

## Results for the Second Quarter of the Fiscal Year Ending March 31, 2014 (Japanese GAAP) (April 1, 2013 ~ September 30, 2013)

October 31, 2013

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

Listing Exchanges : Tokyo

Code number : 7840

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Scheduled date to file quarterly report : November 12, 2013

Scheduled date of the start of dividend payments: December 6, 2013

Preparation of quarterly earnings presentation material: Yes

Holding of quarterly earnings announcement : Yes(for Institutional investors and analysts)

(Figures of less than ¥1million have been omitted)

### 1. Consolidated results for the Second quarter of the fiscal year ending March 2014 (April 1, 2013 ~ September 30, 2013)

#### (1) Consolidated Operating Results

(% figures are changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter ended Sept. 30, 2013	25,637	3.4	1,181	28.9	1,167	31.4	626	8.3
Second quarter ended Sept. 30, 2012	24,771	3.6	916	39.0	887	40.4	578	161.2

(Note) Comprehensive income: Second quarter ended Sept. 30, 2013 : ¥ 651 million (41.3%) Second quarter ended Sept. 30, 2012 : ¥ 460 million (81.1%)

	Earnings per share	Earnings per share, diluted
	yen	yen
Second quarter ended Sept. 30, 2013	2.86	—
Second quarter ended Sept. 30, 2012	2.64	—

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' equity ratio
	Million yen	Million yen	%
Second quarter ended Sept. 30, 2013	58,300	36,380	62.4
Fiscal year ended March 31, 2013	61,021	36,208	59.3

(Reference) Shareholder's equity: Second quarter ended Sept. 30, 2013: ¥36,380million Fiscal year ended March 31, 2013: ¥36,208million

### 2. Dividends

Base date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
Fiscal year ended March 31, 2013	yen —	yen 1.75	yen —	yen 2.25	yen 4.00
Fiscal year ended March 31, 2014	—	2.25			
Fiscal year ended March 31, 2014 (Outlook)			—	2.25	4.50

Note : Changes to the dividend forecast during the period under review : None

### 3.Forecasts of results for the Fiscal Year Ending March 2014 (April 1, 2013 ~ March 31, 2014)

(Percentage figures for the full fiscal year are changes from the previous fiscal year)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Annual	53,600	5.4	2,800	37.0	2,750	36.2	1,460	29.1	6.68

(Note) Changes to the consolidated forecasts during the period under review : None

#### Footnote Items

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

Note: Although this is not applicable to changes regarding specific companies, France Bed International (Thailand) Co., Ltd., a consolidated subsidiary, has been excluded from the scope of consolidation since the first quarter of the fiscal year under review.

(2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and changes in presentation 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 stock)	Second quarter of FY2014.3 224,487,500 shares	FY2013.3 224,487,500 shares
[2] Number of treasury stock at the end of the period	Second quarter of FY2014.3 6,109,927 shares	FY2013.3 6,109,026 shares
[3] Average number of shares issued during the period (quarterly accumulation period)	Second quarter of FY2014.3 218,377,955 shares	Second quarter of FY2013.3 218,964,012 shares

※ Presentation of implementation status for quarterly review procedures

This financial summary is exempt from the quarterly review procedures based on Financial Instruments and Exchange Law. At the time when this quarterly consolidated financial statements was disclosed, the quarterly review procedures based on the Financial Instruments and Exchange Law had not been completed.

※ Explanation related to appropriate use of results forecasts and other items warranting special mention

(Note to descriptions about the future, etc.)

The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and certain assumptions considered reasonable.

They do not represent guarantees of future outcomes. Actual results could differ materially from forecasts, depending on a range of factors.

(How to access supplementary materials on business results)

The Company is scheduled to hold a presentation meeting on its business results for institutional investors and analysts on Friday, November 29, 2013. We plan to post the materials and video of this meeting on the Company's website immediately after the meeting.

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## 1. Qualitative Information on Second Quarter Results

### (1) Consolidated Management Performance

In the first six months of the current fiscal year (hereinafter “the period under review”), the Japanese economic environment remained uncertain, mainly because of concerns over the slowdown in emerging economies, despite signs of being on a path to recovery, such as the recovery of stock prices and the correction of the strong yen resulting from the effects of the government’s financial and economic policy measures.

In this environment, the France Bed Group (hereinafter the “Group”) sought to bolster its overall earnings by investing its management resources in the medical services business, with the aim of meeting the increasing need for nursing care, and by focusing on selling high-performance products with high added value in the home furnishing and health business.

The Group also continued to develop products for its new Rehatech brand, designed for active seniors, by utilizing the product development capabilities of the divisions in charge of the above two businesses, advertising Rehatech products in the market by taking advantage of these divisions’ sales channels.

In this environment, Group sales for the period under review amounted to 25,637 million yen (up 3.4% year on year). Consolidated operating income increased to 1,181 million yen (up 28.9% year on year), while consolidated ordinary income rose to 1,167 million yen (up 31.4% year on year). Consolidated net income for the period under review rose to 626 million yen (up 8.3% year on year).

#### (Medical services business)

In the medical services business, mainly by increasing its human resources, the Group sought to expand its sales, chiefly for its rental business in the welfare equipment rental market, where nursing care insurance payments are on the rise.

The Group endeavored to increase its number of customers by focusing on expanding sales of new products such as Sofwa, a bedsore prevention mattress developed so that it can be used by the many people who have concerns about bedsores, and FBN-PJJ97 SU, a comfortable hospital bed for regular home use that features a mattress as wide as a single bed (970 mm).

In addition, the Group aimed to generate new sales by starting to advertise new products under the Rehatech brand, namely, the R-active that helps people who can walk independently to go out, and the Smart Walker, a walking chair with an automatic speed control brake that supports walking, walking training, and the walking stability of people who have difficulty walking. The Group also sought to improve the availability of its products and maintain its solid brand value, mainly by holding training sessions and product briefings for care managers and sales agents and continuing to air TV commercials.

In addition, the Group focused on selling the Low-Floor Floor Bed FLB-03, which reduces the risk of users falling from beds and the burden on carers, to hospitals, welfare facilities, and the like, and also trained its product salespeople in an effort to help them become a reliable workforce.

As a result of these activities, consolidated net sales for the medical services business came to 13,540 million yen (down 1.3% year on year). Consolidated operating income for the business amounted to 879 million yen (up 6.5% year on year).

#### (Home furnishing and health business)

In the home furnishing and health business, to meet the needs of consumers who would like quality sleep or to pursue an independent lifestyle, the Group continued to release high-performance products with high added value. By focusing on the sales of these products, the Group is striving to bolster its earnings capabilities.

The Group sought to increase the unit prices of mattresses by taking steps to generate new demand, mainly by introducing the Rehatech Mattress to the market, which offers users a comfortable sleeping experience through its superior decentralization and ventilation functions, and the LOOPER MOVE series of beds with reclining mattresses. The Group continued to promote sales for products such as high-quality electric reclining beds for active seniors, which combine the design characteristics of high-grade beds for home use with the functionality of medical and nursing beds.

Moreover, the Group approached the specialty furniture stores it has transactional relationships with and the operators it has recently begun trading with in different business categories to promote Rehatech brand products, organizing events that allow consumers to test out products such as its electrically assisted tricycle and the S141, an electric wheelchair with a steering wheel.

As a result of these initiatives, net sales for the home furnishing and health business amounted to 10,151 million yen (up 10.3% year on year). The business generated operating income of 323 million yen (jumping 373.9% year on year).

### **(Other businesses)**

In the nursing-care welfare equipment business, the Group endeavored to secure sales by focusing on sales at show rooms in addition to its previous door-to-door sales.

In the commodities and sundries sales business, the Group reviewed its product lineup and continued to “scrap and build” at stores, but conditions remained difficult.

As a result of the initiatives described above, sales in its other businesses totaled 1,945 million yen (up 5.6% year on year), and operating loss for the business was 32 million yen (compared with an operating income of 5 million yen in the same period of the previous fiscal year).

## **(2) Consolidated Financial Position**

### **Total assets**

Total assets at the end of the period under review fell 2,720 million yen from the end of the previous fiscal year, to 58,300 million yen. Current assets decreased 2,260 million yen from the end of the previous fiscal year, to 32,000 million yen. The major factors behind these results included a decline of 1,500 million yen in marketable securities and a decrease of 1,222 million yen in notes and accounts receivable-trade, offsetting a rise of 518 million yen in inventories. Fixed assets decreased 522 million yen from the end of the previous fiscal year, to 26,225 million yen. The major factors behind these results included the transfer to current assets of a time deposit for 600 million yen that was applicable to the one-year rule.

### **Liabilities**

Liabilities decreased by 2,892 million yen from the end of the previous fiscal year, to 21,920 million yen. These results mainly reflected declines of 739 million yen in notes and accounts payable-trade, 374 million yen in accounts payable for factoring, 799 million yen in income taxes payable, and 768 million yen in long-term accounts payable-other.

### **Net assets**

Net assets increased 172 million yen from the end of the previous fiscal year, to 36,380 million yen. Major contributors to this result included net income for the quarter under review of 626 million yen and cash dividends paid of 491 million yen.

As a result of the changes stated above, the shareholders' equity ratio rose from 59.3% at the end of the previous fiscal year to 62.4%.

### **Status of cash flow**

Cash flows for the six months under review produced a decrease in cash and cash equivalents of 1,502 million yen (including a decrease in cash and cash equivalents resulting from a change in scope of consolidation of 85 million yen) from the end of the previous fiscal year, to 10,082 million yen. Details of the individual cash flow items are as follows.

#### **(1) Net cash provided by operating activities**

Net cash provided by operating activities came to 614 million yen (compared with 2,980 million yen in the previous fiscal year). Major contributors were net income before income taxes and minority interests of 1,155 million yen and a decrease of 1,247 million yen in account receivables, offsetting outflows such as a decrease of 730 million yen in procurement obligations, a transfer out to the defined contribution plan of 781 million yen, and income taxes paid of 768 million yen.

#### **(2) Net cash used for investing activities**

Net cash used in investing activities totaled 1,421 million yen (compared with 1,551 million yen in the previous fiscal year). Major causes included expenditure on the acquisition of tangible fixed assets of 1,749 million yen and purchase of intangible fixed assets of 174 million yen, offsetting proceeds from withdrawal of time deposits of 500 million yen.

#### **(3) Net cash provided by financing activities**

Net cash used in financing activities was 609 million yen (compared with 859 million yen in the previous fiscal year). The main factors behind the outflow were expenditure associated with the issuance of bonds of 71 million yen and dividends paid of 490 million yen.

## **(3) Explanation of consolidated operating results and future forecast information**

There has been no change to the performance forecast that was announced in the “Consolidated Business Results for the Fiscal Year Ended March 31, 2013,” dated May 15, 2013.

## **2. Matters related to summary information (footnote items)**

### **(1) Changes in the state of material subsidiaries during the period:** Not applicable

Although not applicable to changes regarding specific companies, France Bed International (Thailand) Co., Ltd., a consolidated subsidiary, has been excluded from the scope of consolidation since the first quarter of the fiscal year under review.

### 3. Consolidated Financial Statements

#### (1) Consolidated quarterly balance sheets

(In millions of yen)

	FY2013 (As of March 31, 2013)	Second quarter of FY2014 (As of September 30, 2013)
<b>ASSET</b>		
<b>Current assets</b>		
Cash and deposits	7,084	7,183
Notes and accounts receivable-trade	11,083	9,860
Securities	5,998	4,497
Merchandise and finished goods	5,428	5,683
Work in process	434	430
Raw materials and supplies	1,862	2,129
Other	2,381	2,225
Allowance for doubtful accounts	△13	△11
Total current assets	34,260	32,000
<b>Noncurrent assets</b>		
Property, plant and equipment		
Land	6,413	6,413
Other, net	9,291	9,436
Total property, plant and equipment	15,705	15,849
Intangible assets	990	943
Investments and other assets		
Prepaid pension cost	5,914	6,185
Other	4,137	3,247
Total investments and other assets	10,052	9,432
Total noncurrent assets	26,747	26,225
<b>Deferred assets</b>	12	74
<b>Total assets</b>	61,021	58,300
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,806	3,066
Accounts payable for factoring	2,335	1,961
Short-term loans payable	1,650	1,650
Current portion of bonds	3,150	-
Current portion of long-term loans payable	-	900
Income taxes payable	925	126
Provision for bonuses	1,191	1,230
Other provision	57	32
Other	4,452	4,309
Total current liabilities	17,568	13,276
<b>Noncurrent liabilities</b>		
Bonds payable	400	3,550
Long-term loans payable	2,000	1,100
Provision for retirement benefits	756	705
Other provision	479	494
Asset retirement obligations	24	24
Other	3,583	2,769
Total noncurrent liabilities	7,244	8,643
<b>Total liabilities</b>	24,813	21,920

(In millions of yen)

	FY2013 (As of March 31,2013)	Second quarter of FY2014 (As of September 30, 2013)
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,451	32,574
Treasury stock	△1,229	△1,229
Total shareholders' equity	36,089	36,212
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	143	179
Deferred gains or losses on hedges	0	△11
Foreign currency translation adjustment	△25	—
Total accumulated other comprehensive income	118	168
<b>Total net assets</b>	<b>36,208</b>	<b>36,380</b>
<b>Total liabilities and net assets</b>	<b>61,021</b>	<b>58,300</b>

**(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income**

(Consolidated quarterly statements of income)

(In millions of yen)

	Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)	Second quarter of FY2014 (From April 1, 2013 to September 30, 2013)
<b>Net sales</b>	24,771	25,637
<b>Cost of sales</b>	13,474	13,702
<b>Gross profit</b>	11,297	11,934
<b>Selling, general and administrative expenses</b>	10,380	10,752
<b>Operating income</b>	916	1,181
<b>Non-operating income</b>		
Interest income	7	5
Dividends income	11	11
Compensation income	10	17
Other	43	38
Total non-operating income	73	72
<b>Non-operating expenses</b>		
Interest expenses	47	43
Other	54	43
Total non-operating expenses	101	86
<b>Ordinary income</b>	887	1,167
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	0	0
Gain on sales of investment securities	0	–
Gain on insurance adjustment	399	–
Other	7	–
Total extraordinary income	407	0
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets	14	11
Loss on valuation of investment securities	0	–
Loss on disaster	213	–
Total extraordinary losses	227	11
<b>Income before income taxes</b>	1,067	1,155
<b>Income taxes-current</b>	453	105
<b>Income taxes-deferred</b>	36	423
<b>Total income taxes</b>	489	529
<b>Income before minority interests</b>	578	626
<b>Net income</b>	578	626



(Consolidated quarterly statements of comprehensive income)

(In millions of yen)

	Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)	Second quarter of FY2014 (From April 1, 2013 to September 30, 2013)
<b>Income before minority interests</b>	578	626
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	△121	36
Deferred gains or losses on hedges	9	△12
Foreign currency translation adjustment	△5	-
Total other comprehensive income	△117	24
<b>Comprehensive income</b>	460	651
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	460	651
Comprehensive income attributable to minority interests	-	-

**(3) Consolidated quarterly statements of cash flows**

(In millions of yen)

Second quarter of FY2013                      Second quarter of FY2014  
(From April 1, 2012 to September 30, 2012) (From April 1, 2013 to September 30, 2013)

<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	1,067	1,155
Depreciation and amortization	1,840	1,805
Loss (gain) on sales of noncurrent assets	△0	△0
Loss on retirement of noncurrent assets	12	6
Loss (gain) on sales of investment securities	△0	-
Loss (gain) on valuation of investment securities	0	-
Increase (decrease) in allowance for doubtful accounts	△7	△3
Increase (decrease) in provision for bonuses	11	39
Increase (decrease) in provision for retirement benefits	93	△51
Decrease (increase) in prepaid pension costs	△35	△270
Increase (decrease) in provision for directors' retirement benefits	△5	14
Increase (decrease) in provision for loss on disaster	58	△2
Increase (decrease) in other provision	△0	△22
Interest and dividends income	△19	△16
Interest expenses	47	43
Loss on disaster	154	-
Gain on insurance claim	△399	-
Decrease (increase) in notes and accounts receivable-trade	1,522	1,247
Decrease (increase) in inventories	△220	△522
Increase (decrease) in notes and accounts payable-trade	△737	△730
Increase (decrease) in accounts payable for factoring	△68	△374
Increase (decrease) in accounts payable-other resulting from transition to a defined-contribution pension plan	-	△781
Increase (decrease) in accrued expenses	△93	15
Other, net	△170	△142
<b>Subtotal</b>	<b>3,050</b>	<b>1,409</b>
Interest and dividends income received	20	16
Interest expenses paid	△47	△42
Income taxes (paid) refund	19	△768
Payments for loss on disaster	△63	-
<b>Net cash provided by (used in) operating activities</b>	<b>2,980</b>	<b>614</b>

(In millions of yen)

Second quarter of FY2013                      Second quarter of FY2014  
 (From April 1, 2012 to September 30, 2012) (From April 1, 2013 to September 30, 2013)

<b>Cash flows from investing activities</b>		
Payments into time deposits	△2,100	-
Proceeds from withdrawal of time deposits	2,100	500
Purchase of securities	△999	△999
Proceeds from redemption of securities	999	999
Purchase of property, plant and equipment	△1,412	△1,749
Proceeds from sales of property, plant and equipment	0	0
Purchase of investment securities	△0	△0
Proceeds from sales of investment securities	100	-
Purchase of other securities of subsidiaries and affiliates	△103	-
Payments of loans receivable	△20	△0
Collection of loans receivable	4	2
Purchase of intangible assets	△120	△174
Net cash provided by (used in) investing activities	△1,551	△1,421
<b>Cash flows from financing activities</b>		
Decrease in short-term loans payable	△50	-
Proceeds from issuance of bonds	-	3,078
Redemption of bonds	-	△3,150
Purchase of treasury stock	△312	△0
Proceeds from sale and leaseback	712	729
Repayments of lease obligations	△824	△778
Cash dividends paid	△384	△490
Net cash provided by (used in) financing activities	△859	△609
Effect of exchange rate change on cash and cash equivalents	△3	0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>566</b>	<b>△1,416</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,957</b>	<b>11,584</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>-</b>	<b>△85</b>
<b>Cash and cash equivalents at end of period</b>	<b>10,523</b>	<b>10,082</b>

**(4) Notes (Consolidated financial statements)**

( Notes concerning conditions of “going concern”)

Not applicable

( Special changes to shareholders equity)

Not applicable

(Segment information, etc.)

Segment information

## 1.Information related to sales and profit and loss amounts by reporting segment

Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)

(In millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to External Customers	13,727	9,202	22,930	1,841	24,771	-	24,771
Internal Sales among Segments or Transfers	0	255	256	46	302	Δ302	-
Total	13,728	9,458	23,186	1,887	25,074	Δ302	24,771
Segment Income / Loss	825	68	893	5	899	16	916

Second quarter of FY2014 (From April 1, 2012 to September 30, 2013)

(In millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to External Customers	13,540	10,151	23,691	1,945	25,637	-	25,637
Internal Sales among Segments or Transfers	4	298	302	64	367	Δ367	-
Total	13,544	10,449	23,994	2,010	26,004	Δ367	25,637
Segment Income / Loss	879	323	1,202	Δ32	1,170	11	1,181

(Note)

1. The Other Businesses segment is a business segment that is not included in the reported segments and includes businesses such as door-to-door sales business, sundries sales business, exhibition business and real estate lease business.

2. The item “Adjustments” contains the following:

Segment income

	Second quarter of FY2013	Second quarter of FY2014
Elimination of intersegment transactions	393	378
Corporate expenses	Δ376	Δ367
Total	16	11

General corporate expenses are expenses relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that cannot be attributed to any particular reporting segment.

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