

## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2019 (J-GAAP)

October 31, 2018

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

Code number: 7840

Listing exchanges: Tokyo

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

Tel: +81-3-6741-5501

Representative: Shigeru Ikeda, President

Contact person: Tsutomu Shimada, Director (Accounting Group)

Scheduled date to submit quarterly report: November 14, 2018

Scheduled date of the start of dividend payments: December 7, 2018

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, 2018 (April 1, 2018 – September 30, 2018)

#### (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, 2018	25,296	-0.7	1,141	-2.6	1,156	-2.2	689	-8.2
Six months ended September 30, 2017	25,499	0.4	1,172	9.6	1,183	10.9	751	28.3

Note: Comprehensive income

Six months ended September 30, 2018: ¥400 million (-36.1%)

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

	Profit per share	Fully diluted profit per share
	Yen	Yen
Six months ended September 30, 2018	17.48	—
Six months ended September 30, 2017	18.69	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2018	63,260	39,810	62.9	1,013.45
As of March 31, 2018	65,140	40,884	62.7	1,015.33

Reference: Shareholders' equity

As of September 30, 2018: ¥39,810 million

As of March 31, 2018: ¥40,884 million

Note: From the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Accordingly, figures of total assets and shareholders' equity ratio for the fiscal year ended March 31, 2018 are shown after applying the accounting standard, etc. retrospectively.

## 2. Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	12.50	—	12.50	25.00
Fiscal year ending March 31, 2019	—	12.50			
Fiscal year ending March 31, 2019 (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, 2019 (April 1, 2018 – March 31, 2019)

(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	1.1	2,800	7.4	2,730	4.7	1,700	-5.8	42.21

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, 2018: 41,397,500 shares
    - As of March 31, 2018: 42,397,500 shares
  - 2) Number of treasury shares at the end of the period
    - As of September 30, 2018: 2,115,524 shares
    - As of March 31, 2018: 2,130,550 shares
  - 3) Average number of shares issued during the period
    - April 2018 – September 2018: 39,467,747 shares
    - April 2017 – September 2017: 40,216,019 shares

[The consolidated financial results presented herein are not subject to the quarterly review by certified public accountants or audit corporations]

[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 Thursday, November 29, 2018. 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)

	FY2018 (as of March 31, 2018)	2Q of FY2019 (as of September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	8,954	7,424
Notes and accounts receivable – trade	10,117	8,491
Electronically recorded monetary claims – operating	666	739
Securities	4,299	4,299
Merchandise and finished goods	5,050	4,926
Work in process	475	473
Raw materials and supplies	1,991	2,161
Other	1,202	1,187
Allowance for doubtful accounts	(18)	(106)
Total current assets	32,739	29,598
Non-current assets		
Property, plant and equipment	16,112	16,547
Intangible assets	1,848	1,719
Investments and other assets		
Net defined benefit asset	12,375	12,292
Other	2,026	3,013
Total investments and other assets	14,401	15,306
Total non-current assets	32,362	33,573
Deferred assets	38	89
Total assets	65,140	63,260
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	3,123	2,589
Electronically recorded obligations - operating	2,057	1,964
Short-term loans payable	2,050	2,050
Current portion of bonds	3,150	600
Income taxes payable	1,588	2,429
Provision for bonuses	1,242	1,242
Other provision	6	2
Other	4,128	4,386
Total current liabilities	17,346	15,264
Non-current liabilities		
Bonds payable	1,500	3,900
Long-term loans payable	300	300
Provision	105	109
Net defined benefit liability	531	534
Asset retirement obligations	26	27
Other	4,445	3,314
Total non-current liabilities	6,909	8,185
Total liabilities	24,256	23,450

(Million yen)

	FY2018 (as of March 31, 2018)	2Q of FY2019 (as of September 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Retained earnings	33,669	32,888
Treasury shares	(2,041)	(2,045)
Total shareholders' equity	34,628	33,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	82
Deferred gains or losses on hedges	(40)	1
Remeasurements of defined benefit plans	6,224	5,882
Total accumulated other comprehensive income	6,255	5,966
Total net assets	40,884	39,810
Total liabilities and net assets	65,140	63,260

## (2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income  
(Six months ended September 30, 2017 and 2018)

(Million yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Net sales	25,499	25,296
Cost of sales	12,951	12,578
Gross profit	12,548	12,717
Selling, general and administrative expenses	11,375	11,575
Operating profit	1,172	1,141
Non-operating income		
Interest income	0	0
Dividend income	10	14
Share of profit of entities accounted for using equity method	3	2
Compensation income	6	27
Other	93	60
Total non-operating income	114	105
Non-operating expenses		
Interest expenses	37	30
Other	65	59
Total non-operating expenses	103	90
Ordinary profit	1,183	1,156
Extraordinary income		
Gain on sales of non-current assets	5	60
Gain on sales of investment securities	30	—
Gain on liquidation of subsidiaries	—	10
Total extraordinary income	36	71
Extraordinary losses		
Loss on retirement of non-current assets	13	39
Loss on liquidation of business	—	90
Total extraordinary losses	13	129
Profit before income taxes	1,206	1,098
Income taxes – current	347	2,255
Income taxes – deferred	106	(1,847)
Total income taxes	454	408
Profit	751	689
Profit attributable to owners of parent	751	689

Consolidated Statements of Comprehensive Income  
(Six months ended September 30, 2017 and 2018)

(Million yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Profit	751	689
Other comprehensive income		
Valuation difference on available-for-sale securities	9	10
Deferred gains or losses on hedges	15	42
Remeasurements of defined benefit plans, net of tax	(149)	(341)
Total other comprehensive income	(124)	(289)
Comprehensive income	627	400
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	627	400
Comprehensive income attributable to non-controlling interests	—	—

**(3) Consolidated Statements of Cash Flows**

(Million yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,206	1,098
Depreciation	1,930	2,002
Loss (gain) on sales of non-current assets	(5)	(60)
Loss on retirement of non-current assets	13	39
Increase (decrease) in allowance for doubtful accounts	(3)	45
Increase (decrease) in provision for bonuses	0	0
Increase (decrease) in provision for directors' bonuses	(55)	(4)
Increase (decrease) in net defined benefit liability	0	(2)
Decrease (increase) in net defined benefit asset	(99)	(403)
Increase (decrease) in provision for directors' retirement benefits	(454)	4
Loss (gain) on sales of investment securities	(30)	—
Loss on liquidation of business	—	90
Loss (gain) on liquidation of subsidiaries	—	(10)
Interest and dividend income	(11)	(15)
Interest expenses	37	30
Share of (profit) loss of entities accounted for using equity method	(3)	(2)
Decrease (increase) in notes and accounts receivable – trade	883	1,554
Decrease (increase) in inventories	(252)	(83)
Increase (decrease) in notes and accounts payable – trade	1159	(626)
Increase (decrease) in accounts payable for factoring	(1,346)	—
Increase (decrease) in long-term accounts payable - other	421	(44)
Increase (decrease) in accrued expenses	(72)	(108)
Other, net	109	(23)
<b>Subtotal</b>	<b>3,429</b>	<b>3,477</b>
Interest and dividend income received	11	15
Interest expenses paid	(34)	(30)
Income taxes paid	(83)	(1,364)
<b>Net cash provided by (used in) operating activities</b>	<b>3,322</b>	<b>2,098</b>



(Million yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,755)	(2,145)
Proceeds from sales of property, plant and equipment	24	167
Purchase of investment securities	(106)	(200)
Proceeds from sales of investment securities	120	—
Purchase of securities of non-consolidated subsidiaries and associates	—	(68)
Proceeds from liquidation of subsidiaries	—	55
Collection of loans receivable	0	0
Purchase of intangible assets	(143)	(57)
Other, net	1	1
<b>Net cash provided by (used in) investing activities</b>	<b>(1,858)</b>	<b>(2,247)</b>
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	—	100
Decrease in short-term loans payable	—	(100)
Repayments of long-term loans payable	(900)	—
Proceeds from issuance of bonds	1,464	2,938
Redemption of bonds	(800)	(3,150)
Purchase of treasury shares	(0)	(987)
Proceeds from sales and leasebacks	865	1,311
Repayments of lease obligations	(905)	(984)
Cash dividends paid	(501)	(502)
<b>Net cash provided by (used in) financing activities</b>	<b>(776)</b>	<b>(1,374)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(0)</b>	<b>(5)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>685</b>	<b>(1,529)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>13,648</b>	<b>13,254</b>
<b>Cash and cash equivalents at end of period</b>	<b>14,334</b>	<b>11,724</b>

#### **(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)

Acquisition, retirement and disposal of treasury shares

In accordance with resolution of the Board of Directors' meeting held on May 11, 2018, the Company acquired 1,000,000 shares of its treasury shares. In accordance with resolution of the Board of Directors' meeting held on June 15, 2018, the Company retired 1,000,000 shares of its treasury shares on June 22, 2018. In accordance with resolution of the Board of Directors' meeting held on July 17, 2018, the Company disposed 15,300 shares of its treasury shares on August 2, 2018. As a result of these, capital surplus registered a negative value, and the relevant amount was deducted from retained earnings.

As a result of the above, retained earnings decreased by 967 million yen and treasury shares increased by 3 million yen for the six months ended September 30, 2018. As of September 30, 2018, retained earnings amounted to 32,888 million yen and treasury shares stood at 2,045 million yen.

(Supplementary Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

From the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

**(Segment Information)**

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

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

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

(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	14,499	9,118	23,618	1,677	25,296	—	25,296
Internal sales among segments or transfers	5	580	585	96	682	(682)	—
Total	14,505	9,699	24,204	1,774	25,978	(682)	25,296
Segment income (loss)	1,216	(105)	1,111	23	1,134	6	1,141

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)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Intersegment transaction elimination	476	498
Corporate expenses*	(463)	(492)
Total	13	6

\*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, 2017 (From April 1, 2017 to September 30, 2017)

Not applicable

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

With regard to "Other," an impairment loss of 10 million yen was recorded, in conjunction with the decision to withdraw from the business of sales of commodities and sundries at France Bed Sales Co., Ltd., a consolidated subsidiary of the Company.

The amount of this impairment loss for the six months ended September 30, 2018 has been included in loss on liquidation of business under extraordinary losses.