



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

October 31, 2019

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: November 14, 2019

Scheduled date to commence dividend payments: December 6, 2019

Preparation of supplementary material on quarterly financial results: Yes

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

(Amounts less than one million yen truncated)

1. Consolidated Results for the Six Months Ended September 30, 2019 (from April 1, 2019, to September 30, 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	%
Six months ended September 30, 2019	26,329	4.0	1,113	-2.4	1,083	-6.3	666	-3.3
Six months ended September 30, 2018	25,296	-0.7	1,141	-2.6	1,156	-2.2	689	-8.2

Note: Comprehensive income

Six months ended September 30, 2019: ¥433 million (8.1%)

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

	Profit per share		Fully diluted profit per share	
	Yen		Yen	
Six months ended September 30, 2019	17.07		—	
Six months ended September 30, 2018	17.48		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2019	59,491	37,569	63.1	968.98
As of March 31, 2019	63,256	38,207	60.4	972.64

Note: Shareholders' equity

As of September 30, 2019: ¥37,569 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	Yen	Yen	Yen
		12.50		15.50	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. Forecasts 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 consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements of financial reports 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 for prior periods: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

2) Number of treasury shares at the end of the period

3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)

As of September 30, 2019:	41,397,500 shares	As of March 31, 2019:	41,397,500 shares
As of September 30, 2019:	2,625,322 shares	As of March 31, 2019:	2,115,636 shares
As of September 30, 2019:	39,040,276 shares	As of September 30, 2018:	39,467,747 shares

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

Note concerning 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.

Method of obtaining supplementary materials of the financial results:

The Company is scheduled to make a presentation of financial results for institutional investors and securities analysts on Wednesday, November 27, 2019. Handout materials of the presentation will be posted on the Company's website immediately following the presentation.

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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. Population estimates published by the Ministry of Internal Affairs and Communications showed that, as of October 1, 2018, people aged 65 years and older accounted for 28.1% of the total population, and that the percentage has remained on an upward trend over recent years. By contrast, the working-age population represented 59.7% 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 entire Group by focusing the Group's 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 achieved consolidated net sales of 26,329 million yen for the six months ended September 30, 2019 (hereinafter "this period"), up 4.0% from the same period the previous year. The growth in sales was driven primarily by a temporary spike of sales to customers immediately prior to the increase in the consumption-tax rate becoming effective on October 1, 2019, and increased revenue from the rental business of special-need equipment, which is the core of the Medical Services Business. The Group posted an operating profit of 1,113 million yen (down 2.4% year on year), an ordinary profit of 1,083 million yen (down 6.3%), and a profit of 666 million yen attributable to owners of parent (down 3.3%). The decline in profit was in part due to an increase in expenses incurred to open new sales offices for the Medical Services Business and a new showroom for the Home Furnishing and Health Business and in part due to a sharp increase in logistics expenses in the wake of a nationwide shortage of drivers in the trucking industry.

The performance of each business segment is described below:

The Company made changes in reporting segments during the first quarter of the fiscal year ending March 31, 2020, and the comparison and analysis of the results for the first six months of the fiscal year were made on the basis of the revised classification. For details about the changes, refer to "2. Matters related to changes in reporting segments" under "Segment Information" in "4) Notes to the Consolidated Financial Statements" of "2. Consolidated Financial Statements and Primary Notes."

#### 1) Medical Services Business

We opened three new sales offices in Saitama, Shizuoka, and Osaka. As part of our efforts to expand 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 MFB-930 Multi Fit bed with its size adjustable depending on the height of a user and the room size, and the 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 and provide customers with an opportunity to try and buy hearing aids. We also continued our efforts to achieve sales of products not covered by the government-sponsored nursing-care insurance program by offering 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 new hospitals and welfare facilities as well as existing facilities that considered 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 April, we started to lease senior care homes motorized beds and wheelchairs that meet their residents' needs. In addition, we offered special promotions to stimulate sales during the period leading to the consumption tax increase.

As a result, the Group achieved net sales of 15,480 million yen in the Medical Services Business, up 6.7% year on year. The operating profit in this segment declined 6.1% year on year to 1,141 million yen, due to an increase in expenses explained earlier and an increase in labor cost resulting from new hires.

#### 2) Home Furnishing and Health Business

The Group expanded its sales channels into home improvement stores and mass merchandisers for the first time. We used our showrooms located around the country, including a new one opened in Kumamoto in June, to jointly hold sales events with our retail partners, in which we demonstrated to consumers value-added products that promote better sleep and products available only from us.

In July, we stepped up our efforts to bolster sales of value-added products by starting to market Culiess Ag antibacterial mattresses with a top layer woven from AGLiza® antibacterial threads co-developed with Toyobo Co., Ltd.

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.

As a result, the Group posted net sales of 10,687 million yen in the Home Furnishing and Health Business, which was a year-on-year increase of 5.1%, driven by outstanding achievements at sales events jointly held with our retail partners in our showrooms, with an operating loss of 47 million yen, compared with an operating loss of 62 million yen the previous year.

(2) Summary of Financial Position

(Total assets)

Total assets as of September 30, 2019, decreased by 3,764 million yen to 59,491 million yen from the end of the previous fiscal year ("the previous year-end"). Current assets decreased by 3,862 million yen to 31,084 million yen from the previous year-end. This was primarily due to decreases of 1,853 million yen in cash and deposits, of 421 million yen in notes and accounts receivable—trade (including electronically recorded monetary claims—operating), and of 1,499 million yen in securities. Non-current assets increased by 111 million yen to 28,346 million yen from the previous year-end. This was primarily due to the purchase of property, plant and equipment as well as intangible assets.

(Liabilities)

Liabilities decreased by 3,126 million yen to 21,921 million yen from the previous year-end. This was primarily due to decreases of 217 million yen in notes and accounts payable—trade (including electronically recorded obligations—operating) and of 2,625 million yen in income taxes payable.

(Net assets)

Net assets decreased by 637 million yen to 37,569 million yen from the previous year-end. Major factors that contributed to their decrease included the payment of dividends of 608 million yen from surplus and the purchase of treasury shares amounting to 493 million yen, while those contributed to their increase included a profit of 666 million yen attributable to owners of parent.

As a result, shareholders' equity ratio was up to 63.1% from 60.4% at the previous year-end.

(Cash flow position)

Cash and cash equivalents decreased by 3,353 million yen from the previous year-end to 10,635 million yen as of September 30, 2019. Details of individual cash flow items are as follows:

1) Cash flows from operating activities

Net cash provided by operating activities amounted to 177 million yen, compared with 2,098 million yen for the same period the previous year. Operating cash inflows included a profit before income taxes of 1,065 million yen, the reporting of depreciation (a non-cash item) of 2,162 million yen, and the collection of notes and accounts receivable—trade of 423 million yen, which offset cash outflows that included the payment of 217 million yen of notes and accounts payable—trade and the payment of 2,476 million yen of income taxes.

2) Cash flows from investing activities

Net cash used in investing activities amounted to 2,995 million yen, compared with 2,247 million yen for the same period the previous year. Investing cash outflows included the purchase of property, plant and equipment worth 2,760 million yen and the purchase of intangible assets worth 251 million yen.

3) Cash flows from financing activities

Net cash used in financing activities amounted to 532 million yen, compared with 1,374 million yen for the same period the previous year. Financing cash inflows included an increase of 350 million yen in short-term loans payable and sales and leasebacks of 1,664 million yen, which were offset by cash outflows that included redemption of bonds amounting 300 million yen, the purchase of treasury shares of 494 million yen, repayments of finance lease obligations of 1,141 million yen, and the payment of cash dividends of 608 million yen.

(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

(Million yen)

(1) Consolidated Balance Sheets	FY2019 (as of March 31, 2019)	Q2 of FY2020 (as of September 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,688	10,835
Notes and accounts receivable—trade	9,238	8,879
Electronically recorded monetary claims—operating	812	749
Securities	3,299	1,799
Merchandise and finished goods	5,108	5,128
Work in progress	450	423
Raw materials and supplies	2,074	2,047
Other	1,317	1,256
Allowance for doubtful accounts	(43)	(35)
<b>Total current assets</b>	<b>34,946</b>	<b>31,084</b>
<b>Non-current assets</b>		
Property, plant and equipment	16,960	17,316
Intangible assets	1,729	1,797
Investments and other assets	9,545	9,232
<b>Total non-current assets</b>	<b>28,235</b>	<b>28,346</b>
Deferred assets	74	61
<b>Total assets</b>	<b>63,256</b>	<b>59,491</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	3,066	2,791
Electronically recorded obligations—operating	2,116	2,174
Short-term borrowings	2,050	2,400
Current portion of bonds	600	600
Income taxes payable	2,793	167
Provision for bonuses	1,237	1,238
Other provisions	10	5
Other	5,041	4,594
<b>Total current liabilities</b>	<b>16,915</b>	<b>13,972</b>
<b>Non-current liabilities</b>		
Bonds payable	3,600	3,300
Long-term borrowings	300	300
Provision	115	53
Net defined benefit liability	533	514
Asset retirement obligations	214	225
Other	3,368	3,555
<b>Total non-current liabilities</b>	<b>8,132</b>	<b>7,949</b>
<b>Total liabilities</b>	<b>25,048</b>	<b>21,921</b>

(Million yen)

	FY2019 (as of March 31, 2019)	Q2 of FY2020 (as of September 30, 2019)
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	—	0
Retained earnings	34,307	34,365
Treasury shares	(2,045)	(2,507)
<b>Total shareholders' equity</b>	<b>35,262</b>	<b>34,858</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(26)
Deferred gains or losses on hedges	(5)	(1)
Re-measurements of defined benefits plans	2,960	2,739
<b>Total accumulated other comprehensive income</b>	<b>2,945</b>	<b>2,711</b>
<b>Total net assets</b>	<b>38,207</b>	<b>37,569</b>
<b>Total liabilities and net assets</b>	<b>63,256</b>	<b>59,491</b>



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

(Six months ended September 30, 2018 and 2019)

(Million yen)

	Six months ended September 30, 2018 (from April 1, 2018, to September 30, 2018)	Six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019)
Net sales	25,296	26,329
Cost of sales	12,578	13,356
Gross profit	12,717	12,973
Selling, general and administrative expenses	11,575	11,860
Operating profit	1,141	1,113
Non-operating income		
Interest income	0	3
Dividend income	14	14
Share of profit of entities accounted for using equity	2	0
Difference due to change in contract of insurance	—	20
Other	88	59
Total non-operating income	105	97
Non-operating expenses		
Interest expenses	30	28
Share-based remuneration expenses	—	28
Other	59	70
Total non-operating expenses	90	127
Ordinary profit	1,156	1,083
Extraordinary income		
Gain on sales of non-current assets	60	—
Gain on liquidation of subsidiaries	10	—
Total extraordinary income	71	—
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	39	7
Impairment loss	—	10
Loss on liquidation of business	90	—
Total extraordinary losses	129	17
Profit before income taxes	1,098	1,065
Income taxes—current	2,255	106
Income taxes—deferred	(1,847)	292
Total income taxes	408	399
Profit	689	666
Profit attributable to owners of parent	689	666

Consolidated Statements of  
Comprehensive Income  
(Six months ended September 30,  
2018 and 2019)

(Million yen)

	Six months ended September 30, 2018 (from April 1, 2018, to September 30, 2018)	Six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019)
Profit	689	666
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(16)
Deferred gains or losses on hedges	42	4
Re-measurements of defined benefits plans, net of tax	(341)	(220)
Total other comprehensive income	(289)	(233)
Comprehensive income	400	433
(Comprehensive income attributable to)		
Comprehensive income attributable to	400	433
Comprehensive income attributable to non- controlling interests	—	—

## (3) Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2018 (from April 1, 2018, to September 30, 2018)	Six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,098	1,065
Depreciation	2,002	2,162
Impairment loss	—	10
Loss (gain) on sales of non-current assets	(60)	0
Loss on retirement of non-current assets	39	7
Increase (decrease) in allowance for doubtful accounts	45	(5)
Increase (decrease) in provision for bonuses	0	0
Increase (decrease) in provision for directors' bonuses	(4)	(5)
Increase (decrease) in net defined benefit liability	(2)	(27)
Decrease (increase) in net defined benefit asset	(403)	(221)
Increase (decrease) in provision for directors' retirement	4	(62)
Loss on liquidation of business	90	—
Loss (gain) on liquidation of subsidiaries	(10)	—
Interest and dividend income received	(15)	(17)
Interest expenses paid	30	28
Share of (profit) loss of entities accounted for using equity method	(2)	(0)
Decrease (increase) in notes and accounts payable—trade	1,554	423
Decrease (increase) in inventories	(83)	34
Increase (decrease) in accounts payable—trade	(626)	(217)
Increase (decrease) in accrued expenses	(108)	(121)
Other, net	(68)	(386)
<b>Subtotal</b>	<b>3,477</b>	<b>2,667</b>
Interest and dividend income received	15	15
Interest expenses paid	(30)	(28)
Income taxes paid	(1,364)	(2,476)
<b>Net cash provided by (used in) operating activities</b>	<b>2,098</b>	<b>177</b>

(Million yen)

	Six months ended September 30, (from April 1, 2018 to September 30, 2018)	Six months ended September (from April 1, 2019 to September 30, 2019)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,145)	(2,760)
Proceeds from sales of property, plant and equipment	167	1
Purchase of investing securities	(200)	(0)
Purchase of securities of non-consolidated subsidiaries	(68)	—
Proceeds from liquidation of subsidiaries	55	—
Collection of loans receivable	0	13
Purchase of intangible assets	(57)	(251)
Other, net	1	1
Net cash provided by (used in) investing activities	(2,247)	(2,995)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	100	350
Decrease in short-term loans payable	(100)	—
Proceeds from issuance of bonds	2,938	—
Redemption of bonds	(3,150)	(300)
Purchase of treasury shares	(987)	(494)
Proceeds from sales and leasebacks	1,311	1,664
Repayments of lease obligations	(984)	(1,141)
Cash dividends paid	(502)	(608)
Other, net	—	(1)
Net cash provided by (used in) financing activities	(1,374)	(532)
Effect of exchange rate change on cash and cash equivalents	(5)	(2)
Net increase (decrease) in cash and cash equivalents	(1,529)	(3,353)
Cash and cash equivalents at beginning of period	13,254	13,988
Cash and cash equivalents at end of period	11,724	10,635

(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 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 six months ended September 30, 2019. As of September 30, 2019, treasury shares stood at 2,507 million yen.

## Segment Information

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

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	10,161	24,661	634	25,296	—	25,296
Internal sales among segments or transfers	5	157	162	2	165	(165)	—
Total	14,505	10,318	24,823	637	25,461	(165)	25,296
Segment income (loss)	1,216	(62)	1,154	(30)	1,123	17	1,141

Six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019)

(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	15,480	10,687	26,167	162	26,329	—	26,329
Internal sales among segments or transfers	1	166	167	2	170	(170)	—
Total	15,481	10,853	26,335	165	26,500	(170)	26,329
Segment income (loss)	1,141	(47)	1,093	2	1,095	17	1,113

Notes 1. The "Other" segment is a business segment not included in the reporting segments and includes businesses such as real estate leasing.

2. The details of "Adjustments" are as follows:  
Segment income

(Million yen)

	ix months ended September 30, 2018	Six months ended
Elimination of intersegment transactions	510	496
Corporate expenses*	(492)	(478)
Total	17	17

\*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 the reporting segments.

3. Segment income (loss) is adjusted with operating profit reporting in the consolidated statements of income.

2. Matters related to changes in reporting segments

In the fiscal year ended March 31, 2019, France Bed Sales Co., Ltd. (France Bed Sales), a consolidated subsidiary of the Company, withdrew from the business of selling commodities and sundries. As a result of reviewing the business management classification of France Bed Sales, the Company changed to a method of including France Bed Sales and FB Tomonokai Co., Ltd., both of which had previously been included in "Other," in statements for the Home Furnishing and Health Business, starting in the first quarter of the fiscal year ending March 31, 2020.

Segment information for the six months ended September 30, 2018, presents figures 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)

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

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

The amount of this impairment loss for the six months ended September 30, 2019, was included in loss on liquidation of business under extraordinary losses.

Six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019)

With regard to the "Home Furnishing and Health" segment, an impairment loss of 10 million yen was recorded, in conjunction with the streamlining of production lines as part of the restructuring of the Shizuoka Plant of France Bed Sales Co., Ltd., a consolidated subsidiary of the Company.