

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2017 (J-GAAP)

October 31, 2016

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: November 11, 2016

Scheduled date of the start of dividend payments: December 5, 2016

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, 2016

(April 1, 2016 – September 30, 2016)

(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, 2016	25,384	-1.0	1,069	-10.4	1,067	-9.2	585	-10.8
Six months ended September 30, 2015	25,651	2.8	1,194	48.9	1,176	47.1	656	76.5

Note: Comprehensive income

Six months ended September 30, 2016: ¥440 million (-13.1%)

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

	Profit per share	Fully diluted profit per share
	Yen	Yen
Six months ended September 30, 2016	14.33	—
Six months ended September 30, 2015	15.42	—

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, 2015.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2016	58,979	36,360	61.6	889.81
As of March 31, 2016	59,666	36,431	61.0	891.52

Reference: Shareholders' equity

As of September 30, 2016: ¥36,360 million

As of March 31, 2016: ¥36,431 million

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, 2016	—	2.50	—	12.50	—
Fiscal year ending March 31, 2017	—	12.50			
Fiscal year ending March 31, 2017 (Outlook)			—	12.50	25.00

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. Dividends paid at the end of the second quarter of the fiscal year ended March 31, 2016, are presented as the actual amount of dividends prior to the consolidation of shares.

3. Forecasts of Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	54,400	3.3	2,800	7.8	2,720	5.9	1,630	16.2	39.88

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 September 30, 2016: 44,897,500 shares

As of March 31, 2016: 44,897,500 shares

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

As of September 30, 2016: 4,034,154 shares

As of March 31, 2016: 4,033,983 shares

3) Average number of shares issued during the period

April 2016 – September 2016: 40,863,403 shares

April 2015 – September 2015: 42,593,857 shares

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

[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.

[Method of obtaining supplementary materials of the financial results]

The Company scheduled a presentation of financial results for institutional investors and securities analysts on Friday, December 2, 2016. Handout materials of the presentation will be posted on its website immediately following the presentation.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2016 (as of March 31, 2016)	2Q of FY2017 (as of September 30, 2016)
Assets		
Current assets		
Cash and deposits	6,579	7,759
Notes and accounts receivable – trade	9,888	8,794
Electronically recorded monetary claims – operating	629	591
Securities	3,399	2,799
Merchandise and finished goods	5,561	5,147
Work in process	494	436
Raw materials and supplies	1,894	1,802
Other	2,100	1,676
Allowance for doubtful accounts	(8)	(7)
Total current assets	30,539	29,000
Non-current assets		
Property, plant and equipment		
Land	6,449	6,227
Others, net	10,107	10,072
Total property, plant and equipment	16,557	16,299
Intangible assets	775	1,971
Investments and other assets		
Net defined benefit asset	9,632	9,535
Other	2,120	2,139
Total investments and other assets	11,752	11,675
Total non-current assets	29,085	29,946
Deferred assets	41	32
Total assets	59,666	58,979
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,638	3,007
Accounts payable for factoring	2,266	2,048
Short-term loans payable	2,250	2,250
Current portion of bonds	—	800
Current portion of long-term loans payable	—	900
Income taxes payable	520	269
Provision for bonuses	1,280	1,239
Other provision	72	31
Other	4,540	3,910
Total current liabilities	14,569	14,458
Non-current liabilities		
Bonds payable	3,950	3,150
Long-term loans payable	1,200	300
Provision	558	534
Net defined benefit liability	535	540
Asset retirement obligations	25	26
Other	2,396	3,610
Total non-current liabilities	8,666	8,160
Total liabilities	23,235	22,618

(Million yen)

	FY2016 (as of March 31, 2016)	2Q of FY2017 (as of September 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,481	32,556
Treasury shares	(3,906)	(3,907)
Total shareholders' equity	33,442	33,517
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	108	18
Deferred gains or losses on hedges	(25)	(72)
Remeasurements of defined benefit plans	2,905	2,897
Total accumulated other comprehensive income	2,988	2,843
Total net assets	36,431	36,360
Total liabilities and net assets	59,666	58,979

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Six months ended September 30, 2015 and 2016)

(Million yen)

	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Net sales	25,651	25,384
Cost of sales	13,438	13,041
Gross profit	12,213	12,342
Selling, general and administrative expenses	11,018	11,272
Operating income	1,194	1,069
Non-operating income		
Interest income	3	1
Dividend income	10	12
Compensation income	11	24
Other	53	46
Total non-operating income	78	83
Non-operating expenses		
Interest expenses	36	39
Sales discounts	17	18
Other	43	29
Total non-operating expenses	97	86
Ordinary income	1,176	1,067
Extraordinary income		
Gain on sales of non-current assets	7	0
Gain on change in equity	—	143
Reversal of provision for loss on dissolution of employees' pension fund	—	4
Total extraordinary income	7	147
Extraordinary losses		
Loss on retirement of non-current assets	10	4
Impairment loss	—	269
Loss on valuation of investment securities	20	0
Other	—	14
Total extraordinary losses	30	288
Income before income taxes and minority interests	1,153	925
Income taxes – current	219	206
Income taxes – deferred	276	133
Total income taxes	496	340
Profit	656	585
Profit attributable to owners of parent	656	585

Consolidated Statements of Comprehensive Income
(Six months ended September 30, 2015 and 2016)

(Million yen)

	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Profit	656	585
Other comprehensive income		
Valuation difference on available-for-sale securities	(36)	(89)
Deferred gains or losses on hedges	19	(47)
Remeasurements of defined benefit plans, net of tax	(132)	(8)
Total other comprehensive income	(149)	(144)
Comprehensive income	507	440
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	507	440
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	1,153	925
Depreciation	1,819	1,815
Impairment loss	—	269
Loss (gain) on sales of non-current assets	(7)	(0)
Loss on retirement of non-current assets	10	4
Increase (decrease) in allowance for doubtful accounts	(7)	(4)
Increase (decrease) in provision for bonuses	11	(40)
Increase (decrease) in provision for directors' bonuses	(24)	(40)
Increase (decrease) in net defined benefit liability	(40)	(0)
Decrease (increase) in net defined benefit asset	(93)	88
Increase (decrease) in provision for directors' retirement benefits	0	(11)
Loss (gain) on valuation of investment securities	20	0
Reversal of provision for loss on dissolution of employees' pension fund	—	(4)
Loss (gain) on change in equity	—	(143)
Interest and dividend income	(14)	(13)
Interest expenses	36	39
Decrease (increase) in notes and accounts receivable – trade	1,498	1,131
Decrease (increase) in inventories	319	561
Increase (decrease) in notes and accounts payable – trade	(241)	(630)
Increase (decrease) in accounts payable for factoring	(380)	(217)
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(669)	(617)
Increase (decrease) in accrued expenses	(25)	(166)
Other, net	(107)	(1)
Subtotal	3,257	2,944
Interest and dividend income received	14	13
Interest expenses paid	(37)	(38)
Income taxes paid	(93)	(380)
Net cash provided by (used in) operating activities	3,140	2,539

(Million yen)

	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,953)	(1,734)
Proceeds from sales of property, plant and equipment	354	0
Proceeds from redemption of securities	—	600
Purchase of investment securities	(0)	(0)
Payments of loans receivable	—	(0)
Collection of loans receivable	0	0
Purchase of intangible assets	(38)	(1,243)
Other, net	2	0
Net cash provided by (used in) investing activities	(1,634)	(2,376)
Cash flows from financing activities		
Increase in short-term loans payable	600	—
Decrease in short-term loans payable	(300)	—
Purchase of treasury shares	(611)	(0)
Proceeds from sales and leasebacks	954	2,348
Repayments of lease obligations	(752)	(806)
Cash dividends paid	(482)	(509)
Net cash provided by (used in) financing activities	(592)	1,032
Effect of exchange rate change on cash and cash equivalents	(0)	(15)
Net increase (decrease) in cash and cash equivalents	912	1,180
Cash and cash equivalents at beginning of period	9,712	9,378
Cash and cash equivalents at end of period	10,624	10,559

(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)

Not applicable

(Segment Information)

Segment Information

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

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

Six months ended September 30, 2016 (From April 1, 2016 to September 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	13,967	9,684	23,651	1,732	25,384	—	25,384
Internal sales among segments or transfers	2	456	459	72	531	(531)	—
Total	13,970	10,140	24,111	1,805	25,916	(531)	25,384
Segment income (loss)	887	166	1,054	(2)	1,052	17	1,069

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, 2015	Six months ended September 30, 2016
Intersegment transaction elimination	420	428
Corporate expenses*	(404)	(410)
Total	16	17

*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.

2. Information on impairment loss on non-current assets or goodwill, etc., by reporting segments
 (Significant impairment loss relating to non-current assets)

(Million yen)

	Reporting segment			Other	Total	Adjustments	Consolidated statements of income
	Medical Services	Home Furnishing and Health	Total				
Impairment loss	6	4	10	258	269	—	269
Total	6	4	10	258	269	—	269

(Significant Subsequent Events)

Not applicable