FRANCE BED HOLDINGS

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (J-GAAP)

May 12, 2017

Company name: **France Bed Holdings Co., Ltd.**
Code number: 7840 Listing exchanges: Tokyo
URL: http://www.francebed-hd.co.jp Tel: +81-3-6741-5501
Representative: Shigeru Ikeda, President
Contact person: Tsutomu Shimada, Director (Accounting Group)
Scheduled date of Ordinary General Shareholders' Meeting: June 23, 2017
Scheduled date to submit securities report: June 23, 2017
Scheduled date of the start of dividend payments: June 26, 2017
Preparation of supplementary explanation materials for financial results: Yes
Earnings announcement for the full year: Yes (for securities analysts and institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2017	52,126	-0.9	2,326	-10.4	2,293	-10.6	1,931	37.7
Fiscal year ended March 31, 2016	52,644	1.4	2,596	50.6	2,566	47.0	1,402	54.9

Note: Comprehensive income
FY2017: ¥3,294 million (66.8%) FY2016: ¥1,974 million (-42.5%)

	Profit per share	Fully diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2017	47.59	—	5.1	3.7	4.4
Fiscal year ended March 31, 2016	33.43	—	3.8	4.3	4.9

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
FY2017: ¥5 million FY2016: ¥– million

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Profit per share shown above is calculated as if the consolidation of shares had been carried out on April 1, 2015.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	62,454	38,077	60.9	948.03
As of March 31, 2016	59,666	36,431	61.0	891.52

Reference: Shareholders' equity
FY2017: ¥38,077 million FY2016: ¥36,431 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2017	8,373	(4,004)	(98)	13,648
Fiscal year ended March 31, 2016	5,704	(3,741)	(2,296)	9,378

2. Dividends

	Cash dividends per share					Total dividends paid (Annual)	Payout ratio (Consoli-dated)	Ratio of dividends to net assets (Consoli-dated)
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2016	—	2.50	—	12.50	—	1,037	74.7	2.8
Fiscal year ended March 31, 2017	—	12.50	—	12.50	25.00	1,012	52.5	2.7
Fiscal year ending March 31, 2018 (Outlook)	—	12.50	—	12.50	25.00		55.7	

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Dividends paid in or before the second quarter of the fiscal year ended March 31, 2016, are presented as the actual amount of dividends prior to the consolidation of shares.

3. Forecasts of Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full half	26,000	2.4	1,220	14.0	1,170	9.6	730	24.6	18.17
Full year	53,000	1.6	2,700	16.0	2,700	17.7	1,800	-6.7	44.81

Footnote items

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

(2) Changes in accounting principles, changes in accounting estimates, and changes in presentations 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

(3) Number of shares issued (common shares)
1) Number of shares issued at the end of the period (including treasury shares)
FY2017: 44,897,500 shares FY2016: 44,897,500 shares
2) Number of treasury shares at the end of the period
FY2017: 4,732,656 shares FY2016: 4,033,983 shares
3) Average number of shares issued during the period
FY2017: 40,572,381 shares FY2016: 41,938,180 shares
Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. The amounts shown for average number of shares issued during the period are calculated as if the consolidation of

shares had been carried out on April 1, 2015.

[The auditing procedure does not apply to these Financial Results]

[Note concerning the appropriate use of performance forecasts and other related items]
(Caution concerning forward-looking statements, etc.)
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. For further information on the assumptions made in the preparation of the performance forecasts and cautionary notes concerning the use of performance forecasts, please refer to "1. Overview of Operating Results, etc. (1) Overview of Operating Results for the Fiscal Year Ended March 31, 2017" on page 2 of this document.

[Method of obtaining supplementary materials of the financial results]
The Company scheduled a presentation of financial results for institutional investors and securities analysts on Friday, June 2, 2017. Handout materials and video of the presentation will be posted on its website immediately following the presentation.

Contents

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2017

Currently, Japan's total population is declining as society ages and the birth rate decreases. Addressing the issues of an aging society and shrinking workforce, which will become even more serious in the future, is a challenge. As a result of these trends, the need for special needs equipment is expected to increase steadily going forward.

Under these circumstances, the France Bed Group (hereinafter, the "Group") has created a Medium-term Management Plan that will run for three years from April 2015. The Group has set medium-term targets and growth strategies in accordance with its basic policy: "Seek to maximize the corporate value of the Group as a whole by concentrating the Group's management resources to further strengthen and actively develop its senior-oriented businesses, in order to meet the needs of a full-fledged aged society."

The three main growth strategies are as follows: 1) "Cultivate the nursing care business with a focus on the special needs equipment rental business" as a measure to enhance our core competency; 2) "Establish a revenue base not overly dependent on the nursing care insurance system" (grow the Reha tech business), in order to secure new revenue opportunities; and 3) "Improve the profitability of the Home Furnishing and Health Business" as a measure to convert to a business model capable of achieving stable revenues. During the fiscal year ended March 31, 2017 (hereinafter, "the fiscal year under review"), which is the second year of the Medium-term Management Plan, the Group worked on various initiatives aimed at achieving the targets of the Plan.

In these circumstances, during the fiscal year under review, the special needs equipment rental business, which is the core of the Medical Services Business, had strong sales, and in sales to hospitals/facilities, the Group secured large orders due to demand for replacement beds. As a result, sales exceeded those of the previous fiscal year. In the Home Furnishing and Health Business, while corporate demand for hotels, especially those in central urban locations, remained strong, sales to mainstay furniture retailers were sluggish.

In addition, the day service business of the Company's consolidated subsidiary France Bed Co., Ltd. was succeeded to Mistral Service Co., Ltd. through a corporate split on July 1, 2016, for the purpose of promoting selection and concentration of Group businesses.

As a result of these initiatives, the Group's consolidated net sales for the fiscal year under review totaled 52,126 million yen (down 0.9% year on year). The Group had consolidated operating income of 2,326 million yen (down 10.4% year on year), and consolidated ordinary income of 2,293 million yen (down 10.6% year on year), due to an increase in selling, general and administrative expenses including an increase in retirement benefit expenses included in personnel expenses, and transition expenses associated with the start of operations of the new system in the Medical Services Business.

The Group posted total extraordinary income of 1,027 million yen, including the difference due to change in equity as a result of Mistral Service Co., Ltd. becoming an affiliate accounted for by the equity method following the acquisition of shares in Mistral Service Co., Ltd. by France Bed Co., Ltd. as consideration for the succession of business by Mistral Service Co., Ltd., and the "gain on redemption of retirement benefit trust due to partial dissolution and redemption of the retirement benefit trust of France Bed Co., Ltd." announced on February 23, 2017.

The Group posted total extraordinary losses of 475 million yen, including the "impairment loss due to the Company's consolidated subsidiary's store being rendered unusable as a result of the 2016 Kumamoto Earthquake" announced on August 25, 2016.

As a result, consolidated profit attributable to owners of parent was 1,931 million yen (up 37.7% year on year).

The performance of each business segment is described below.

1) Medical Services Business

In the Medical Services Business, the Group sought to expand sales with a focus on the special needs equipment rental business through such means as opening four new sales offices (in Nishi-ku, Yokohama; Fuchu, Tokyo; Minami-ku, Saitama; and Higashiosaka, Osaka Prefecture) and launching new products. In particular, the Group worked to enlarge its customer base and acquire new sales agents by focusing efforts on enhancing its corporate image and creating new demand through measures such as starting to air TV commercials for the "KOROBANAISU," a safety wheelchair equipped with fall prevention and automatic brake features, avoiding the risk of falling down toward the direction of front and rear, which was launched in May.

With regard to the Reha tech brand aimed at active seniors, the Group expanded its product line with the "Robot Assist Smart Walker RW-01," a walker with automated control features equipped with robot functions, the “Momi Meijin Kiwami” seat massager, and the “Seraku Chair” that helps maintain posture, etc. The Group also sought to capture sales by continuing to offer test drives of products such as electrically assisted tricycles at locations close to where customers live. Moreover, the Group focused on creating a structure to capture sales not covered by the nursing care insurance system by opening seven new directly managed Reha tech Shops (in Nishi-ku, Yokohama; Nagano; Yamagata; Fuchu, Tokyo; Minami-ku, Saitama; Toyota, Aichi Prefecture; and Higashiosaka, Osaka Prefecture) that carry products for active seniors.

In addition, at REHACARE 2016, the world’s largest international rehabilitation equipment exhibition, held in Dusseldorf, Germany in September, the Group exhibited products including the “Low-Floor Reclining Bed FLB-03J Floor Bed,” the “KOROBANAISU” wheelchair, and the “Momi Meijin Kiwami” seat massager, in an effort to cultivate sales channels overseas.

The Group continued to promote sales to hospitals and welfare facilities for products such as the “Low-Floor Floor Bed FLB-03,” which reduces the risk of falls for bed users and reduces the burden on caregivers, with the aim of capturing demand for beds and equipment from newly-built facilities as well as from replacements. The Group also promoted sales of the “Monitoring Care System M-1,” which has monitoring features that provide support for daily life. At the same time, the Group received a tailwind due to becoming eligible for the Special Project to Support the Introduction of Robotic Devices for Nursing Care, which resulted in sales growth.

As a result of the succession of the day service business of France Bed Co., Ltd. on July 1, 2016, as noted above, sales of the business declined.

As a result of these initiatives, net sales for the Medical Services Business amounted to 28,956 million yen (down 0.1% year on year), and operating income was 2,021 million yen (down 3.3% year on year).

2) Home Furnishing and Health Business

In the Home Furnishing and Health Business, the Group strengthened its sales system to meet increasing corporate demand from hotels, especially those in central urban locations, with a view to the Tokyo Olympic Games to be held in 2020, and orders trended upwards mainly for replacements for guest beds. However, sales to mainstay furniture retailers struggled, and overall sales for the segment decreased.

The Group sought to bolster its earnings capabilities through the creation of new demand by launching innovative, one-of-a-kind new products on the market for furniture retailers, and by strengthening sales to such other segments as housing-related companies and online retailers. In particular, with regard to electric reclining beds, the Group worked to further promote sales by introducing new products. In addition to efforts in capturing display share and increasing unit sales prices through high-performance products with high added value, the Group carried out collaborative projects with other companies by starting to air TV commercials in October for the “Looper Move RP-1000 DLX” electric reclining mattress unavailable at other companies. The Group also rolled out the “Cloudia,” a mattress aimed at female customers that uses a new material, a special moisturizing fiber with a hydrating effect, and enhanced the bedding lineup, in an effort to promote sales by raising product awareness including through advertising activities. At the same time, the Group sought to improve profitability by minimizing inventories through the method of production on order with a diversified small-quantity production system.

In light of the false labeling issue with regard to the country of origin of down materials, in September the Group invited the press to view its down quilt production plant, where the Group imports its own raw down, and carries out the entire production process from washing to sewing. The Group worked to further promote sales by emphasizing its high reliability and quality control capabilities.

As for Reha tech brand products, the Group continued its efforts to increase brand awareness by working on existing partners and new sales channels to set up the Reha tech Corner.

As a result of these initiatives, net sales for the Home Furnishing and Health Business amounted to 19,812 million yen (down 1.5% year on year), and operating income was 283 million yen (down 52.3% year on year).

3) Other

In the door-to-door sales business, the Group worked to expand sales of interior-related products by making full use of exhibitions organized by France Bed Co., Ltd., while striving to ensure stable revenue by continuing to implement projects to increase the motivation of the sales staff who constitute the foundation of the business, and measures to revitalize sales activities.

In the commodities and sundries sales business, the Group worked to improve revenue by closing down unprofitable stores and implementing product initiatives according to the characteristics of each store, in addition to strengthening control of purchasing.

As a result of these initiatives, net sales for other business amounted to 3,357 million yen (down 4.4% year on year), and operating loss was 6 million yen (from operating loss of 115 million yen in the same period of the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2017

(Total assets)

Total assets at the end of the fiscal year under review increased 2,788 million yen from the end of the previous fiscal year ("the previous year-end") to 62,454 million yen. Current assets increased 2,545 million yen from the previous year-end to 33,084 million yen. Major factors underlying this change included an increase of 4,270 million yen in cash and deposits, and decreases in securities and inventories, in the amounts of 599 million yen and 829 million yen, respectively. Non-current assets increased 261 million yen from the previous year-end to 29,347 million yen. Major factors underlying this change included an increase in leased assets due to upgrading of the operating system, despite decreases due to the impairment treatment of the Kumamoto branch of a consolidated subsidiary and sales of investment securities.

(Liabilities)

Liabilities increased 1,141 million yen from the previous year-end to 24,377 million yen. Major factors underlying this change included an increase in lease obligations due to upgrading of the operating system, and a decrease in accounts payable of 631 million yen.

(Net assets)

Net assets increased 1,646 million yen from the previous year-end to 38,077 million yen. Major factors for the increase included a profit attributable to owners of parent of 1,931 million yen and remeasurements of defined benefit plans of 1,387 million yen, while major factors for the decline included purchases of treasury shares of 626 million yen and dividends from surplus of 1,021 million yen.

As a result, shareholders' equity ratio fell to 60.9% from the 61.0% at the previous year-end.

(3) Overview of Cash Flow Position for the Fiscal Year Ended March 31, 2017

As for the cash flows for the fiscal year under review, cash and cash equivalents increased 4,270 million yen from the previous year-end to 13,648 million yen. Details of individual cash flow items are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities came to 8,373 million yen (5,704 million yen in the same period of the previous fiscal year). The major factors were inflows including profit before income taxes of 2,846 million yen, the reporting of depreciation (a noncash item) of 3,730 million yen, and redemption from retirement benefit trust of 3,000 million yen, offsetting outflows including 617 million yen in funds transfer resulting from transition to a defined-contribution pension plan and 814 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled 4,004 million yen (3,741 million yen in the same period of the previous fiscal year). The major factors were proceeds from redemption of securities of 600 million yen, and outflows including a purchase of property, plant and equipment of 3,489 million yen and a purchase of intangible assets of 1,345 million yen due mainly to upgrading of the operating system.

(Cash flows from financing activities)

Net cash used in financing activities was 98 million yen (2,296 million yen in the same period of the previous fiscal year). The major factors were proceeds from sales and leasebacks of 3,135 million yen, and outflows including repayments of finance lease obligations of 1,687 million yen, purchase of treasury shares of 627 million yen, and cash dividends paid of 1,019 million yen.

(Reference) Cash flow indicators

	FY2013	FY2014	FY2015	FY2016	FY2017
Shareholders' equity ratio (%)	59.3	59.7	62.7	61.0	60.9
Shareholders' equity ratio at market value (%)	74.0	69.5	64.5	71.0	59.5
Ratio of interest-bearing debt to cash flow (years)	1.9	2.8	2.1	1.7	1.3
Interest coverage ratio (times)	57.1	38.1	55.6	72.3	107.2

Shareholders' equity ratio: shareholders' equity / total assets
Shareholders' equity ratio at market value: total market capitalization / total assets
Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow
Interest coverage ratio: cash flow / interest payment

Notes 1. Each indicator has been calculated on the basis of consolidated financial figures.
2. Total market capitalization has been calculated on the basis of the number of shares issued excluding treasury shares.
3. Cash flow refers to cash flows from operating activities.
4. Interest-bearing debt includes all liabilities reported on the consolidated balance sheet on which interest is paid.

(4) Future Outlook

The Group is seeking to increase corporate value by continuing to work on various initiatives based on the three growth strategies set out in the formulation of the three-year Medium-term Management Plan that began in the fiscal year ended March 31, 2016.

In the Medical Services Business, the Group will develop and introduce new products not available elsewhere, such as the "Low-Floor Floor Bed," while increasing staffing and offices and cultivating new sales agents. In addition, issues such as a lack of nursing care staff at facilities due to the shrinking workforce, and the problem of the elderly taking care of the elderly at home, are expected to become increasingly serious in the future as the number of those requiring nursing care continues to grow. In order to work toward a solution for these issues, the Group will focus on developing and expanding sales of new products that result in "labor reductions and power saving."

In the Home Furnishing and Health Business, the Group will strive to increase its earnings capabilities through efforts including expanding the products handled by the production-on-order system and developing and expanding sales of high-performance products with high added value, such as electric beds. At the same time, the Group will push ahead with development of products suitable for online sales and expand its sales channels by cultivating new online sales business operators, in order to respond to the e-commerce market that is expected to grow even more in the future. The Group will seek to expand sales to hotels, especially those in central urban locations, by raising awareness of the Slumberland brand.

In the Reha tech business, the Group will continue its efforts to develop Reha tech brand products and to open new directly managed Reha tech Shops, while seeking to increase brand awareness.

The Group expects to achieve net sales of 53,000 million yen, operating income of 2,700 million yen, ordinary income of 2,700 million yen, and profit attributable to owners of parent of 1,800 million yen on a consolidated basis for fiscal 2018.

(5) Fundamental Policy for Distribution of Earnings, and Fiscal 2017 and Fiscal 2018 Dividends

To maximize its shareholder value, the Company regards profit distribution as one of its key management priorities. The Company decides its dividend by comprehensively taking into account its performance, operating environment and the necessity of a strong balance sheet, in line with its fundamental policy of making every effort to maintain a stable dividend payment.

Based on this policy, the Company, as announced on May 13, 2016, plans to pay a year-end dividend of 12.5 yen per share for Fiscal 2017.

The Company plans to place this matter on the proposal of the ordinary general shareholders' meeting scheduled for June 2017.

Additionally, for Fiscal 2018, the Company plans to pay an interim dividend of 12.5 yen per share and a year-end dividend of 12.5 yen per share for an annual dividend of 25.0 yen per share.

(6) Business and Other Risks

Risks that may affect the business results, financial position, stock prices, etc. of the Group includes the following.

Matters in the text relating to the future are judgments made by the Group at the end of the fiscal year under review.

1) Business environment of the Group

a) The Group's Medical Services Business relies greatly on the nursing care insurance system. Revisions or changes to this system could reduce net sales and affect the Group's performance and financial position.
b) The markets for suppliers and customers of the Group's Home Furnishing and Health business tend to be susceptible to influences, such as economic trends, land price fluctuations and a housing tax system. Demand in these markets can drop from such factors as reductions in income due to economic downturns, rises in market interest rates, land prices or housing taxes. Falling demand could trigger a drop in net sales and slimmer profit margins due to lower sales prices in product lines, and could thus lead to worsened business conditions for the suppliers and customers of the Group. The downward trend could also affect the Group's performance and financial position due to the occurrence of bad debts and other problems.
c) In the other business, door-to-door sales business is regulated by law. Changes to the relevant laws could cause net sales to fall, and affect the performance and financial position of the Group. Additionally, performance in the commodities and sundries sales business is affected by consumer sensibility and fashion sense, as well as price lines and the store environment. If the Group is unable to predict changes in the market and offer appealing products, its net sales could fall, affecting the Group's performance and financial position.

2) Product defects

The Group manufactures its various products at Group factories in accordance with JIS (Japanese Industrial Standards) as well as FES (Francebed Engineering Standards), which are based on the Group's own quality criteria that are even stricter than JIS.

However, there is no guarantee that defects will not occur in any of the products. Moreover, while the Group holds product liability insurance, there is no guarantee that this insurance will ultimately be sufficient to cover the amount of compensation to be borne, and the Group may not always be able to continue holding such insurance.

In the event that a product defect occurs for which the Group bears liability, or if a large-scale recall is carried out in the interests of customer safety, or in other such circumstances, substantial costs may be incurred by the Group. This could cause significant damage to our product reputation and brand, potentially resulting in lower net sales and affecting the Group's performance and financial position.

3) Unauthorized disclosure of personal information, etc.

Because of the nature of its business, the Group handles a large volume of personal information such as customer information. The Group pays particular attention to protection of personal information in the conduct of its business activities, and takes measures to protect confidentiality. However, if a leak of personal information were to occur, the Group could be held legally responsible, and it could experience a major loss of credibility that could affect its performance and financial position.

4) Credit

The Group engages in a range of business transactions and bears credit risk that could result in losses such as those incurred due to a supplier's or customer's worsened credit standing or bankruptcy.

In order to control that risk, the Group has set a credit limit and payment method for each supplier and customer, and has set up a committee for the protection of accounts receivable to flexibly manage credit risk.

However, because it is difficult to eliminate all such risks, the Group's performance and financial position could be adversely affected in the event of deterioration in credit standing or bankruptcy, etc., of a supplier or customer.

5) Exchange rate fluctuation, etc.

The Group engages in import and export transactions of raw materials and the manufactured products, and bears the risk of fluctuations in the exchange rate with regard to related foreign-currency-denominated monetary claims and obligations (including foreign currency options). The

Group therefore conducts derivative transactions for the purpose of hedging risks associated with exchange rate fluctuations, but it is difficult to completely eliminate all such risks, including indirect impact of exchange rate fluctuations. It is therefore possible that the Group’s performance and financial position could be affected by exchange rate fluctuations.

In addition, the Group carries out import and export transactions with multiple countries mainly in Asia and Europe, and will continue to do so. Therefore, the Group’s performance and financial position could be affected by deterioration of the import-export environment due to changes in the economic situation, occurrence of disasters, etc. in each country.

2. Corporate Group

The Company's corporate group consists of the Company, nine subsidiary companies (five consolidated subsidiaries and four non-consolidated subsidiaries), and two affiliates, and mainly engages in the Medical Services Business and the Home Furnishing and Health Business.

The Group's businesses and relationship between its businesses and Group companies are described below.

The classification of business segments in the Segment Information is the same as one applied below.

Business segments	Business activities	Group companies
Medical Services Business	Manufacture, purchase, rental, retail sale and wholesale of medical and nursing care beds and special needs equipment, and linen supply for hospitals, hotels, etc.	France Bed Co., Ltd. Tsubasa Co., Ltd. Jiangsu France Bed Co., Ltd. France Bed Medical Service Co., Ltd. Mistral Service Co., Ltd.
Home Furnishing and Health Business	Manufacture, purchase and wholesale of beds, furniture and beddings, and health appliances, etc.	France Bed Co., Ltd. Tokyo Bed Co., Ltd. France Bed Furniture Co., Ltd. France Bed International (Thailand) Co., Ltd. Jiangsu France Bed Co., Ltd.
Other	Door-to-door sales, sales of sundries, advertising and setting up of exhibition venues and real estate leasing, etc.	France Bed Co., Ltd. France Bed Sales Co., Ltd. FB Tomonokai Co., Ltd.

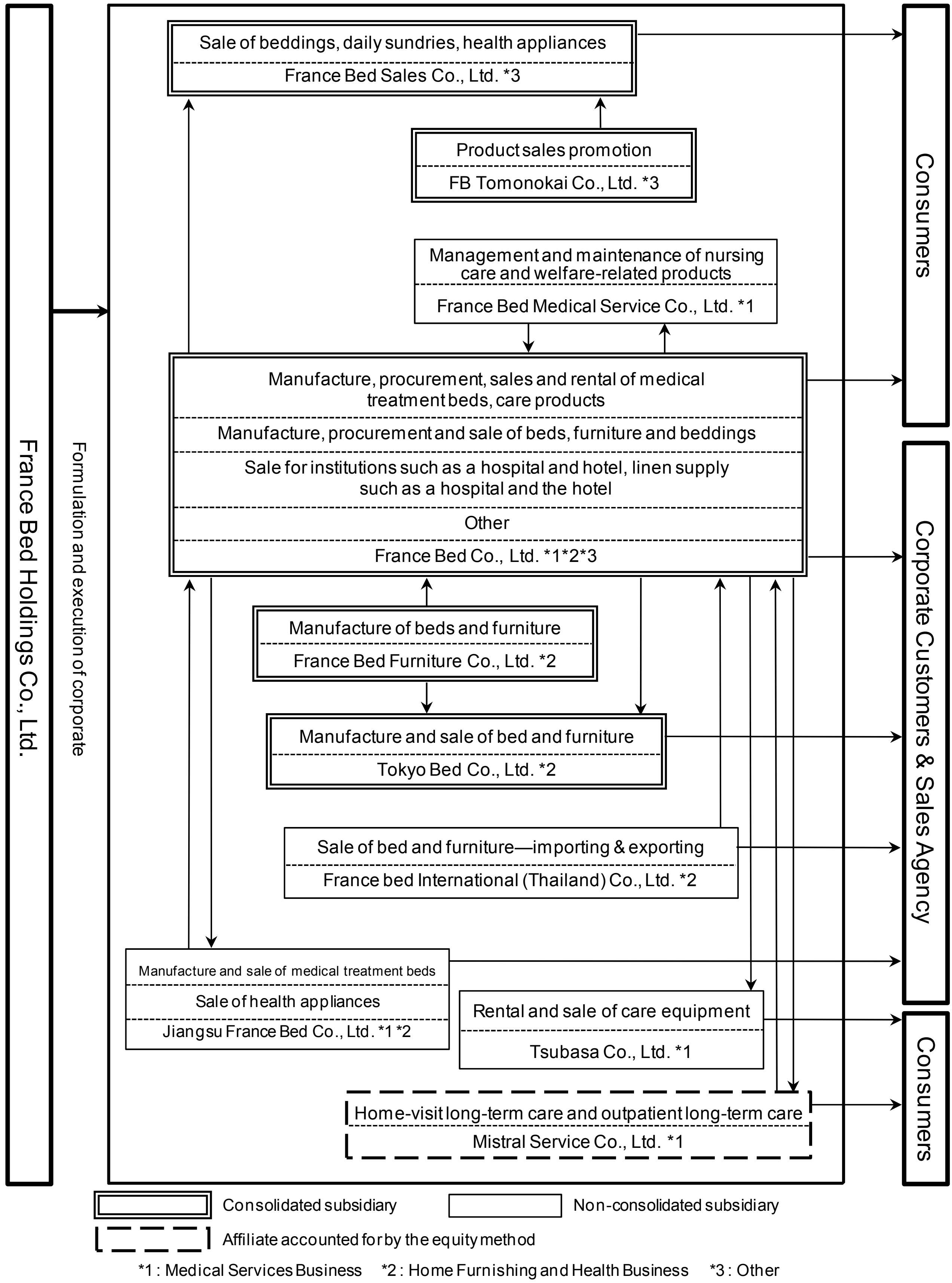
Notes 1. FB Tomonokai Co., Ltd., a subsidiary of the Company's subsidiary, France Bed Sales Co., Ltd., solicits members based on contracts for specified prepaid transactions relevant to products marketed by France Bed Sales Co. and mediates product sales to such members.

2. The outpatient long-term care day service business, the outpatient preventive long-term care day service business, and franchise operations related to the outpatient preventive long-term care day service business of the Group's consolidated subsidiary France Bed Co., Ltd. were split off (absorption-type split) to Mistral Service, Co., Ltd., and the Group acquired shares in Mistral Service Co., Ltd. as consideration received. As a result, Mistral Service Co., Ltd. became an affiliate of the Group and has been therefore included within the scope of application of the equity method from the second quarter of the fiscal year under review.

3. Major non-consolidated subsidiaries and companies not accounted for by the equity method:
Tsubasa Co., Ltd., France bed International (Thailand) Co., Ltd., Jiangsu France Bed Co., Ltd., and France Bed Medical Service Co., Ltd.
Tsubasa Co., Ltd., France Bed International (Thailand) Co., Ltd., Jiangsu France Bed Co., Ltd., and France Bed Medical Service Co., Ltd. have been excluded from the scope of consolidation and from the scope of application of the equity method since they are small in size and their amounts in terms of total assets, net sales, net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. do not materially impact the consolidated financial statements.

[Operating Structure]

The figure below illustrates the Group's operating structure. Only major business relationships are included.



3. Basic Approach to the Selection of Accounting Standards

The Group applies the J-GAAP as accounting standards in order to ensure comparability of its consolidated financial statements from period to period and between entities.

The Group will address the application of the International Financial Reporting Standards (IFRS) appropriately upon taking into account various circumstances both in Japan and abroad.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Assets		
Current assets		
Cash and deposits	6,579	10,849
Notes and accounts receivable – trade	9,888	9,886
Electronically recorded monetary claims – operating	629	628
Securities	3,399	2,799
Merchandise and finished goods	5,561	4,967
Work in process	494	416
Raw materials and supplies	1,894	1,737
Deferred tax assets	763	519
Other	1,337	1,287
Allowance for doubtful accounts	(8)	(7)
Total current assets	30,539	33,084
Non-current assets		
Property, plant and equipment		
Assets for lease	5,284	5,337
Accumulated depreciation	(3,603)	(3,663)
Assets for lease, net	1,681	1,673
Buildings and structures	15,522	15,515
Accumulated depreciation	(10,786)	(10,994)
Buildings and structures, net	4,736	4,521
Machinery, equipment and vehicles	5,760	6,001
Accumulated depreciation	(4,714)	(4,824)
Machinery, equipment and vehicles, net	1,046	1,176
Tools, furniture and fixtures	2,483	2,485
Accumulated depreciation	(2,201)	(2,217)
Tools, furniture and fixtures, net	282	268
Land	6,449	6,186
Leased assets	7,399	7,370
Accumulated depreciation	(5,155)	(5,113)
Leased assets, net	2,243	2,257
Construction in progress	117	84
Total property, plant and equipment	16,557	16,169
Intangible assets		
Leased assets	8	1,435
Software	309	417
Other	457	15
Total intangible assets	775	1,869
Investments and other assets		
Investment securities	1,241	1,092
Long-term loans receivable	2	1
Deferred tax assets	71	73
Net defined benefit asset	9,632	9,365
Other	*1 944	*1 907
Allowance for doubtful accounts	(139)	(131)
Total investments and other assets	11,752	11,308
Total non-current assets	29,085	29,347
Deferred assets		
Bond issuance cost	41	23
Total deferred assets	41	23
Total assets	59,666	62,454

(Million yen)

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,638	3,538
Accounts payable for factoring	2,266	2,287
Short-term loans payable	2,250	2,050
Current portion of bonds	—	800
Current portion of long-term loans payable	—	1,200
Lease obligations	1,311	1,527
Income taxes payable	520	301
Accrued consumption taxes	246	191
Deferred tax liabilities	0	0
Provision for bonuses	1,280	1,232
Provision for directors' bonuses	72	56
Other	2,982	2,257
Total current liabilities	14,569	15,442
Non-current liabilities		
Bonds payable	3,950	3,150
Long-term loans payable	1,200	300
Lease obligations	1,122	2,359
Deferred tax liabilities	1,018	1,760
Provision for directors' retirement benefits	536	546
Provision for contingent loss	9	9
Provision for loss on dissolution of employees' pension fund	12	—
Net defined benefit liability	535	515
Asset retirement obligations	25	26
Other	254	267
Total non-current liabilities	8,666	8,934
Total liabilities	23,235	24,377
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,481	33,391
Treasury shares	(3,906)	(4,533)
Total shareholders' equity	33,442	33,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	108	59
Deferred gains or losses on hedges	(25)	—
Remeasurements of defined benefit plans	2,905	4,292
Total accumulated other comprehensive income	2,988	4,352
Total net assets	36,431	38,077
Total liabilities and net assets	59,666	62,454

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Net sales	52,644	52,126
Cost of sales	*1 27,738	*1 27,044
Gross profit	24,906	25,082
Selling, general and administrative expenses	22,310	22,756
Operating income	2,596	2,326
Non-operating income		
Interest income	6	2
Dividend income	38	39
Share of profit of entities accounted for using equity method	—	5
Compensation income	41	42
Other	95	114
Total non-operating income	182	205
Non-operating expenses		
Interest expenses	75	79
Sales discounts	36	35
Other	100	122
Total non-operating expenses	212	237
Ordinary income	2,566	2,293
Extraordinary income		
Gain on sales of non-current assets	7	3
Gain on sales of investment securities	—	4
Gain on change in equity	—	*2 143
Gain on redemption of retirement benefit trust	—	*3 872
Reversal of provision for loss on dissolution of employees' pension fund	—	4
Total extraordinary income	7	1,027
Extraordinary losses		
Loss on sales of non-current assets	—	4
Loss on retirement of non-current assets	29	18
Impairment loss	*4 18	*4 381
Loss on valuation of investment securities	20	55
Loss on valuation of securities of non-consolidated subsidiaries and associates	40	—
Other	—	14
Total extraordinary losses	109	475
Profit before income taxes	2,464	2,846
Income taxes – current	689	518
Income taxes – deferred	373	396
Total income taxes	1,062	915
Profit	1,402	1,931
Profit attributable to owners of parent	1,402	1,931

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Profit	1,402	1,931
Other comprehensive income		
Valuation difference on available-for-sale securities	(196)	(49)
Deferred gains or losses on hedges	(13)	25
Remeasurements of defined benefit plans, net of tax	783	1,387
Total other comprehensive income	572	1,363
Comprehensive income	1,974	3,294
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,974	3,294
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

FY2016 (from April 1, 2015, to March 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,000	1,867	32,087	(2,083)	34,871
Changes of items during period					
Dividends of surplus			(1,008)		(1,008)
Profit attributable to owners of parent			1,402		1,402
Purchase of treasury shares				(1,822)	(1,822)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	393	(1,822)	(1,429)
Balance at end of current period	3,000	1,867	32,481	(3,906)	33,442

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	305	(12)	2,122	2,415	37,287
Changes of items during period					
Dividends of surplus					(1,008)
Profit attributable to owners of parent					1,402
Purchase of treasury shares					(1,822)
Net changes of items other than shareholders' equity	(196)	(13)	783	572	572
Total changes of items during period	(196)	(13)	783	572	(856)
Balance at end of current period	108	(25)	2,905	2,988	36,431

FY2017 (from April 1, 2016, to March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,000	1,867	32,481	(3,906)	33,442
Changes of items during period					
Dividends of surplus			(1,021)		(1,021)
Profit attributable to owners of parent			1,931		1,931
Purchase of treasury shares				(626)	(626)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	909	(626)	282
Balance at end of current period	3,000	1,867	33,391	(4,533)	33,725

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	108	(25)	2,905	2,988	36,431
Changes of items during period					
Dividends of surplus					(1,021)
Profit attributable to owners of parent					1,931
Purchase of treasury shares					(626)
Net changes of items other than shareholders' equity	(49)	25	1,387	1,363	1,363
Total changes of items during period	(49)	25	1,387	1,363	1,646
Balance at end of current period	59	—	4,292	4,352	38,077

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	2,464	2,846
Depreciation	3,609	3,730
Impairment loss	18	381
Loss (gain) on sales of non-current assets	(7)	1
Loss on retirement of non-current assets	29	18
Increase (decrease) in allowance for doubtful accounts	(7)	(9)
Increase (decrease) in provision for bonuses	42	(48)
Increase (decrease) in provision for directors' bonuses	10	(15)
Increase (decrease) in net defined benefit liability	(66)	(25)
Decrease (increase) in net defined benefit asset	(175)	3,144
Increase (decrease) in provision for directors' retirement benefits	26	10
Loss (gain) on sales of investment securities	—	(4)
Loss (gain) on valuation of investment securities	20	55
Reversal of provision for loss on dissolution of employees' pension fund	—	(4)
Loss (gain) on change in equity	—	(143)
Gain on redemption of retirement benefit trust	—	(872)
Loss on valuation of securities of non-consolidated subsidiaries and associates	40	—
Interest and dividend income	(45)	(42)
Interest expenses	75	79
Share of (profit) loss of entities accounted for using equity method	—	(5)
Decrease (increase) in notes and accounts receivable – trade	428	3
Decrease (increase) in inventories	130	826
Increase (decrease) in notes and accounts payable – trade	169	(99)
Increase (decrease) in accounts payable for factoring	58	21
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(690)	(617)
Increase (decrease) in accrued expenses	141	(68)
Other, net	(129)	59
Subtotal	6,143	9,222
Interest and dividend income received	45	42
Interest expenses paid	(78)	(78)
Income taxes paid	(404)	(814)
Net cash provided by (used in) operating activities	5,704	8,373

(Million yen)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,994)	(3,489)
Proceeds from sales of property, plant and equipment	355	27
Proceeds from redemption of securities	—	600
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	—	183
Payments of loans receivable	—	(0)
Collection of loans receivable	7	7
Purchase of intangible assets	(113)	(1,345)
Other, net	3	11
Net cash provided by (used in) investing activities	(3,741)	(4,004)
Cash flows from financing activities		
Increase in short-term loans payable	1,000	100
Decrease in short-term loans payable	(300)	(300)
Proceeds from long-term loans payable	—	300
Redemption of bonds	(400)	—
Purchase of treasury shares	(1,826)	(627)
Proceeds from sales and leasebacks	1,764	3,135
Repayments of lease obligations	(1,527)	(1,687)
Cash dividends paid	(1,007)	(1,019)
Net cash provided by (used in) financing activities	(2,296)	(98)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(333)	4,270
Cash and cash equivalents at beginning of period	9,712	9,378
Cash and cash equivalents at end of period	*1 9,378	*1 13,648

(5) Notes to the Consolidated Financial Statements

(Notes to the Going Concern Assumption)

Not applicable

(Basis of Presentation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 5

Names of consolidated subsidiaries

France Bed Co., Ltd.
France Bed Furniture Co., Ltd.
France Bed Sales Co., Ltd.
FB Tomonokai Co., Ltd.
Tokyo Bed Co., Ltd.

(2) Names of non-consolidated companies

Tsubasa Co., Ltd.
France Bed International (Thailand) Co., Ltd.
Jiangsu France Bed Co., Ltd.
France Bed Medical Service Co., Ltd.

(Reason for exclusion from the scope of consolidation)

The non-consolidated subsidiaries have been excluded from the scope of consolidation since they are all small in size and their total amounts in terms of total assets, net sales, net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

2. Application of the Equity Method

(1) Number of affiliates accounted for by the equity method: 1

Name of affiliates

Mistral Service Co., Ltd.

The outpatient long-term care day service business, the outpatient preventive long-term care day service business, and franchise operations related to the outpatient preventive long-term care day service business of the Group’s consolidated subsidiary France Bed Co., Ltd. were split off (absorption-type split) to Mistral Service, Co., Ltd., and the Group acquired shares in Mistral Service Co., Ltd. as consideration received. As a result, Mistral Service Co., Ltd. became an affiliate of the Group and has been therefore included within the scope of application of the equity method from the second quarter of the fiscal year under review.

(2) The major non-consolidated subsidiaries and affiliates (Tsubasa Co., Ltd., France bed International (Thailand) Co. Ltd., Jiangsu France Bed Co., Ltd., and France Bed Medical Service Co., Ltd.) are not accounted for by the equity method, since their exclusion has a minor impact on the consolidated financial statements in terms of net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) and is considered immaterial from the overall perspective.

(3) The fiscal year end date of the affiliate accounted for by the equity method Mistral Service Co., Ltd. is different from the consolidated fiscal year end date. Therefore, financial statements related to the fiscal year of Mistral Service Co., Ltd. are used.

3. Fiscal Year of the Consolidated Subsidiaries

The fiscal year end dates of all consolidated subsidiaries coincide with the consolidated fiscal year end date.

4. Notes on Accounting Policies

(1) Standards and methods for asset valuation

1) Securities

a. Available-for-sale securities

- Fair value available:

Stated at market value as of the consolidated fiscal year end date (The valuation difference is charged to net assets using the direct transfer to capital method, with the cost of securities sold calculated by the moving average method.)

- Fair value not available:
  Stated at cost determined by the moving average method

b. Securities of non-consolidated subsidiaries and associates
Stated at cost determined by the moving-average method

2) Derivatives
Stated at fair value

3) Inventories
a. Merchandise, finished goods and work in process
Mainly stated at cost determined by the first-in first-out method (Balance sheet amount is calculated by writing down the book value based on the decline in profitability.)

b. Raw materials and supplies
Stated at cost determined by the last purchase price method (Balance sheet amount is calculated by writing down the book value based on the decline in profitability.)

(2) Depreciation method used for calculating depreciable assets
1) Property, plant and equipment
The declining balance method is applied.
The estimated useful lives of assets are principally as follows:
Assets for lease: 3–10 years
Buildings and structures: 2–55 years
Machinery, equipment and vehicles: 2–13 years
Tools, furniture and fixtures: 2–20 years
Small-amount assets for lease whose acquisition cost is less than ¥200,000 are equally amortized over three years as lump-sum depreciable assets.

2) Intangible assets
The straight-line method is applied.
Software for internal use is amortized using the straight-line method over the estimated usable period for office use (five years or ten years).

3) Leased assets
a. Leased assets related to finance lease transactions involving the transfer of ownership
Leased assets related to finance lease transactions involving the transfer of ownership are depreciated using the same method applied for non-current assets owned by the Company.

b. Leased assets related to finance lease transactions not involving the transfer of ownership
Leased assets related to finance lease transactions not involving the transfer of ownership are amortized on the straight-line method over the lease period of the leased assets, assuming the lease period as the useful life and no residual value.

4) Long-term prepaid expenses
Long-term prepaid expenses are equally amortized over the years.

(3) Accounting standards for significant allowances and provisions
1) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at an amount of possible losses from accounts receivable – trade and other receivables, based on the historical write-off ratio for general receivables and on the individual collectability for specific receivables such as receivables with default possibility.

2) Provision for bonuses

The provision for employees' bonuses is provided at the amount borne for the fiscal year under review of the estimated amounts to be paid.

3) Provision for directors' bonuses
The provision for directors' bonuses is provided at an amount based on the amount estimated to be paid in respect of the fiscal year under review.

4) Provision for directors' retirement benefits
The provision for directors' retirement benefits is provided at an amount required to be paid at the end of the fiscal year, based on internal regulations.

5) Provision for contingent loss
The provision for contingent loss is provided at an amount considered necessary, with a reasonable estimate for possible future contingencies.

6) Provision for loss on dissolution of employees' pension fund
To provide for possible losses related to the dissolution of the employee's pension fund in which certain consolidated subsidiaries participate, the estimated amount of loss at the end of the fiscal year under review is recorded.

(4) Accounting method for retirement benefits
1) Method for attributing expected retirement benefits to periods of service
In calculating the amount of retirement benefit obligations, the straight-line basis is adopted for attributing estimated retirement benefits over the period up to the end of the fiscal year under review.

2) Treatment of actuarial gains or losses
Actuarial gains or losses are amortized using the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of the eligible employees at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

3) Methods of accounting for unrecognized actuarial gains or losses
Unrecognized actuarial gains or losses are recorded after adjustments for tax effects, as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

4) Adoption of the simplified method by companies that are small in size
Certain consolidated subsidiaries, in the calculation of defined benefit liability and retirement benefit expenses, apply the simplified method in which the amount to be required at the year-end for voluntary termination is recorded as retirement benefit obligations.

(Supplementary Information)

(Redemption of Retirement Benefit Trust)

Some consolidated subsidiaries have established retirement benefit trusts for the purpose of providing future retirement benefits. However, pension assets, including retirement benefit trusts, are overfunded in comparison to retirement benefit obligations, and this situation is expected to continue in the future. The Company has therefore dissolved a portion of these retirement benefit trusts.

As a result, 872 million yen was recorded as extraordinary income (gain on redemption of retirement benefit trust) for the fiscal year under review.

(5) Significant hedge accounting
1) Method of hedge accounting
Deferral hedge accounting has been adopted. The designation of hedges is applied to certain monetary receivables and payables denominated in foreign currencies hedged by forward exchange contracts.

2) Hedging instruments and hedged items
a. Hedging instruments
Derivative transactions (forward exchange contracts)

b. Hedged items

Monetary receivables and payables denominated in foreign currencies exposed to exchange rate fluctuation risk (including foreign currency denominated forecasted transactions).

3) Hedging policy

Derivative transactions are conducted mainly for the purpose of hedging the foreign exchange fluctuation risks associated with imports of raw materials and merchandise. In undertaking derivative transactions, they are controlled so that the hedge ratio is maintained to be not less than a certain level with the planned transaction amount as the maximum limit.

4) Method of evaluating hedge effectiveness

a. Test in advance

Verifies whether the transaction is consistent with Market Risk Management Rules and Risk Management Guidelines

b. Post testing

Verifies that the market and cash flow fluctuations were avoided, for exchange rate fluctuation risk in foreign currency denominated transactions.

(6) Scope of cash and cash equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value with redemption due dates arriving within three months from the acquisition date.

(7) Treatment of deferred assets

Bond issuance cost is amortized over the redemption period using the straight-line method.

(8) Other significant matters for preparing consolidated financial statements

Accounting for consumption tax

The tax exemption method is adopted for consumption tax and local consumption tax.

Non-deductible consumption taxes related to non-current assets are treated as periodic expenses attributable to the fiscal year under review.

(Supplementary Information)

(Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) has been adopted.

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Other (guarantee deposits)	¥11 million	¥11 million

There are no secured liabilities corresponding to the above assets pledged as collateral.

2. Guarantee obligations

(1) The Group provides guarantees for the loan such as the following companies.

FY2016 (As of March 31, 2016)		FY2017 (As of March 31, 2017)	
Tsubasa Co., Ltd.	¥111 million	Tsubasa Co., Ltd.	¥89 million
Employees	¥25 million	Employees	¥19 million
Total	¥137 million	Total	¥108 million

(2) There is a possibility that the following liability will be incurred in relation to the following company's deposit entrustment contract for the security money for prepaid services.

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
FB Tomonokai Co., Ltd.	¥449 million	¥453 million

(Notes to Consolidated Statements of Income)

*1. The balance sheet amount of inventories reflected a reduction in book value due to a decline in profitability and the following loss on valuation of inventories was included in cost of sales.

FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
¥98 million	¥46 million

*2. Gain on change in equity

The outpatient long-term care day service business, the outpatient preventive long-term care day service business, and franchise operations related to the outpatient preventive long-term care day service business of the Group's consolidated subsidiary France Bed Co., Ltd. were split off (absorption-type split) to Mistral Service, Co., Ltd. and the Group acquired shares in Mistral Service Co., Ltd. as consideration received, making Mistral Service, Co., Ltd. an affiliate accounted for by the equity method. Accordingly, a gain on change in equity was recorded.

*3. Gain on redemption of retirement benefit trust

This is attributable to the collective treatment of unrecognized actuarial gains or losses resulting from partial redemption of the retirement benefit trust of the Group's consolidated subsidiary France Bed Co., Ltd.

*4. Impairment loss

The following group of assets recorded an impairment loss.

FY2016 (From April 1, 2015 to March 31, 2016)

Location	Facility	Type	Amount
Minoo, Osaka Prefecture	Lease assets	Buildings, Land	¥18 million

The business assets of the Group are grouped in accordance with classification for management accounting, but lease assets and idle assets are grouped individually as an independent cash-generating unit.

Because the market values of the above assets have significantly declined, their book values have been reduced to recoverable amounts, and such reduced amounts have been recorded as impairment loss under extraordinary losses. It comprises 5 million yen for buildings while 13 million yen for land.

The recoverable amounts of the above asset group are measured based on their use value, and calculated by discounting expected future cash flows by 3.0%.

FY2017 (From April 1, 2016 to March 31, 2017)

Location	Facility	Type	Amount
Neyagawa, Osaka Prefecture	Idle assets	Land	¥10 million
Saga, Saga Prefecture	Idle assets	Buildings	¥23 million
Kakegawa, Shizuoka Prefecture	Employee dormitories	Buildings	¥26 million
Tsu, Mie Prefecture	Company housing, Warehouses	Buildings	¥11 million
Tamba, Hyogo Prefecture	Employee dormitories, Company housing	Buildings, Structures	¥50 million
Tachikawa, Tokyo	Stores	Buildings, Furniture and fixtures, etc.	¥31 million
Kumamoto, Kumamoto Prefecture	Stores	Land, Buildings, Furniture and fixtures	¥227 million
Total			¥381 million

The business assets of the Group are grouped in accordance with classification for management accounting, but lease assets and idle assets are grouped individually as an independent cash-generating unit.

Of the above assets, with regard to land classified as idle assets, the book value has been reduced to the recoverable amount following the decision to sell, and such reduced amount has been recorded as impairment loss (10 million yen) under extraordinary losses. The recoverable amount was measured using the net realizable value based on the selling price.

As for buildings, employee dormitories, company housing, and warehouses classified as idle assets, it was decided to demolish and remove the structures because they were not expected to be used in the future. As a result, their book values have been reduced to recoverable amounts, and such reduced amounts as well as the estimated demolition costs have been recorded as impairment loss (112 million yen, including 23 million yen for buildings, 0 million yen for structures, and 88 million yen for estimated demolition costs) under extraordinary losses. The recoverable amounts were evaluated at memorandum value.

With regard to the store in Tachikawa, Tokyo, following the decision to close the store, the book value has been reduced to the recoverable amount, and such reduced amount has been recorded as impairment loss (31 million yen, including 25 million yen for buildings and 5 million yen for furniture and fixtures, etc.) under extraordinary losses. The recoverable amount was evaluated at memorandum value.

With regard to the store in Kumamoto, Kumamoto Prefecture, following the decision to demolish and remove the store due to the severe damage it had suffered as a result of the 2016 Kumamoto Earthquake, the book value has been reduced to the recoverable amount, and such reduced amount has been recorded as impairment loss (227 million yen, including 215 million yen for land, 10 million yen for buildings, and 1 million yen for furniture and fixtures) under extraordinary losses. The recoverable amount was measured using the net realizable value based on the real estate appraisal.

(Notes to Consolidated Statements of Changes in Equity)

FY2016 (From April 1, 2015 to March 31, 2016)

1. Type and number of shares issued and treasury shares

(Thousand shares)

	As of the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	As of the fiscal year-end
Shares issued				
Common shares	224,487	—	179,590	44,897
Total	224,487	—	179,590	44,897
Treasury shares				
Common shares (Note)	10,317	4,848	11,132	4,033
Total	10,317	4,848	11,132	4,033

Note The Company carried out a 1-for-5 consolidation of its common shares on October 1, 2015.

(Outline of the relevant change)

The breakdown of the increase in the number of shares is as follows.

- Treasury shares

  Acquisition of treasury shares based on the resolution of the Board of Directors: 4,844 thousand shares (3,594 thousand shares before the share consolidation: 1,250 thousand shares after the share consolidation)

  Acquisition through the purchase of shares representing less than one unit: 4 thousand shares (3 thousand shares before the share consolidation: 0 thousand shares after the share consolidation)

The breakdown of the decrease in the number of shares is as follows.

- Shares issued

  Decrease due to the share consolidation: 179,590 thousand shares

- Treasury shares

  Decrease due to the share consolidation: 11,132 thousand shares

2. Dividends

(1) Amounts paid

(Resolution)	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 24, 2015 Shareholders' meeting	Common shares	¥481 million	¥2.25	March 31, 2015	June 25, 2015
October 30, 2015 Board of Directors' meeting	Common shares	¥526 million	¥2.50	September 30, 2015	December 4, 2015

Note In terms of the amount of dividend per share as resolved at the meeting of the Board of Directors held on October 30, 2015, the amount before the share consolidation on October 1, 2015 is presented, since the dividend record date was September 30, 2015.

(2) Dividends for which the date of record is during the current fiscal year, but the proposed effective date is in the following fiscal year.

(Resolution)	Type of stock	Total dividends paid	Source of dividends	Dividend per share	Dividend record date	Effective date
June 24, 2016 Shareholders' meeting	Common shares	¥510 million	Retained earnings	¥12.50	March 31, 2016	June 27, 2016

FY2017 (From April 1, 2016 to March 31, 2017)

1. Type and number of shares issued and treasury shares

(Thousand shares)

	As of the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	As of the fiscal year-end
Shares issued				
Common shares (Note)	44,897	—	—	44,897
Total	44,897	—	—	44,897
Treasury shares				
Common shares (Note)	4,033	698	—	4,732
Total	4,033	698	—	4,732

Note The increase in the number of treasury shares of 698 thousand common shares consists of an increase of 698 thousand common shares due to an acquisition as stipulated in the Articles of Incorporation pursuant to the provisions in Article 459, Paragraph 1, Item 1 of the Companies Act, by resolution of the Board of Directors, and a purchase of shares representing less than one unit of 0 thousand shares.

2. Dividends

(1) Amounts paid

(Resolution)	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 24, 2016 Shareholders' meeting	Common shares	¥510 million	¥12.50	March 31, 2016	June 27, 2016
October 31, 2016 Board of Directors' meeting	Common shares	¥510 million	¥12.50	September 30, 2016	December 5, 2016

(2) Dividends for which the date of record is during the current fiscal year, but the proposed effective date is in the following fiscal year. The following matters are to be resolved.

(Resolution)	Type of stock	Total dividends paid	Source of dividends	Dividend per share	Dividend record date	Effective date
June 23, 2017 Shareholders' meeting	Common shares	¥502 million	Retained earnings	¥12.50	March 31, 2017	June 26, 2017

(Notes to Consolidated Statements of Cash Flows)

*1 Reconciliation of accounts in the consolidated balance sheets to cash and cash equivalents at the end of the period

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Cash and deposits	¥6,579 million	¥10,849 million
Marketable securities	¥3,399 million	¥2,799 million
Total	¥9,978 million	¥13,648 million
Negotiable certificates of deposits with deposit term of over three months	(¥600 million)	¥— million
Cash and cash equivalents	¥9,378 million	¥13,648 million

(Segment Information)

1. Summary of reporting segments

The reporting segments of the Group are those units for which separate financial information can be obtained among the constituent units of the Group, which is regularly examined by the Board of Directors in order to determine the allocation of management resources and assess business performance.

The Group identifies the business segments based on similarities in the products and services provided and other factors. It has two reporting segments: the Medical Services Business and the Home Furnishing and Health Business.

The main products and services of each reporting segment are as follows.

Medical Services:

Manufacture, purchase, rental, retail sale and wholesale of medical and nursing care beds and care equipment, and linen supply for hospitals, hotels, etc.

Home Furnishing and Health:

Manufacture, purchase and wholesale of beds, furniture and bedding, and health appliances, etc.

2. Method of calculating net sales, income or loss, assets and other items by reporting segments

Methods of accounting procedures for reporting business segments are the same as those for statements in “Basis of Presentation of Consolidated Financial Statements.”

Income (loss) of reporting segments is the figure based on operating income.

Intersegment revenues and transfers are based on prevailing market prices.

3. Information on net sales, income or loss, assets and other items by reporting segments

FY2016 (From April 1, 2015 to March 31, 2016)

(Million 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	29,007	20,122	49,129	3,515	52,644	—	52,644
Internal sales among segments or transfers	9	831	840	126	967	(967)	—
Total	29,016	20,953	49,970	3,641	53,612	(967)	52,644
Segment income / loss	2,090	594	2,685	(115)	2,569	27	2,596
Segment asset	32,422	26,958	59,380	2,586	61,967	(2,300)	59,666
Other items							
Depreciation	3,171	404	3,576	33	3,609	0	3,609
Impairment loss	—	—	—	18	18	—	18
Increase in property, plant and equipment and intangible assets	3,292	834	4,127	35	4,162	(3)	4,158

FY2017 (From April 1, 2016 to March 31, 2017)

(Million 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	28,956	19,812	48,769	3,357	52,126	—	52,126
Internal sales among segments or transfers	5	882	887	151	1,039	(1,039)	—
Total	28,962	20,695	49,657	3,508	53,165	(1,039)	52,126
Segment income / loss	2,021	283	2,304	(6)	2,298	27	2,326
Segment asset	34,415	28,173	62,588	2,461	65,050	(2,595)	62,454
Other items							
Depreciation	3,248	454	3,703	24	3,728	2	3,730
Impairment loss	31	91	123	258	381	—	381
Increase in property, plant and equipment and intangible assets	3,770	997	4,768	25	4,793	16	4,809

Notes 1. The “other” segment is a business segment not included in the reporting segments and includes businesses such as door-to-door sales, sales of commodities and sundries, exhibition venue set up and real estate leasing.

2. The details of “Adjustments” are as follows.

Segment income (Million yen)

	FY2016	FY2017
Intersegment transaction elimination	767	766
Corporate expenses*	(740)	(739)
Total	27	27

*Corporate expenses are mainly expenses relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that do not belong to reporting segments.

Segment assets (Million yen)

	FY2016	FY2017
Elimination of intersegment transactions	(18,908)	(22,895)
Corporate assets*	16,607	20,300
Total	(2,300)	(2,595)

*Corporate assets are mainly surplus funds (cash and deposits) and assets relating to the general affairs division and other administrative divisions of the company submitting the consolidated financial statements that do not belong to reporting segments.

3. Segment income (loss) is adjusted with operating income reported in the consolidated financial statements.

(Per Share Information)

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	¥891.52	¥948.03
Profit per share	¥33.43	¥47.59

Notes 1. Diluted profit per share is not presented since the Company has no dilutive shares.
2. The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Net assets per share and profit per share shown above are calculated as if the consolidation of shares had been carried out on April 1, 2014.
3. The basis for calculating profit per share is as follows.

	FY2016 (From April 1, 2015 to March 31, 2016)	FY2017 (From April 1, 2016 to March 31, 2017)
Profit attributable to owners of parent (Million yen)	1,402	1,931
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common shares (Million yen)	1,402	1,931
Average number of shares of common shares during the fiscal year (Thousand shares)	41,938	40,572

(Significant Subsequent Events)

Not applicable

5. Others

(1) Change of Corporate Officers of the Company

1) Change of Representative of the Company

Not applicable

2) Change of Other Corporate Officers of the Company (As of June 23, 2017)

The effective tenure of the current Substitute Director who is an Audit & Supervisory Committee Member, Satoshi Watanabe, who was elected at the Ordinary General Meeting of Shareholders held on June 24, 2016, shall expire upon the commencement of the 14th Ordinary General Meeting of Shareholders to be held on June 23, 2017. Accordingly, one Substitute Director who is an Audit & Supervisory Committee Member will be elected again at the Meeting.
The candidate for Substitute Director who is an Audit & Supervisory Committee Member is as follows:

Satoshi Watanabe (current Director of WATANABE Patent & Law Office)