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August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 7840
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 Scheduled date to file quarterly securities report: August 12, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2022	13,765	7.7	884	(6.2)	874	(10.2)	544	(27.6)
June 30, 2021	12,771	14.5	942	149.9	974	83.9	752	179.1

Note: Comprehensive income For the three months ended June 30, 2022: ¥473 million [(25.5)%]
 For the three months ended June 30, 2021: ¥635 million [195.6%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	14.98	–
June 30, 2021	20.21	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2022	64,776	37,174	57.3	1,025.87
March 31, 2022	64,298	37,540	58.3	1,030.11

Reference: Equity
 As of June 30, 2022: ¥37,174 million
 As of March 31, 2022: ¥37,540 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	15.00	–	18.00	33.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		16.00	–	17.00	33.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	57,500	5.7	4,200	7.1	4,180	5.5	2,650	3.6	72.71

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	41,397,500 shares
As of March 31, 2022	41,397,500 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2022	5,160,874 shares
As of March 31, 2022	4,954,623 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	36,349,675 shares
Three months ended June 30, 2021	37,231,143 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other special matters

Caution regarding 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 Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2022 (the “period under review”), signs of recovery appeared in the Japanese economy with steady normalization of social and economic activity due to the relaxation of regulations against COVID-19. However, the outlook remained uncertain due to factors such as concerns of the effect on economic activity from the Ukraine situation, which remains very tense, and the sharp depreciation of the yen.

In the nursing care industry to which our Group belongs, demand for home care continued to expand, despite signs of elderly people, who had refrained from entering facilities, now gradually entering facilities due to the overall lifting of semi-state of emergency COVID-19 measures. At the same time, in the furniture and home furnishings industry, customer traffic to department stores gradually recovered and there were also signs of recovery in demand for consumer durables.

Under these circumstances, the Group concentrated business resources owned by the Group into the senior-care business in accordance with the medium-term management plan that started in April 2021. And by doing so, through new products and services, we worked to find solutions to issues facing society as a whole, such as the shortage of human resources for nursing care and the increase in elderly care by the elderly. Furthermore, we aim to further enhance corporate value through promoting ESG management that is oriented toward the realization of a sustainable society. The key policies we worked on were as follows: (1) expanding business by concentrating management resources on the welfare equipment rental business (the Medical Services Business), (2) improving the profit margin by developing products that meet prevailing needs (the Home Furnishings and Health Business) and (3) strengthening the management base that supports corporate growth on an ongoing basis.

In terms of operating results of the Group in the period under review, as a result of increased revenue in the Medical Services Business from solid performance in the core welfare equipment rental business and from the M&A conducted in December 2021, as well as steady performance in higher-price-bracket products such as motorized beds in the Home Furnishings and Health Business, net sales amounted to 13,765 million yen, up 7.7% year on year.

In terms of profit, owing to investments aimed at continual expansion of the rental business in the Medical Services Business that were allocated for the hiring of personnel at operational bases, and the construction of new maintenance centers, operating profit amounted to 884 million yen, down 6.2% year on year, ordinary profit amounted to 874 million yen, down 10.2% year on year and profit attributable to owners of parent amounted to 544 million yen, down 27.6% year on year.

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

(i) Medical Services Business

In the core welfare equipment rental business, Medicarent Tokyo was newly established in Kodaira-shi, Tokyo in May 2022 as a service center for the cleaning, disinfection, and maintenance of rental welfare equipment. The population of elderly people in Tokyo, in particular, the population of late-elderly people of 75 years or older, is expected to increase in the coming years and we believe the growth in demand for welfare equipment and medical equipment will further accelerate. By putting in place an infrastructure that supports these needs and building a service structure that can stably provide such services over the medium to long term, we plan to proceed to develop our business activities with a greater sense of speed. Moreover, by integrating the headquarters function of the Medical Services Business with this new facility, the Group plans to carry out initiatives focusing on reducing the waste disposal of rental equipment, and developing products specifically designed to be rented, thereby aiming to reduce the environmental burden and realize profit growth.

In the product strategy, the Group organized sessions to try out the products in various regions across Japan with a focus on Multi-position Beds to provide self-reliance support, and proposed products that can contribute to solving problems in nursing care, such as shortage of human resources for nursing care and elderly care by the elderly.

As a result, the Medical Services Business recorded net sales of 8,911 million yen, up 10.8% year on year, and ordinary profit of 634 million yen, down 22.1% year on year.

(ii) Home Furnishings and Health Business

In the Home Furnishings and Health Business, strong performances were achieved for such series as the Life Treatment Mattress series, which was awarded the Eco Mark and whose standard feature is an antibacterial function, tapping into the needs of society with COVID-19, the RAMIDUS series, a bed-type massage machine targeting consumers with growing health awareness, and the motorized bed series that offers more luxurious sleep comfort to each individual, which contributed to improved sales and profit margins.

In addition, the Group continued initiatives to promote ESG management, installing mattresses that are constructed with MORELIY, an eco-friendly mattresses disassembling system that makes mattresses easier to disassemble at the time of their disposal, and eco-friendly bed frames that use oil palm waste material, in our showrooms.

As a showroom-related initiative, the Group opened Namba Showroom, a modern style casual showroom that caters to the diverse needs of consumers in Naniwa-ku, Osaka-shi in April 2022, and reopened our renovated flagship showrooms Akasaka Showroom in Minato-ku, Tokyo, and Osaka Showroom in Chuo-ku, Osaka-shi.

As a result, the Home Furnishings and Health Business posted net sales of 4,763 million yen, up 3.7% year on year, and ordinary profit of 278 million yen, up 35.6% year on year.

(2) Explanation of Financial Position

Assets

Total assets increased by 478 million yen from the end of the previous fiscal year (“the previous year-end”), to 64,776 million yen as of June 30, 2022. Current assets were up 919 million yen to 32,078 million yen from the previous year-end. This was primarily due to increases of 2,000 million yen in securities and 207 million yen in inventories, which were partially offset by decreases of 903 million yen in cash and deposits and 803 million yen in notes and accounts receivable - trade, and contract assets (including electronically recorded monetary claims - operating). Non-current assets decreased by 437 million yen from the previous year-end to 32,691 million yen. This result was primarily due a decrease in deferred tax assets.

Liabilities

Total liabilities increased by 844 million yen from the previous year-end, to 27,602 million yen. This result was primarily due to an increase of 1,523 million yen in accrued expenses, which was partially offset by decreases of 319 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating) and 362 million yen in income taxes payable.

Net assets

Net assets decreased by 366 million yen from the previous year-end, to 37,174 million yen. This was primarily due to decreases resulting from the 655 million yen payment of dividends from surplus and the 183 million yen purchase of treasury shares, which were partially offset by the 544 million yen profit attributable to owners of parent.

As a result, the equity-to-asset ratio decreased to 57.3% from 58.3% at the previous year-end.

(3) Explanation of Forward-looking Statements Including Consolidated Earnings Forecasts

The consolidated earnings forecasts that we announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 on May 13, 2022 remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	9,778	8,874
Notes and accounts receivable - trade, and contract assets	9,191	8,237
Electronically recorded monetary claims - operating	990	1,141
Securities	1,500	3,500
Merchandise and finished goods	5,857	5,956
Work in process	422	394
Raw materials and supplies	2,122	2,259
Other	1,349	1,752
Allowance for doubtful accounts	(53)	(36)
Total current assets	31,159	32,078
Non-current assets		
Property, plant and equipment		
Land	7,197	7,197
Other, net	14,818	14,738
Total property, plant and equipment	22,016	21,935
Intangible assets		
Goodwill	1,167	1,107
Other	1,256	1,293
Total intangible assets	2,423	2,401
Investments and other assets	8,688	8,353
Total non-current assets	33,128	32,691
Deferred assets	10	6
Total assets	64,298	64,776
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,672	2,387
Electronically recorded obligations - operating	2,176	2,141
Short-term borrowings	3,975	3,975
Current portion of long-term borrowings	222	200
Current portion of bonds payable	2,100	2,100
Income taxes payable	485	122
Provision for bonuses	1,423	753
Other provisions	118	89
Asset retirement obligations	72	63
Other	5,925	8,206
Total current liabilities	19,174	20,040
Non-current liabilities		
Bonds payable	300	300
Long-term borrowings	2,140	2,100
Provisions	195	202
Retirement benefit liability	425	431
Asset retirement obligations	366	367
Other	4,155	4,160
Total non-current liabilities	7,583	7,561
Total liabilities	26,757	27,602

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	1	1
Retained earnings	37,236	37,125
Treasury shares	(4,560)	(4,744)
Total shareholders' equity	35,677	35,382
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(25)
Deferred gains or losses on hedges	53	83
Remeasurements of defined benefit plans	1,843	1,733
Total accumulated other comprehensive income	1,862	1,791
Total net assets	37,540	37,174
Total liabilities and net assets	64,298	64,776

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**Quarterly Consolidated Statement of Income (Cumulative)**

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	12,771	13,765
Cost of sales	5,834	6,321
Gross profit	6,937	7,443
Selling, general and administrative expenses	5,994	6,558
Operating profit	942	884
Non-operating income		
Interest income	1	0
Dividend income	7	2
Patent-related income	45	12
Other	20	26
Total non-operating income	74	43
Non-operating expenses		
Interest expenses	16	23
Share of loss of entities accounted for using equity method	4	6
Other	21	23
Total non-operating expenses	43	53
Ordinary profit	974	874
Extraordinary income		
Gain on sale of non-current assets	145	0
Gain on sale of investment securities	10	–
Gain on sale of investments in capital of subsidiaries and associates	–	16
Insurance claim income	–	71
Total extraordinary income	156	88
Extraordinary losses		
Loss on sale of non-current assets	–	1
Loss on retirement of non-current assets	3	13
Loss on valuation of investment securities	–	56
Total extraordinary losses	3	71
Profit before income taxes	1,126	890
Income taxes - current	23	76
Income taxes - deferred	350	269
Total income taxes	374	346
Profit	752	544
Profit attributable to owners of parent	752	544

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	752	544
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	9
Deferred gains or losses on hedges	(1)	29
Remeasurements of defined benefit plans, net of tax	(105)	(110)
Total other comprehensive income	(117)	(71)
Comprehensive income	635	473
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	635	473
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes Regarding Quarterly Consolidated Financial Statements**Notes Regarding the Going Concern Assumption**

Not applicable

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

The Company purchased 206,200 shares of treasury shares based on a resolution adopted at the Board of Directors meeting held on May 13, 2022. As a result, treasury shares increased by 183 million yen in the period under review, to 4,744 million yen at the end of the period under review.

Segment Information

1. Information on net sales and profit (loss) by reporting segment

Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on quarterly consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	8,041	4,589	12,630	140	12,771	–	12,771
Internal sales among segments or transfers	1	33	35	1	36	(36)	–
Total	8,043	4,622	12,665	142	12,808	(36)	12,771
Segment profit (loss)	815	205	1,020	1	1,021	(47)	974

Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on quarterly consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	8,911	4,763	13,675	90	13,765	–	13,765
Internal sales among segments or transfers	1	40	41	1	43	(43)	–
Total	8,913	4,803	13,717	91	13,808	(43)	13,765
Segment profit (loss)	634	278	912	0	913	(39)	874

Notes: 1. The “Other” segment is a business segment not included in any of the reporting segments and includes such businesses as real estate leasing.

2. The details of “Adjustments” are as follows:

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Elimination of inter-segment transactions	177	325
Corporate revenue and expenses*	(225)	(364)
Total	(47)	(39)

- * Corporate revenue and expenses are primarily revenue and expenses that do not belong to the reporting segments pertaining to the company submitting the consolidated financial statements.
- 3. Segment profit (loss) is adjusted to be consistent with ordinary profit reported in the quarterly consolidated statements of income.