

Results for the Second Quarter of the Fiscal Year Ending March 31, 2013 (Japanese GAAP)

(April 1, 2012 ~ September 30, 2012)

November 2, 2012

Company name : **France Bed Holdings Co., Ltd.**

Code number : 7840

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Scheduled date to file quarterly report : November 9, 2012

Scheduled date of the start of dividend payments: December 7, 2012

Preparation of quarterly earnings presentation material: Yes

Holding of quarterly earnings announcement : Yes(for Institutional investors and analysts)

(Figures of less than ¥1million have been omitted)

Listing Exchanges : Tokyo

URL : <http://www.francebed-hd.co.jp>

1. Consolidated results for the Second quarter of the fiscal year ending March 2013 (April 1, 2012 ~ September 30, 2012)

(1) Consolidated Operating Results

(% figures are changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter ended Sept. 30, 2012	24,771	3.6	916	39.0	887	40.4	578	161.2
Second quarter ended Sept. 30, 2011	23,888	0.2	658	111.3	632	133.0	221	75.2

(Note) Comprehensive income: Second quarter ended Sept. 30, 2012 : ¥460 million (81.1%) Second quarter ended Sept. 30, 2011: ¥254 million (-)

	Earnings per share	Earnings per share, diluted
	yen	yen
Second quarter ended Sept. 30, 2012	2.64	—
Second quarter ended Sept. 30, 2011	0.97	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' equity ratio
	Million yen	Million yen	%
Second quarter ended Sept. 30, 2012	58,742	35,770	60.8
Fiscal year ended March 31, 2012	59,651	36,007	60.3

(Reference) Shareholder's equity: Second quarter ended Sept. 30, 2012: ¥35,770million Fiscal year ended March 31, 2012: ¥36,007million

2. Dividends

Base date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2011	—	1.25	—	1.75	3.00
Fiscal year ended March 31, 2012	—	1.75			
Fiscal year ended March 31, 2012 (Outlook)			—	1.75	3.50

Note: Changes to the dividend forecast during the period under review : None

3.Forecasts of results for the Fiscal Year Ending March 2013 (April 1, 2012 ~ March 31, 2013)

(Percentage figures for the full fiscal year are changes from the previous fiscal year)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Annual	52,700	5.8	2,320	42.7	2,250	41.2	1,190	152.1	5.40

(Note) Changes to the consolidated forecasts during the period under review : None

Footnote Items

(1) Changes in the state of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None

(2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and changes in presentation 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 stock)	Second quarter of FY2012.3 224,487,500 shares	FY2012.3 239,487,500 shares
[2] Number of treasury stock at the end of the period	Second quarter of FY2012.3 6,107,986 shares	FY2011.3 19,233,950 shares
[3] Average number of shares issued during the period (quarterly accumulation period)	Second quarter of FY2012.3 218,964,012 shares	Second quarter of FY2011.3 227,085,675 shares

※ Presentation of implementation status for quarterly review procedures

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have been reviewed in accordance with the Financial Instruments and Exchange Act at the time of announcement of this summary.

※ Explanation related to appropriate use of results forecasts and other items warranting special mention

(Note to descriptions about the future, etc.)

The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and certain assumptions considered reasonable.

They do not represent guarantees of future outcomes. Actual results could differ materially from forecasts, depending on a range of factors.

(How to access supplementary materials on business results)

The Company is scheduled to hold a presentation meeting on its business results for institutional investors and analysts on Wednesday, November 28, 2012. We plan to post the materials and video of this meeting on the Company's website immediately after the meeting.

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1. Qualitative Information on Second Quarter Results

(1) Consolidated Management Performance

In the first six months of the current fiscal year (hereinafter, “the period under review”), uncertainty about the future of the Japanese economy remained high, mainly reflecting the persistent strength of the yen, the government debt problem in Europe, and a slowdown in emerging economies. However, signs of a moderate economic recovery were seen with reconstruction demand in the areas affected by the Great East Japan Earthquake.

In this economic environment, the Francebed Group (hereinafter, the “Group”) sought to boost revenues by growing medical services through the investment of management resources in this area. In the home furnishing and health business, the entire Group reinforced its efforts in businesses directed at the aging society. The Group featured high value-added products and high-functioning furniture. At furniture stores the Group set up a “Yu Yu Platinum” zone where Rehatech brand products that encourage the elderly to lead more active lifestyles and nursing care products are displayed and sold.

Under these circumstances, sales of the Group for the period under review amounted to 24,771 million yen (up 3.6% year on year). Consolidated operating income increased to 916 million yen (up 39.0% year on year), and consolidated ordinary income rose to 887 million yen (up 40.4% year on year). As we announced in the “Notice of a Fire at a Consolidated Subsidiary” on July 12, 2012, a fire broke out at the Chiba plant of Tokyo Bed Co., Ltd., a consolidated subsidiary, on July 11, 2012, and the manufacturing building and warehouse were almost entirely destroyed. The Group posted a loss on disaster of 213 million yen as an extraordinary loss and a gain on insurance claim of 399 million yen as extraordinary income. As a result, consolidated net income for the period under review soared to 578 million yen (up 161.2% year on year).

(Medical services business)

In the medical services business, the Group set up two new sales offices (in Owari City, Aichi Prefecture and Machida City, Tokyo Prefecture) to expand its sales in the welfare equipment rental market, where nursing care insurance payments are on the rise.

The Group held training sessions and briefings for care managers and sales agents on SM-12, the first home-care mattress in the industry to use high-density continuous springs for user comfort and provide the thinness required for nursing care beds, which it launched in the previous fiscal year, as well as product lines sold under the Rehatech brand. The Group also aired TV commercials of these products to attract new customers and enhance its brand image.

The Group developed and launched Yumerira, an air mattress that prevents bedsores, disperses body pressure, and ensures stable relaxation, using its experience in developing high-end beds and medical and nursing care beds and technologies for them.

Targeting hospitals and welfare facilities that are showing signs of stepping up their capital spending, the Group strove to train salespeople to their optimal potential. Consequently, performance in this field was strong.

The Group opened Yu Yu Iki Iki Club outlets at six locations (one directly managed by the Group and the five others launched as franchises). Yu Yu Iki Iki Club is an ambulatory nursing care facility specializing in services for those requiring low levels of care.

As a result of these activities, net sales for the medical services business came to 13,727 million yen (up 6.4% year on year). Operating income for the business was 825 million yen (up 10.9% year on year).

(Home furnishing and health business)

In the home furnishing and health business, the Group released the high-grade GRANMAX series of high-quality electric reclining beds intended for active seniors, which combine excellent designs of luxury beds for home use with the functionality of nursing care beds. At the same time, the Group added a function to reduce temperature change, Nano Temp Thermo, the first of its kind in the market, to the Life Treatment Mattress series, a mainstay product series offering three levels of hardness and four grades. The series was launched as New Life Treatment Mattress.

Meanwhile, the Group sought to expand sales of products targeting the elderly to prepare for the acceleration of the aging society, with initiatives such as holding test-ride events at furniture and other stores for customers to try Rehatech products, including an electrically assisted tricycle and S141, an electric wheelchair operated with a handle.

Tokyo Bed, which belongs to this segment, resumed its operations using facilities of other consolidated subsidiaries, but production and sales at Tokyo Bed declined sharply in the period under review.

As a result of these initiatives, net sales for the home furnishing and health business amounted to 9,202 million yen (up 0.3% year on year). Operating income was 68 million yen (compared with an operating loss of 109 million yen in the same period of the previous fiscal year).

(Other businesses)

In the sundries sales business of the “Other businesses” segment, the Group reviewed its product lineup and continued “scrap and build” at stores to improve earnings. In addition, the Group opened a store in a new business category targeting middle-aged and older women in June in an initiative designed to establish a new source of revenue.

In the door-to-door sales business, the Group took steps to stem the decline in sales through such measures as boosting sales of products for the elderly, aiming to improve profitability of the business.

As a result of the initiatives described above, sales of the other businesses totaled 1,841 million yen (up 0.9% year on year), and the operating income for the business was 5 million yen (up 20.4% year on year).

(2) Consolidated Financial Position

Total assets

Total assets at the end of the period under review fell 908 million yen from the end of the previous fiscal year, to 58,742 million yen. Current assets decreased 1,002 million yen from the end of the previous fiscal year, to 32,552 million yen. Major factors underlying the result included a decrease of 1,484 million yen in notes and accounts receivable-trade. Fixed assets increased 101 million yen from the end of the previous fiscal year, to 26,173 million yen. Major factors behind this result included investments of 600 million yen in long-term deposits, which offset depreciation and amortization and equipment at a plant of a subsidiary destroyed in a fire.

Liabilities

Liabilities declined 671 million yen from the end of the previous fiscal year, to 22,971 million yen. The decrease mainly reflected a decline in notes and accounts payable-trade of 737 million yen.

Net assets

Net assets fell 237 million yen from the end of the previous fiscal year to 35,770 million yen. Major contributors to this result included net income for the quarter under review of 578 million, which was offset by 312 million yen for the purchase of treasury stock, 385 million yen in cash dividends paid, and a valuation loss on securities of 110 million yen.

As a result of the changes stated above, the shareholders' equity ratio rose from 60.3% at the end of the previous fiscal year, to 60.8%.

Status of cash flow

Cash flows for the six months under review produced an increase in cash and cash equivalents of 566 million yen from the end of the previous fiscal year, to 10,523 million yen. Details of the individual cash flow items are as follows.

(1) Net cash provided by operating activities

Net cash provided by operating activities came to 2,980 million yen (compared with 2,378 million yen in the previous fiscal year). Major contributors were net income before income taxes and minority interests of 1,067 million yen, depreciation cost of 1,840 million yen (a non-cash item) and a decrease of 1,522 million yen in account receivables, offsetting outflows such as a decrease of 737 million yen in procurement obligations and an increase of 220 million yen in inventories.

(2) Net cash used for investing activities

Net cash used in investing activities totaled 1,551 million yen (compared with 3,680 million yen in the previous fiscal year). Major causes included expenditure on the acquisition of tangible fixed assets of 1,412 million yen, purchase of intangible fixed assets of 120 million yen, and investments in other securities of subsidiaries and affiliates of 103 million yen.

(3) Net cash provided by financing activities

Net cash used in financing activities was 859 million yen (compared with 1,164 million yen in the previous fiscal year). The main factors behind the outflow were the repayment of short-term borrowings of 50 million yen, the purchase of treasury stock of 312 million yen, and dividends paid of 384 million yen.

(3) Outlook for Consolidated Operating Results

There has been no change to the performance forecast that was announced in “Consolidated Business Results for the Fiscal Year Ended March 31, 2012” dated May 15, 2012.

2. Consolidated Financial Statements

(1) Consolidated quarterly balance sheets

(In millions of yen)

	FY2012 (As of March 31,2012)	Second quarter of FY2013 (As of September 30, 2012)
ASSET		
Current assets		
Cash and deposits	7,558	7,524
Notes and accounts receivable, trade	11,059	9,574
Short-term investment securities	5,498	5,498
Merchandise and Finished goods	5,618	5,524
Work in process	332	365
Raw materials and supplies	1,561	1,571
Other	1,959	2,521
Allowance for doubtful accounts	△31	△27
Total current assets	33,554	32,552
Noncurrent assets		
Property, plant and equipment		
Land	6,413	6,413
Other (net)	9,721	9,460
Total property, plant and equipment	16,134	15,873
Intangible assets	1,129	1,044
Investments and other assets	8,807	9,254
Total noncurrent assets	26,071	26,173
Deferred assets	24	16
Total assets	59,651	58,742
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	4,435	3,697
Factoring of accrued liability	2,130	2,062
Short-term borrowings	2,125	2,075
Current portion of bonds	-	3,150
Accrued income taxes	155	492
Reserve for bonuses	1,121	1,143
Reserve for Other	16	74
Other	3,911	3,728
Total current liabilities	13,895	16,423
Noncurrent liabilities		
Bonds payable	3,150	-
Long-term loans payable	2,000	2,000
Provision for retirement benefits	2,576	2,678
Reserve for Other	459	454
Asset retirement obligations	24	24
Other	1,537	1,390
Total noncurrent liabilities	9,747	6,547
Total liabilities	23,643	22,971
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	5,116	1,867
Retained earnings	32,088	32,281
Treasury stock	△4,165	△1,229
Total shareholders' equity	36,039	35,919
Accumulated Other Comprehensive Income		
Valuation gain and loss on other securities	10	△110
Deferred gains or losses on hedges	-	9
Foreign currency translation adjustment	△42	△47
Total accumulated other comprehensive income	△31	△148
Total net assets	36,007	35,770
Total liabilities and net assets	59,651	58,742

(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income

(Consolidated quarterly statements of income)

(In millions of yen)

	Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)	Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)
Net Sales	23,888	24,771
Cost of Sales	13,086	13,474
Gross profit	10,801	11,297
Selling, general and administrative expense	10,142	10,380
Operating income	658	916
Non-operating income		
Interest income	7	7
Dividends income	11	11
Other	61	53
Total non-operating income	81	73
Non-operating expenses		
Interest expense	54	47
Other	52	54
Total non-operating expenses	107	101
Ordinary income	632	887
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Gain on sales of investment securities	–	0
Gain on insurance adjustment	–	399
Other	–	7
Total extraordinary income	0	407
Extraordinary losses		
Loss on sales of noncurrent assets	0	–
Loss on retirement of noncurrent assets	6	14
Loss on valuation of investment securities	0	0
Loss on disaster	21	213
Loss on liquidation of subsidiaries and affiliates	17	–
Head office transfer cost	151	–
Total extraordinary losses	197	227
Income before income taxes	434	1,067
Income taxes-current	54	453
Income taxes-deferred	158	36
Total income taxes	213	489
Income before minority interests	221	578
Net Income	221	578

(Consolidated quarterly statements of comprehensive income)

(In millions of yen)

	Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)	Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)
Income before minority interests	221	578
Other comprehensive income		
Valuation difference on available-for-sale securities	78	Δ121
Deferred gains or losses on hedges	Δ34	9
Foreign currency translation adjustment	Δ10	Δ5
Other comprehensive income	33	Δ117
Comprehensive income	254	460
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	254	460
Comprehensive income attributable to minority interests	-	-

(3) Consolidated quarterly statements of cash flows

(In millions of yen)

	Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)	Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	434	1,067
Depreciation and amortization	1,892	1,840
Loss (gain) on sales of noncurrent assets	0	△0
Loss on retirement of noncurrent assets	6	12
Loss (gain) on sales of investment securities	-	△0
Loss (gain) on valuation of investment securities	0	0
Increase (decrease) in allowance for doubtful accounts	△22	△7
Increase (decrease) in provision for bonuses	8	11
Increase (decrease) in provision for retirement benefits	214	93
Decrease (increase) in prepaid pension costs	0	△35
Increase (decrease) in provision for directors' retirement benefits	6	△5
Increase (decrease) in provision for loss on disaster	△20	58
Increase (decrease) in other provision	△34	△0
Interest and dividends income	△19	△19
Interest expenses	54	47
Loss on disaster	21	154
Gain on insurance claim	-	△399
Decrease (increase) in notes and accounts receivable-trade	798	1,522
Decrease (increase) in inventories	△73	△220
Increase (decrease) in notes and accounts payable-trade	△558	△737
Increase (decrease) in accounts payable for factoring	△157	△68
Increase (decrease) in accrued expenses	△67	△93
Other, net	△61	△170
Subtotal	2,423	3,050
Interest and dividends income received	18	20
Interest expenses paid	△59	△47
Payments for loss on disaster	-	△63
Income taxes (paid) refund	△3	19
Net cash provided by operating activities	2,378	2,980
Cash flows from investing activities		
Payments into time deposits	△1,000	△2,100
Proceeds from withdrawal of time deposits	500	2,100
Purchase of short-term investment securities	△1,499	△999
Proceeds from redemption of securities	-	999
Purchase of property, plant and equipment	△1,626	△1,412
Proceeds from sales of property, plant and equipment	0	0
Purchase of investment securities	△0	△0
Proceeds from sales of investment securities	-	100
Purchase of other securities of subsidiaries and affiliates	-	△103
Payments of loans receivable	-	△20
Collection of loans receivable	2	4
Purchase of intangible assets	△56	△120
Net cash provided by investing activities	△3,680	△1,551
Cash flows from financing activities		
Decrease in short-term loans payable	-	△50
Repayment of long-term loans payable	△112	-
Redemption of bonds	△387	-
Purchase of treasury stock	△362	△312
Proceeds from sale and leaseback	809	712
Repayments of lease obligations	△827	△824
Cash dividends paid	△284	△384
Net cash provided by (used in) financing activities	△1,164	△859
Effect of exchange rate changes on cash and cash equivalents	△9	△3
Net increase in cash and cash equivalents	△2,474	566
Cash and cash equivalents at beginning of period	13,384	9,957
Cash and cash equivalents at end of period	10,909	10,523

(4) Notes concerning conditions of “going concern”

Not applicable

(5) Segment information, etc.

[Segment information]

1. Information related to sales and profit and loss amounts by reporting segment

Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)

(In millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to External Customers	12,891	9,173	22,065	1,823	23,888	-	23,888
Internal Sales among Segments or Transfers	1	274	276	47	323	Δ323	-
Total	12,893	9,448	22,341	1,870	24,212	Δ323	23,888
Segment Income / Loss	743	Δ109	634	4	639	19	658

Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)

(In millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to External Customers	13,727	9,202	22,930	1,841	24,771	-	24,771
Internal Sales among Segments or Transfers	0	255	256	46	302	Δ302	-
Total	13,728	9,458	23,186	1,887	25,074	Δ302	24,771
Segment Income / Loss	825	68	893	5	899	16	916

(Note)

- The Other Businesses segment is a business segment that is not included in the reported segments and includes businesses such as door-to-door sales business, sundries sales business, exhibition business and real estate lease business.
- The item “Adjustments” contains the following:

Segment income

	First quarter of FY2011	First quarter of FY2012
Elimination of intersegment transactions	371	393
Corporate expenses	Δ351	Δ376
	19	16

General corporate expenses are expenses relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that cannot be attributed to any particular reporting segment.

- Segment profit and loss is adjusted with operating income reported in the consolidated financial statements.

2. Information concerning the impairment loss of fixed assets of each reporting segment

Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)

Due to the head office relocation of the company and its consolidated subsidiary, the book value of assets whose prospective uses have not been determined was reduced to the recoverable amount and posted as an impairment loss. The posted amount of impairment loss of each reporting segment is as follows:

	Medical Services	Home Furnishing and Health	Other	Elimination of Corporate Wide	Total
Impairment loss (Note)	11	15	4	3	35

(Note) It is included in the "Head office relocation cost" of "Extraordinary losses."

Second quarter of FY2013 (From April 1, 2012 to September 30, 2012)

Not applicable

(6) Special changes to shareholders equity

The Company resolved at a meeting of the Board of Directors held on April 27, 2012 to cancel its treasury stock pursuant to the provisions of Article 178 of the Companies Act and executed the cancellation of its treasury stock as of May 18, 2012. As a result, capital surplus and treasury stock decreased 3,248 million yen, respectively, in the first quarter of the fiscal year under review.