

Results for the Third Quarter of the Fiscal Year Ending March 31, 2014 (Japanese GAAP) (April 1, 2013 ~ December 31, 2013)

January 31, 2014

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

Code number : 7840

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Scheduled date of the start of dividend payments: -

Preparation of quarterly earnings presentation material: No

Holding of quarterly earnings announcement : No

Listing Exchanges : Tokyo

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

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

1. Consolidated results for the Third quarter of the fiscal year ending March 2014 (April 1, 2013 ~ December 31, 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	%
Third quarter ended Dec. 31, 2013	39,202	5.1	1,919	32.9	1,910	35.4	1,051	17.6
Third quarter ended Dec. 31, 2012	37,289	3.2	1,444	29.3	1,410	29.5	893	276.1

(Note) Comprehensive income: As of December 31, 2013 : ¥ 1,131 million (28.0%) As of December 31, 2012 : ¥ 883 million (248.5%)

	Earnings per share	Earnings per share, diluted
	yen	yen
Third quarter ended Dec. 31, 2013	4.83	—
Third quarter ended Dec. 31, 2012	4.08	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' equity ratio
	Million yen	Million yen	%
Third quarter ended Dec. 31, 2013	57,901	35,516	61.3
Fiscal year ended March 31, 2013	61,021	36,208	59.3

(Reference) Shareholder's equity : As of December 31, 2013: ¥35,516million As of 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)	Third 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	Third quarter of FY2014.3 10,312,056 shares	FY2013.3 6,109,026 shares
[3] Average number of shares issued during the period (quarterly accumulation period)	Third quarter of FY2014.3 217,444,149 shares	Third quarter of FY2013.3 218,769,179 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 FinancialInstruments 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.

Contents

1. Qualitative information on Third Quarter Results	4
(1) Consolidated Management Performance	4
(2) Consolidated Financial Position	5
(3) Explanation of consolidated operating results and future forecast information	5
2. Matters related to summary information (footnote items)	5
(1) Changes in the state of material subsidiaries during the period	5
3. Consolidated Financial Statements	6
(1) Consolidated quarterly balance sheets	6
(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income	8
Consolidated quarterly statements of income	8
Consolidated quarterly statements of comprehensive income	8
(3) Notes (Consolidated financial statements)	9
(Notes concerning conditions of “going concern”)	9
(Special changes to shareholders equity)	9
(Segment information etc)	9

1. Qualitative Information on Third Quarter Results

(1) Consolidated Management Performance

In the first nine months of the current fiscal year (hereinafter, “the period under review”), uncertainty about the future of the Japanese economy remained high, mainly because concerns about a slowdown in consumer spending caused by the consumption tax hike and the downturn in the world economy have not been overcome. On the other hand, however, there were signs of recovery in corporate earnings and consumer spending, buoyed by the recovery of stock prices and the correction of the strong yen. This reflected the effects of the government’s financial and economic policy measures with the aim of ending deflation.

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 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 39,202 million yen (up 5.1% year on year). Consolidated operating income increased to 1,919 million yen (up 32.9% year on year), while consolidated ordinary income rose to 1,910 million yen (up 35.4% year on year). Consolidated net income for the period under review rose to 1,051 million yen (up 17.6% year on year).

① (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 the FK-95, a mattress that mitigates pressure on the abdomen by removing this pressure and reducing sliding in the vertical position for the purpose of lightening the burden not only on users but also on caregivers, and the LOOPER MOVE RP-01, a mattress-type assistive raising device that can be placed directly on the floor or a Japanese tatami and lifts up the middle of the back and legs easily using a remote control switch.

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.

In the business related to hospitals and welfare facilities and the like, the Group participated in HOSPEX Japan 2013, which was held in October 2013, where it highlighted its development and technological capabilities and focused on selling, among others, the Low-Floor Floor Bed FLB-03, which reduces the risk of users falling from beds and the burden on caretakers.

As a result of these activities, consolidated net sales for the medical services business came to 20,652 million yen (up 0.8% year on year). Consolidated operating income for the business amounted to 1,286 million yen (up 9.3% year on year).

② (Home furnishing and health business)

In the home furnishing and health business, to meet the needs of customers 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 RP-1000 with motorized reclining mattresses. The Group continued to promote sales of unprecedented original products, including the FLOATIA, a dining room chair with a movable backrest that can be placed on the dining table to make it easy to clean under the table using cleaning robots and vacuum cleaners.

Moreover, the Group approached the specialty furniture stores it has transactional relationships with and 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, the S141, an electric wheelchair with a steering wheel, and the senior car R-active that helps older people to go out in a stylish and enjoyable manner.

As a result of these initiatives, net sales for the home furnishing and health business amounted to 15,604 million yen (up 11.7% year on year). The business generated operating income of 613 million yen (jumping 206.2% year on year).

③(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 2,945 million yen (up 3.3% year on year), and the operating loss for the business was 13 million yen (compared to an operating income of 22 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 3,120 million yen from the end of the previous fiscal year, to 57,901 million yen. Current assets decreased 2,690 million yen from the end of the previous fiscal year, to 31,569 million yen. The major factors behind these results included a decline of 2,999 million yen in marketable securities and a decrease of 430 million yen in notes and accounts receivable-trade, offsetting a rise of 192 million yen in cash and deposits and an increase of 403 million yen in inventories. Fixed assets decreased 487 million yen from the end of the previous fiscal year, to 26,260 million yen. The major factor behind these results included the transfer to current assets of a time deposit for 600 million yen that was applicable to the on-year rule.

(Liabilities)

Liabilities decreased by 2,428 million yen from the end of the previous fiscal year, to 22,385 million yen. These results mainly reflected declines of 338 million yen in accounts payable for factoring, 100 million yen in short-term loans payable, 879 million yen in income taxes payable and 806 million yen in long-term accounts payable-other.

(Net assets)

Net assets fell 692 million yen from the end of the previous fiscal year, to 35,516 million yen. Major contributors to this result included net income for the quarter under review of 1,051 million yen, which was offset by 853 million yen for the purchase of treasury stock and 982 million yen in cash dividends paid.

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 61.3%.

(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.

2. Consolidated Financial Statements

(1) Consolidated quarterly balance sheets

(In millions of yen)

	FY2013 (As of March 31, 2013)	Third quarter of FY2014 (As of December 31, 2013)
ASSETS		
Current assets		
Cash and deposits	7,084	7,277
Notes and accounts receivable-trade	11,083	10,652
Securities	5,998	2,998
Merchandise and finished goods	5,428	5,684
Work in process	434	397
Raw materials and supplies	1,862	2,046
Other	2,381	2,525
Allowance for doubtful accounts	△13	△12
Total current assets	34,260	31,569
Noncurrent assets		
Property, plant and equipment		
Land	6,413	6,433
Other, net	9,291	9,445
Total property, plant and equipment	15,705	15,878
Intangible assets	990	913
Investments and other assets		
Prepaid pension cost	5,914	6,286
Other	4,137	3,181
Total investments and other assets	10,052	9,468
Total noncurrent assets	26,747	26,260
Deferred assets	12	70
Total assets	61,021	57,901
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	3,806	3,770
Accounts payable for factoring	2,335	1,997
Short-term loans payable	1,650	1,550
Current portion of bonds	3,150	-
Current portion of long-term loans payable	-	2,000
Income taxes payable	925	45
Provision for bonuses	1,191	621
Other provision	57	48
Other	4,452	4,841
Total current liabilities	17,568	14,875
Noncurrent liabilities		
Bonds payable	400	3,550
Long-term loans payable	2,000	-
Provision for retirement benefits	756	704
Other provision	479	507
Asset retirement obligations	24	24
Other	3,583	2,722
Total noncurrent liabilities	7,244	7,509
Total liabilities	24,813	22,385

(In millions of yen)

	FY2013 (As of March 31,2013)	Third quarter of FY2014 (As of December 31, 2013)
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,451	32,507
Treasury stock	△1,229	△2,082
Total shareholders' equity	36,089	35,292
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	143	204
Deferred gains or losses on hedges	0	18
Foreign currency translation adjustment	△25	-
Total accumulated other comprehensive income	118	223
Total net assets	36,208	35,516
TOTAL LIABILITIES AND NET ASSETS	61,021	57,901

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

(Consolidated quarterly statements of income)

(In millions of yen)

	Third quarter of FY2013 (From April 1, 2012 to December 31, 2012)	Third quarter of FY2014 (From April 1, 2013 to December 31, 2013)
Net sales	37,289	39,202
Cost of sales	20,198	21,073
Gross profit	17,091	18,128
Selling, general and administrative expenses	15,647	16,209
Operating income	1,444	1,919
Non-operating income		
Interest income	10	7
Dividends income	21	19
Compensation income	13	26
Other	70	74
Total non-operating income	115	127
Non-operating expenses		
Interest expenses	69	64
Other	79	71
Total non-operating expenses	149	135
Ordinary income	1,410	1,910
Extraordinary income		
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
Extraordinary loss		
Loss on retirement of noncurrent assets	16	25
Loss on disaster	243	-
Total extraordinary losses	259	25
Income before income taxes and minority interests	1,558	1,885
Income taxes-current	402	123
Income taxes-deferred	262	711
Total income taxes	664	834
Income before minority interests	893	1,051
Net income	893	1,051

(Consolidated quarterly statements of comprehensive income)

(In millions of yen)

	Third quarter of FY2013 (From April 1, 2012 to December 31, 2012)	Third quarter of FY2014 (From April 1, 2013 to December 31, 2013)
Income before minority interests	893	1,051
Other comprehensive income		
Valuation difference on available-for-sale securities	△34	61
Deferred gains or losses on hedges	19	18
Foreign currency translation adjustment	4	-
Total other comprehensive income	△10	79
Comprehensive income	883	1,131
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	883	1,131
Comprehensive income attributable to minority interests	-	-

(3) Notes (Consolidated financial statements)

(Notes concerning conditions of “going concern”)

Not applicable

(Special changes to shareholders equity)

At the meeting of its Board of Directors held on October 31, 2013, the Group resolved to acquire treasury stock in accordance with Article 156 of the Companies Act as applied pursuant to Article 165-3 thereof. On November 1, 2013, the Group acquired 4,200,000 shares of its common stock. As a result, its treasury stock increased 852 million yen in the period under review.

(Segment information, etc.)

Segment information

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

Third quarter of FY2013 (From April 1, 2012 to December 31, 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	20,473	13,966	34,440	2,849	37,289	-	37,289
Internal Sales among Segments or Transfers	1	364	365	67	433	Δ433	-
Total	20,474	14,330	34,805	2,916	37,722	Δ433	37,289
Segment Income	1,175	200	1,376	22	1,398	45	1,444

Third quarter of FY2014 (From April 1, 2013 to December 31, 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	20,652	15,604	36,257	2,945	39,202	-	39,202
Internal Sales among Segments or Transfers	4	440	445	94	539	Δ539	-
Total	20,656	16,045	36,702	3,039	39,741	Δ539	39,202
Segment Income	1,286	613	1,899	Δ13	1,885	33	1,919

(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

	Third quarter of FY2013	Third quarter of FY2014
Elimination of intersegment transactions	598	564
Corporate expenses	Δ552	Δ531
Total	45	33

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.