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February 10, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: FRANCE BED HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 7840
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 Scheduled date to file quarterly securities report: February 14, 2023
 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	42,758	7.9	3,201	6.8	3,212	6.0	2,026	(0.6)
December 31, 2021	39,602	4.4	2,995	27.9	3,028	19.3	2,039	19.3

Note: Comprehensive income For the nine months ended December 31, 2022: ¥1,664 million [(1.6)%]
 For the nine months ended December 31, 2021: ¥1,691 million [16.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	56.05	–
December 31, 2021	55.11	–

(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
December 31, 2022	63,806	37,591	58.9	1,043.61
March 31, 2022	64,298	37,540	58.3	1,030.11

Reference: Equity
 As of December 31, 2022: ¥37,591 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	–	16.00	–		
Fiscal year ending March 31, 2023 (Forecast)				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 December 31, 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 December 31, 2022	5,377,299 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)

Nine months ended December 31, 2022	36,155,350 shares
Nine months ended December 31, 2021	37,014,615 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 nine months ended December 31, 2022 (the “period under review”), the Japanese economy saw steady normalization of social and economic activity due in part to the effects of various government measures against COVID-19. However, the outlook remained uncertain due to factors such as protraction of the Ukraine situation and the soaring prices of energy and raw materials caused by the rapid progress in the depreciation of the yen.

In the nursing care industry to which our Group belongs, amid prolonged impact of COVID-19, demand for home care continues to rise. At the same time, in the furniture and home furnishings industry, consumer sentiment toward consumer durables continues to be low, in the face of the rising cost of goods, particularly with respect to daily essentials.

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 the previous fiscal year, as well as strong performance in higher-price-bracket products such as motorized beds and health appliances in the Home Furnishings and Health Business, net sales amounted to 42,758 million yen, up 7.9% year on year.

In terms of profit, in addition to higher revenue, the Company increased the sales prices of products in April and October 2022 to counter rising prices of raw materials, etc. As a result of these and other factors, operating profit amounted to 3,201 million yen, up 6.8% year on year, and ordinary profit amounted to 3,212 million yen, up 6.0% year on year, while profit attributable to owners of parent amounted to 2,026 million yen, down 0.6% 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, in addition to continuous reinforcement of sales and maintenance personnel, in response to an expansion in demand for welfare equipment and medical equipment that will accompany the increased population of elderly people in Tokyo going forward, Medicarent Tokyo was newly established in May 2022, for the cleaning, disinfection, and maintenance of rental welfare equipment. We are integrating the headquarters function of the Medical Services Business with this facility and focusing our efforts on developing products specifically designed to be rented, and effectively utilizing rental products, with the aim of expanding profits and reducing the environmental burden. Through our efforts to effectively utilize rental products, we have decreased the number of products disposed of by a considerable amount, curbed the number of unused products required for new rentals, and developed tools that increase maintenance efficiency, among other results.

In sales to hospitals and welfare facilities, while impacts such as of the global semiconductor shortage and soaring material prices have been considerable, we have also seen remarkable replacement demand for beds with functions that help to save labor on the nursing care front lines, and we have therefore been focusing on sales of functional beds and accessories.

As a result, the Medical Services Business recorded net sales of 27,542 million yen, up 10.6% year on year, and ordinary profit of 2,267 million yen, up 2.1% 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 mattress series which was awarded the Eco Mark and whose standard feature is an antibacterial function that taps into prevailing needs, the bed-type massage machine series targeting consumers with growing health awareness, and the motorized bed series that offers more luxurious sleep comfort, which contributed to improved sales and profit margins.

In addition, the Group continued initiatives to promote ESG management, installing mattresses that are easier to disassemble at the time of their disposal, and bed frames that use oil palm waste material, in our showrooms. These industry leading initiatives have been recognized as the Company received top honors in the Eco Mark Award 2022, held by the Japan Environment Association. Furthermore, in the disposal of used mattresses sold by the Company, to advance waste reduction and appropriate treatment and promote initiatives for a recycling oriented society, we applied for the “National Permit System” and received approval from the Minister of the Environment in November 2022.

Furniture stores have been decreasing in Japan in recent years, and the Group has developed its showrooms to provide a greater number of venues to display its products. These include the opening in April 2022 of Namba Showroom, a modern style casual showroom that caters to the diverse needs of consumers. In conjunction with this, we renovated existing showrooms, including our flagship showrooms, Akasaka and Osaka Showrooms, as well as Asahikawa and Sapporo Showrooms.

As a result, the Home Furnishings and Health Business posted net sales of 14,878 million yen, up 3.5% year on year, and ordinary profit of 970 million yen, up 14.9% year on year.

(2) Explanation of Financial PositionAssets

Total assets decreased by 491 million yen from the end of the previous fiscal year (“the previous year-end”), to 63,806 million yen as of December 31, 2022. Current assets were up 493 million yen to 31,653 million yen from the previous year-end. This was primarily due to increases of 2,400 million yen in securities and 613 million yen in inventories, which were partially offset by decreases of 2,295 million yen in cash and deposits and 315 million yen in notes and accounts receivable - trade, and contract assets (including electronically recorded monetary claims - operating). Non-current assets decreased by 1,011 million yen from the previous year-end to 32,116 million yen. This result was primarily due to the purchase and depreciation and amortization of property, plant and equipment, and intangible assets.

Liabilities

Total liabilities decreased by 542 million yen from the previous year-end, to 26,215 million yen. This result was primarily due to decreases of 134 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating), 137 million yen in income taxes payable and 295 million yen in lease liabilities (including long-term).

Net assets

Net assets increased by 50 million yen from the previous year-end, to 37,591 million yen. This was primarily due to 2,026 million yen of profit attributable to owners of parent, which were partially offset by decreases resulting from the 1,232 million yen payment of dividends from surplus and the 381 million yen purchase of treasury shares.

As a result, the equity-to-asset ratio increased to 58.9% 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	9,778	7,482
Notes and accounts receivable - trade, and contract assets	9,191	8,666
Electronically recorded monetary claims - operating	990	1,200
Securities	1,500	3,900
Merchandise and finished goods	5,857	6,217
Work in process	422	415
Raw materials and supplies	2,122	2,383
Other	1,349	1,423
Allowance for doubtful accounts	(53)	(36)
Total current assets	31,159	31,653
Non-current assets		
Property, plant and equipment		
Land	7,197	7,197
Other, net	14,818	14,351
Total property, plant and equipment	22,016	21,548
Intangible assets		
Goodwill	1,167	989
Other	1,256	1,307
Total intangible assets	2,423	2,296
Investments and other assets	8,688	8,271
Total non-current assets	33,128	32,116
Deferred assets	10	36
Total assets	64,298	63,806
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,672	2,576
Electronically recorded obligations - operating	2,176	2,139
Short-term borrowings	3,975	2,700
Current portion of long-term borrowings	222	200
Current portion of bonds payable	2,100	600
Income taxes payable	485	347
Provision for bonuses	1,423	791
Other provisions	118	12
Asset retirement obligations	72	-
Other	5,925	6,937
Total current liabilities	19,174	16,304
Non-current liabilities		
Bonds payable	300	1,500
Long-term borrowings	2,140	3,500
Provisions	195	216
Retirement benefit liability	425	488
Asset retirement obligations	366	406
Other	4,155	3,799
Total non-current liabilities	7,583	9,910
Total liabilities	26,757	26,215

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	1	1
Retained earnings	37,236	38,031
Treasury shares	(4,560)	(4,941)
Total shareholders' equity	35,677	36,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(21)
Deferred gains or losses on hedges	53	8
Remeasurements of defined benefit plans	1,843	1,513
Total accumulated other comprehensive income	1,862	1,500
Total net assets	37,540	37,591
Total liabilities and net assets	64,298	63,806

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	39,602	42,758
Cost of sales	18,091	19,729
Gross profit	21,511	23,028
Selling, general and administrative expenses	18,515	19,827
Operating profit	2,995	3,201
Non-operating income		
Interest income	3	4
Dividend income	11	13
Other	128	131
Total non-operating income	143	149
Non-operating expenses		
Interest expenses	51	69
Share of loss of entities accounted for using equity method	2	3
Other	56	65
Total non-operating expenses	110	137
Ordinary profit	3,028	3,212
Extraordinary income		
Gain on sale of non-current assets	146	1
Gain on sale of investment securities	10	-
Gain on sale of investments in capital of subsidiaries and associates	-	16
Insurance claim income	-	148
Total extraordinary income	156	167
Extraordinary losses		
Loss on sale of non-current assets	-	1
Loss on retirement of non-current assets	4	20
Loss on valuation of investment securities	-	56
Loss on valuation of investments in capital of subsidiaries and associates	-	9
Impairment losses	10	-
Total extraordinary losses	14	87
Profit before income taxes	3,170	3,292
Income taxes - current	618	878
Income taxes - deferred	512	386
Total income taxes	1,130	1,265
Profit	2,039	2,026
Profit attributable to owners of parent	2,039	2,026

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	2,039	2,026
Other comprehensive income		
Valuation difference on available-for-sale securities	(13)	12
Deferred gains or losses on hedges	(17)	(44)
Remeasurements of defined benefit plans, net of tax	(317)	(330)
Total other comprehensive income	(348)	(362)
Comprehensive income	1,691	1,664
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,691	1,664
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 420,000 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 380 million yen in the period under review, to 4,941 million yen at the end of the period under review.

Segment Information

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

Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	24,899	14,367	39,266	335	39,602	–	39,602
Internal sales among segments or transfers	4	203	208	5	213	(213)	–
Total	24,904	14,571	39,475	340	39,816	(213)	39,602
Segment profit (loss)	2,220	844	3,065	3	3,068	(39)	3,028

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	27,542	14,878	42,420	337	42,758	–	42,758
Internal sales among segments or transfers	2	220	222	5	228	(228)	–
Total	27,544	15,098	42,643	343	42,986	(228)	42,758
Segment profit (loss)	2,267	970	3,238	2	3,240	(27)	3,212

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)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Elimination of inter-segment transactions	908	1,072
Corporate revenue and expenses*	(947)	(1,100)
Total	(39)	(27)

- * 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.

2. Information on impairment losses on non-current assets or goodwill, etc. by reporting segment
 Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
 (Significant impairment losses relating to non-current assets)

(Millions of yen)

	Reporting segment			Other	Total	Adjustments	Amounts reported on quarterly consolidated statement of income
	Medical Services	Home Furnishings and Health	Total				
Impairment losses	-	10	10	-	10	-	10
Total	-	10	10	-	10	-	10

(Significant changes in amount of goodwill)

The Company included HOMECARE SERVICE YAMAGUCHI Co., Ltd. in its scope of consolidation following the acquisition of all of its shares through FRANCE BED CO., LTD., the Company's consolidated subsidiary, during the third quarter ended December 31, 2021. As a result, 879 million yen of goodwill arose in the Medical Services segment.

This goodwill amount is a figure calculated through provisional accounting because the allocation of the acquisition cost was not completed as of December 31, 2021.

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Significant impairment losses relating to non-current assets)

Not applicable

(Significant changes in amount of goodwill)

Not applicable