4 billion yen from the end of the previous term to 62.2 billion yen, due to the rise in cash and deposits and tangible assets.

Liabilities augmented 2.4 billion yen from the end of the previous term to 24.8 billion yen, due to the increase in short-term debt, etc.

Net assets stood at 37.4 billion yen, nearly unchanged from the previous term.

Capital-to-asset ratio dropped 2.5 points from the end of the previous term to 60.1%.

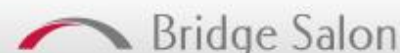
◎Cash Flow

	FY3/20	FY3/21	Increase/decrease
Operating Cash Flow	1,164	10,408	+9,244
Investing Cash Flow	-3,826	-6,995	-3,169
Free Cash Flow	-2,662	3,413	+6,075
Financing Cash Flow	-688	-1,918	-1,230
Cash and Equivalents	10,636	12,202	+1,566

*Unit: million yen.

Operating CF grew considerably, and free CF turned positive, due to the rise in net income before taxes and other adjustments, the decline in inventories, the growth of trade payables, etc.

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The deficit of financing CF expanded, due to the increase of treasury shares acquired, etc.
The cash position improved.

【2-4 Topics】

◎Change of the Representative Director

In June 2021, the company changed the post of Kazumi Ikeda from Representative Director and Senior Managing Director to Representative Director and Vice-President, for the purposes of further strengthening the management structure, achieving sustainable growth, and improving corporate value.

The Vice-President will remain in charge of the Management Planning Group.

3. Fiscal Year Ending March 2022 Earnings Forecasts

【3-1 Earnings Forecasts】

	FY3/21	Ratio to sales	FY3/22 Est.	Ratio to sales	YoY
Sales	52,430	100.0%	54,000	100.0%	+2.9%
Operating Income	3,246	6.2%	3,700	6.9%	+13.9%
Ordinary Income	3,451	6.6%	3,650	6.8%	+5.7%
Net Income	2,295	4.4%	2,350	4.4%	+2.3%

*Unit: million yen. Estimates are those of the Company.

Sales and profit are expected to grow.

Sales are projected to rise 2.9% year on year to 54 billion yen, and operating income is estimated to grow 13.9% year on year to 3.7 billion yen.

Sales and profit are expected to increase in both businesses.

The dividend is to be 30.00 yen/share, unchanged from the previous term. The estimated payout ratio is 47.8%.

◎Plan for equipment investment

	FY3/20	FY3/21	FY3/22 (Plan)
Rental assets	4,172	4,288	5,094
Equipment for manufacturing and distribution	275	343	488
Service centers	76	1,611	1,371
Acquisition of software	314	161	195
Other	544	365	95
Total	5,383	6,770	7,244
Depreciation	4,518	4,931	5,371

【3-2 Trend in each Segment】

	FY3/21	Ratio to total sales	FY3/22 (forecast)	Ratio to total sales	YoY
Medical services	32,839	62.6%	34,200	63.3%	+4.1%
Home furnishing and health	19,186	36.6%	19,800	36.7%	+3.2%
Total sales	52,430	100.0%	54,000	100.0%	+2.9%
Medical services	2,954	8.9%	3,000	8.7%	+1.5%
Home furnishing and health	522	2.7%	650	3.2%	+24.5%
Total profit	3,451	6.5%	3,650	6.7%	+5.7%

*Unit: million yen. From FY3/22, a target ordinary income in each segment is set instead of a target operating income, for the purpose of strengthening the business portfolio management.

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**(1) Medical services business**

Sales and profit are expected to grow.

The company will concentrate managerial resources to the welfare equipment rental business.

As for rental sales, the company will build two new sales offices and a dedicated section, to expand the wholesale of rental items and the rental of medical apparatus.

As for profit, expenses will augment temporarily through the inclusion of non-consolidated small-sized companies acquired in the previous term in the scope of consolidation, the number of employees will increase (50 employees), more business bases will be established, and more transportation vehicles will be used, so the company plans to use about 300 million yen as upfront investment. Accordingly, profit margin will decline slightly.

(2) Home furnishing and health business

Sales and profit are projected to grow.

The company aims to increase profit margin by providing products that could meet the needs of the times.

The company also aims to promote the sales of value-added products by utilizing its own showrooms, which are not swayed by the trend of furniture retailers, and to concentrate on the sales promotion of products with original features.

In addition, the company will focus on the sale of products with high added value, such as highly hygienic mattresses and environmentally friendly mattresses, to improve gross profit margin.

4. Medium-Term Management Plan (FY 3/2022-FY 3/2024)

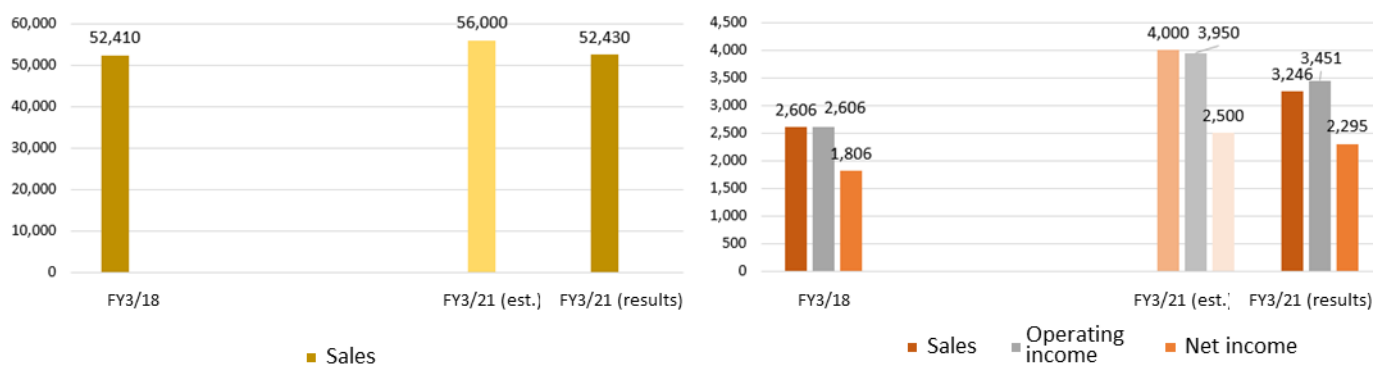
The company announced a three-year Medium-Term Management Plan whose initial year is this term ending March 2022.

【4-1 Review of the Previous Medium-Term Plan】**(1) Overall performance**

Amid the novel coronavirus pandemic, sales and profit fell below the estimates.

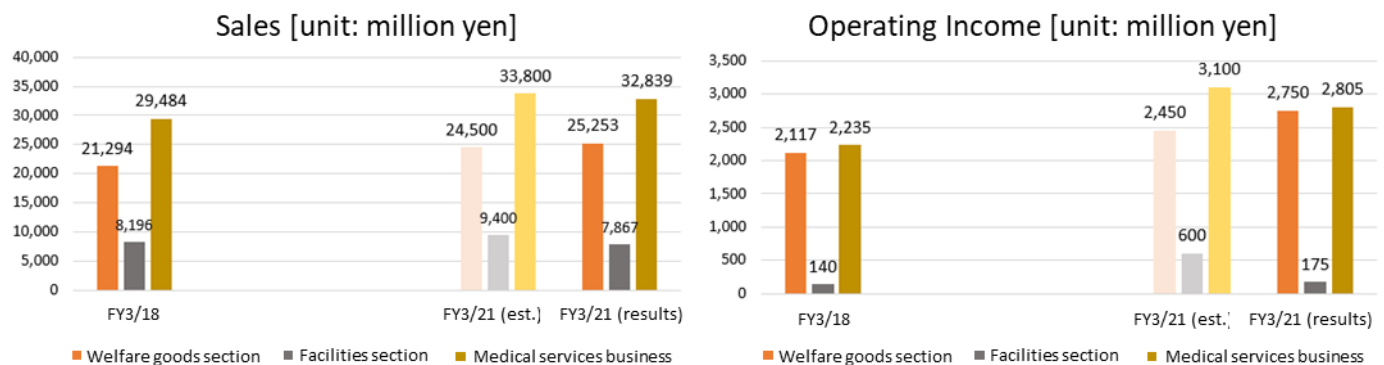
The ROE for the term ended March 2021 was 6.1%, up 0.1 points from the estimate 6.0%.

Forecasts in the Previous Medium-Term Management Plan and Results [unit: million yen]

**(2) Performance of each segment****① Medical services business**

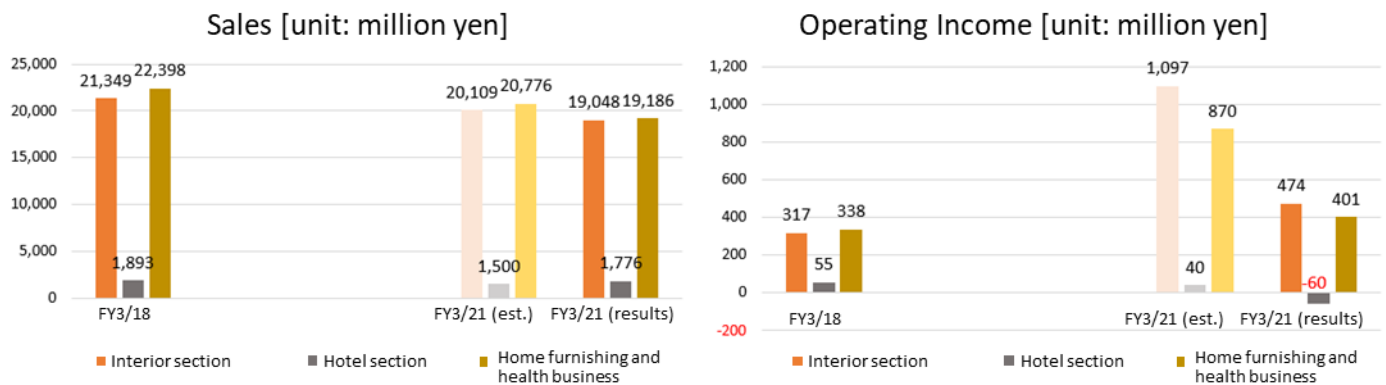
The welfare goods section performed well, and its sales and profit exceeded the estimates, but the performance of the facilities section, which sells products to hospital facilities and supplies linen goods, fell below the forecasts. As a result, the performance of the medical services business did not reach the forecast.

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② Home furnishing and health business

The performance of the home furnishing section, which mainly sells household beds, did not reach the forecast, but the company promoted the shift from quantity to quality, improving profitability.



*From FY3/20, France Bed Sales Co., Ltd. and FB TOMONOKAI Co., Ltd., which were included in "Others" previously, are included in "Home furnishing and health business." To correspond to this, the results and estimates of the FY3/18 are recalculated.

【4-2 Outline of the New Medium-Term Management Plan】

(1) External environment

As mentioned in 【1-3 Environment Surrounding the Company】, it is anticipated that the shortage of medical and nursing-care staff will worsen through the decline in birthrate and the aging of the population.

(2) Vision

To resolve problems with the external environment and problems of Japan, the company plans to focus the management resources of its corporate group to businesses for elderly people, and offer new products and services to solve the issues in the nursing-care field.

The company aims to become a company that "is of use to society and contributes to society."

By providing products and services that are useful for daily life, the company will earn revenues and post appropriate profits, strive to conduct business administration while putting importance on ESG without just sticking to economic value, and create social value at the same time.

In addition, by continuously endeavoring to create new value according to the changes in the social environment, the company hopes to remain an enterprise that is expected by society to exist for over 100 years.

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**(3) Group strategy**

The following strategies were stated regarding each field in the business portfolio.

Field	FY3/21 Net sales	Strategy
Welfare equipment	25.2 billion yen	Core business with a high market growth rate and a high profit margin. Seeking to expand the business scale and increase its market share by proactive investments.
Home furnishing	19 billion yen	Promoting the shift from quantity to quality and elevating business efficiency to improve profit margin despite the low market growth rate.
Facilities	7.8 billion yen	Improving profit margin by reforming the business structure.
Hotels	1.7 billion yen	Improving profit margin by reforming the business structure.
Overseas	100 million yen	Taking another challenge to foster this segment to be a driver of future growth.
New business	-	Developing new business which will become a pillar for securing revenues in the future.

(4) Reinforcement of the management foundation to support continuous enterprise growth

The following five themes were specified as essential issues from the perspective of ESG.

Offering even more safe and secure high value-added products
Pursuing the reuse and recycling of raw materials
Reducing CO ₂ emissions and converting energy
Fostering human resources
Promoting diversity and work-life balance

In addition to continuing to offer high value-added commodities and services, the company will pursue the promotion of its rental service, development of environmentally friendly products, and the reuse and recycling of raw materials to efficiently use raw materials, to contribute to the realization of living with richness and kindness on solid business foundations comprised of compliance, governance, and sound financial position.

During this term, the company is planning to set medium-term objectives and KPIs in accordance with the five important themes, announce them both internally and externally, and launch initiatives.

(5) Priority measures regarding each business**① Medical services business**

The priority measure is expanding business by focusing management resources on welfare equipment rental business.

As mentioned above, the welfare equipment rental market is projected to grow 6% year on year after FY2020 as well. Furthermore, considering that the baby-boom generation will become old-old age from 2022, and the increase rate of old-old age people especially in major urban areas will be striking, the company will implement the following concrete measures.

◎Expansion strategy

The company will focus its management resources on the medical services business and increase direct transactions in urban areas where the increase rate of old-old age people is striking. In rural areas, they will enhance wholesale rental transactions.

To achieve this, they will increase the number of sales offices mainly in Tokyo, Nagoya, and Osaka by 11, from 92 as of the end of March 2021 to 103 by the end of March 2024.

They will also increase the number of employees by 80, mainly in Tokyo, Nagoya, and Osaka.

Furthermore, they will seek the maximization of the productivity of business activities by proceeding with the digitalization of work duties related to receiving orders, in addition to promoting M&A targeted predominantly at welfare equipment rental businesses facing the difficulty in finding a successor, etc., and enterprises hoping for business transfer.

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◎Building infrastructure to support business expansion

As for key maintenance centers for the maintenance and repair of rental equipment, the Tokyo service center will be newly built and relocated in May 2022. It plans to expand the total floor area 1.4 times and adopt solar power generation. Plans for preparations in Osaka and Nagoya are also in progress.

Furthermore, regarding the welfare equipment rental business, as expanding the logistics and delivery system will be one of the requirements for gaining a competitive advantage, they will also forge ahead with establishing more small service depots, which are logistical bases without a maintenance function.

They plan to establish four more depots mainly in urban areas (Hachioji City, Tokyo; Ota Ward, Tokyo; Nerima Ward, Tokyo; and Kawasaki City, Kanagawa Prefecture), increasing the total number of bases to 16 by the end of March 2024.

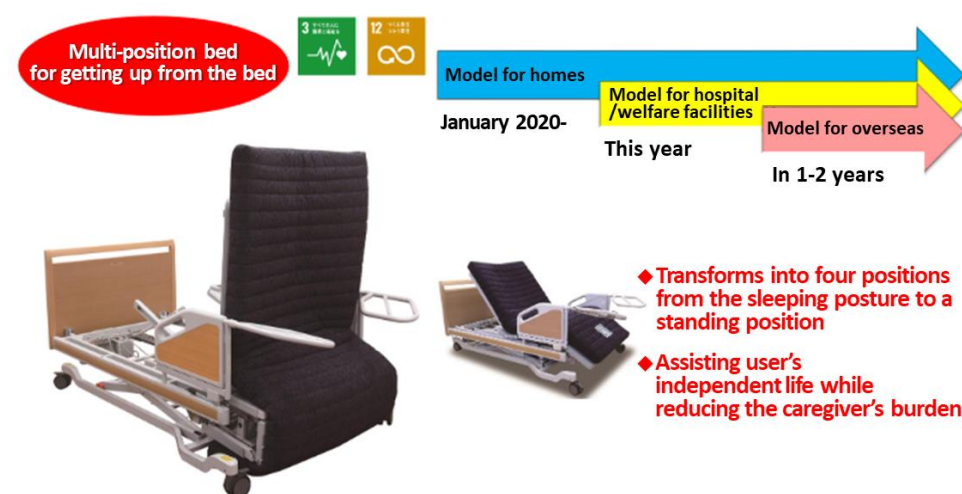
◎Development of products for labor-saving or workload reduction

The company will develop welfare equipment that will lead to labor-saving or workload reduction, addressing the challenges in the nursing care industry, such as the lack of nursing care personnel and nursing care of the elderly by the elderly.

The product into which they are currently pouring their efforts is the multi-position bed for getting up from the bed.

By transforming into four positions from the sleeping posture to a standing position, it reduces the burden on the caregiver while assisting the users' independent life.

The model for homes has been introduced since 2020. A model for hospitals and welfare institutions will be developed in 2021, and in one to two years, a model for overseas markets will be developed.



(Taken from the reference material of the company)

② Home furnishing and health business

The priority measure is to improve profit margin by providing products that could meet the needs of the times.

New housing starts is forecasted to decline, but the renovation market is expected to grow gently, so the demand for replacing durable goods is projected to be favorable.

The concrete measures are as follows.

◎Development of products that could meet the needs of the times

As people became more conscious about health and hygiene amid the novel coronavirus pandemic and as there are environmental issues, the company will develop and promote functional products with new added value.

*New “Life Treatment Mattress”

Since the mattresses of the bedding brand Culiess AG which specializes in hygiene, are highly evaluated, the antiseptic feature has

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been made into a standard feature of the cloth of the mattresses. They enable users to sleep in a clean, highly hygienic environment with (i) a sterile and breathable mattress that remains clean, (ii) an antibacterial bed frame that remains clean, and (iii) antiseptic bedding that remains clean.

The company plans to obtain the eco-labeling certification for all products, to advertise the fact that they are environmentally friendly.

*Environmentally-friendly mattress “Reco-Plus”

Since mattresses include many iron springs, which are made of natural resources, it is necessary to separate them from other materials for recycling. However, the springs of general mattresses are covered with non-woven bags or tightly fixated, so it is troublesome to disassemble them. The methods for discarding mattresses vary among municipalities. Some municipalities collect and discard (disassemble) mattresses, while other municipalities accept only disassembled mattresses, and some other municipalities do not collect or discard them.

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Meanwhile, the environmentally-friendly mattress “Reco-Plus” has a continuous spring structure unique to France Bed, which can reduce workload at the time of discarding the mattress, because it is possible to separate the springs from other materials easily. This mattress is recyclable and reusable, because the ratio of recyclable materials, such as stuffing and surface cloth, is high. This mattress is certified for eco-labeling, and complies with the Green Purchasing.

◎Expansion of the pet business

The overall market related to pet animals is growing steadily at an annual rate of around 2%.

The company has launched the brand called France Pet. By utilizing its technologies nurtured through the manufacturing of interior products for many years, the company will enrich the lineup of products for pets.

◎Expansion of opportunities to showcase their original products with unique features

The company will increase showrooms for its corporate group, and use them as the second selling spaces in cooperation with business partners. The company will promote middle and high-grade products with unique features, which have a high profit margin. By the end of March 2024, the company will increase the number of showrooms by 4 to 35.

◎Response to the growing EC market

It is expected that more consumers will use mail-order and EC services amid the novel coronavirus pandemic and the EC market will grow further.

The sales via mail order and EC have grown by double digits in the past two terms.

The company will enrich the lineup of products that are easy to deliver and suited for online sale, to meet the demand for products available via mail order and EC.



FoldairTM
(Mattress that can be folded in to three)



Snore-less Pillow Mini
(Pillow cushion for having a catnap)



Polute R-zero with continuous high-density springs
(Mattress that can be rolled for shipment)

(Taken from the reference material of the company)

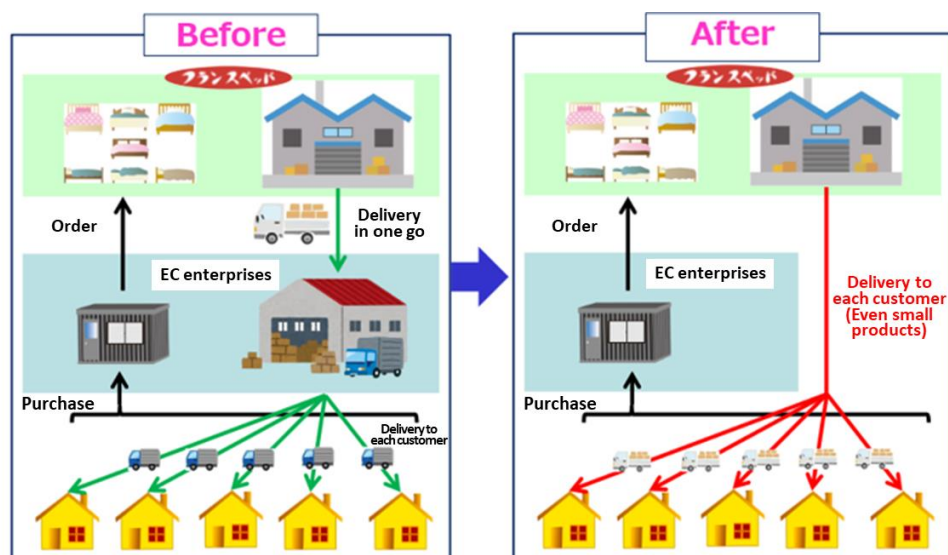
◎Measures for increasing online transactions

Due to the growth of demand from housebound consumers, online transactions are increasing rapidly. Accordingly, small and medium-sized EC enterprises are facing difficulty in handling and managing products, arranging shipment, etc.

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To solve this problem, the company will develop a cooperative system for dealing with processes from product management and shipment arrangement on behalf of EC enterprises.

With this service, EC enterprises can concentrate on the tasks for receiving orders and meet consumer needs accurately.



(Taken from the reference material of the company)

(6) Return to shareholders

Under the basic policy of stable dividends, the company will accumulate profit stably while keep on paying a dividend of 15 yen/share in each half period for a total of 30 yen/share per year regardless of the profit level, and aim to increase the dividend level through comprehensive judgment while considering necessary investments for medium/long-term corporate growth for achieving a consolidated payout ratio of around 50%.

The company plans to acquire treasury shares continuously.

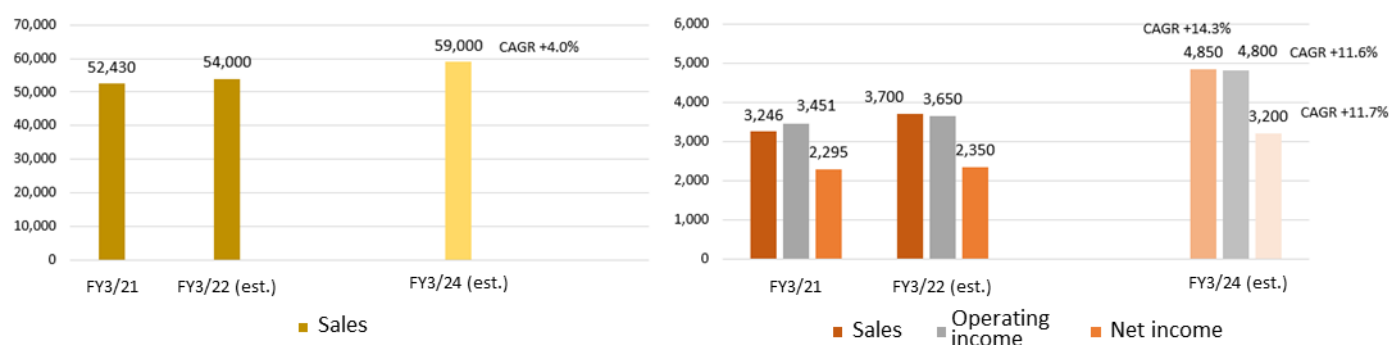
(7) Numerical goals

The numerical goals for the entire company and each segment are as follows.

The company plans to increase ROE from the current 6% level to over 8% in three years.

*CAGR stands for the compound annual growth rate for the period from FY3/21 (results) to FY3/24 (estimate). This was calculated by Investment Bridge Co., Ltd.

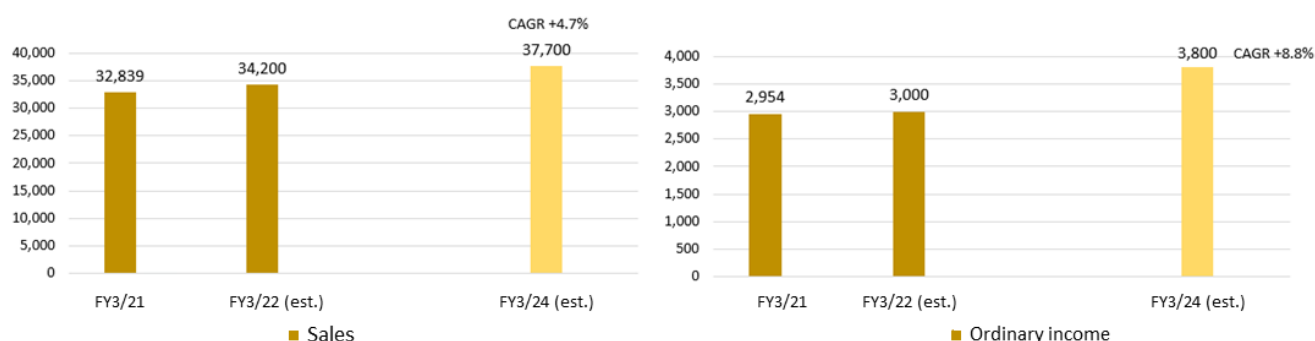
Overall Goal (unit: million yen)



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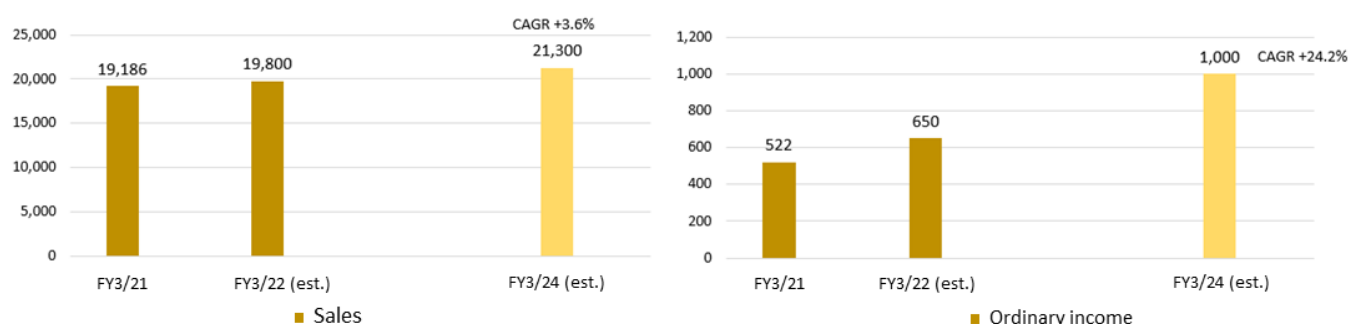


◎Medical services business



*From this Medium-term Management Plan, a target ordinary income in each segment is set instead of a target operating income, for the purpose of strengthening the business portfolio management.

◎Home furnishing and health business



*From this Medium-term Management Plan, a target ordinary income in each segment is set instead of a target operating income, for the purpose of strengthening the business portfolio management.

5. Interview with Chairman/President Ikeda

We have asked Chairman/President Shigeru Ikeda about what he considers important regarding company management, the company's forte, growth strategy, and challenges, a message to the shareholders and investors, etc.

Q: "Your corporate philosophy states 'to be an affectionate company that helps people live affluent, relaxing lives through creation and innovation.' What do you consider important when it comes to managing a company?"

What I always tell employees is to look for what our customer is troubled with. I often come across the words "ask about the needs," but this is too ambiguous to understand. If you spot a trouble and addresses it, you will definitely make your customer happy. The welfare equipment rental, which our company dealt with for the first time in Japan, is a service that started exactly from thinking what should be done to solve "trouble."

Regarding both marketing and product development, I again give top priority to the solving of our customers' trouble.

On the other hand, the balance with efficiency, too, is necessary. If you always think first of the profitability of business, you will end up concluding that inefficient business should be discontinued. However, this would mean forsaking troubled customers.

This is why I believe that instead of pursuing nothing but immediate efficiency and profitability, we need to engage in work with a little broader perspective, placing importance on the social meaning of our company's existence, which is "solving trouble of our customers."

Q: "What kind of point would be your company's forte?"

One would be our prompt service.

Regarding welfare equipment such as nursing-care beds, in case a customer needs to abruptly leave a hospital, it is necessary to

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arrange a prompt delivery to his/her home. While this is our forte, to further improve it, in the ongoing Medium-Term Management Plan we are planning to newly build and reinforce key maintenance centers and establish more small service depots, which are logistic bases without a maintenance function, in urban areas.

Another would be our capability to develop unique products.

As I stated a moment ago, our company, which places importance on “solving trouble of our customers,” engages in manufacturing products which are friendly to customers, their families, and supporters in nursing care, based on unique ideas. This can be seen in automatic beds for assisting turn over or multi-position beds for getting up from the bed, which we are currently promoting the sales. In addition, recently we have also been focusing our efforts on the development of products which address environmental issues. Such products include the environmentally-friendly mattress “Reco Plus”, which was made with recycling and reuse in mind, and the new “Life Treatment Mattress”, which has an outstanding disinfecting function and is also environment-friendly. While the price is higher than those of general products, I am expecting that the demand for such high value-added products will grow with the environmental awareness on rise.

Q: “Next, please tell us about initiatives for future growth.”

As decreasing birthrate and aging population in Japan will worsen, I am assuming that welfare equipment rental business, related to long-term care insurance, will keep growing more and more. Of course, there is competition, so we are going to focus more efforts on the development of products friendly to nursing-care staff, as I mentioned a moment ago.

Furthermore, as population aging is also progressing outside Japan, we are going to utilize the extensive experience and knowledge gained in Japan, where population aging has progressed the most, and engage in developing business overseas as well.

In addition to selling our products, we would like to spread the mechanism of the France Bed-style rental.

While there are differences in systems among countries, we would like to proceed with research, offer services which only our company can provide as the pioneer of welfare equipment rental in Japan, and solve troubles overseas as well.

Q: “What kind of challenges do you think will arise in order to implement such initiatives?”

One challenge will be the securing of human resources for operating business overseas. Alongside recruitment and training, we are considering cooperation with trading companies instead of taking on everything all by ourselves.

Regarding product development as well, we are not planning to do everything on our own. For example, the role of sensors in medical and nursing-care devices will become increasingly important, and regarding such technologies, we are going to proceed with development based on alliances with companies specialized in sensors.

I also believe that it will be necessary to engage in open innovation in cooperation with not only enterprises, but also with universities and research institutions.

Q: “Thank you very much. Lastly, please give a message toward shareholders and investors.”

Our company aims to be useful to the society by solving trouble of our customers.

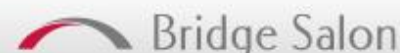
As we are an enterprise, naturally we need to increase our sales and profit. However, instead of pursuing nothing but efficiency, we intend to recognize the social meaning of our existence and keep being useful to society from now on as well.

I will be glad if investors who can relate to this idea support our company from a medium- to long-term perspective as shareholders.

6. Conclusions

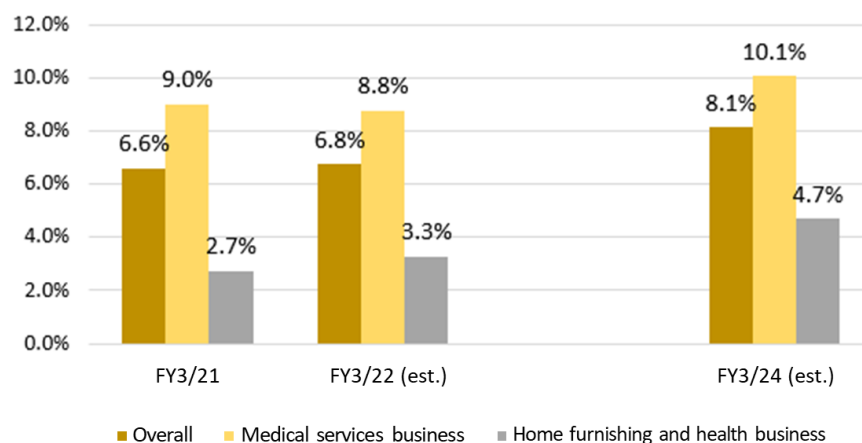
According to the Medium-Term Management Plan, ordinary income margin will exceed 10% in the term ending March 2024. To achieve this, the growth of the medical services business is essential, and another key is the progress of the home furnishing and health business, in which the CAGR of ordinary income is expected to exceed 20%. To realize it, it is important to distribute products with high added value, such as the new “Life Treatment Mattress” and the environmentally friendly mattress “Reco Plus.” We would like to pay attention to how speedily their business will grow, recouping the investment in the enlargement of showrooms of the corporate group.

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In the long-term viewpoint, we would like to expect from their ESG-oriented management aimed at coexisting with shareholders who recognize and agree with the social roles of the company rather than sticking to just efficiency.

Variation in Ordinary Income Margin



<Reference: Regarding Corporate Governance>

◎Organization Type and the Composition of Directors and Auditors

Organization type	Company with audit and supervisory committee
Directors	9 directors, including 3 outside ones

◎Corporate Governance Report

Last updated on June 30, 2021.

<Basic Policy>

Our company recognizes that corporate governance is the basic framework for corporate management in relation to various stakeholders such as shareholders, customers, employees, business partners, and local communities, and consists of the (i) supervisory function of management, (ii) establishment of corporate ethics, (iii) risk management, (iv) compliance, (v) accountability, and (vi) improvement of management efficiency. In light of this basic framework, we believe that it is our greatest responsibility to strive to increase shareholder profits.

In recognition of this, we shifted to a company with an audit committee to further enhance its corporate governance system in June 2016. In addition, based on the resolution of the 16th Annual Meeting of Shareholders held on June 25, 2019, one independent outside director, who will be a member of the audit committee, will be added to reinforce the audit and supervisory functions of the company. This will contribute to the sustainable growth of our company and its subsidiaries (hereinafter referred to as the “Group”) and the creation of a business culture and corporate climate that respects better business ethics.

To enhance and strengthen corporate governance, our company has identified four issues to be addressed: (i) enhancement of audit functions, (ii) ensuring compliance with laws and regulations, (iii) improvement of IR, and (iv) promoting the organic revitalization of its subsidiary businesses.

In order to address these issues, we will clarify and enhance the functions of the company’s board of directors, audit committee, and other groups (audit group, corporate planning group, accounting and general affairs group, secretarial group, and human resources department), and clearly define and strengthen their functions to improve the transparency of management.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
[Supplementary Principle 3-1-2: Enhancement of Information Disclosure]	Currently, our foreign shareholding ratio is less than 10%, and we do not disclose or provide information in English. However, we will discuss this in accordance with changes in shareholding ratios.
[Supplementary Principle 4-11: Preconditions for Ensuring the Effectiveness of the Boards of Directors and Auditors]	The company's board of directors currently consists of and is managed by nine directors (including four members of the audit committee) who possess outstanding character, insight, and superior management skills. They are all both male and Japanese, so we will continue to discuss the diversification of the board including the appointment of women.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
[Principle 1-4 Strategically Held Shares]	<p>The Group strategically holds shares with the aim to achieve sustainable growth and enhance corporate value.</p> <p>Annually, we routinely and continuously compare transactions, returns, such as dividends, risks, and capital cost for strategically held shares to assess their reasonableness from a mid-to-long term perspective. In the event that the reasonableness of shareholding cannot be confirmed through assessment, we will proceed in reducing those shares.</p> <p>With regard to exercising voting rights of strategically held shares, each proposal at the General Meeting of Shareholders is discussed based on the viewpoint of improving the mid-to-long term corporate value of both the Group and the issuing company. Proposals that are deemed to undermine corporate value will be opposed. For the issuing companies that have posted a deficit successively for a certain period or caused a scandal or the like, proposals will be carefully examined and be dealt appropriately.</p>
[Principle 5-1 Policy for Constructive Dialogue with Shareholders]	<p>Our company appoints a director to supervise IR and defines a corporate planning division as its IR department. Financial report briefings are conducted every six months for shareholders and investors. The Representative Director, Chairman, and President and others will explain management policies, financial standing, etc., directly to attendees, and these contents are published on the company's website.</p> <p>In addition, small meetings for institutional investors and company briefings for individual investors are held several times a year, and as much as possible, the Representative Director participates and gives explanations.</p>

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