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August 10, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (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: August 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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, 2023	13,969	1.4	992	12.2	1,006	15.1	616	13.2
June 30, 2022	13,765	7.7	884	(6.2)	874	(10.2)	544	(27.6)

Note: Comprehensive income For the three months ended June 30, 2023: ¥543 million [14.9%]
 For the three months ended June 30, 2022: ¥473 million [(25.5)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	17.12	–
June 30, 2022	14.98	–

(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, 2023	64,313	37,947	59.0	1,053.51
March 31, 2023	64,679	38,124	58.9	1,058.41

Reference: Equity
 As of June 30, 2023: ¥37,947 million
 As of March 31, 2023: ¥38,124 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, 2023	–	16.00	–	20.00	36.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		17.00	–	21.00	38.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	60,500	3.2	4,850	8.2	4,850	8.1	3,050	12.8	84.67

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, 2023	38,397,500 shares
As of March 31, 2023	41,397,500 shares

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

As of June 30, 2023	2,377,543 shares
As of March 31, 2023	5,377,343 shares

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

Three months ended June 30, 2023	36,019,957 shares
Three months ended June 30, 2022	36,349,675 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.

Attached Material**Index**

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	3
(3) Explanation of Forward-looking Statements Including Consolidated Earnings Forecasts	3
2. Quarterly Consolidated Financial Statements and Primary Notes.....	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	6
Quarterly Consolidated Statement of Income (Cumulative)	6
Quarterly Consolidated Statement of Comprehensive Income (Cumulative)	7
(3) Notes Regarding Quarterly Consolidated Financial Statements	8
Notes Regarding the Going Concern Assumption.....	8
Notes Regarding Significant Changes in the Amount of Shareholders' Equity	8
Segment Information.....	8
Significant Subsequent Events	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2023 (the “period under review”), the Japanese economy saw personal consumption and capital investment head toward recovery after the infectious disease classification of COVID-19 was changed to Class V. At the same time, however, the outlook remained uncertain due to factors such as the rise in the price of goods due to the prolonged Ukraine situation and the depreciating yen, along with soaring resource and energy prices.

In the nursing care industry to which our Group belongs, against the backdrop of the increasingly graying population, demand for home care continued to rise. In the furniture and home furnishings industry, consumer sentiment toward consumer durables continued to be low in the face of the rising cost of goods, particularly with respect to daily essentials. Meanwhile, the hotel industry enjoyed a sharp recovery, with recovery in domestic tourists and an increase in inbound tourism demand.

Under these circumstances, the Group concentrated business resources owned by the Group into the senior-care business with the fiscal year ending March 31, 2024 being the final year of the three-year medium-term management plan announced in May 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, as well as strong performance in sales for hotels in the Home Furnishings and Health Business, net sales amounted to 13,969 million yen, up 1.4% year on year.

In terms of profit, owing to a reduction in rental costs due to efficient operation of rental assets in the Medical Services Business, operating profit amounted to 992 million yen, up 12.2% year on year, ordinary profit amounted to 1,006 million yen, up 15.1% year on year and profit attributable to owners of parent amounted to 616 million yen, up 13.2% 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, while taking steps to strengthen our sales by hiring personnel at operational bases with the aim of continual rental expansion, also, following the change of the infectious disease classification of COVID-19 to Class V, we set up booths at various trade fairs such as those in the fields of medical and welfare, and rehabilitation, and organized sessions where numerous service professionals and general users could try out the products, focusing on rental expansion.

Moreover, we have taken various efforts to reduce our cost of sales ratio. In addition to boosting maintenance personnel to enhance the capability of the maintenance system to handle the increasing scale of deliveries and returns of welfare equipment to keep pace with growth in rental demand, we have been improving our efficiency of warehouse management and developing tools that increase maintenance efficiency.

Concerning product measures, as part of our measures for expanding sales to wholesalers, RaKuDa, a bed for home-care needs that can be delivered and assembled by one person to suit the needs of regional and local vendors was developed, with sales of RaKuDa commencing in August 2023.

As a result, the Medical Services Business recorded net sales of 9,046 million yen, up 1.5% year on year, and ordinary profit of 761 million yen, up 20.0% year on year.

(ii) Home Furnishings and Health Business

In the Home Furnishings and Health Business, amid falling consumer sentiment toward durables, we focused on sales of high-performance higher-price-bracket products such as the Eco Mark-certified mattresses with a standard feature of an antibacterial function, bed-type massage machines, and motorized bed series.

In addition, we renewed our high-end model mattress, THE FRANCEBED, which is the representative product of FRANCE BED, in May 2023. In the renewed version, a viewpoint of eco-friendliness has been added to the original concept, while maintaining our attention to sleeping comfort and manufacturing approach. We have changed to sustainable specifications that give attention to a wide range of considerations from the selection of materials with low environmental impact to the reuse of the waste materials arising at the end of a product's useful life. Through these design changes, we are promoting commercial products that contribute to the realization of a sustainable society.

In the hotel department, the level of demand approached that of pre-COVID-19 pandemic levels for both domestic tourists and inbound tourism demand. Moreover, amid a rise in capital investment by operators to improve occupancy rates going forward, we saw strong sales, mainly for our Eco Mark-certified products.

As a result, the Home Furnishings and Health Business posted net sales of 4,816 million yen, up 1.1% year on year, and ordinary profit of 264 million yen, down 5.0% year on year, mainly due to increased costs such as personnel expenses.

(2) Explanation of Financial PositionAssets

Total assets decreased by 366 million yen from the end of the previous fiscal year ("the previous year-end"), to 64,313 million yen as of June 30, 2023. Current assets were down 28 million yen to 32,938 million yen from the previous year-end. This was primarily due to decreases of 222 million yen in cash and deposits and 1,042 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), which were partially offset by increases of 500 million yen in securities and 351 million yen in inventories. Non-current assets decreased by 335 million yen from the previous year-end to 31,344 million yen. This result was primarily due a decrease in deferred tax assets.

Liabilities

Total liabilities decreased by 189 million yen from the previous year-end to 26,365 million yen. This result was primarily due to decreases of 121 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating) and 954 million yen in income taxes payable, which were partially offset by an increase of 1,419 million yen in accrued expenses.

Net assets

Net assets decreased by 176 million yen from the previous year-end to 37,947 million yen. This was primarily due to a decrease resulting from the 720 million yen payment of dividends from surplus, which was partially offset by the 616 million yen profit attributable to owners of parent.

As a result, the equity-to-asset ratio increased to 59.0% from 58.9% 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, 2023 on May 15, 2023 remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	9,355	9,132
Notes and accounts receivable - trade	9,482	8,194
Electronically recorded monetary claims - operating	1,025	1,271
Securities	3,500	4,000
Merchandise and finished goods	5,880	6,161
Work in process	373	372
Raw materials and supplies	2,128	2,199
Other	1,257	1,632
Allowance for doubtful accounts	(38)	(26)
Total current assets	32,966	32,938
Non-current assets		
Property, plant and equipment		
Land	7,197	7,212
Other, net	13,871	13,951
Total property, plant and equipment	21,069	21,164
Intangible assets		
Goodwill	929	870
Other	1,295	1,270
Total intangible assets	2,225	2,140
Investments and other assets	8,385	8,039
Total non-current assets	31,680	31,344
Deferred assets	33	31
Total assets	64,679	64,313
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,658	2,363
Electronically recorded obligations - operating	1,868	2,042
Short-term borrowings	2,550	2,550
Current portion of long-term borrowings	200	200
Current portion of bonds payable	300	300
Income taxes payable	1,069	115
Provision for bonuses	1,538	790
Other provisions	16	4
Asset retirement obligations	71	71
Other	6,448	8,295
Total current liabilities	16,721	16,733
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term borrowings	3,900	3,900
Provisions	149	140
Retirement benefit liability	507	493
Asset retirement obligations	340	341
Other	3,435	3,256
Total non-current liabilities	9,833	9,631
Total liabilities	26,555	26,365

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	1	–
Retained earnings	38,706	35,847
Treasury shares	(4,941)	(2,184)
Total shareholders' equity	36,766	36,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(22)	(27)
Deferred gains or losses on hedges	12	52
Remeasurements of defined benefit plans	1,367	1,260
Total accumulated other comprehensive income	1,358	1,285
Total net assets	38,124	37,947
Total liabilities and net assets	64,679	64,313

(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, 2022	Three months ended June 30, 2023
Net sales	13,765	13,969
Cost of sales	6,321	6,270
Gross profit	7,443	7,699
Selling, general and administrative expenses	6,558	6,706
Operating profit	884	992
Non-operating income		
Interest income	0	1
Dividend income	2	3
Share of profit of entities accounted for using equity method	–	3
Insurance claim income	0	9
Other	39	28
Total non-operating income	43	47
Non-operating expenses		
Interest expenses	23	21
Share of loss of entities accounted for using equity method	6	–
Other	23	11
Total non-operating expenses	53	32
Ordinary profit	874	1,006
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investments in capital of subsidiaries and associates	16	–
Insurance claim income	71	–
Total extraordinary income	88	0
Extraordinary losses		
Loss on sale of non-current assets	1	–
Loss on retirement of non-current assets	13	0
Loss on valuation of investment securities	56	0
Total extraordinary losses	71	0
Profit before income taxes	890	1,006
Income taxes - current	76	83
Income taxes - deferred	269	306
Total income taxes	346	389
Profit	544	616
Profit attributable to owners of parent	544	616

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	544	616
Other comprehensive income		
Valuation difference on available-for-sale securities	9	(5)
Deferred gains or losses on hedges	29	40
Remeasurements of defined benefit plans, net of tax	(110)	(107)
Total other comprehensive income	(71)	(72)
Comprehensive income	473	543
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	473	543
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 cancelled 3,000,000 treasury shares on May 31, 2023 based on a resolution adopted at the Board of Directors meeting held on May 15, 2023. As a result, capital surplus fell into negative figures, and this capital deficit was subtracted from retained earnings.

As a result, capital surplus decreased by 1 million yen, retained earnings decreased by 2,755 million yen and treasury shares decreased by 2,756 million yen in the period under review, and retained earnings was 35,847 million yen and treasury shares was 2,184 million yen at the end of the period under review.

Segment Information

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

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

	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

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

	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	9,046	4,816	13,862	106	13,969	–	13,969
Internal sales among segments or transfers	2	39	41	1	43	(43)	–
Total	9,048	4,855	13,903	108	14,012	(43)	13,969
Segment profit (loss)	761	264	1,025	0	1,026	(19)	1,006

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:

Segment profit (loss) (Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Elimination of inter-segment transactions	325	328
Corporate revenue and expenses*	(364)	(347)
Total	(39)	(19)

* 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.

Significant Subsequent Events

Disposal of treasury shares as restricted stock-based remuneration

The Company at its Board of Directors meeting held on June 28, 2023, resolved to conduct a disposal of treasury shares as restricted stock-based remuneration to the Company’s Directors (excluding External Directors and Directors who are Audit and Supervisory Committee Members), and the disposal of treasury shares was carried out as specified below.

- Overview of the disposal of treasury shares

(1) Class of shares disposed of

The Company’s common shares

(2) Total number of shares disposed of

16,200 shares

(3) Disposal amount

1,115 yen per share

(4) Total amount of disposal

18,063,000 yen

(5) Method of subscription or disposal

Method of allotting specified restricted shares

(6) Method of fulfilling contribution obligations

Contribution in kind of monetary remuneration claims

(7) Disposal recipients, the number of such recipients, and the number of shares disposed of

One Director of the Company (excluding External Director and Director who is an Audit and Supervisory Committee Member), 16,200 shares

(8) Date of disposal

July 21, 2023

(9) Other

The Company has submitted securities notice for the disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.