

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2015 (J-GAAP)

July 31, 2014

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: August 8, 2014

Scheduled date of the start of dividend payments: –

Preparation of supplementary explanation materials for 1Q financial results: None

1Q Earnings announcement: None

(Amounts less than one million yen have been truncated)

1. Consolidated Results for the Three Months Ended June 30, 2014

(April 1, 2014 – June 30, 2014)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|----------------------------------|-------------|------|------------------|-------|-----------------|-------|-------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2014 | 12,385 | -2.2 | 516 | -20.2 | 513 | -19.5 | 257 | -24.0 |
| Three months ended June 30, 2013 | 12,668 | 1.3 | 647 | 44.7 | 638 | 46.8 | 339 | 44.3 |

Note: Comprehensive income

Three months ended June 30, 2014: ¥318 million (-5.5%)

Three months ended June 30, 2013: ¥336 million (118.8%)

| | Net income per share | Fully diluted net income per share |
|----------------------------------|----------------------|------------------------------------|
| | Yen | Yen |
| Three months ended June 30, 2014 | 1.20 | — |
| Three months ended June 30, 2013 | 1.55 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|----------------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of June 30, 2014 | 57,656 | 34,651 | 60.0 | 161.79 |
| As of March 31, 2014 | 59,443 | 35,522 | 59.7 | 165.85 |

Reference: Shareholders' equity

As of June 30, 2014: ¥34,651 million

As of March 31, 2014: ¥35,522 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, 2014 | Yen — | Yen 2.25 | Yen — | Yen 2.75 | Yen 5.00 |
| Fiscal year ending March 31, 2015 | — | | | | |
| Fiscal year ending March 31, 2015 (Outlook) | | 2.25 | — | 2.25 | 4.50 |

Note: Revisions to the dividends outlook since most recent announcement: None

3. Forecasts of Results for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentage figures indicate year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|------------|-------------|-----|------------------|------|-----------------|------|-------------|-----|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 26,500 | 3.3 | 1,300 | 10.0 | 1,200 | 2.7 | 650 | 3.7 | 3.03 |
| Full year | 55,000 | 0.1 | 2,700 | -3.5 | 2,700 | -3.0 | 1,400 | 0.2 | 6.53 |

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 quarterly 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: Yes
 - 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)
June 30, 2014: 224,487,500 shares March 31, 2014: 224,487,500 shares
 - 2) Number of treasury shares at the end of the period
June 30, 2014: 10,314,077 shares March 31, 2014: 10,313,385 shares
 - 3) Average number of shares issued during the period
Apr. 2014 – Jun. 2014: 214,173,793 shares Apr. 2013 – Jun. 2013: 218,378,251 shares

[Implementation status of quarterly review procedures]

These quarterly 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 quarterly 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.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | FY2014 (as of March 31, 2014) | 1Q of FY2015 (as of June 30, 2014) |
|---|----------------------------------|---------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,125 | 7,361 |
| Notes and accounts receivable – trade | 11,857 | 9,795 |
| Electronically recorded monetary claims – operating | 493 | 667 |
| Securities | 2,498 | 2,498 |
| Merchandise and finished goods | 5,335 | 5,935 |
| Work in process | 465 | 525 |
| Raw materials and supplies | 1,859 | 2,089 |
| Other | 2,362 | 2,552 |
| Allowance for doubtful accounts | (10) | (8) |
| Total current assets | 32,988 | 31,416 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 6,481 | 6,481 |
| Others, net | 9,763 | 9,801 |
| Total property, plant and equipment | 16,244 | 16,282 |
| Intangible assets | 1,055 | 1,023 |
| Investments and other assets | 9,087 | 8,872 |
| Total non-current assets | 26,387 | 26,177 |
| Deferred assets | 66 | 62 |
| Total assets | 59,443 | 57,656 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 4,237 | 3,491 |
| Accounts payable for factoring | 2,392 | 2,640 |
| Short-term loans payable | 1,550 | 1,550 |
| Current portion of long-term loans payable | 2,000 | 2,000 |
| Income taxes payable | 208 | 40 |
| Provision for bonuses | 1,261 | 620 |
| Other provision | 103 | 19 |
| Other | 4,785 | 5,932 |
| Total current liabilities | 16,539 | 16,294 |
| Non-current liabilities | | |
| Bonds payable | 3,550 | 3,550 |
| Provision | 521 | 479 |
| Net defined benefit liability | 646 | 668 |
| Asset retirement obligations | 25 | 25 |
| Other | 2,638 | 1,987 |
| Total non-current liabilities | 7,381 | 6,710 |
| Total liabilities | 23,921 | 23,005 |

(Million yen)

| | FY2014 (as of March 31, 2014) | 1Q of FY2015 (as of June 30, 2014) |
|---|----------------------------------|---------------------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,000 | 3,000 |
| Capital surplus | 1,867 | 1,867 |
| Retained earnings | 32,853 | 31,922 |
| Treasury shares | (2,083) | (2,083) |
| Total shareholders' equity | 35,638 | 34,707 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 104 | 176 |
| Deferred gains or losses on hedges | (2) | (10) |
| Remeasurements of defined benefit plans | (218) | (221) |
| Total accumulated other comprehensive income | (115) | (55) |
| Total net assets | 35,522 | 34,651 |
| Total liabilities and net assets | 59,443 | 57,656 |

(2) Quarterly Consolidated Statements of Income and Comprehensive IncomeQuarterly Consolidated Statements of Income
(Three months ended June 30, 2013 and 2014)

(Million yen)

| | Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013) | Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014) |
|---|---|---|
| Net sales | 12,668 | 12,385 |
| Cost of sales | 6,703 | 6,418 |
| Gross profit | 5,964 | 5,967 |
| Selling, general and administrative expenses | 5,317 | 5,451 |
| Operating income | 647 | 516 |
| Non-operating income | | |
| Interest income | 2 | 1 |
| Dividend income | 7 | 7 |
| Insurance income | 3 | 12 |
| Other | 20 | 29 |
| Total non-operating income | 33 | 51 |
| Non-operating expenses | | |
| Interest expenses | 21 | 20 |
| Other | 20 | 32 |
| Total non-operating expenses | 41 | 53 |
| Ordinary income | 638 | 513 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 0 |
| Total extraordinary income | — | 0 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 6 | 4 |
| Total extraordinary losses | 6 | 4 |
| Income before income taxes and minority interests | 632 | 509 |
| Income taxes – current | 41 | 24 |
| Income taxes – deferred | 251 | 227 |
| Total income taxes | 292 | 251 |
| Income before minority interests | 339 | 257 |
| Net income | 339 | 257 |

Quarterly Consolidated Statements of Comprehensive Income

(Three months ended June 30, 2013 and 2014)

(Million yen)

| | Three months ended June 30, 2013 (from April 1, 2013, to June 30, 2013) | Three months ended June 30, 2014 (from April 1, 2014, to June 30, 2014) |
|---|--|--|
| Income before minority interests | 339 | 257 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 20 | 71 |
| Deferred gains or losses on hedges | (23) | (8) |
| Remeasurements of defined benefit plans | — | (2) |
| Total other comprehensive income | (2) | 60 |
| Comprehensive income | 336 | 318 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 336 | 318 |
| Comprehensive income attributable to minority interests | — | — |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to the a 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 and income or loss by reporting segments

Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)

(Million yen)

| | Reporting segment | | | Other (Note 1) | Total | Adjustments (Note 2) | Quarterly consolidated statements of income (Note 3) |
|---|---------------------|-------------------------------------|--------|-------------------|--------|-------------------------|--|
| | Medical Services | Home Furnishing and Health | Total | | | | |
| Sales | | | | | | | |
| Sales to external customers | 6,696 | 4,982 | 11,678 | 989 | 12,668 | — | 12,668 |
| Internal sales among segments or transfers | 2 | 128 | 130 | 30 | 161 | (161) | — |
| Total | 6,699 | 5,110 | 11,809 | 1,020 | 12,829 | (161) | 12,668 |
| Segment income (loss) | 455 | 187 | 643 | (21) | 622 | 25 | 647 |

Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

(Million yen)

| | Reporting segment | | | Other (Note 1) | Total | Adjustments (Note 2) | Quarterly consolidated statements of income (Note 3) |
|---|---------------------|-------------------------------------|--------|-------------------|--------|-------------------------|--|
| | Medical Services | Home Furnishing and Health | Total | | | | |
| Sales | | | | | | | |
| Sales to external customers | 6,502 | 5,403 | 11,545 | 840 | 12,385 | — | 12,385 |
| Internal sales among segments or transfers | 1 | 152 | 153 | 22 | 175 | (175) | — |
| Total | 6,503 | 5,195 | 11,698 | 862 | 12,561 | (175) | 12,385 |
| Segment income (loss) | 353 | 151 | 505 | (4) | 501 | 15 | 516 |

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)

| | Three months ended June 30, 2013 | Three months ended June 30, 2014 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Intersegment transaction elimination | 199 | 191 |
| Corporate expenses* | (174) | (175) |
| Total | 25 | 15 |

*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 quarterly consolidated statements of income.