

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2016 (J-GAAP)

October 30, 2015

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: November 10, 2015

Scheduled date of the start of dividend payments: December 4, 2015

Preparation of supplementary explanation materials for 2Q financial results: Yes

2Q earnings announcement: Yes (for securities analysts and institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Results for the Six Months Ended September 30, 2015

(April 1, 2015 – September 30, 2015)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2015	25,651	2.8	1,194	48.9	1,176	47.1	656	76.5
Six months ended September 30, 2014	24,949	-2.6	802	-32.1	799	-31.5	372	-40.6

Note: Comprehensive income

Six months ended September 30, 2015: ¥507 million (0.6%)

Six months ended September 30, 2014: ¥504 million (-22.5%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Six months ended September 30, 2015	15.42	—
Six months ended September 30, 2014	8.68	—

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Profit per share shown above is calculated as if the consolidation of shares had been carried out on April 1, 2014.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2015	58,213	36,701	63.0	871.47
As of March 31, 2015	59,409	37,287	62.7	870.51

Reference: Shareholders' equity

As of September 30, 2015: ¥36,701 million

As of March 31, 2015: ¥37,287 million

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Net assets shown above are calculated as if the consolidation of shares had been carried out on April 1, 2014.

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, 2015	—	2.25	—	2.25	4.50
Fiscal year ending March 31, 2016	—	2.50			
Fiscal year ending March 31, 2016 (Outlook)			—	12.50	—

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

The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. The amount shown for the year-end dividend per share for the fiscal year ending March 31, 2016 (outlook), is calculated factoring in the impact of this consolidation of shares; while the amount of total annual dividend is presented as “—.”

For details, please see “Note concerning the appropriate use of performance forecasts and other related items.”

3. Forecasts of Results for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	53,500	3.0	2,200	27.6	2,150	23.1	1,100	21.5	25.68

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

The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Profit per share shown in the full-year forecasts of results for the fiscal year ending March 31, 2016, factors in the impact following the consolidation of shares.

For details, please see “Note concerning the appropriate use of performance forecasts and other related items.”

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: Yes

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 September 30, 2015: 44,897,500 shares

As of March 31, 2015: 44,897,500 shares

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

As of September 30, 2015: 2,783,005 shares

As of March 31, 2015: 2,063,596 shares

- 3) Average number of shares issued during the period
April 2015 – September 2015: 42,593,857 shares
April 2014 – September 2014: 42,834,609 shares

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. The amounts shown for number of shares issued at the end of the period, number of treasury shares at the end of the period, and average number of shares issued during the period are calculated as if the consolidation of shares had been carried out on April 1, 2014.

[Implementation status of quarterly review procedures]

These consolidated results are not subject to the review procedures of the Financial Instruments and Exchange Act. As of the release date of this financial report, the review procedures for the consolidated financial statements had not been completed.

[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.

(Outlook of dividends and performance forecasts following the consolidation of shares)

The Company, at the 12th Ordinary General Meeting of Shareholders, held on June 24, 2015, resolved to change the number of shares per unit and conduct a consolidation of its common shares effective October 1, 2015. On that date, the number of shares per unit was changed to 100 from 1,000, and a consolidation of shares was carried out at a ratio of 1-for-5 shares of common stock. The outlook for dividends and consolidated performance forecasts for the fiscal year ending March 31, 2016, calculated without factoring in the consolidation of shares, are as follows.

1. Outlook for dividends for the fiscal year ending March 31, 2016
End of second quarter: 2.50 yen (Note 1)
End of fiscal year: 2.50 yen (Note 2)
2. Consolidated performance forecasts for the fiscal year ending March 31, 2016
Profit per share
Full year: 5.13 yen

Notes 1. Dividends for the end of second quarter will be paid in accordance with the number of shares before the consolidation of shares.

2. The amount of dividends has been calculated without factoring in the consolidation of shares.

3. Annual dividends for the fiscal year ending March 31, 2016 without factoring in the consolidation of shares will amount to 5.00 yen.

(Method for obtaining supplementary explanation materials of financial results)

The Company scheduled a presentation of financial results for institutional investors and securities analysts on Tuesday, December 1, 2015. Handout materials and video of the presentation will be posted on its website immediately following the presentation.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	FY2015 (as of March 31, 2015)	2Q of FY2016 (as of September 30, 2015)
Assets		
Current assets		
Cash and deposits	7,213	7,325
Notes and accounts receivable – trade	10,933	9,447
Securities	2,498	3,898
Merchandise and finished goods	5,646	5,346
Work in process	530	497
Raw materials and supplies	1,903	1,917
Other	2,126	1,986
Allowance for doubtful accounts	(10)	(8)
Total current assets	30,843	30,412
Non-current assets		
Property, plant and equipment		
Land	6,800	6,463
Others, net	9,484	9,939
Total property, plant and equipment	16,284	16,402
Intangible assets	885	791
Investments and other assets		
Net defined benefit asset	8,404	8,303
Other	2,930	2,253
Total investments and other assets	11,335	10,557
Total non-current assets	28,505	27,750
Deferred assets	60	50
Total assets	59,409	58,213
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,469	3,228
Accounts payable for factoring	2,207	1,826
Short-term loans payable	1,550	1,850
Current portion of bonds	400	400
Income taxes payable	222	242
Provision for bonuses	1,237	1,248
Other provision	62	37
Other	4,375	4,440
Total current liabilities	13,524	13,273
Non-current liabilities		
Bonds payable	3,950	3,950
Long-term loans payable	1,200	1,200
Provision	532	533
Net defined benefit liability	607	569
Asset retirement obligations	25	25
Other	2,282	1,960
Total non-current liabilities	8,597	8,238
Total liabilities	22,122	21,512

(Million yen)

	FY2015 (as of March 31, 2015)	2Q of FY2016 (as of September 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,087	32,262
Treasury shares	(2,083)	(2,695)
Total shareholders' equity	34,871	34,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	305	269
Deferred gains or losses on hedges	(12)	6
Remeasurements of defined benefit plans	2,122	1,990
Total accumulated other comprehensive income	2,415	2,266
Total net assets	37,287	36,701
Total liabilities and net assets	59,409	58,213

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Six months ended September 30, 2014 and 2015)

(Million yen)

	Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)
Net sales	24,949	25,651
Cost of sales	13,029	13,438
Gross profit	11,919	12,213
Selling, general and administrative expenses	11,117	11,018
Operating income	802	1,194
Non-operating income		
Interest income	3	3
Dividend income	11	10
Other	78	64
Total non-operating income	93	78
Non-operating expenses		
Interest expenses	41	36
Other	54	60
Total non-operating expenses	96	97
Ordinary income	799	1,176
Extraordinary income		
Gain on sales of non-current assets	0	7
Total extraordinary income	0	7
Extraordinary losses		
Loss on retirement of non-current assets	10	10
Loss on valuation of investment securities	—	20
Total extraordinary losses	10	30
Income before income taxes and minority interests	789	1,153
Income taxes – current	72	219
Income taxes – deferred	344	276
Total income taxes	417	496
Profit	372	656
Profit attributable to owners of parent	372	656

Consolidated Statements of Comprehensive Income
(Six months ended September 30, 2014 and 2015)

(Million yen)

	Six months ended September 30, 2014 (from April 1, 2014, to September 30, 2014)	Six months ended September 30, 2015 (from April 1, 2015, to September 30, 2015)
Profit	372	656
Other comprehensive income		
Valuation difference on available-for-sale securities	103	(36)
Deferred gains or losses on hedges	33	19
Remeasurements of defined benefit plans, net of tax	(4)	(132)
Total other comprehensive income	132	(149)
Comprehensive income	504	507
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	504	507
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2014 (from April 1, 2014, to September 30, 2014)	Six months ended September 30, 2015 (from April 1, 2015, to September 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	789	1,153
Depreciation	1,803	1,819
Loss (gain) on sales of non-current assets	(0)	(7)
Loss on retirement of non-current assets	7	10
Increase (decrease) in allowance for doubtful accounts	(5)	(7)
Increase (decrease) in provision for bonuses	(25)	11
Increase (decrease) in provision for directors' bonuses	(32)	(24)
Increase (decrease) in net defined benefit liability	(25)	(40)
Decrease (increase) in net defined benefit asset	69	(93)
Increase (decrease) in provision for directors' retirement benefits	(29)	0
Increase (decrease) in provision for business structure improvement	(35)	—
Loss (gain) on valuation of investment securities	—	20
Interest and dividend income	(14)	(14)
Interest expenses	41	36
Decrease (increase) in notes and accounts receivable – trade	2,952	1,498
Decrease (increase) in inventories	(1,051)	319
Increase (decrease) in notes and accounts payable – trade	(1,022)	(241)
Increase (decrease) in accounts payable for factoring	(450)	(380)
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(741)	(669)
Increase (decrease) in accrued expenses	(336)	(25)
Other, net	148	(107)
Subtotal	2,042	3,257
Interest and dividend income received	14	14
Interest expenses paid	(38)	(37)
Income taxes paid	(87)	(93)
Net cash provided by (used in) operating activities	1,931	3,140

(Million yen)

	Six months ended September 30, 2014 (from April 1, 2014, to September 30, 2014)	Six months ended September 30, 2015 (from April 1, 2015, to September 30, 2015)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	600	—
Purchase of property, plant and equipment	(1,603)	(1,953)
Proceeds from sales of property, plant and equipment	0	354
Purchase of investment securities	(600)	(0)
Purchase of shares of subsidiaries and associates	(20)	—
Collection of loans receivable	3	0
Purchase of intangible assets	(293)	(38)
Other, net	—	2
Net cash provided by (used in) investing activities	(1,914)	(1,634)
Cash flows from financing activities		
Increase in short-term loans payable	600	600
Decrease in short-term loans payable	(600)	(300)
Proceeds from long-term loans payable	900	—
Repayments of long-term loans payable	(900)	—
Purchase of treasury shares	(0)	(611)
Proceeds from sales and leasebacks	761	954
Repayments of lease obligations	(731)	(752)
Cash dividends paid	(588)	(482)
Net cash provided by (used in) financing activities	(558)	(592)
Effect of exchange rate change on cash and cash equivalents	12	(0)
Net increase (decrease) in cash and cash equivalents	(528)	912
Cash and cash equivalents at beginning of period	10,024	9,712
Cash and cash equivalents at end of period	9,495	10,624

(4) Notes to the Consolidated Financial Statements

(Notes to the Going Concern Assumption)

Not applicable

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

The Company's Board of Directors, at its meeting held on August 25, 2015, resolved to acquire treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of said Act, and on August 26, 2015, the Company acquired 3,594,000 shares of its own common stock. As a result, the amount of treasury shares increased by 610 million yen during the period.

(Segment Information)

Segment Information

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

Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(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	13,406	9,845	23,251	1,697	24,949	—	24,949
Internal sales among segments or transfers	2	347	349	71	421	(421)	—
Total	13,408	10,193	23,601	1,769	25,370	(421)	24,949
Segment income (loss)	722	72	795	(7)	787	14	802

Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(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	14,253	9,646	23,900	1,751	25,651	—	25,651
Internal sales among segments or transfers	6	420	426	48	475	(475)	—
Total	14,259	10,067	24,327	1,799	26,126	(475)	25,651
Segment income (loss)	1,061	169	1,231	(53)	1,178	16	1,194

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)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Intersegment transaction elimination	406	420
Corporate expenses*	(392)	(404)
Total	14	16

*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 (loss) is adjusted with operating income reported in the consolidated statements of income.

(Significant Subsequent Events)

The Company, at the 12th Ordinary General Meeting of Shareholders, held on June 24, 2015, resolved to carry out a consolidation of shares (at a ratio of 1-for-5 shares), to change the number of shares per unit (to 100 from 1,000 shares), and to change the total number of authorized shares (to 170 million from 900 million shares). Accordingly, a consolidation of its common shares at a ratio of 1-for-5 shares was carried out on October 1, 2015, based on the number of shares held by shareholders of record as of September 30, 2015.

As a result of the consolidation of shares, the total number of shares issued was reduced by 179,590,000, to 44,897,500 shares. The effect of this reduction on per share information is noted where appropriate.