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November 10, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: FRANCE BED HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 7840
 URL: <https://www.francebed-hd.co.jp>
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 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: December 5, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 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	%
Six months ended September 30, 2023	28,366	0.4	2,034	4.7	2,071	5.7	1,249	0.7
September 30, 2022	28,244	8.7	1,941	4.0	1,958	3.0	1,239	(5.0)

Note: Comprehensive income For the six months ended September 30, 2023: ¥1,060 million [2.5%]
 For the six months ended September 30, 2022: ¥1,034 million [(4.0)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	34.67	—
September 30, 2022	34.21	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	63,175	38,482	60.9	1,067.88
March 31, 2023	64,679	38,124	58.9	1,058.41

Reference: Equity
 As of September 30, 2023: ¥38,482 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	–	17.00			
Fiscal year ending March 31, 2024 (Forecast)			–	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 September 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 September 30, 2023	2,361,510 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)

Six months ended September 30, 2023	36,027,973 shares
Six months ended September 30, 2022	36,222,884 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.

How to obtain supplementary material on financial results

The Company is scheduled to make a presentation of financial results for institutional investors and securities analysts on Friday, December 1, 2023. The presentation's handout materials will be posted on the Company's website by the day before the presentation.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023 (the “period under review”), the Japanese economy saw further normalization of social and economic activity following the COVID-19 pandemic, with personal consumption and capital investment heading toward recovery. At the same time, however, the outlook remained uncertain due to factors such as a sharp rise in raw material prices and energy costs caused by the prolonged Ukraine situation, coupled with factors such as the yen’s depreciation and tensions in the Middle East.

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, the Medical Services Business saw rental sales falter in the core welfare equipment rental business, mainly due to an increase in people moving from their homes into medical institutions and the like following the subsidence of the COVID-19 pandemic and an increase in cancellations due to hot weather. In the Home Furnishings and Health Business, customer visits to furniture stores decreased due to price increases and changes in consumer behavior following the subsidence of the COVID-19 pandemic. As a result, net sales amounted to 28,366 million yen, up 0.4% year on year.

In terms of profit, in the Medical Services Business, rental capacity utilization increased due to efficient utilization of rental assets, while in the Home Furnishings and Health Business, we focused on sales of higher-price-bracket products offering high added value. These factors increased profit margins, and as a result operating profit amounted to 2,034 million yen, up 4.7% year on year, ordinary profit amounted to 2,071 million yen, up 5.7% year on year, and profit attributable to owners of parent amounted to 1,249 million yen, up 0.7% 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 competitiveness by hiring sales and maintenance personnel with the aim of continual rental expansion, we set up booths at various trade fairs including the fields of medical and rehabilitation, and organized sessions where numerous service professionals and general users could try out the products, focusing on rental expansion.

In new product development, in September 2023, we launched the MULTI FIT AIR Mattress, an air mattress whose length can be adjusted to fit the length of the bed frame. We also developed RaKuDa, a bed for home-care needs that can be delivered and assembled by one person, and the CYCLEAN Mattress, a spring mattress for nursing care designed specifically for sleep comfort, and plans to launch them in November.

As a result, the Medical Services Business recorded net sales of 18,511 million yen, up 1.0% year on year, and ordinary profit of 1,553 million yen, up 4.4% 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, mainly through our own showrooms.

In new product development, we renewed FRANCE BED's high-end model mattress, THE FRANCEBED, in May 2023. We also launched GRANSUS, a new series of motorized reclining beds, in July, and the new ECOCOMFORT Motorized Bed sleeping equipment that harmonizes with ethical lifestyles in September.

In the hotel department, demand from both domestic and inbound tourists recovered rapidly, and capital investments in hotels grew active, driving brisk sales of Eco Mark-certified products.

As a result, the Home Furnishings and Health Business posted net sales of 9,620 million yen, down 0.8% year on year, and ordinary profit of 529 million yen, up 4.8% year on year.

(2) Explanation of Financial PositionAssets

Total assets decreased by 1,503 million yen from the end of the previous fiscal year ("the previous year-end"), to 63,175 million yen as of September 30, 2023. Current assets were down 717 million yen to 32,248 million yen from the previous year-end. This was primarily due to decreases of 1,555 million yen in cash and deposits and 958 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), which were partially offset by increases of 1,500 million yen in securities and 254 million yen in inventories. Non-current assets decreased by 781 million yen from the previous year-end to 30,898 million yen. This result was primarily due to the purchase, depreciation and amortization of property, plant and equipment, and intangible assets.

Liabilities

Total liabilities decreased by 1,861 million yen from the previous year-end to 24,693 million yen. This result was primarily due to decreases of 341 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating), 300 million yen in bonds payable (current portion) and 479 million yen in income taxes payable, which were partially offset by an increase of 300 million yen in short-term borrowings and long-term borrowings.

Net assets

Net assets increased by 358 million yen from the previous year-end to 38,482 million yen. This was primarily due to 1,249 million yen of profit attributable to owners of parent, which was partially offset by a decrease resulting from the 720 million yen payment of dividends from surplus.

As a result, the equity-to-asset ratio increased to 60.9% from 58.9% at the previous year-end.

Cash flows

Cash and cash equivalents decreased by 1,055 million yen from the previous year-end to 9,299 million yen in the period under review. Details of individual cash flow items are as follows:

(i) Cash flows from operating activities

Net cash provided by operating activities amounted to 3,671 million yen, compared with 4,300 million yen for the same period of the previous year. Operating cash inflows included profit before income taxes of 2,069 million yen, the reporting of depreciation (a non-cash item) of 2,698 million yen, and a decrease in trade receivables of 958 million yen, which were partially offset by cash outflows that included income taxes paid of 931 million yen, a decrease in trade payables of 341 million yen, and an increase in inventories of 254 million yen.

(ii) Cash flows from investing activities

Net cash used in investing activities amounted to 3,311 million yen, compared with 5,247 million yen for the same period of the previous year. Investing cash outflows included purchase of securities of 3,500 million yen and purchase of property, plant and equipment of 2,126 million yen, which were partially offset by cash inflows that included redemption of securities of 2,500 million yen.

(iii) Cash flows from financing activities

Net cash used in financing activities amounted to 1,419 million yen, compared with 2,882 million yen for the same period of the previous year. Financing cash outflows included redemption of bonds of 300 million yen, repayments of finance lease liabilities of 1,769 million yen, and the payment of cash dividends of 718 million yen, which were partially offset by cash inflows that included long-term borrowings of 300 million yen and sales and leasebacks of 1,069 million yen.

(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 September 30, 2023
Assets		
Current assets		
Cash and deposits	9,355	7,799
Notes and accounts receivable - trade	9,482	8,657
Electronically recorded monetary claims - operating	1,025	893
Securities	3,500	5,000
Merchandise and finished goods	5,880	6,023
Work in process	373	427
Raw materials and supplies	2,128	2,186
Other	1,257	1,286
Allowance for doubtful accounts	(38)	(25)
Total current assets	32,966	32,248
Non-current assets		
Property, plant and equipment		
Land	7,197	7,212
Other, net	13,871	13,552
Total property, plant and equipment	21,069	20,764
Intangible assets		
Goodwill	929	810
Other	1,295	1,226
Total intangible assets	2,225	2,037
Investments and other assets	8,385	8,096
Total non-current assets	31,680	30,898
Deferred assets	33	28
Total assets	64,679	63,175
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,658	2,347
Electronically recorded obligations - operating	1,868	1,838
Short-term borrowings	2,550	2,650
Current portion of long-term borrowings	200	200
Current portion of bonds payable	300	-
Income taxes payable	1,069	589
Provision for bonuses	1,538	1,473
Other provisions	16	8
Asset retirement obligations	71	71
Other	6,448	5,894
Total current liabilities	16,721	15,072
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term borrowings	3,900	4,100
Provisions	149	146
Retirement benefit liability	507	488
Asset retirement obligations	340	341
Other	3,435	3,044
Total non-current liabilities	9,833	9,620
Total liabilities	26,555	24,693

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	1	–
Retained earnings	38,706	36,482
Treasury shares	(4,941)	(2,170)
Total shareholders' equity	36,766	37,312
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(22)	(24)
Deferred gains or losses on hedges	12	41
Remeasurements of defined benefit plans	1,367	1,153
Total accumulated other comprehensive income	1,358	1,170
Total net assets	38,124	38,482
Total liabilities and net assets	64,679	63,175

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	28,244	28,366
Cost of sales	13,102	12,750
Gross profit	15,141	15,615
Selling, general and administrative expenses	13,200	13,580
Operating profit	1,941	2,034
Non-operating income		
Interest income	2	3
Dividend income	12	12
Other	94	88
Total non-operating income	109	104
Non-operating expenses		
Interest expenses	46	42
Share of loss of entities accounted for using equity method	0	2
Other	45	22
Total non-operating expenses	93	67
Ordinary profit	1,958	2,071
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	148	–
Total extraordinary income	165	0
Extraordinary losses		
Loss on sale of non-current assets	1	–
Loss on retirement of non-current assets	15	1
Loss on valuation of investment securities	54	0
Loss on valuation of investments in capital of subsidiaries and associates	9	–
Total extraordinary losses	80	1
Profit before income taxes	2,042	2,069
Income taxes - current	684	598
Income taxes - deferred	119	221
Total income taxes	803	820
Profit	1,239	1,249
Profit attributable to owners of parent	1,239	1,249

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,239	1,249
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(2)
Deferred gains or losses on hedges	2	28
Remeasurements of defined benefit plans, net of tax	(220)	(214)
Total other comprehensive income	(204)	(188)
Comprehensive income	1,034	1,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,034	1,060
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,042	2,069
Depreciation	2,828	2,698
Amortization of goodwill	118	118
Loss (gain) on sale of non-current assets	1	(0)
Loss on retirement of non-current assets	15	1
Increase (decrease) in allowance for doubtful accounts	(16)	(13)
Increase (decrease) in provision for bonuses	10	(65)
Increase (decrease) in provision for bonuses for directors (and other officers)	(8)	(8)
Increase (decrease) in retirement benefit liability	3	(19)
Decrease (increase) in retirement benefit asset	(205)	(179)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	14	(3)
Interest and dividend income	(15)	(15)
Interest expenses	46	42
Insurance claim income	(148)	–
Share of loss (profit) of entities accounted for using equity method	0	2
Loss (gain) on valuation of investment securities	54	0
Loss (gain) on sale of investments in capital of subsidiaries and associates	(16)	–
Loss on valuation of investments in capital of subsidiaries and associates	9	–
Decrease (increase) in trade receivables	545	958
Decrease (increase) in inventories	(258)	(254)
Increase (decrease) in trade payables	(298)	(341)
Increase (decrease) in accrued expenses	(81)	(117)
Other, net	93	(244)
Subtotal	4,735	4,629
Interest and dividends received	14	15
Interest paid	(44)	(42)
Income taxes paid	(374)	(931)
Proceeds from insurance income	71	–
Payments associated with disaster loss	(101)	–
Net cash provided by (used in) operating activities	4,300	3,671

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,483)	(2,126)
Proceeds from sale of property, plant and equipment	176	0
Purchase of securities	(3,200)	(3,500)
Proceeds from redemption of securities	500	2,500
Proceeds from sale of investments in capital of subsidiaries and associates	25	–
Loan advances	(34)	–
Proceeds from collection of loans receivable	3	3
Purchase of intangible assets	(163)	(189)
Payments for asset retirement obligations	(72)	–
Other, net	0	–
Net cash provided by (used in) investing activities	(5,247)	(3,311)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,235)	100
Proceeds from long-term borrowings	1,500	300
Repayments of long-term borrowings	(162)	(100)
Redemption of bonds	(1,800)	(300)
Purchase of treasury shares	(382)	(0)
Proceeds from sale and leaseback transactions	1,706	1,069
Repayments of lease liabilities	(1,853)	(1,769)
Dividends paid	(654)	(718)
Net cash provided by (used in) financing activities	(2,882)	(1,419)
Effect of exchange rate change on cash and cash equivalents	14	4
Net increase (decrease) in cash and cash equivalents	(3,814)	(1,055)
Cash and cash equivalents at beginning of period	10,778	10,355
Cash and cash equivalents at end of period	6,963	9,299

(4) 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. Furthermore, the Company disposed of 16,200 treasury shares on July 21, 2023 based on a resolution adopted at the Board of Directors meeting held on June 28, 2023. As a result, capital surplus fell into negative figures, and this capital deficit was subtracted from retained earnings.

As a result, retained earnings decreased by 2,752 million yen and treasury shares decreased by 2,771 million yen in the period under review, and retained earnings was 36,482 million yen and treasury shares was 2,170 million yen at the end of the period under review.

Segment Information

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

Six months ended September 30, 2022 (from April 1, 2022 to September 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	18,325	9,705	28,030	213	28,244	–	28,244
Internal sales among segments or transfers	1	177	179	3	183	(183)	–
Total	18,327	9,882	28,210	216	28,427	(183)	28,244
Segment profit (loss)	1,488	504	1,992	1	1,993	(35)	1,958

Six months ended September 30, 2023 (from April 1, 2023 to September 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	18,511	9,620	28,132	233	28,366	–	28,366
Internal sales among segments or transfers	4	196	200	3	204	(204)	–
Total	18,515	9,817	28,332	237	28,570	(204)	28,366
Segment profit (loss)	1,553	529	2,082	1	2,084	(12)	2,071

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)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Elimination of inter-segment transactions	737	779
Corporate revenue and expenses *	(773)	(792)
Total	(35)	(12)

* 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.