



**Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending
March 31, 2020 (under Japanese GAAP)**

January 31, 2020

Company name: France Bed Holdings Co., Ltd.

Listing: Tokyo Stock Exchange

Code number: 7840

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

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Scheduled date to file Quarterly Securities Report: February 14, 2020

Scheduled date to commence dividend payment: -

Preparation of supplementary material on quarterly financial results: No

Holding of quarterly earnings announcement: No

(Amounts less than one million yen are truncated)

1. Consolidated Results for the Nine Months Ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes)

	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, 2019	39,144	2.5	1,773	-1.6	1,738	-4.3	1,271	32.3
Nine months ended December 31, 2018	38,153	-0.2	1,802	-3.7	1,817	-2.9	960	-19.1

Note: Comprehensive income

Nine months ended December 31, 2019: ¥967 million (134.0%)

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

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended December 31, 2019	32.65	-
Nine months ended December 31, 2018	24.37	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	59,970	37,561	62.6	968.77
As of March 31, 2019	63,256	38,207	60.4	972.64

Note: Shareholders' equity

As of December 31, 2019: ¥37,561 million

As of March 31, 2019: ¥38,207 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, 2019	Yen -	Yen 12.50	Yen -	Yen 15.50	Yen 28.00
Fiscal year ending March 31, 2020	-	14.00	-		
Fiscal year ending March 31, 2020 (Forecast)				14.00	28.00

Note: Revisions to the dividend forecast since most recent announcement: None

Breakdown of the year-end dividend per share for the fiscal year ended March 31, 2019: Ordinary dividend: ¥12.50;

Commemorative dividend: ¥3.00

3. Forecast of Results for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes)

	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	2.3	2,800	18.4	2,800	18.5	1,800	-30.7	45.82

Note: Revisions to the forecasts of results since most recent announcement: None

Footnotes

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of special accounting methods for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of financial statements for prior periods:
 - 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - 2) Changes in accounting policies for other reasons: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of financial statements of prior periods: 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, 2019:41,397,500 shares
 - As of March 31, 2019:41,397,500 shares
 - 2) Number of treasury shares at the end of the period
 - As of December 31, 2019:2,625,452 shares
 - As of March 31, 2019:2,115,636 shares
 - 3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)
 - As of December 31, 2019:38,950,893 shares
 - As of December 31, 2018:39,405,803 shares

Note: The consolidated financial results presented herein are not subject to a quarterly review by a certified public accountant or an audit firm.

Note regarding the appropriate use of performance forecasts and other related items:

Caution concerning 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. Qualitative Information on Quarterly Results

(1) Summary of Operating Results

Japan is facing the issue of an increasingly aging and shrinking population. The latest population estimates published by the Ministry of Internal Affairs and Communications show that 28.4% of the population is aged 65 and older, and that the percentage has been constantly rising over the years. By contrast, the working-age population represents 59.5% of the total population, the lowest percentage since statistics became available in 1950. The increasingly aging society and rapidly shrinking workforce are two of the most pressing issues that the nursing-care industry needs to address.

Under these circumstances, the France Bed Group (the “Group”) formulated its Medium-Term Management Plan for FY2019-2021. The basic policy underlying the plan is to maximize the enterprise value of the Group by focusing its available resources on enhancing and expanding its senior-care businesses that meet the needs of an aging society. Accordingly, the Group has been implementing the following four key initiatives: 1) bolster the senior-care businesses (focus available resources on our core competency); 2) improve the profitability of the Home Furnishing and Health Business (seek quality of business rather than sales volume); 3) enhance our overseas businesses; and 4) make our management infrastructure more solid.

The Group reported consolidated net sales of 39,144 million yen for the nine months ended December 31, 2019 (“the period under review”), up 2.5% from the same period the previous year. The growth in net sales was driven primarily by a temporary spike in sales to customers immediately prior to the increase in the consumption-tax rate that became effective on October 1, 2019, and increased revenue from the rental business of special-needs equipment, which is the core of the Medical Services Business. The Group posted an operating profit of 1,773 million yen (down 1.6% year on year) and an ordinary profit of 1,738 million yen (down 4.3%). The decline in operating profit was in part due to an increase in cost of sales resulting from an aggressive promotion we ran for a new model of nursing bed for rental use as part of our efforts to increase market share in the rental business of nursing-care equipment, in part due to an increase in expenses incurred to open new sales offices for the Medical Services Business and new showrooms for the Home Furnishing and Health Business, and in part due to an increase in SG&A expenses primarily resulting from a sharp increase in logistics expenses in the wake of a nationwide shortage of drivers in the trucking industry.

The profit attributable to owners of parent increased by 32.3% year on year to 1,271 million yen for the period under review. The increase was the result of posting an extraordinary profit of 111 million yen, primarily from the sale of land owned by a consolidated subsidiary, as well as a reduction in the extraordinary loss compared with the same period the previous year, in which a loss on liquidation of business by a consolidated subsidiary and an impairment loss on logistics equipment had been recognized.

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

The Company made some changes to the reporting segments during the first quarter of the fiscal year ending March 31, 2020, and the comparison and analysis of the results for the period under view were made on the basis of the revised classification. For details about the changes, refer to “2. Matters related to changes to reporting segments” under “Segment Information” in “(3) Notes Regarding the Consolidated Financial Statements” of “2. Consolidated Financial Statements and Primary Notes.”

1) Medical Services Business

We opened four new sales offices in Chiba, Osaka, Saitama, and Shizuoka Prefectures, and relocated one of our existing sales offices to better serve customers in the southern part of Chiba Prefecture.

As part of our efforts to expand our product offerings and increase customer satisfaction to bolster sales and rental revenues, we launched the new Multi Fit series brand in April 2019, which is designed to fit the diverse needs of customers. Under this brand, we offered for sale and rental the new MFB-930 Multi Fit nursing bed with its size being adjustable depending on the height of a user and the room size, and the new Multi Fit wheelchair, which makes it easy for a user to remain comfortably seated.

In the Reha tech-branded business targeted at active seniors, we continued to hold health-promotion events in local communities to sell health-support products. We also continued our efforts to increase sales of products not covered by the government-sponsored nursing-care insurance program by providing an opportunity to test-drive alternative means of personal mobility, such as motor-assisted wheelchairs and tricycles, to elderly people who were considering voluntarily surrendering their driver’s licenses.

To newly opened hospitals and welfare facilities as well as existing ones that were considering buying new equipment to replace old equipment, we focused on selling, in addition to motorized beds, the Monitoring Care System M-2, a labor-saving robotic system built into a bed that detects the user’s body movements on and off the bed and alerts an on-call nurse. In addition, we offered special promotions to small to mid-sized customers in order to stimulate sales during the period leading to the October raise in the consumption-tax rate, and we offered senior-care homes lease programs for motorized beds and wheelchairs that meet their residents’ needs.

As a result, the Group achieved net sales of 23,006 million yen in the Medical Services Business for the period under review, up 5.4% year on year. The operating profit in this segment declined 8.3% year on year to 1,609 million yen, due to an increase in expenses, as mentioned earlier, and an increase in labor cost resulting from new hires.

2) Home Furnishing and Health Business

The Group expanded its sales channels to include online retailers, home improvement stores, and mass merchandisers for the first time. We used our showrooms located around the country, including two new ones that opened in Kumamoto and Okayama Prefectures, to jointly hold sales events with our retail partners, in which we demonstrated to consumers value-added products that promote health and better sleep as well as products available only from us. In October 2019, we raised the list prices on products to offset higher costs of manufacturing and distribution, and reorganized operations to improve the profitability of this business.

We stepped up our efforts to bolster sales of value-added products by starting to market Culiess AGTM antibacterial mattresses with a top layer woven from AGliza® antibacterial threads, jointly developed with Toyobo Co., Ltd., and by introducing Green Tea Pillow-S, an environmentally friendly pillow jointly developed with Ito En, Ltd., which is stuffed with materials containing extracts obtained from recycled green tea leaves.

Boosted by surging inbound tourism and in anticipation of the 2020 Tokyo Olympic and Paralympic Games, the demand

for hotel accommodation has been on the rise throughout the country. The Group achieved strong sales of Slumberland-branded beds, our top-of-the-line beds used in the finest hotels around the world, and high-quality, high-performance beds in The Hotel FranceBed series to hotels in major urban areas and business hotel chains.

In December 2019, we expanded our offerings of rental products for hotel use to meet the diverse accommodation needs of hotels in large cities.

As a result, the Group posted net sales of 15,891 million yen in the Home Furnishing and Health Business for the period under review, which was a year-on-year increase of 2.3%, with an operating profit of 135 million yen, up 124.4% from the same period the previous year.

(2) Summary of Financial Position

Assets

Total assets as of December 31, 2019, decreased by 3,285 million yen to 59,970 million yen, compared with the end of the previous fiscal year ("the previous year-end"). Current assets decreased by 3,473 million yen to 31,472 million yen from the previous year-end. This was primarily due to decreases of 5,655 million yen in cash and deposits, and of 588 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), which were partially offset by increases of 400 million yen in securities, of 603 million yen in inventories, and of 1,790 million yen in accounts receivable - other, which was included in "Other" of "Current assets." Non-current assets increased by 207 million yen to 28,442 million yen from the previous year-end, reflecting the purchase of property, plant and equipment as well as intangible assets.

Liabilities

Total liabilities decreased by 2,639 million yen to 22,408 million yen from the previous year-end, reflecting a decrease of 2,721 million yen in income taxes payable.

Net assets

Total net assets decreased by 646 million yen to 37,561 million yen from the previous year-end. Primary factors that contributed to their increase included a profit of 1,271 million yen attributable to owners of parent, while those that contributed to their decrease included the payment of dividends of 1,151 million yen from surplus and the purchase of treasury shares amounting to 493 million yen.

As a result, the shareholders' equity ratio was up to 62.6% from 60.4% at the previous year-end.

(3) Forward-Looking Statements Including Forecasts of Consolidated Business Results

Forecasts of business results for the fiscal year ending March 31, 2020, which were included in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2019," announced on May 15, 2019, still stand.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2019 (as of March 31, 2019)	Q3 of FY2020 (as of December 31, 2019)
Current assets		
Cash and deposits	12,688	7,033
Notes and accounts receivable - trade	9,238	8,366
Electronically recorded monetary claims - operating	812	1,095
Securities	3,299	3,699
Merchandise and finished goods	5,108	5,727
Work in progress	450	412
Raw materials and supplies	2,074	2,097
Other	1,317	3,054
Allowance for doubtful accounts	(43)	(13)
Total current assets	34,946	31,472
Property, plant and equipment	16,960	17,519
Intangible assets	1,729	1,779
Investments and other assets	9,545	9,143
Total non-current assets	28,235	28,442
Deferred assets	74	54
Total assets	63,256	59,970
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,066	3,065
Electronically recorded obligations - operating	2,116	2,293
Short-term borrowings	2,050	2,400
Current portion of bonds	600	600
Income taxes payable	2,793	71
Provision for bonuses	1,237	615
Other provisions	10	8
Other	5,041	5,144
Total current liabilities	16,915	14,199
Non-current liabilities		
Bonds payable	3,600	3,300
Long-term borrowings	300	300
Provision	115	57
Net defined benefit liability	533	513
Asset retirement obligations	214	254
Other	3,368	3,783
Total non-current liabilities	8,132	8,208
Total liabilities	25,048	22,408

(Million yen)

	FY2019 (as of March 31, 2019)	Q3 of FY2020 (as of December 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	—	0
Retained earnings	34,307	34,427
Treasury shares	(2,045)	(2,507)
Total shareholders' equity	35,262	34,920
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9)	7
Deferred gains or losses on hedges	(5)	4
Remeasurements of defined benefit plans	2,960	2,629
Total accumulated other comprehensive income	2,945	2,641
Total net assets	38,207	37,561
Total liabilities and net assets	63,256	59,970

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

(Nine months ended December 31, 2018 and 2019)

(Million yen)

	Nine months ended December 31, 2018 from April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)
Net sales	38,153	39,144
Cost of sales	19,048	19,703
Gross profit	19,105	19,440
Selling, general and administrative expenses	17,302	17,667
Operating profit	1,802	1,773
Non-operating income		
Interest income	1	5
Dividend income	20	19
Share of profit of entities accounted for using equity method	3	1
Other	123	111
Total non-operating income	148	138
Non-operating expenses		
Interest expenses	43	44
Other	89	129
Total non-operating expenses	133	173
Ordinary profit	1,817	1,738
Extraordinary income		
Gain on sales of non-current assets	60	111
Other	--	--
Total extraordinary income	71	111
Extraordinary losses		
Loss on sales of non-current assets	--	0
Loss on retirement of non-current assets	51	12
Impairment loss	220	10
Loss on liquidation of business	92	--
Other	--	3
Total extraordinary losses	364	26
Profit before income taxes	1,523	1,822
Income taxes—current	2,191	155
Income taxes—deferred	(1,628)	395
Total income taxes	563	551
Profit	960	1,271
Profit attributable to owners of parent	960	1,271

**Consolidated Statements of
Comprehensive Income**
(Nine months ended December 31, 2018
and 2019)

(Million yen)

	Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)
Profit	960	1,271
Other comprehensive income		
Valuation difference on available-for-sale securities	(70)	17
Deferred gains or losses on hedges	36	9
Remeasurements of defined benefit plans, net of tax	(512)	(331)
Total other comprehensive income	(547)	(304)
Comprehensive income	413	967
(Breakdown)		
Comprehensive income attributable to owne	413	967
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Regarding the Consolidated Financial Statements

Notes Regarding 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 the resolution adopted at the Board of Directors' meeting held on May 15, 2019, the Company acquired 500,000 shares of its treasury shares. In accordance with the resolution adopted at the Board of Directors' meeting held on June 27, 2019, the Company retired 32,300 shares of its treasury shares on July 26, 2019.

As a result of the above, treasury shares increased by 462 million yen during the nine months ended December 31, 2019. As of December 31, 2019, treasury shares stood at 2,507 million yen.

Segment Information**1. Information on net sales and income (loss) by reporting segment**

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 statement of income (Note 3)
	Medical services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	21,809	15,528	37,337	815	38,153	—	38,153
Internal sales among segments or transfers	6	211	217	4	222	(222)	—
Total	21,815	15,739	37,555	820	38,375	(222)	38,153
Segment income (loss)	1,756	60	1,816	(39)	1,776	25	1,802

Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated statement of income (Note 3)
	Medical services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	23,006	15,891	38,898	245	39,144	—	39,144
Internal sales among segments or transfers	1	224	225	4	230	(230)	—
Total	23,008	16,116	39,124	250	39,375	(230)	39,144
Segment income (loss)	1,609	135	1,744	3	1,748	25	1,773

Notes:

- The "Other" segment is a business segment not included in any of the reporting segments and includes such businesses as real-estate leasing.
- The details of "Adjustments" are as follows:
Segment income

(Million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Elimination of intersegment transactions	720	717
Corporate expenses*	(694)	(691)
Total	25	25

*Corporate expenses are primarily expenses relating to general affairs and other administrative divisions of the company submitting the consolidated financial statements that do not belong to the reporting segments.

- Segment income (loss) is adjusted to be consistent with operating profit reported in the consolidated statements of income.

2. Matters related to changes to reporting segments

In the previous fiscal year ended March 31, 2019, France Bed Sales Co., Ltd., a consolidated subsidiary of the Company, discontinued its business of selling commodities and sundries. Upon review of the business management classification of France Bed Sales, the Company, starting in the first quarter of the fiscal year ending March 31, 2020, presented the business results of France Bed Sales and FB Tomonokai, both of which had previously been presented under the "Other" segment, under the Home Furnishing and Health Business.

Segment information for the nine months ended December 31, 2018, presents results prepared on the basis of the revised classification.

3. Information on impairment loss on non-current assets or goodwill by reporting segment

(Significant impairment loss relating to non-current assets)

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

(Million yen)

	Reporting segment			Other (Note)	Total	Adjustments	Consolidated statement 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 the "Other" segment, an impairment loss of 10 million yen was recorded, in conjunction with the decision made by France Bed Sales Co., Ltd., a consolidated subsidiary of the Company, to discontinue the business of selling commodities and sundries.

The amount of this impairment loss was included in loss on liquidation of business under extraordinary losses for the nine months ended December 31, 2019.

Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Million yen)

	Reporting segment			Other	Total	Adjustments	Consolidated statement of income
	Medical services	Home Furnishing and Health	Total				
Impairment loss	-	10	10	-	10	-	10
Total	-	10	10	-	10	-	10