

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 (J-GAAP)

July 31, 2017

Company name: **France Bed Holdings Co., Ltd.**

Code number: 7840

Listing exchanges: Tokyo

URL: <http://www.francebed-hd.co.jp>

Tel: +81-3-6741-5501

Representative: Shigeru Ikeda, President

Contact person: Tsutomu Shimada, Director (Accounting Group)

Scheduled date to submit quarterly report: August 10, 2017

Scheduled date of the start of dividend payments: —

Preparation of supplementary explanation materials for 1Q financial results: None

1Q earnings announcement: None

(Amounts less than one million yen have been truncated)

1. Consolidated Results for the Three Months Ended June 30, 2017

(April 1, 2017 – June 30, 2017)

(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	%
Three months ended June 30, 2017	12,385	-0.6	531	-3.7	510	-5.7	324	-11.9
Three months ended June 30, 2016	12,460	-0.7	551	-12.6	541	-12.5	368	-4.4

Note: Comprehensive income

Three months ended June 30, 2017: ¥284 million (68.2 %)

Three months ended June 30, 2016: ¥169 million (-63.3 %)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three months ended June 30, 2017	8.07	—
Three months ended June 30, 2016	9.02	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2017	62,828	37,860	60.2	942.62
As of March 31, 2017	62,454	38,077	60.9	948.03

Reference: Shareholders' equity

As of June 30, 2017: ¥37,860 million

As of March 31, 2017: ¥38,077 million

2. Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
Fiscal year ended March 31, 2017	Yen —	Yen 12.50	Yen —	Yen 12.50	Yen 25.00
Fiscal year ending March 31, 2018	—				
Fiscal year ending March 31, 2018 (Outlook)		12.50	—	12.50	25.00

Note: Revisions to the dividends outlook since most recent announcement: None

3. Forecasts of Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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
First half	26,000	2.4	1,220	14.0	1,170	9.6	730	24.6	18.17
Full year	53,000	1.6	2,700	16.0	2,700	17.7	1,800	-6.7	44.81

Note: Revisions to the forecasts of results since most recent announcement: None

Footnote items

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of special accounting treatments for the preparation of the consolidated financial statement: None

(3) 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: None

4) Changes in presentation due to revisions: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2017: 44,897,500 shares

As of March 31, 2017: 44,897,500 shares

2) Number of treasury shares at the end of the period

As of June 30, 2017: 4,732,679 shares

As of March 31, 2017: 4,732,656 shares

3) Average number of shares issued during the period

April 2017 – June 2017: 40,164,827 shares

April 2016 – June 2016: 40,863,461 shares

[The quarterly review procedures do not apply to these Consolidated Financial Results]

[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.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2017 (as of March 31, 2017)	1Q of FY2018 (as of June 30, 2017)
Assets		
Current assets		
Cash and deposits	10,849	11,430
Notes and accounts receivable – trade	9,886	8,704
Electronically recorded monetary claims – operating	628	737
Securities	2,799	3,299
Merchandise and finished goods	4,967	5,167
Work in process	416	417
Raw materials and supplies	1,737	1,841
Other	1,807	1,883
Allowance for doubtful accounts	(7)	(6)
Total current assets	33,084	33,476
Non-current assets		
Property, plant and equipment	16,169	16,197
Intangible assets	1,869	1,793
Investments and other assets		
Net defined benefit asset	9,365	9,304
Other	1,943	2,037
Total investments and other assets	11,308	11,341
Total non-current assets	29,347	29,332
Deferred assets	23	18
Total assets	62,454	62,828
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,538	3,552
Accounts payable for factoring	2,287	2,165
Short-term loans payable	2,050	2,050
Current portion of bonds	800	800
Current portion of long-term loans payable	1,200	1,200
Income taxes payable	301	72
Provision	1,288	617
Other	3,976	5,583
Total current liabilities	15,442	16,041
Non-current liabilities		
Bonds payable	3,150	3,150
Long-term loans payable	300	300
Provision	555	98
Net defined benefit liability	515	515
Asset retirement obligations	26	26
Other	4,387	4,835
Total non-current liabilities	8,934	8,926
Total liabilities	24,377	24,967

	FY2017 (as of March 31, 2017)	1Q of FY2018 (as of June 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	33,391	33,213
Treasury shares	(4,533)	(4,533)
Total shareholders' equity	33,725	33,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59	79
Deferred gains or losses on hedges	—	14
Remeasurements of defined benefit plans	4,292	4,218
Total accumulated other comprehensive income	4,352	4,312
Total net assets	38,077	37,860
Total liabilities and net assets	62,454	62,828

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Three months ended June 30, 2016 and 2017)

(Million yen)

	Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)
Net sales	12,460	12,385
Cost of sales	6,377	6,280
Gross profit	6,083	6,104
Selling, general and administrative expenses	5,531	5,573
Operating profit	551	531
Non-operating income		
Interest income	0	0
Dividend income	8	6
Share of profit of entities accounted for using equity method	—	0
Other	21	27
Total non-operating income	30	34
Non-operating expenses		
Interest expenses	19	19
Other	20	35
Total non-operating expenses	40	55
Ordinary profit	541	510
Extraordinary income		
Gain on sales of investment securities	—	0
Total extraordinary income	—	0
Extraordinary losses		
Loss on retirement of non-current assets	2	3
Loss on valuation of investment securities	0	—
Total extraordinary losses	3	3
Profit before income taxes	538	507
Income taxes – current	37	34
Income taxes – deferred	131	148
Total income taxes	169	183
Profit	368	324
Profit attributable to owners of parent	368	324

Consolidated Statements of Comprehensive Income
(Three months ended June 30, 2016 and 2017)

(Million yen)

	Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)
Profit	368	324
Other comprehensive income		
Valuation difference on available-for-sale securities	(129)	20
Deferred gains or losses on hedges	(66)	14
Remeasurements of defined benefit plans, net of tax	(4)	(74)
Total other comprehensive income	(199)	(39)
Comprehensive income	169	284
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	169	284
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to the Consolidated Financial Statements

(Notes to the Going Concern Assumption)

Not applicable

(Notes Regarding Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Segment Information)

1. Information on net sales, income or loss by reporting segments

Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated statements of income (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to external customers	6,820	4,784	11,604	855	12,460	—	12,460
Internal sales among segments or transfers	1	194	196	31	228	(228)	—
Total	6,822	4,979	11,801	887	12,688	(228)	12,460
Segment income	404	93	497	6	504	47	551

Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated statements of income (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to external customers	6,880	4,716	11,596	789	12,385	—	12,385
Internal sales among segments or transfers	1	208	209	27	236	(236)	—
Total	6,881	4,924	11,806	816	12,622	(236)	12,385
Segment income	429	71	501	7	508	22	531

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)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Intersegment transaction elimination	226	216
Corporate expenses*	(178)	(194)
Total	47	22

*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.

3. Segment income is adjusted with operating profit reported in the consolidated statements of income.

(Significant Subsequent Events)

Retirement of treasury shares

The Company resolved to retire its treasury shares at the Board of Directors' meeting held on June 27, 2017 pursuant to the provisions of Article 178 of the Companies Act, and retired the treasury shares as described below:

1. Reason for retirement of the treasury shares
To improve capital efficiency and increase shareholder profit
2. Outline of the treasury shares retired
 - (1) Type of the shares retired
Common shares of the Company
 - (2) Total number of the shares retired
2,500,000 shares (5.57% of the total number of shares issued prior to retirement)
 - (3) Date of retirement
July 14, 2017
 - (4) Total number of the shares issued after retirement
42,397,500 shares

Disposal of treasury shares as restricted stock compensation

The Company resolved to dispose its treasury shares as restricted stock compensation for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) of the Company and Directors of the Company's subsidiaries at a Board of Directors' meeting held on June 27, 2017, and disposed the treasury shares as described below:

1. Outline of the treasury shares disposed
 - (1) Type of the shares disposed
Common shares of the Company
 - (2) Total number of the shares disposed
102,500 shares
 - (3) Disposal value
1,002 yen per share
 - (4) Total disposal value
102,705,000 yen
 - (5) Method of offer or disposal
Method of allocating certain restricted stocks
 - (6) Method of contribution
In-kind contribution of monetary compensation receivables
 - (7) Recipients of allocation, number of recipients and shares to be disposed
 - Directors of the Company (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members): Four persons, 66,500 shares
 - Directors of the Company's subsidiaries: Two persons, 36,000 shares
 - (8) Disposal date
July 21, 2017
 - (9) Others
A securities registration statement regarding this disposal of treasury shares has been filed pursuant to the Financial Instruments and Exchange Act.

2. Purpose and reasons for disposal

The Company revised the directors' compensation system at the Board of Directors' meeting held on May 12, 2017 mainly by abolishing the system of directors' retirement benefits, adopting a new compensation system and reducing the maximum amount of compensation under the existing system. In the course of this revision, it resolved to introduce a restricted stock compensation plan (hereinafter, the "Plan") as a new compensation system for Directors of the Company (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members; hereinafter, "Eligible Directors") and Directors of the Company's subsidiaries (together with the Eligible Directors; hereinafter, collectively "Eligible Directors, etc.") for the purpose of granting medium- to long-term incentives to and sharing shareholder value with the Eligible Directors, etc. Subsequently, the Company received approval to pay Eligible Directors a maximum of 100,000,000 yen per year as monetary compensation receivables as contributed property for acquisition of the restricted stock (hereinafter, "restricted stock compensation"), based on the Plan, at the 14th Ordinary General

Shareholders' Meeting held on June 23, 2017, and to set the transfer restriction period of the restricted stock between three to six years, as determined by the Board of Directors.