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November 8, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: FRANCE BED HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 7840
 URL: <https://francebed-hd.co.jp>
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 Scheduled date to file semi-annual securities report: November 14, 2024
 Scheduled date to commence dividend payments: December 5, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2024 (from April 1, 2024 to September 30, 2024)

(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, 2024	29,250	3.1	2,124	4.3	2,145	3.6	1,325	6.1
September 30, 2023	28,366	0.4	2,034	4.7	2,071	5.7	1,249	0.7

Note: Comprehensive income For the six months ended September 30, 2024: ¥1,031 million [(2.8)%]
 For the six months ended September 30, 2023: ¥1,060 million [2.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	38.36	36.35
September 30, 2023	34.67	-

(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
September 30, 2024	67,056	38,511	57.4	1,114.42
March 31, 2024	68,575	38,211	55.7	1,106.37

Reference: Equity
 As of September 30, 2024: ¥38,511 million
 As of March 31, 2024: ¥38,211 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, 2024	–	17.00	–	22.00	39.00
Fiscal year ending March 31, 2025	–	17.00			
Fiscal year ending March 31, 2025 (Forecast)			–	22.00	39.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2025	61,000	3.1	4,800	4.6	4,800	3.0	3,000	(4.2)	86.86

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

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual 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: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to “(4) Notes Regarding Semi-annual Consolidated Financial Statements (Notes Regarding Changes in Accounting Policies)” under 2. Semi-annual Consolidated Financial Statements and Primary Notes on page 11 of the accompanying materials.

(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, 2024	38,397,500 shares
As of March 31, 2024	38,397,500 shares

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

As of September 30, 2024	3,839,889 shares
As of March 31, 2024	3,859,837 shares

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

Six months ended September 30, 2024	34,547,596 shares
Six months ended September 30, 2023	36,027,973 shares

* Semi-annual financial results reports are exempt from 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, November 29, 2024. The presentation’s handout materials will be posted on the Company’s website by the day before the presentation.

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1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Six Months Ended September 30, 2024

During the six months ended September 30, 2024 (the “period under review”), the Japanese economy saw a trend of gradual recovery against the backdrop of improvement in the employment and income environment and escalating demand from inbound tourists, among others. At the same time, however, the outlook remained uncertain due to concerns over a downturn in capital investment and personal consumption caused mainly by the rise in the price of goods and rapid exchange rate fluctuations.

Under these circumstances, the Group formulated a new medium-term management plan encompassing three years beginning in April 2024, and has accordingly been working to create corporate value through sustainability management aimed at realizing a sustainable society, while enhancing its operations by continuing to intensively allocate its management resources in the senior-care business.

In terms of operating results of the Group in the period under review, performance was adversely affected by factors such as rising costs due to the depreciating yen, increasing personnel expenses due to wage hikes, and surging distribution costs, but the core welfare equipment rental business achieved robust growth and results from property transactions for hospitals and welfare facilities were strong. As a result, net sales amounted to 29,250 million yen, up 3.1% year on year, operating profit amounted to 2,124 million yen, up 4.3% year on year, ordinary profit amounted to 2,145 million yen, up 3.6% year on year, and profit attributable to owners of parent amounted to 1,325 million yen, up 6.1% year on year.

Effective from the first quarter of the fiscal year ending March 31, 2025, the fiscal year-end of HOMECARE SERVICE YAMAGUCHI Co., Ltd., a consolidated subsidiary, has been changed from October 31 to March 31 in alignment with the consolidated balance sheet date. Due to this change in the fiscal year-end, the consolidated financial results of the period under review encompass eight months of profit and loss attributable to said consolidated subsidiary. Further details are presented in “(4) Notes Regarding Semi-annual Consolidated Financial Statements (Changes in Scope of Consolidation or Scope of Application of the Equity Method) (Change in fiscal year of consolidated subsidiary)” under 2. Semi-annual Consolidated Financial Statements and Primary Notes.

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, we focused on gaining rental contracts through efforts that involved hiring sales personnel to increase the number of continual rental contracts and upgrading our fleet of delivery vehicles.

In product development, we persisted with efforts to expand sales of the RaKuDa bed for home-care needs that can be delivered and assembled by one person targeting welfare equipment rental business operators. Furthermore, leveraging our strengths as a manufacturer of bedding, we launched sales in August of the MOFUPITA positioning cushions that support independent living by helping users maintain a good sleeping posture in bed, thereby reducing the risk of bedsores and preventing contractures.

In regard to hospitals and welfare facilities, amid the situation where the shortage of human resources for nursing care has become an issue, we put efforts into sales of IoT-related equipment for reducing workloads and achieving labor savings including beds fitted with the monitoring sensor M-2 and the sleep analysis sensor M-Sleep Bio, while also focusing on the B-to-B rental business with products such as furniture and appliances for elderly care facilities.

As a result, the Medical Services Business recorded net sales of 19,491 million yen, up 5.2% year on year, and ordinary profit of 1,653 million yen, up 6.4% year on year.

(ii) Home Furnishings and Health Business

In the Home Furnishings and Health Business, as consumer sentiment toward durable consumer goods continues to fall and the number of furniture specialty stores in Japan continues to decrease,

we focused on sales of high-performance higher-price-bracket products such as the motorized bed series as well as core products that include the LT (LIFE TREATMENT) Mattress premium model, LT LEGACY, mainly through our own showrooms, and in July, we opened the FRANCE BED Gallery Funabashi and the Saitama Showroom in order to increase the number of spaces that showcase the Group's products.

In May, we also opened in Minato-ku, Tokyo our first sofa specialty showroom, which features products of the prominent South Korean JAKOMO sofa manufacturer as the main brand with the aim of increasing sales of our living room products.

In sales for hotels, despite the increase in overseas visitors to Japan and domestic tourists, the results were affected by delays in new openings and renovation work mainly due to an increase in construction costs and high hotel occupancy rates.

As a result, the Home Furnishings and Health Business posted net sales of 9,505 million yen, down 1.1% year on year, and ordinary profit of 489 million yen, down 7.4% year on year, mainly due to increased costs such as personnel expenses.

(2) Summary of Financial Position for the Six Months Ended September 30, 2024

Assets

Total assets decreased by 1,518 million yen from the end of the previous fiscal year ("the previous year-end"), to 67,056 million yen as of September 30, 2024. Current assets were down 939 million yen to 36,245 million yen from the previous year-end. This was primarily due to decreases of 3,771 million yen in cash and deposits and 1,600 million yen in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), which were partially offset by increases of 4,000 million yen in securities and 374 million yen in inventories. Non-current assets decreased by 572 million yen from the previous year-end to 30,764 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 1,818 million yen from the previous year-end to 28,545 million yen. This result was primarily due to decreases of 976 million yen in notes and accounts payable - trade (including electronically recorded obligations - operating) and 145 million yen in long-term borrowings, which were partially offset by an increase of 287 million yen in income taxes payable.

Net assets

Net assets increased by 300 million yen from the previous year-end to 38,511 million yen. This was primarily due to the 1,325 million yen profit attributable to owners of parent, which was partially offset by a decrease resulting from the 759 million yen payment of dividends from surplus.

As a result, the equity-to-asset ratio increased from 55.7% at the previous year-end to 57.4%.

Cash flows

Cash and cash equivalents decreased by 771 million yen from the previous year-end to 12,430 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 3,893 million yen, compared with 3,671 million yen for the same period of the previous fiscal year. Operating cash inflows included profit before income taxes of 2,139 million yen, the reporting of depreciation (a non-cash item) of 2,574 million yen, and a decrease in trade receivables of 1,600 million yen, which were partially offset by cash outflows that included income taxes paid of 348 million yen, a decrease in trade payables of 976 million yen, and an increase in inventories of 374 million yen.

(ii) Cash flows from investing activities

Net cash used in investing activities amounted to 3,438 million yen, compared with 3,311 million yen for the same period of the previous fiscal year. Investing cash outflows included purchase of securities of 4,500 million yen and purchase of property, plant and equipment of 2,346 million yen, which were partially offset by cash inflows that included redemption of securities of 3,500 million yen.

(iii) Cash flows from financing activities

Net cash used in financing activities amounted to 1,226 million yen, compared with 1,419 million yen for the same period of the previous fiscal year. Financing cash outflows included repayments of long-term borrowings of 145 million yen, repayments of finance lease liabilities of 1,547 million yen, and the payment of cash dividends of 758 million yen, which were partially offset by cash inflows that included sales and leasebacks of 1,224 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, 2024 on May 15, 2024 remain unchanged.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	10,702	6,930
Notes and accounts receivable - trade	9,941	8,450
Electronically recorded monetary claims - operating	1,066	956
Securities	6,000	10,000
Merchandise and finished goods	5,960	6,300
Work in process	380	434
Raw materials and supplies	2,095	2,075
Other	1,078	1,119
Allowance for doubtful accounts	(40)	(22)
Total current assets	37,184	36,245
Non-current assets		
Property, plant and equipment		
Land	7,211	7,291
Other, net	13,659	13,318
Total property, plant and equipment	20,870	20,609
Intangible assets		
Goodwill	691	574
Other	1,044	904
Total intangible assets	1,736	1,478
Investments and other assets	8,730	8,676
Total non-current assets	31,336	30,764
Deferred assets	53	47
Total assets	68,575	67,056
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,844	2,188
Electronically recorded obligations - operating	2,002	1,681
Short-term borrowings	2,070	2,070
Current portion of long-term borrowings	290	290
Income taxes payable	479	766
Provision for bonuses	1,567	1,535
Other provisions	17	7
Other	5,872	5,135
Total current liabilities	15,144	13,675
Non-current liabilities		
Bonds payable	1,500	1,500
Convertible-bond-type bonds with share acquisition rights	5,049	5,044
Long-term borrowings	4,810	4,665
Provisions	158	109
Retirement benefit liability	446	406
Asset retirement obligations	360	361
Other	2,894	2,782
Total non-current liabilities	15,219	14,869
Total liabilities	30,363	28,545

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	–	4
Retained earnings	37,755	38,320
Treasury shares	(4,170)	(4,145)
Total shareholders' equity	36,584	37,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(20)	(34)
Deferred gains or losses on hedges	37	(11)
Remeasurements of defined benefit plans	1,609	1,378
Total accumulated other comprehensive income	1,626	1,332
Total net assets	38,211	38,511
Total liabilities and net assets	68,575	67,056

(2) Semi-annual Consolidated Statement of Income and Semi-annual Consolidated Statement of Comprehensive Income**Semi-annual Consolidated Statement of Income**

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	28,366	29,250
Cost of sales	12,750	13,022
Gross profit	15,615	16,228
Selling, general and administrative expenses	13,580	14,103
Operating profit	2,034	2,124
Non-operating income		
Interest income	3	10
Dividend income	12	6
Share of profit of entities accounted for using equity method	–	8
Other	88	61
Total non-operating income	104	87
Non-operating expenses		
Interest expenses	42	38
Share of loss of entities accounted for using equity method	2	–
Other	22	26
Total non-operating expenses	67	65
Ordinary profit	2,071	2,145
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sale of non-current assets	–	1
Loss on retirement of non-current assets	1	4
Loss on valuation of investment securities	0	–
Loss on sale of investment securities	–	0
Total extraordinary losses	1	6
Profit before income taxes	2,069	2,139
Income taxes - current	598	677
Income taxes - deferred	221	136
Total income taxes	820	814
Profit	1,249	1,325
Profit attributable to owners of parent	1,249	1,325

Semi-annual Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,249	1,325
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(13)
Deferred gains or losses on hedges	28	(49)
Remeasurements of defined benefit plans, net of tax	(214)	(231)
Total other comprehensive income	(188)	(294)
Comprehensive income	1,060	1,031
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,060	1,031
Comprehensive income attributable to non-controlling interests	—	—

(3) Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,069	2,139
Depreciation	2,698	2,574
Amortization of goodwill	118	117
Loss (gain) on sale of non-current assets	(0)	0
Loss on retirement of non-current assets	1	4
Increase (decrease) in allowance for doubtful accounts	(13)	(18)
Increase (decrease) in provision for bonuses	(65)	(31)
Increase (decrease) in provision for bonuses for directors (and other officers)	(8)	(10)
Increase (decrease) in retirement benefit liability	(19)	(39)
Decrease (increase) in retirement benefit asset	(179)	(238)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(3)	(48)
Loss (gain) on sale of investment securities	–	0
Interest and dividend income	(15)	(17)
Interest expenses	42	38
Share of loss (profit) of entities accounted for using equity method	2	(8)
Loss (gain) on valuation of investment securities	0	–
Decrease (increase) in trade receivables	958	1,600
Decrease (increase) in inventories	(254)	(374)
Increase (decrease) in trade payables	(341)	(976)
Increase (decrease) in accrued expenses	(117)	(343)
Other, net	(244)	(97)
Subtotal	4,629	4,271
Interest and dividends received	15	15
Interest paid	(42)	(44)
Income taxes paid	(931)	(348)
Net cash provided by (used in) operating activities	3,671	3,893
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,126)	(2,346)
Proceeds from sale of property, plant and equipment	0	1
Purchase of securities	(3,500)	(4,500)
Proceeds from redemption of securities	2,500	3,500
Proceeds from sale of investment securities	–	0
Purchase of shares of subsidiaries and associates	–	(54)
Proceeds from collection of loans receivable	3	3
Purchase of intangible assets	(189)	(43)
Net cash provided by (used in) investing activities	(3,311)	(3,438)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100	–
Proceeds from long-term borrowings	300	–
Repayments of long-term borrowings	(100)	(145)
Redemption of bonds	(300)	–
Purchase of treasury shares	(0)	(0)
Proceeds from sale and leaseback transactions	1,069	1,224
Repayments of lease liabilities	(1,769)	(1,547)
Dividends paid	(718)	(758)
Net cash provided by (used in) financing activities	(1,419)	(1,226)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Effect of exchange rate change on cash and cash equivalents	4	–
Net increase (decrease) in cash and cash equivalents	(1,055)	(771)
Cash and cash equivalents at beginning of period	10,355	13,202
Cash and cash equivalents at end of period	9,299	12,430

(4) Notes Regarding Semi-annual Consolidated Financial Statements**Notes Regarding Changes in Accounting Policies**

Application of Accounting Standard for Current Income Taxes, etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the period under review.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022).

There is no impact on the semi-annual consolidated financial statements as a result of this change in accounting policy.

Notes on Segment Information, etc.

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

Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on semi-annual 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

Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on semi-annual consolidated statement of income (Note 3)
	Medical Services	Home Furnishings and Health	Total				
Net sales							
Sales to external customers	19,491	9,505	28,997	252	29,250	–	29,250
Internal sales among segments or transfers	2	199	202	5	208	(208)	–
Total	19,494	9,705	29,199	258	29,458	(208)	29,250
Segment profit (loss)	1,653	489	2,142	1	2,144	0	2,145

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, 2023	Six months ended September 30, 2024
Elimination of inter-segment transactions	779	842
Corporate revenue and expenses*	(792)	(841)
Total	(12)	0

* 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 semi-annual consolidated statement of income.

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

The Company conducted a disposal of 23,300 treasury shares on July 22, 2024 based on a resolution adopted at the Board of Directors meeting held on June 28, 2024.

As a result, treasury shares decreased by 25 million yen in the period under review, to 4,145 million yen at the end of the period under review.

Notes Regarding the Going Concern Assumption

Not applicable

Changes in Scope of Consolidation or Scope of Application of the Equity Method

Change in fiscal year of consolidated subsidiary

Effective from the first quarter of the fiscal year ending March 31, 2025, the fiscal year-end of HOMECARE SERVICE YAMAGUCHI Co., Ltd., a consolidated subsidiary, has been changed from October 31 to March 31 in alignment with the consolidated balance sheet date. The fiscal period for said consolidated subsidiary is to encompass eight months with respect to the six months ended September 30, 2024 due to this change in the fiscal year-end, and the effect associated with this change in the fiscal year-end has been adjusted through the semi-annual consolidated statement of income.

Said consolidated subsidiary posted net sales of 415 million yen, operating profit of 71 million yen, ordinary profit of 73 million yen, and profit before income taxes of 72 million yen for the period from February 1, 2024 to March 31, 2024.