# Results for the Second Quarter of the Fiscal Year Ending March 31, 2012 (Japanese GAAP)

(April 1 ,2011 ~ September 30, 2011)

October 31, 2011

Company name : **France Bed Holdings Co., Ltd.** Listing Exchanges : Tokyo
Code number : 7840 URL : http://www.francebed-hd.co.jp
Representative : Shigeru Ikeda, President and Representative Director
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Scheduled date to file quarterly report : November 11, 2011
Scheduled date of the start of dividend payments: December 9, 2011
Preparation of quarterly earnings presentation material: Yes
Holding of quarterly earnings announcement : Yes(for Institutional investors and analysts)

(Figures of less than ¥1million have been omitted)

## 1. Consolidated results for the Second quarter of the fiscal year ending March 2012 (April 1,2011 ~ September 30, 2011)

(1)Consolidated Operating Results

(% figures are changes from the same period of the previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Second quarter ended Sept. 30, 2011 | 23,888 | 0.2 | 658 | 111.3 | 632 | 133.0 | 221 | 75.2 |
| Second quarter ended Sept. 30, 2010 | 23,829 | Δ4.3 | 311 | Δ26.7 | 271 | Δ25.7 | 126 | Δ36.4 |

(Note) Comprehensive income : As of September 30, 2011 : ¥ 254 million (—) As of September 30, 2010 : ¥ Δ15 million (—%)

| | Earnings per share | Earnings per share, diluted |
|---|---|---|
| | yen | yen |
| Second quarter ended Sept. 30, 2011 | 0.97 | — |
| Second quarter ended Sept. 30, 2010 | 0.55 | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' equity ratio |
|---|---|---|---|
| | Million yen | Million yen | % |
| Second quarter ended Sept. 30, 2011 | 59,059 | 36,565 | 61.9 |
| Fiscal year ended March 31, 2011 | 60,739 | 36,958 | 60.8 |

(Reference) Shareholder's equity : As of June 30, 2011: ¥36,565million As of March 31, 2011: ¥36,958million

## 2. Dividends

| | Dividends per share | | | | |
|---|---|---|---|---|---|
| Base date | End of first quarter | End of second quarter | End of third quarter | End of fiscal year | Full fiscal year |
| | yen | yen | yen | yen | yen |
| Fiscal year ended March 31, 2011 | — | 1.25 | — | 1.25 | 2.50 |
| Fiscal year ended March 31, 2012 | — | 1.25 | | | |
| Fiscal year ended March 31, 2012 (Outlook) | | | — | 1.25 | 2.50 |

Note : Changes to the dividend forecast during the period under review : None

### 3.Forecasts of results for the Fiscal Year Ending March 2012 (April 1, 2011 ~ March 31, 2012)

(Percentage figures for the full fiscal year are changes from the previous fiscal year)

| | Net Sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | yen |
| Annual | 49,180 | 1.7 | 1,590 | 167.5 | 1,440 | 163.8 | 690 | 193.2 | 3.02 |

(Note ) Changes to the consolidated forecasts during the period under review : None

### 4.Others

(1) Changes in the state of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None

(2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and changes in presentation due to revisions

[1] Changes in accounting principles accompanying revisions in accounting standards: None

[2] Changes other than those in[1]above: None

[3] Changes in accounting estimates: None

[4] Changes in presentation due to revisions: None

(4) Number of shares issued (common shares)

| | | |
|---|---|---|
| [1] Number of shares issued at the end of the period (including treasury stock) | Second quarter of FY2012.3<br>239,487,500 shares | FY2011.3<br>239,487,500 shares |
| [2] Number of treasury stock at the end of the period | Second quarter of FY2012.3<br>14,977,901 shares | FY2011.3<br>11,581,430 shares |
| [3] Average number of shares issued during the period (quarterly accumulation period) | Second quarter of FY2012.3<br>227,085,675 shares | Second quarter of FY2011.3<br>227,910,314 shares |

※ Presentation of implementation status for quarterly review procedures

This financial summary is exempt from the quarterly review procedures based on Financial Instruments and Exchange Law. At the time when this quarterly consolidated financial statements was disclosed,the quarterly review procedures based on the FinancialInstruments and Exchange Law had not been completed.

※ Explanation related to appropriate use of results forecasts and other items warranting special mention

(Note to descriptions about the future, etc.)

The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and certain assumptions considered reasonable. Actual results could differ materially, depending on a range of factors.

(How to access supplementary materials on business results)

The Company is scheduled to hold a presentation meeting on its business results for institutional investors and analysts on Friday, November 25, 2011. We plan to post the materials and video of this meeting on the Company’s website immediately after the meeting.

## Contents

## 1.Qualitative Information on Second Quarter Results

### (1) Consolidated Management Performance

In the second quarter of the current fiscal year (hereinafter “the period under review”), uncertainty about the future remained high in the Japanese economy. The stagnation caused by the Great East Japan Earthquake and power shortages gradually lifted and personal consumption also began to show signs of recovery, but, due to Europe’s financial woes and U.S. slowdown fears, the yen rose against major currencies.

In this economic environment, Francebed Co., Ltd, the core subsidiary of the Francebed Group, amalgamated its three business headquarters (Medical Service Business Headquarters, Home Furnishing and Health Business Headquarters, and Corporate Facilities Business Headquarters) into one business headquarters in April. This has allowed the Company to invest its management resources in its growing medical service business to expand earnings. It has also continued with the restructuring of its home furnishing and health business and expanded sales of high-value-added products, as it aims to fully leverage the amalgamation.

Regarding the new brand Rehatach, established in the previous period based on the concept of “creating products that are ‘friendly to people’ and aimed at improving their daily activities”, the Company focused on expanding sales of products for active elderly customers, such as the electric assist tricycle and the electric wheelchair Choiparu. Also, in September, the Company launched Safety Orange, a wheelchair with automatic brakes that is effective for preventing accidents caused when people forget to engage wheelchair brakes. This product will be sold mainly to nursing care facilities and medical care facilities in the future.

Under the circumstances described above, sales of the Group for the period under review amounted to 23,888 million yen (up 0.2% year on year). Consolidated operating income soared to 658 million yen (up 111.3% year on year), while consolidated ordinary income jumped to 632 million yen (up133.0% year on year) and consolidated net income was 221 million yen (up 75.2% year on year).

Performance of each segment is as described below.

As the segment structure was changed in the period under review, comparison with the same quarter in the previous year was made by applying the changed segment structure to that period.

**(Medical services business)**

In the medical services business, the Group opened two new sales offices (in Tokyo’s Suginami Ward and Kurashiki City, Okayama Prefecture) for the welfare equipment rental market, where benefits under care insurance are increasing, and sought to further expand rental sales. In addition, the Group launched SM-12, the industry’s first home care mattress using high density continuous spring, which delivers both the sleeping comfort of spring and the firmness required of a nursing care bed, as well as Choiparu, an electric wheelchair combining the mobility of a wheelchair with the comfort of an electric car, which was released as a new product under the Rehatech brand. The Group held training sessions and product briefings on these products for agents and care managers and worked to expand rental transactions and sales of these products and increase customers.

Meanwhile, the Group also maintained efforts to win contracts for property transactions with hospitals and other welfare facilities that are stepping up their capital spending, by increasing the number of sales bases and personnel.

As a new business, the Group promoted sales of Bioness, a rehabilitation system that integrates state-of-the-art medical technologies and the latest rehabilitation technologies, to medical institutions. This system uses electric stimulation to activate muscles.

As a result of the initiatives described above, sales in the medical services business were 12,891 million yen (up 6.1% year on year), and operating income was 743 million yen (up 13.1% year on year)

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**(Home furnishing and health business)**

In the home furnishing and health business, despite positive factors such as reconstruction demand after the Great East Japan Earthquake, low price goods continued to flow into Japan from overseas and operating conditions in the market for the Company’s mainstay middle and high-grade beds remained severe.

In this environment, the Group concentrated on promoting sales of middle and high-grade beds, such as the Life Treatment Mattress series, which are core products, and the Slumberland series, a leading global brand of beds. The Group has also been launching new products and striving to expand sales of products in response to the anticipated aging society, for example, it held “test-ride and sale” events of the Rehatech electric assist tricycle at furniture shops and other business partners.

Furthermore, in July, the Group launched the Reidan-Shiki Pad, a pad with a cooling and warming function which, due to water power, is cool in the summer and warm in the winter and can be used all year round. The product has shown a steady increase in sales, partly because it was picked up by the media due to the rise in energy saving awareness caused by power shortages. Also, as part of the review of its distribution system, the Group terminated contracts with large warehouses it had been leasing in eastern Japan in a bid to reduce distribution costs and otherwise continued with its restructuring efforts.

As a result of these initiatives, sales in the home furnishing and health business were 9,173 million yen (down 5.6% year on year), and operating loss was 109 million yen (compared with an operating loss of 363 million yen in the same period of the previous year).

**(Other businesses)**

In the sundries sales business of the “Other businesses” segment, the Group reviewed its product line-up and closed unprofitable stores to improve earnings. Stores damaged by the Great East Japan Earthquake were mostly reopened and, with the help of reconstruction demand, sales are recovering gradually.

Also, in the door-to-door sales business, the Group continued to streamline its sales offices and reduce costs in face of a continued decline in sales largely resulting from tighter regulations under the Act on Specified Commercial Transactions and the Installment Sales Act. The Group also reviewed the reservation deposit business (friendship association business), given the decline in members.

As a result of the initiatives described above, sales of the other businesses totaled 1,823 million yen (down 7.0% year on year), and the operating income for the business was 4 million yen (compared with an operating loss of 39 million yen in the same period of the previous year).

## (2) Consolidated Financial Position

**Total assets**

Total assets at the end of the period under review fell 1,680 million yen from the end of the previous fiscal year, to 59,059 million yen. Current assets decreased 944 million yen from the end of the previous fiscal year, to 32,215 million yen. Major factors underlying the results were a 850 million yen decrease in note and accounts receivable-trade. Fixed assets declined 724 million yen from the end of the previous fiscal year, to 26,808 million yen. Major contributors to the result included the transfer to current assets of time deposits to which the one-year rule applies.

**Liabilities**

Liabilities fell 1,287 million yen from the end of the previous fiscal year, to 22,493 million yen. This decrease mainly reflected a fall of 679 million yen in notes and accounts payable-trade, a 387 million yen decline in the current portion of bonds and a 112 million yen decrease in the current port of long-term loans payable.

**Net assets**

Net assets declined 392 million yen from the end of the previous fiscal year, to 36,565 million yen. The main contributor to this result was a decrease of 362 million yen for the acquisition of treasury stock.
As a result of the changes stated above, the shareholders’ equity ratio rose from 60.8% at the end of the previous year to 61.9%.

**Status of cash flow**

Cash flows for the six months under review produced a decrease in cash and cash equivalents of 2,474 million yen from the end of the previous fiscal year, to 10,909 million yen. Details of individual cash flow items are as follows.

(1) Net cash provided by operating activities

Net cash provided by operating activities came to 2,378 million yen (compared with 2,638 million yen in the same period of the previous fiscal year). Main contributors were inflows of net income before income taxes and minority interests of 434 million yen, depreciation costs of 1,892 million yen (a non-cash item) and a 798 million yen fall in account receivables, offsetting outflows such as a 558 million yen decline in procurement obligations and a 157 million decrease in accrued factoring liabilities.

(2) Net cash used for investing activities

Net cash used in investing activities totaled 3,680 million yen (compared with 1,736 million yen in the same period of the previous year). Major causes included the disbursement of 1,626 million yen to acquire tangible fixed assets, and investments of 500 million yen in time deposits, expenditure of 1,499 million yen to acquire securities.

(3) Net cash provided by financing activities

Net cash used in financing activities was1,164 million yen (compared with net cash provided by financing activities of 373 million yen in the same period of the previous fiscal year). Major causes included disbursement of 112 million yen for the repayment of long-term loans, an outlay of 387 million yen for the redemption of bonds, expenditure of 362 million yen to acquire treasury stock, and dividends paid of 284 million yen.

## (3) Outlook for Consolidated Operating Results

There has been no change to the performance forecast that was announced in “Consolidated Business Results for the Fiscal Year Ended March 31, 2011” dated May 13, 2011.

## 2. Consolidated Financial Statements

### (1) Consolidated balance sheets

(In millions of yen)

| | FY2011 (As of March 31,2011) | Second quarter of FY2012 (As of September 30, 2011) |
|---|---|---|
| **ASSET** | | |
| **Current assets** | | |
| Cash and deposits | 11,942 | 8,010 |
| Notes and accounts receivable, trade | 9,398 | 8,547 |
| Short-term investment securities | 1,999 | 6,098 |
| Merchandise and Finished goods | 5,623 | 5,644 |
| Work in process | 283 | 319 |
| Raw materials and supplies | 1,637 | 1,651 |
| Other | 2,339 | 1,984 |
| Allowance for doubtful accounts | Δ63 | Δ40 |
| Total current assets | 33,159 | 32,215 |
| **Fixed assets** | | |
| Property, plant and equipment | | |
| Land | 6,413 | 6,413 |
| Other (net) | 10,037 | 9,921 |
| Total property, plant and equipment | 16,451 | 16,335 |
| Intangible fixed assets | 1,392 | 1,241 |
| Investments and other assets | 9,688 | 9,231 |
| Total fixed assets | 27,532 | 26,808 |
| **Deferred assets** | 47 | 35 |
| **Total assets** | 60,739 | 59,059 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Notes and accounts payable, trade | 4,007 | 3,328 |
| Factoring of accrued liability | 2,138 | 1,980 |
| Short-term borrowings | 2,125 | 2,125 |
| Current portion of bonds | 775 | 387 |
| Current portion of long-term loans payable | 225 | 112 |
| Accrued income taxes | 157 | 97 |
| Reserve for bonuses | 1,084 | 1,082 |
| Reserve for Other | 79 | 23 |
| Other | 3,727 | 3,753 |
| Total current liabilities | 14,319 | 12,889 |
| **Noncurrent liabilities** | | |
| Bonds payable | 3,150 | 3,150 |
| Long-term loans payable | 2,000 | 2,000 |
| Provision for retirement benefits | 2,348 | 2,517 |
| Reserve for Other | 427 | 433 |
| Asset retirement obligations | — | 24 |
| Other | 1,536 | 1,478 |
| Total noncurrent liabilities | 9,462 | 9,603 |
| **Total liabilities** | 23,781 | 22,493 |
| **NET ASSETS** | | |
| **Shareholders' equity** | | |
| Capital stock | 3,000 | 3,000 |
| Capital surplus | 5,116 | 5,116 |
| Retained earnings | 32,182 | 32,118 |
| Treasury stock | Δ3,152 | Δ3,514 |
| Total shareholders' equity | 37,146 | 36,720 |
| **Accumulated Other Comprehensive Income** | | |
| Valuation gain and loss on other securities | Δ166 | Δ88 |
| Deferred gains or losses on hedges | 16 | Δ17 |
| Foreign currency translation adjustment | Δ38 | Δ49 |
| Total accumulated other comprehensive income | Δ188 | Δ154 |
| **Total net assets** | 36,958 | 36,565 |
| **Total liabilities and net assets** | 60,739 | 59,059 |

## (2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(In millions of yen)

| | Second quarter of FY2011 (From April 1, 2010 to September 30, 2010) | Second quarter of FY2012 (From April 1, 2011 to September 30, 2011) |
|---|---|---|
| **Net Sales** | 23,829 | 23,888 |
| **Cost of Sales** | 13,110 | 13,086 |
| **Gross profit** | 10,719 | 10,810 |
| **Selling, general and administrative expense** | 10,407 | 10,142 |
| **Operating income** | 311 | 658 |
| **Non-operating income** | | |
| Interest income | 5 | 7 |
| Foreign exchange gains | 11 | 11 |
| Compensation income | – | 19 |
| Profit of share allotment | 22 | – |
| Other | 54 | 42 |
| Total non-operating income | 94 | 81 |
| **Non-operating expenses** | | |
| Interest expense | 66 | 54 |
| Other | 67 | 52 |
| Total non-operating expenses | 134 | 107 |
| **Ordinary income** | 271 | 632 |
| **Extraordinary income** | | |
| Gain on sales of fixed assets | 1 | 0 |
| Gain on sales of investment securities | 12 | – |
| Total extraordinary income | 13 | 0 |
| **Extraordinary losses** | | |
| Loss on sales of fixed assets | – | 0 |
| Loss on retirement of fixed assets | 20 | 6 |
| Loss on valuation of investment securities | – | 0 |
| Loss on disaster | – | 21 |
| Loss on liquidation of subsidiaries and affiliates | – | 17 |
| Head office transfer cost | – | 151 |
| Loss on prior period adjustment | 0 | – |
| Total extraordinary losses | 20 | 197 |
| Income before income taxes | 264 | 434 |
| Income taxes-current | 58 | 54 |
| Income taxes-deferred | 79 | 158 |
| Total income taxes | 138 | 213 |
| Income before minority interests | 126 | 221 |
| Net Income | 126 | 221 |

(Consolidated Statements of Comprehensive Income)

(In millions of yen)

| | Second quarter of FY2011 (From April 1, 2010 to June 30, 2010) | Second quarter of FY2012 (From April 1, 2011 to June 30, 2011) |
|---|---|---|
| Income before minority interests | 126 | 221 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | Δ106 | 78 |
| Deferred gains or losses on hedges | Δ30 | Δ34 |
| Foreign currency translation adjustment | Δ5 | Δ10 |
| Other comprehensive income | Δ142 | 33 |
| Comprehensive income | Δ15 | 254 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of the parent | Δ15 | 254 |
| Comprehensive income attributable to minority interests | – | – |

### (3) Consolidated Statements of Cash Flows

(In millions of yen)

| | Second quarter of FY2011 (From April 1, 2010 to September 30, 2010) | Second quarter of FY2012 (From April 1, 2011 to September 30, 2011) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Income before income taxes | 264 | 434 |
| Depreciation and amortization | 1,635 | 1,892 |
| Loss (gain) on sale of fixed assets | Δ1 | 0 |
| Loss on retirement of fixed assets | 16 | 6 |
| Loss (gain) on sales of investment securities | Δ12 | – |
| Loss (gain) on valuation of investment securities | – | 0 |
| Increase (decrease) in allowance for doubtful accounts | Δ28 | Δ22 |
| Increase (decrease) in reserve for bonuses | 21 | 8 |
| Increase (decrease) in reserve for retirement benefits | 104 | 214 |
| Decrease (increase) in prepaid pension costs | 72 | 0 |
| Increase (decrease) in reserve for directors' retirement benefits | Δ41 | 6 |
| Increase (decrease) in other reserves | Δ0 | Δ55 |
| Interest income and dividend income | Δ16 | Δ19 |
| Interest expense | 66 | 54 |
| Change in account receivables | 690 | 798 |
| Change in inventory | 357 | Δ73 |
| Change in procurement obligations | Δ1,485 | Δ558 |
| Change in accrued factoring liabilities | 614 | Δ157 |
| Increase (decrease) in accrued expenses | Δ98 | Δ46 |
| Other | 157 | Δ61 |
| Sub-Total | 2,316 | 2,423 |
| Interest and dividends received | 16 | 18 |
| Interest paid | Δ57 | Δ59 |
| Income tax (paid) refund | 362 | Δ3 |
| Cash flows from operating activities | 2,638 | 2,378 |
| **Cash flows from investing activities** | | |
| Investments in time deposits | Δ606 | Δ1,000 |
| Decrease in term deposits | 1,200 | 500 |
| Purchase of short-term investment securities | – | Δ1,499 |
| Expenditures for acquisition of tangible fixed assets | Δ1,814 | Δ1,626 |
| Proceeds form sale of tangible fixed assets | 2 | 0 |
| Purchase of investment securities | Δ298 | Δ0 |
| Proceeds from sales of investment securities | 312 | – |
| Payments of loans receivable | Δ8 | – |
| Collection of loans receivable | 5 | 2 |
| Purchase of intangible fixed assets | Δ529 | Δ56 |
| Other | 0 | – |
| Cash flows from investing activities | Δ1,736 | Δ3,680 |
| **Cash flows from financing activities** | | |
| Decrease in short-term loans payable | Δ3,150 | – |
| Proceeds from long-term loans payable | 900 | – |
| Repayment of long-term loans payable | Δ112 | Δ112 |
| Proceeds from issuance of bonds | 3,101 | – |
| Redemption of bonds | Δ387 | Δ387 |
| Proceeds from sale and lease back | Δ0 | Δ362 |
| Repayments of lease obligations | 893 | 809 |
| Purchase of treasury stock | Δ587 | Δ827 |
| Cash dividends paid | Δ283 | Δ284 |
| Cash flows from financing activities | 373 | Δ1,164 |
| **Effect of exchange rate changes on cash and cash equivalents** | Δ5 | Δ9 |
| **Net increase in cash and cash equivalents** | 1,269 | Δ2,474 |
| **Cash and cash equivalents at beginning of period** | 11,030 | 13,384 |
| **Cash and cash equivalents at end of period** | 12,300 | 10,909 |

**(4) Notes concerning conditions of "going concern"**

Not applicable

**(5) Segment information, etc.**

[Segment information]

1.Information related to sales and profit and loss amounts by reporting segment

Second quarter of FY2011 (From April 1, 2010 to September 30, 2010)

(In millions of yen)

| | Reporting Segment | | | Other (Note 1) | Total | Adjustments (Note 2) | Consolidated total (Note 3) |
|---|---|---|---|---|---|---|---|
| | Medical Services | Home Furnishing and Health | Total | | | | |
| Sales | | | | | | | |
| Sales to External Customers | 12,144 | 9,723 | 21,867 | 1,962 | 23,829 | – | 23,829 |
| Internal Sales among Segments or Transfers | 15 | 288 | 303 | 227 | 531 | Δ531 | – |
| Total | 12,159 | 10,011 | 22,171 | 2,189 | 24,361 | Δ531 | 23,829 |
| Segment Income / Loss | 657 | Δ363 | 293 | Δ39 | 254 | 57 | 311 |

Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)

(In millions of yen)

| | Reporting Segment | | | Other (Note 1) | Total | Adjustments (Note 2) | Consolidated total (Note 3) |
|---|---|---|---|---|---|---|---|
| | Medical Services | Home Furnishing and Health | Total | | | | |
| Sales | | | | | | | |
| Sales to External Customers | 12,891 | 9,173 | 22,065 | 1,823 | 23,888 | – | 23,888 |
| Internal Sales among Segments or Transfers | 1 | 274 | 276 | 47 | 323 | Δ323 | – |
| Total | 12,893 | 9,448 | 22,341 | 1,870 | 24,212 | Δ323 | 23,888 |
| Segment Income / Loss | 743 | Δ109 | 634 | 4 | 639 | 19 | 658 |

(Note)

1. The Other Businesses segment is a business segment that is not included in the reported segments and includes businesses such as door-to-door sales business, sundries sales business, exhibition business and real estate lease business.

2. The item "Adjustments" contains the following:

Segment income

| | First quarter of FY2011 | First quarter of FY2012 |
|---|---|---|
| Elimination of intersegment transactions | 378 | 371 |
| Corporate expenses | Δ320 | Δ351 |
| | 57 | 19 |

General corporate expenses are expenses relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that cannot be attributed to any particular reporting segment.

3. Segment profit and loss is adjusted with operating income reported in the consolidated financial statements.

2.Change to the reporting segments

Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)

(1) Change to the reporting segments

The Group used to have three reporting segments, which were “medical services,” “home furnishing and health,” and “corporate facilities.” Starting from the period under review, the reporting segments were changed to “medical services” and “home furnishing and health” due to the reorganization of the core subsidiary, Francebed Co., Ltd.

(2) Change to the method of calculating the income/loss of each reporting segment

In the period under review, the Group started to review the method of distributing the common expenses of the entire company, used for calculating segment income/loss, to ensure more appropriate assessment and management of each segment’s business.

The new method was applied to the information given herein concerning sales and the income/loss of each reporting segment for the Second quarter of the previous fiscal year.

3.Information concerning the impairment loss of fixed assets of each reporting segment

Second quarter of FY2012 (From April 1, 2011 to September 30, 2011)

Due to the head office relocation of the company and its consolidated subsidiary, the book value of assets whose prospective uses have not been determined was reduced to the recoverable amount and posted as an impairment loss. The posted amount of impairment loss of each reporting segment is as follows:

| | Medical Services | Home Furnishing and Health | Other | Elimination of Corporate Wide | Total |
|---|---|---|---|---|---|
| Impairment loss (Note) | 11 | 15 | 4 | 3 | 35 |

(Note) It is included in the “Head office relocation cost” of “Extraordinary losses.”

**(6) Special changes to shareholders equity**

Not applicable