

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

January 31, 2018

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: February 14, 2018

Scheduled date of the start of dividend payments: —

Preparation of supplementary explanation materials for 3Q financial results: None

3Q earnings announcement: None

(Amounts less than one million yen have been truncated)

1. Consolidated Results for the Nine Months Ended December 31, 2017

(April 1, 2017 – December 31, 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	%
Nine months ended December 31, 2017	38,230	0.4	1,871	15.6	1,871	17.5	1,187	29.3
Nine months ended December 31, 2016	38,050	-1.6	1,618	-18.5	1,591	-18.3	918	-17.8

Note: Comprehensive income

Nine months ended December 31, 2017: ¥1,026 million (7.9 %)

Nine months ended December 31, 2016: ¥951 million (5.6 %)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended December 31, 2017	29.52	—
Nine months ended December 31, 2016	22.55	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	61,839	38,201	61.7	948.70
As of March 31, 2017	62,454	38,077	60.9	948.03

Reference: Shareholders' equity

As of December 31, 2017: ¥38,201 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 December 31, 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 December 31, 2017: 2,130,336 shares
 - As of March 31, 2017: 4,732,656 shares
 - 3) Average number of shares issued during the period
 - April 2017 – December 2017: 40,233,073 shares
 - April 2016 – December 2016: 40,708,207 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.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2017 (as of March 31, 2017)	3Q of FY2018 (as of December 31, 2017)
Assets		
Current assets		
Cash and deposits	10,849	9,021
Notes and accounts receivable – trade	9,886	8,636
Electronically recorded monetary claims – operating	628	767
Securities	2,799	4,299
Merchandise and finished goods	4,967	5,459
Work in process	416	433
Raw materials and supplies	1,737	2,088
Other	1,807	1,699
Allowance for doubtful accounts	(7)	(7)
Total current assets	33,084	32,398
Non-current assets		
Property, plant and equipment		
Land	6,186	6,186
Other, net	9,982	10,020
Total property, plant and equipment	16,169	16,207
Intangible assets	1,869	1,900
Investments and other assets		
Net defined benefit asset	9,365	9,199
Other	1,943	2,089
Total investments and other assets	11,308	11,289
Total non-current assets	29,347	29,396
Deferred assets	23	44
Total assets	62,454	61,839
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,438	3,218
Electronically recorded obligations - operating	99	2,661
Accounts payable for factoring	2,287	—
Short-term loans payable	2,050	2,050
Current portion of bonds	800	3,150
Current portion of long-term loans payable	1,200	—
Income taxes payable	301	454
Provision	1,288	616
Other	3,976	4,494
Total current liabilities	15,442	16,646
Non-current liabilities		
Bonds payable	3,150	1,500
Long-term loans payable	300	300
Provision	555	103
Net defined benefit liability	515	524
Asset retirement obligations	26	26
Other	4,387	4,536
Total non-current liabilities	8,934	6,991
Total liabilities	24,377	23,637

(Million yen)

	FY2017 (as of March 31, 2017)	3Q of FY2018 (as of December 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	—
Retained earnings	33,391	33,051
Treasury shares	(4,533)	(2,040)
Total shareholders' equity	33,725	34,010
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59	113
Deferred gains or losses on hedges	—	9
Remeasurements of defined benefit plans	4,292	4,068
Total accumulated other comprehensive income	4,352	4,191
Total net assets	38,077	38,201
Total liabilities and net assets	62,454	61,839

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Nine months ended December 31, 2016 and 2017)

(Million yen)

	Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Net sales	38,050	38,230
Cost of sales	19,468	19,360
Gross profit	18,581	18,869
Selling, general and administrative expenses	16,963	16,997
Operating profit	1,618	1,871
Non-operating income		
Interest income	1	1
Dividend income	21	17
Share of profit of entities accounted for using equity method	3	4
Other	99	123
Total non-operating income	125	145
Non-operating expenses		
Interest expenses	59	53
Other	93	92
Total non-operating expenses	153	146
Ordinary profit	1,591	1,871
Extraordinary income		
Gain on sales of non-current assets	0	5
Gain on sales of investment securities	2	30
Gain on change in equity	143	—
Reversal of provision for loss on dissolution of employees' pension fund	4	—
Total extraordinary income	150	36
Extraordinary losses		
Loss on retirement of non-current assets	8	15
Impairment loss	269	—
Loss on valuation of investment securities	0	—
Other	14	—
Total extraordinary losses	292	15
Profit before income taxes	1,449	1,893
Income taxes – current	157	664
Income taxes – deferred	373	40
Total income taxes	531	705
Profit	918	1,187
Profit attributable to owners of parent	918	1,187

Consolidated Statements of Comprehensive Income
(Nine months ended December 31, 2016 and 2017)

(Million yen)

	Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Profit	918	1,187
Other comprehensive income		
Valuation difference on available-for-sale securities	15	53
Deferred gains or losses on hedges	30	9
Remeasurements of defined benefit plans, net of tax	(12)	(224)
Total other comprehensive income	33	(161)
Comprehensive income	951	1,026
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	951	1,026
Comprehensive income attributable to non-controlling interests	—	—

(3) 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 nine months ended December 31, 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 third quarter of the fiscal year under review, retained earnings came to 33,051 million yen and treasury shares stood at 2,040 million yen.

(Segment Information)

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

Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 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	20,888	14,587	35,475	2,575	38,050	—	38,050
Internal sales among segments or transfers	4	656	660	112	772	(772)	—
Total	20,892	15,244	36,136	2,687	38,823	(772)	38,050
Segment income	1,319	251	1,570	10	1,581	37	1,618

Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 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	21,311	14,332	35,643	2,586	38,230	—	38,230
Internal sales among segments or transfers	3	734	738	92	830	(830)	—
Total	21,315	15,066	36,381	2,678	39,060	(830)	38,230
Segment income	1,506	295	1,801	42	1,843	28	1,871

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)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Intersegment transaction elimination	612	669
Corporate expenses*	(575)	(641)
Total	37	28

*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 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)

Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 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

Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

Not applicable