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August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: FRANCE BED HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 7840
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	14,815	6.0	1,031	3.9	1,038	3.0	653	5.9
June 30, 2023	13,969	1.4	992	12.2	1,006	15.1	616	13.2

Note: Comprehensive income For the three months ended June 30, 2024: ¥544 million [0.1%]
 For the three months ended June 30, 2023: ¥543 million [14.9%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	18.92	18.39
June 30, 2023	17.12	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	68,328	37,996	55.6	1,100.14
March 31, 2024	68,575	38,211	55.7	1,106.37

Reference: Equity
 As of June 30, 2024: ¥37,996 million
 As of March 31, 2024: ¥38,211 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	17.00	–	22.00	39.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		17.00	–	22.00	39.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	61,000	3.1	4,800	4.6	4,800	3.0	3,000	(4.2)	86.86

Note: Revisions to the earnings forecasts most recently announced: None

* **Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to “(3) Notes Regarding Quarterly Consolidated Financial Statements (Notes Regarding Changes in Accounting Policies)” under 2. Quarterly Consolidated Financial Statements and Primary Notes on page 8 of the accompanying materials.

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	38,397,500 shares
As of March 31, 2024	38,397,500 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2024	3,860,027 shares
As of March 31, 2024	3,859,837 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	34,537,561 shares
Three months ended June 30, 2023	36,019,957 shares

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * Explanation regarding appropriate use of earnings forecasts, and other special matters

Caution regarding forward-looking statements

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.

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1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Three Months Ended June 30, 2024

During the three months ended June 30, 2024 (the “period under review”), the Japanese economy saw a trend of gradual recovery due to improvement in the employment and income environment and escalating demand from inbound tourists. At the same time, however, the outlook remained uncertain due to factors that included persistently high raw material prices and energy prices accompanying an unstable international landscape and a depreciating yen.

Under these circumstances, the Group formulated a new medium-term management plan encompassing three years beginning in April 2024, and has accordingly been working to create corporate value through sustainability management aimed at realizing a sustainable society, while enhancing its operations by continuing to intensively allocate its management resources in the senior-care business.

In terms of operating results of the Group in the period under review, performance was adversely affected by factors such as rising costs due to the depreciating yen, increasing personnel expenses due to wage hikes, and surging distribution costs, but the core welfare equipment rental business achieved robust growth and results from property transactions for hospitals and welfare facilities were strong. As a result, net sales amounted to 14,815 million yen, up 6.0% year on year, operating profit amounted to 1,031 million yen, up 3.9% year on year, ordinary profit amounted to 1,038 million yen, up 3.0% year on year, and profit attributable to owners of parent amounted to 653 million yen, up 5.9% year on year.

Effective from the first quarter of the fiscal year ending March 31, 2025, the fiscal year-end of HOMECARE SERVICE YAMAGUCHI Co., Ltd., a consolidated subsidiary, has been changed from October 31 to March 31 in alignment with the consolidated balance sheet date. Due to this change in the fiscal year-end, the consolidated financial results of the period under review encompass five months of profit and loss attributable to said consolidated subsidiary. Further details are presented in “(3) Notes Regarding Quarterly Consolidated Financial Statements (Changes in Scope of Consolidation or Scope of Application of the Equity Method) (Change in fiscal year of consolidated subsidiary)” under 2. Quarterly Consolidated Financial Statements and Primary Notes.

The performance of each business segment for the period under review is described below:

(i) Medical Services Business

In the core welfare equipment rental business, we focused on gaining rental contracts through efforts that involved hiring sales personnel to increase the number of continual rental contracts and upgrading our fleet of delivery vehicles.

In product development, we persisted with efforts to expand sales of the RaKuDa bed for home-care needs that can be delivered and assembled by one person targeting welfare equipment rental business operators.

In regard to hospitals and welfare facilities, amid a scenario where medical and nursing care settings are encountering challenges of achieving greater productivity, we persisted with efforts in sales of IoT-related equipment for reducing workloads and achieving labor savings including beds fitted with the monitoring sensor M-2 and the sleep analysis sensor M-Sleep Bio, while also focusing on the B-to-B rental business with products such as furniture and appliances for elderly care facilities.

As a result, the Medical Services Business recorded net sales of 9,931 million yen, up 9.7% year on year, and ordinary profit of 829 million yen, up 8.9% year on year.

(ii) Home Furnishings and Health Business

In the Home Furnishings and Health Business, we focused on sales of high-performance higher-price-bracket products such as the motorized bed series as well as core products that include the LT (LIFE TREATMENT) Mattress premium model, LT LEGACY, mainly through our own showrooms.

Amid the phenomenon of an ever decreasing number of furniture specialty stores in Japan, we have been increasing the number of spaces that showcase the Group's products and in May 2024 also opened in Minato-ku, Tokyo our first sofa specialty showroom, which features products of the prominent South Korean JAKOMO sofa manufacturer as the main brand with the aim of increasing sales of our living room products.

In sales for hotels, we generated strong sales particularly with respect to Eco Mark-certified products amid increasingly active capital investment in hotels due to escalating demand from inbound tourists in Japan.

As a result, the Home Furnishings and Health Business posted net sales of 4,752 million yen, down 1.3% year on year, and ordinary profit of 216 million yen, down 17.9% year on year, mainly due to increased costs such as personnel expenses.

(2) Summary of Financial Position for the Three Months Ended June 30, 2024

Assets

Total assets decreased by 246 million yen from the end of the previous fiscal year ("the previous year-end"), to 68,328 million yen as of June 30, 2024. Current assets were up 151 million yen to 37,336 million yen from the previous year-end. This was primarily due to increases of 3,000 million yen in securities and 192 million yen in inventories, which were partially offset by decreases of 2,154 million yen in cash and deposits and 1,058 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating). Non-current assets decreased by 394 million yen from the previous year-end to 30,942 million yen. This result was primarily due to the purchase, depreciation and amortization of property, plant and equipment, and intangible assets and a decrease in deferred tax assets.

Liabilities

Total liabilities decreased by 30 million yen from the previous year-end to 30,332 million yen. This result was primarily due to decreases of 268 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating) and 389 million yen in income taxes payable, which were partially offset by an increase of 1,663 million yen in accrued expenses.

Net assets

Net assets decreased by 215 million yen from the previous year-end to 37,996 million yen. This was primarily due to a decrease resulting from the 759 million yen payment of dividends from surplus, which was partially offset by the 653 million yen profit attributable to owners of parent.

As a result, the equity-to-asset ratio decreased from 55.7% at the previous year-end to 55.6%.

(3) Explanation of Forward-looking Statements Including Consolidated Earnings Forecasts

The consolidated earnings forecasts that we announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 on May 15, 2024 remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,702	8,547
Notes and accounts receivable - trade	9,941	8,601
Electronically recorded monetary claims - operating	1,066	1,347
Securities	6,000	9,000
Merchandise and finished goods	5,960	6,112
Work in process	380	384
Raw materials and supplies	2,095	2,131
Other	1,078	1,232
Allowance for doubtful accounts	(40)	(21)
Total current assets	37,184	37,336
Non-current assets		
Property, plant and equipment		
Land	7,211	7,291
Other, net	13,659	13,562
Total property, plant and equipment	20,870	20,854
Intangible assets		
Goodwill	691	633
Other	1,044	1,001
Total intangible assets	1,736	1,634
Investments and other assets	8,730	8,453
Total non-current assets	31,336	30,942
Deferred assets	53	50
Total assets	68,575	68,328
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,844	2,513
Electronically recorded obligations - operating	2,002	2,065
Short-term borrowings	2,070	2,070
Current portion of long-term borrowings	290	290
Income taxes payable	479	90
Provision for bonuses	1,567	770
Other provisions	17	3
Other	5,872	7,453
Total current liabilities	15,144	15,255
Non-current liabilities		
Bonds payable	1,500	1,500
Convertible-bond-type bonds with share acquisition rights	5,049	5,047
Long-term borrowings	4,810	4,765
Provisions	158	105
Retirement benefit liability	446	434
Asset retirement obligations	360	361
Other	2,894	2,864
Total non-current liabilities	15,219	15,077
Total liabilities	30,363	30,332

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Retained earnings	37,755	37,649
Treasury shares	(4,170)	(4,170)
Total shareholders' equity	36,584	36,478
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(20)	(27)
Deferred gains or losses on hedges	37	51
Remeasurements of defined benefit plans	1,609	1,493
Total accumulated other comprehensive income	1,626	1,517
Total net assets	38,211	37,996
Total liabilities and net assets	68,575	68,328

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**Quarterly Consolidated Statement of Income (Cumulative)**

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	13,969	14,815
Cost of sales	6,270	6,766
Gross profit	7,699	8,049
Selling, general and administrative expenses	6,706	7,018
Operating profit	992	1,031
Non-operating income		
Interest income	1	3
Dividend income	3	3
Share of profit of entities accounted for using equity method	3	5
Other	38	28
Total non-operating income	47	39
Non-operating expenses		
Interest expenses	21	20
Other	11	11
Total non-operating expenses	32	32
Ordinary profit	1,006	1,038
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sale of non-current assets	-	1
Loss on retirement of non-current assets	0	4
Loss on valuation of investment securities	0	-
Total extraordinary losses	0	5
Profit before income taxes	1,006	1,032
Income taxes - current	83	70
Income taxes - deferred	306	308
Total income taxes	389	378
Profit	616	653
Profit attributable to owners of parent	616	653

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	616	653
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(7)
Deferred gains or losses on hedges	40	14
Remeasurements of defined benefit plans, net of tax	(107)	(115)
Total other comprehensive income	(72)	(108)
Comprehensive income	543	544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	543	544
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes Regarding Quarterly Consolidated Financial Statements**Notes Regarding Changes in Accounting Policies**

Application of Accounting Standard for Current Income Taxes, etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022).

There is no impact on the quarterly consolidated financial statements as a result of this change in accounting policy.

Notes on Segment Information, etc.

Segment information

Information on net sales and profit (loss) by reporting segment

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on quarterly consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	9,046	4,816	13,862	106	13,969	–	13,969
Internal sales among segments or transfers	2	39	41	1	43	(43)	–
Total	9,048	4,855	13,903	108	14,012	(43)	13,969
Segment profit (loss)	761	264	1,025	0	1,026	(19)	1,006

Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on quarterly consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	9,931	4,752	14,684	131	14,815	–	14,815
Internal sales among segments or transfers	1	43	44	2	47	(47)	–
Total	9,932	4,796	14,729	134	14,863	(47)	14,815
Segment profit (loss)	829	216	1,046	1	1,047	(9)	1,038

Notes: 1. The “Other” segment is a business segment not included in any of the reporting segments and includes such businesses as real estate leasing.

2. The details of “Adjustments” are as follows:

Segment profit (loss) (Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Elimination of inter-segment transactions	328	349
Corporate revenue and expenses*	(347)	(359)
Total	(19)	(9)

* Corporate revenue and expenses are primarily revenue and expenses that do not belong to the reporting segments pertaining to the company submitting the consolidated financial statements.

3. Segment profit (loss) is adjusted to be consistent with ordinary profit reported in the quarterly consolidated statements of income.

Notes Regarding Significant Changes in the Amount of Shareholders’ Equity

Not applicable

Notes Regarding the Going Concern Assumption

Not applicable

Notes Regarding Quarterly Consolidated Statement of Cash Flows

A quarterly consolidated statement of cash flows has not been prepared for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2023 and 2024 are as follows:

(Millions of yen)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Depreciation	1,350	1,309
Amortization of goodwill	59	58

Changes in Scope of Consolidation or Scope of Application of the Equity Method

Change in fiscal year of consolidated subsidiary

Effective from the first quarter of the fiscal year ending March 31, 2025, the fiscal year-end of HOMECARE SERVICE YAMAGUCHI Co., Ltd., a consolidated subsidiary, has been changed from October 31 to March 31 in alignment with the consolidated balance sheet date. The fiscal period for said consolidated subsidiary is to encompass five months with respect to the three months ended June 30, 2024 due to this change in the fiscal year-end, and the effect associated with this change in the fiscal year-end has been adjusted through the quarterly consolidated statement of income.

Said consolidated subsidiary posted net sales of 415 million yen, operating profit of 71 million yen, ordinary profit of 73 million yen, and profit before income taxes of 72 million yen for the period from February 1, 2024 to March 31, 2024.