

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2018 (J-GAAP)

October 31, 2017

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 14, 2017

Scheduled date of the start of dividend payments: December 5, 2017

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, 2017

(April 1, 2017 – September 30, 2017)

(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	%
Six months ended September 30, 2017	25,499	0.4	1,172	9.6	1,183	10.9	751	28.3
Six months ended September 30, 2016	25,384	-1.0	1,069	-10.4	1,067	-9.2	585	-10.8

Note: Comprehensive income

Six months ended September 30, 2017: ¥627 million (42.3 %)

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

	Profit per share	Fully diluted profit per share
	Yen	Yen
Six months ended September 30, 2017	18.69	—
Six months ended September 30, 2016	14.33	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2017	62,367	38,305	61.4	951.28
As of March 31, 2017	62,454	38,077	60.9	948.03

Reference: Shareholders' equity

As of September 30, 2017: ¥38,305 million

As of March 31, 2017: ¥38,077 million

2. Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
Fiscal year ended March 31, 2017	Yen —	Yen 12.50	Yen —	Yen 12.50	Yen 25.00
Fiscal year ending March 31, 2018	—	12.50			
Fiscal year ending March 31, 2018 (Outlook)			—	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, 2018 (April 1, 2017 – March 31, 2018)

(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	1.6	2,700	16.0	2,700	17.7	1,800	-6.7	44.81

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, 2017: 42,397,500 shares
 - As of March 31, 2017: 44,897,500 shares
 - 2) Number of treasury shares at the end of the period
 - As of September 30, 2017: 2,130,300 shares
 - As of March 31, 2017: 4,732,656 shares
 - 3) Average number of shares issued during the period
 - April 2017 – September 2017: 40,216,019 shares
 - April 2016 – September 2016: 40,863,403 shares

[The quarterly review procedures do not apply to these Consolidated Financial Results]

[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 1, 2017. Handout materials of the presentation will be posted on its website immediately following the presentation.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2017 (as of March 31, 2017)	2Q of FY2018 (as of September 30, 2017)
Assets		
Current assets		
Cash and deposits	10,849	10,035
Notes and accounts receivable – trade	9,886	9,007
Electronically recorded monetary claims – operating	628	624
Securities	2,799	4,299
Merchandise and finished goods	4,967	5,132
Work in process	416	429
Raw materials and supplies	1,737	1,811
Other	1,807	1,667
Allowance for doubtful accounts	(7)	(8)
Total current assets	33,084	32,999
Non-current assets		
Property, plant and equipment	16,169	16,121
Intangible assets	1,869	1,912
Investments and other assets		
Net defined benefit asset	9,365	9,252
Other	1,943	2,032
Total investments and other assets	11,308	11,284
Total non-current assets	29,347	29,318
Deferred assets	23	49
Total assets	62,454	62,367
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,438	3,281
Electronically recorded obligations - operating	99	1,416
Accounts payable for factoring	2,287	940
Short-term loans payable	2,050	2,050
Current portion of bonds	800	3,150
Current portion of long-term loans payable	1,200	300
Income taxes payable	301	410
Provision for bonuses	1,232	1,232
Other provision	56	1
Other	3,976	4,008
Total current liabilities	15,442	16,792
Non-current liabilities		
Bonds payable	3,150	1,500
Long-term loans payable	300	300
Provision	555	101
Net defined benefit liability	515	519
Asset retirement obligations	26	26
Other	4,387	4,821
Total non-current liabilities	8,934	7,269
Total liabilities	24,377	24,061

(Million yen)

	FY2017 (as of March 31, 2017)	2Q of FY2018 (as of September 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	—
Retained earnings	33,391	33,118
Treasury shares	(4,533)	(2,040)
Total shareholders' equity	33,725	34,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59	69
Deferred gains or losses on hedges	—	15
Remeasurements of defined benefit plans	4,292	4,143
Total accumulated other comprehensive income	4,352	4,228
Total net assets	38,077	38,305
Total liabilities and net assets	62,454	62,367

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Six months ended September 30, 2016 and 2017)

(Million yen)

	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Net sales	25,384	25,499
Cost of sales	13,041	12,951
Gross profit	12,342	12,548
Selling, general and administrative expenses	11,272	11,375
Operating profit	1,069	1,172
Non-operating income		
Interest income	1	0
Dividend income	12	10
Share of profit of entities accounted for using equity method	—	3
Other	70	99
Total non-operating income	83	114
Non-operating expenses		
Interest expenses	39	37
Other	47	65
Total non-operating expenses	86	103
Ordinary profit	1,067	1,183
Extraordinary income		
Gain on sales of non-current assets	0	5
Gain on sales of investment securities	—	30
Gain on change in equity	143	—
Reversal of provision for loss on dissolution of employees' pension fund	4	—
Total extraordinary income	147	36
Extraordinary losses		
Loss on retirement of non-current assets	4	13
Impairment loss	269	—
Loss on valuation of investment securities	0	—
Other	14	—
Total extraordinary losses	288	13
Profit before income taxes	925	1,206
Income taxes – current	206	347
Income taxes – deferred	133	106
Total income taxes	340	454
Profit	585	751
Profit attributable to owners of parent	585	751

Consolidated Statements of Comprehensive Income
(Six months ended September 30, 2016 and 2017)

(Million yen)

	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Profit	585	751
Other comprehensive income		
Valuation difference on available-for-sale securities	(89)	9
Deferred gains or losses on hedges	(47)	15
Remeasurements of defined benefit plans, net of tax	(8)	(149)
Total other comprehensive income	(144)	(124)
Comprehensive income	440	627
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	440	627
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	925	1,206
Depreciation	1,815	1,930
Impairment loss	269	—
Loss (gain) on sales of non-current assets	(0)	(5)
Loss on retirement of non-current assets	4	13
Increase (decrease) in allowance for doubtful accounts	(4)	(3)
Increase (decrease) in provision for bonuses	(40)	0
Increase (decrease) in provision for directors' bonuses	(40)	(55)
Increase (decrease) in net defined benefit liability	(0)	0
Decrease (increase) in net defined benefit asset	88	(99)
Increase (decrease) in provision for directors' retirement benefits	(11)	(454)
Loss (gain) on sales of investment securities	—	(30)
Loss (gain) on valuation of investment securities	0	—
Reversal of provision for loss on dissolution of employees' pension fund	(4)	—
Loss (gain) on change in equity	(143)	—
Interest and dividend income	(13)	(11)
Interest expenses	39	37
Share of (profit) loss of entities accounted for using equity method	—	(3)
Decrease (increase) in notes and accounts receivable – trade	1,131	883
Decrease (increase) in inventories	561	(252)
Increase (decrease) in notes and accounts payable – trade	(630)	1,159
Increase (decrease) in accounts payable for factoring	(217)	(1,346)
Increase (decrease) in long-term accounts payable – other	12	421
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(617)	—
Increase (decrease) in accrued expenses	(166)	(72)
Other, net	(13)	109
Subtotal	2,944	3,429
Interest and dividend income received	13	11
Interest expenses paid	(38)	(34)
Income taxes paid	(380)	(83)
Net cash provided by (used in) operating activities	2,539	3,322

(Million yen)

	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,734)	(1,755)
Proceeds from sales of property, plant and equipment	0	24
Proceeds from redemption of securities	600	—
Purchase of investment securities	(0)	(106)
Proceeds from sales of investment securities	—	120
Payments of loans receivable	(0)	—
Collection of loans receivable	0	0
Purchase of intangible assets	(1,243)	(143)
Other, net	0	1
Net cash provided by (used in) investing activities	(2,376)	(1,858)
Cash flows from financing activities		
Repayments of long-term loans payable	—	(900)
Proceeds from issuance of bonds	—	1,464
Redemption of bonds	—	(800)
Purchase of treasury shares	(0)	(0)
Proceeds from sales and leasebacks	2,348	865
Repayments of lease obligations	(806)	(905)
Cash dividends paid	(509)	(501)
Net cash provided by (used in) financing activities	1,032	(776)
Effect of exchange rate change on cash and cash equivalents	(15)	(0)
Net increase (decrease) in cash and cash equivalents	1,180	685
Cash and cash equivalents at beginning of period	9,378	13,648
Cash and cash equivalents at end of period	10,559	14,334

(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)

Retirement and disposal of treasury shares

In accordance with the resolution at the Board of Directors' meeting held on June 27, 2017, the Company retired 2,500,000 shares of its treasury shares on July 14, 2017 and disposed of 102,500 shares of its treasury shares on July 21, 2017. As a result, capital surplus registered a negative value, and the relevant amount was deducted from retained earnings.

As a result of the above, in the six months ended September 30, 2017, capital surplus, retained earnings and treasury shares decreased by 1,872 million yen, 522 million yen, and 2,493 million yen, respectively. Accordingly, at the end of the second quarter of the fiscal year under review, retained earnings came to 33,118 million yen and treasury shares stood at 2,040 million yen.

(Segment Information)

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

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

Six months ended September 30, 2017 (From April 1, 2017 to September 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	14,136	9,632	23,768	1,731	25,499	—	25,499
Internal sales among segments or transfers	2	516	518	62	581	(581)	—
Total	14,138	10,148	24,287	1,793	26,081	(581)	25,499
Segment income	965	184	1,149	9	1,159	13	1,172

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 set up and real estate leasing.

2. The details of "Adjustments" are as follows.

Segment income

(Million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Intersegment transaction elimination	428	476
Corporate expenses*	(410)	(463)
Total	17	13

*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 profit reported in the consolidated statements of income.

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

Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(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

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

Not applicable

(Significant Subsequent Events)

Not applicable