

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

January 31, 2019

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, 2019

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, 2018

(April 1, 2018 – December 31, 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	%
Nine months ended December 31, 2018	38,153	-0.2	1,802	-3.7	1,817	-2.9	960	-19.1
Nine months ended December 31, 2017	38,230	0.4	1,871	15.6	1,871	17.5	1,187	29.3

Note: Comprehensive income

Nine months ended December 31, 2018: ¥413 million (-59.7%)

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

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended December 31, 2018	24.37	—
Nine months ended December 31, 2017	29.52	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	62,520	39,332	62.9	1,001.28
As of March 31, 2018	65,140	40,884	62.7	1,015.33

Reference: Shareholders' equity

As of December 31, 2018: ¥39,332 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 December 31, 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 December 31, 2018: 2,115,616 shares
 - As of March 31, 2018: 2,130,550 shares
 - 3) Average number of shares issued during the period
 - April 2018 – December 2018: 39,405,803 shares
 - April 2017 – December 2017: 40,233,073 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.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2018 (as of March 31, 2018)	3Q of FY2019 (as of December 31, 2018)
Assets		
Current assets		
Cash and deposits	8,954	5,574
Notes and accounts receivable – trade	10,117	8,350
Electronically recorded monetary claims – operating	666	937
Securities	4,299	4,299
Merchandise and finished goods	5,050	5,240
Work in process	475	478
Raw materials and supplies	1,991	2,366
Other	1,202	1,340
Allowance for doubtful accounts	(18)	(63)
Total current assets	32,739	28,524
Non-current assets		
Property, plant and equipment	16,112	17,016
Intangible assets	1,848	1,727
Investments and other assets		
Net defined benefit asset	12,375	12,276
Other	2,026	2,894
Total investments and other assets	14,401	15,170
Total non-current assets	32,362	33,914
Deferred assets	38	81
Total assets	65,140	62,520
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,123	2,896
Electronically recorded obligations – operating	2,057	2,234
Short-term loans payable	2,050	2,050
Current portion of bonds	3,150	600
Income taxes payable	1,588	1,457
Provision for bonuses	1,242	629
Other provision	6	4
Other	4,128	5,031
Total current liabilities	17,346	14,904
Non-current liabilities		
Bonds payable	1,500	3,900
Long-term loans payable	300	300
Provision	105	112
Net defined benefit liability	531	542
Asset retirement obligations	26	27
Other	4,445	3,402
Total non-current liabilities	6,909	8,284
Total liabilities	24,256	23,188

(Million yen)

	FY2018 (as of March 31, 2018)	3Q of FY2019 (as of December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Retained earnings	33,669	32,668
Treasury shares	(2,041)	(2,045)
Total shareholders' equity	34,628	33,623
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	1
Deferred gains or losses on hedges	(40)	(4)
Remeasurements of defined benefit plans	6,224	5,711
Total accumulated other comprehensive income	6,255	5,708
Total net assets	40,884	39,332
Total liabilities and net assets	65,140	62,520

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income
(Nine months ended December 31, 2017 and 2018)

(Million yen)

	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)
Net sales	38,230	38,153
Cost of sales	19,360	19,048
Gross profit	18,869	19,105
Selling, general and administrative expenses	16,997	17,302
Operating profit	1,871	1,802
Non-operating income		
Interest income	1	1
Dividend income	17	20
Share of profit of entities accounted for using equity method	4	3
Compensation income	8	39
Other	114	83
Total non-operating income	145	148
Non-operating expenses		
Interest expenses	53	43
Other	92	89
Total non-operating expenses	146	133
Ordinary profit	1,871	1,817
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	15	51
Impairment loss	—	220
Loss on liquidation of business	—	92
Total extraordinary losses	15	364
Profit before income taxes	1,893	1,523
Income taxes – current	664	2,191
Income taxes – deferred	40	(1,628)
Total income taxes	705	563
Profit	1,187	960
Profit attributable to owners of parent	1,187	960

Consolidated Statements of Comprehensive Income
(Nine months ended December 31, 2017 and 2018)

(Million yen)

	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)
Profit	1,187	960
Other comprehensive income		
Valuation difference on available-for-sale securities	53	(70)
Deferred gains or losses on hedges	9	36
Remeasurements of defined benefit plans, net of tax	(224)	(512)
Total other comprehensive income	(161)	(547)
Comprehensive income	1,026	413
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,026	413
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)

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 nine months ended December 31, 2018. As of December 31, 2018, retained earnings amounted to 32,668 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

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

Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 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	21,809	13,811	35,620	2,532	38,153	—	38,153
Internal sales among segments or transfers	6	855	861	153	1,014	(1,014)	—
Total	21,815	14,666	36,482	2,685	39,168	(1,014)	38,153
Segment income (loss)	1,756	(37)	1,719	67	1,786	15	1,802

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, 2017	Nine months ended December 31, 2018
Intersegment transaction elimination	669	710
Corporate expenses*	(641)	(694)
Total	28	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 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, 2017 (From April 1, 2017 to December 31, 2017)

Not applicable

Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(Million yen)

	Reporting segment			Other (Note)	Total	Adjustments	Consolidated statements of income
	Medical Services	Home Furnishing and Health	Total				
Impairment loss	76	144	220	—	220	—	220
Total	76	144	220	—	220	—	220

Note: 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 nine months ended December 31, 2018 has been included in loss on liquidation of business under extraordinary losses.