

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2019 (J-GAAP)

July 31, 2018

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

Code number: 7840

Listing exchanges: Tokyo

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Representative: Shigeru Ikeda, President

Contact person: Tsutomu Shimada, Director (Accounting Group)

Scheduled date to submit quarterly report: August 10, 2018

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, 2018

(April 1, 2018 – June 30, 2018)

(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, 2018	12,504	0.9	584	10.0	569	11.5	418	28.8
Three months ended June 30, 2017	12,385	-0.6	531	-3.7	510	-5.7	324	-11.9

Note: Comprehensive income

Three months ended June 30, 2018: ¥257 million (-9.6 %)

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

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three months ended June 30, 2018	10.54	—
Three months ended June 30, 2017	8.07	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2018	63,520	39,652	62.4	1,009.83
As of March 31, 2018	65,140	40,884	62.7	1,015.33

Reference: Shareholders' equity

As of June 30, 2018: ¥39,652 million

As of March 31, 2018: ¥40,884 million

Note: From the beginning of the first quarter of the fiscal year ending 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.

2. Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	12.50	—	12.50	25.00
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (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, 2019 (April 1, 2018 – March 31, 2019)

(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	1.1	2,800	7.4	2,730	4.7	1,700	-5.8	42.21

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, 2018: 41,397,500 shares
 - As of March 31, 2018: 42,397,500 shares
 - 2) Number of treasury shares at the end of the period
 - As of June 30, 2018: 2,130,750 shares
 - As of March 31, 2018: 2,130,550 shares
 - 3) Average number of shares issued during the period
 - April 2018 – June 2018: 39,658,611 shares
 - April 2017 – June 2017: 40,164,827 shares

[The consolidated financial results presented herein are not subject to the quarterly review 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.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2018 (as of March 31, 2018)	1Q of FY2019 (as of June 30, 2018)
Assets		
Current assets		
Cash and deposits	8,954	7,778
Notes and accounts receivable – trade	10,117	8,687
Electronically recorded monetary claims – operating	666	990
Securities	4,299	4,299
Merchandise and finished goods	5,050	5,174
Work in process	475	447
Raw materials and supplies	1,991	2,164
Other	1,202	1,464
Allowance for doubtful accounts	(18)	(107)
Total current assets	32,739	30,897
Non-current assets		
Property, plant and equipment	16,112	16,336
Intangible assets	1,848	1,781
Investments and other assets		
Net defined benefit asset	12,375	12,324
Other	2,026	2,145
Total investments and other assets	14,401	14,470
Total non-current assets	32,362	32,588
Deferred assets	38	33
Total assets	65,140	63,520
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,123	2,909
Electronically recorded obligations - operating	2,057	2,168
Short-term loans payable	2,050	2,050
Current portion of bonds	3,150	3,150
Income taxes payable	1,588	1,116
Provision	1,248	630
Other	4,128	5,692
Total current liabilities	17,346	17,717
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term loans payable	300	300
Provision	105	106
Net defined benefit liability	531	532
Asset retirement obligations	26	27
Other	4,445	3,683
Total non-current liabilities	6,909	6,149
Total liabilities	24,256	23,867

(Million yen)

	FY2018 (as of March 31, 2018)	1Q of FY2019 (as of June 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Retained earnings	33,669	32,617
Treasury shares	(2,041)	(2,059)
Total shareholders' equity	34,628	33,557
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	67
Deferred gains or losses on hedges	(40)	(25)
Remeasurements of defined benefit plans	6,224	6,053
Total accumulated other comprehensive income	6,255	6,095
Total net assets	40,884	39,652
Total liabilities and net assets	65,140	63,520

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income
(Three months ended June 30, 2017 and 2018)

(Million yen)

	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Net sales	12,385	12,504
Cost of sales	6,280	6,251
Gross profit	6,104	6,252
Selling, general and administrative expenses	5,573	5,667
Operating profit	531	584
Non-operating income		
Interest income	0	0
Dividend income	6	10
Share of profit of entities accounted for using equity method	0	0
Other	27	21
Total non-operating income	34	32
Non-operating expenses		
Interest expenses	19	15
Other	35	31
Total non-operating expenses	55	47
Ordinary profit	510	569
Extraordinary income		
Gain on sales of investment securities	0	—
Gain on liquidation of subsidiaries	—	10
Total extraordinary income	0	10
Extraordinary losses		
Loss on retirement of non-current assets	3	3
Total extraordinary losses	3	3
Profit before income taxes	507	576
Income taxes – current	34	1,037
Income taxes – deferred	148	(878)
Total income taxes	183	158
Profit	324	418
Profit attributable to owners of parent	324	418

Consolidated Statements of Comprehensive Income
(Three months ended June 30, 2017 and 2018)

(Million yen)

	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Profit	324	418
Other comprehensive income		
Valuation difference on available-for-sale securities	20	(5)
Deferred gains or losses on hedges	14	15
Remeasurements of defined benefit plans, net of tax	(74)	(170)
Total other comprehensive income	(39)	(160)
Comprehensive income	284	257
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	284	257
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)

Acquisition and retirement of treasury shares

In accordance with resolution of the Board of Directors' meeting held on May 11, 2018, the Company acquired 1,000,000 shares of its treasury shares. In accordance with resolution of the Board of Directors' meeting held on June 15, 2018, the Company retired 1,000,000 shares of its treasury shares on June 22, 2018. As a result of these, capital surplus registered a negative value, and the relevant amount was deducted from retained earnings.

As a result of the above, retained earnings decreased by 966 million yen for the three months ended June 30, 2018. As of June 30, 2018, retained earnings amounted to 32,617 million yen and treasury shares stood at 2,059 million yen.

(Supplementary Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

From the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

(Segment Information)

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

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

Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(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	7,136	4,552	11,688	815	12,504	—	12,504
Internal sales among segments or transfers	2	238	241	24	266	(266)	—
Total	7,139	4,791	11,930	840	12,770	(266)	12,504
Segment income	570	0	570	7	578	5	584

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, 2017	Three months ended June 30, 2018
Intersegment transaction elimination	216	206
Corporate expenses*	(194)	(200)
Total	22	5

*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)

Disposal of treasury shares as restricted stock compensation

The Company resolved to dispose of its treasury shares as restricted stock compensation for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) of the Company and a Director of the Company's subsidiary at the Board of Directors' meeting held on July 17, 2018, and will dispose of the treasury shares as described below:

- Outline of the treasury shares to be disposed of
 - (1) Type of the shares to be disposed of
Common shares of the Company
 - (2) Total number of the shares to be disposed of
15,300 shares
 - (3) Disposal value
935 yen per share
 - (4) Total disposal value
14,305,500 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 of
 - Directors of the Company (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members): Two persons, 1,900 shares
 - Directors of the Company's subsidiaries: One person, 13,400 shares
 - (8) Disposal date
August 2, 2018
 - (9) Others
A securities registration statement regarding this disposal of treasury shares has been filed pursuant to the Financial Instruments and Exchange Act.