Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (J-GAAP)

May 11, 2018

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 22, 2018
Scheduled date to submit securities report: June 22, 2018
Scheduled date of the start of dividend payments: June 25, 2018
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, 2018
(April 1, 2017 – March 31, 2018)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2018	52,410	0.5	2,606	12.0	2,606	13.6	1,806	-6.4
Fiscal year ended March 31, 2017	52,126	-0.9	2,326	-10.4	2,293	-10.6	1,931	37.7

Note: Comprehensive income
FY2018: ¥3,709 million (12.5%) FY2017: ¥3,294 million (66.8 %)

	Profit per share	Fully diluted profit per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2018	44.88	—	4.5	4.0	4.9
Fiscal year ended March 31, 2017	47.59	—	5.1	3.7	4.4

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
FY2018: ¥6 million FY2017: ¥5 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	65,713	40,884	62.2	1,015.33
As of March 31, 2017	62,454	38,077	60.9	948.03

Reference: Shareholders' equity
FY2018: ¥40,884 million FY2017: ¥38,077 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, 2018	4,674	(3,582)	(1,487)	13,254
Fiscal year ended March 31, 2017	8,373	(4,004)	(98)	13,648

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, 2017	—	12.50	—	12.50	25.00	1,012	52.5	2.7
Fiscal year ended March 31, 2018	—	12.50	—	12.50	25.00	1,006	55.6	2.5
Fiscal year ending March 31, 2019 (Outlook)	—	12.50	—	12.50	25.00		59.2	

3. Forecasts of Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentage figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	53,000	1.1	2,800	7.4	2,730	4.7	1,700	-5.8	42.21

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)
FY2018: 42,397,500 shares FY2017: 44,897,500 shares
2) Number of treasury shares at the end of the period
FY2018: 2,130,550 shares FY2017: 4,732,656 shares
3) Average number of shares issued during the period
FY2018: 40,241,567 shares FY2017: 40,572,381 shares

[The consolidated financial results presented herein are not subject to audits by certified public accountants or audit corporations]

[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, 2018” 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 Wednesday, May 30, 2018. 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, 2018

With its aging society and declining birth rate, Japan is currently well on its way to becoming a "super-aging society" in which one in four people are elderly, while at the same time the working age population continues to decrease. Addressing the issues of an aging society and shrinking workforce, which will become even more serious in the future, is an urgent matter for the nursing care industry.

Under these circumstances, the France Bed Group (hereinafter, the "Group") created a Medium-term Management Plan covering the three-year period from April 2015. The Group set medium-term targets and growth strategies in order to further strengthen and actively develop its senior-oriented businesses 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. In realizing these strategies, the Group is concentrating on initiatives that are particularly related to its senior-oriented businesses, including "labor reduction and power saving" efforts focused on the shortage of nursing care staff at facilities and the growing number of the elderly caring for the elderly at home, and efforts in the fields of dementia and rehabilitation equipment.

In these circumstances, the Group's consolidated net sales for the fiscal year ended March 31, 2018 (hereinafter, "the fiscal year under review") totaled 52,410 million yen (up 0.5% year on year) due to strong sales in the Medical Services Business, despite a decline in sales to furniture retailers, which is the core of the Home Furnishing and Health Business. The Group had consolidated operating profit of 2,606 million yen (up 12.0% year on year), and consolidated ordinary profit of 2,606 million yen (up 13.6% year on year), mainly due to improvement in the cost of sales ratio.

Consolidated profit attributable to owners of parent was 1,806 million yen (down 6.4% year on year) due to the absence of the gain on redemption of retirement benefit trust and others posted as extraordinary income during the fiscal year ended March 31, 2017 (hereinafter, "the previous fiscal year"), despite posting of 205 million yen as extraordinary income mainly due to the sale of land owned by a consolidated subsidiary during the fiscal year under review.

The performance of each business segment is described below.

1) Medical Services Business

In the Medical Services Business, in January the Group launched the sale and rental for both nursing homes and regular customers of the "Powered Turning Bed FBN-640" that reduces the nursing care burden and prevents bedsores through a function that automatically rotates patients, while maintaining the original functions of a nursing care bed. The Group focused on raising brand awareness by starting TV commercials for the product in September in advance of the rental launch. In addition to opening one new sales office (in Kitakyushu, Fukuoka Prefecture), the Group aimed for market penetration of products including the "Robot Assist Smart Walker RW-01," a walker with automated control features equipped with robot functions that was launched in the previous fiscal year. In addition, the Group sought to expand sales in the special needs equipment rental business by enhancing its rental products through means such as introducing rental of the electric-powered nursing care bed "Espoir," which has a frame that can be divided into eight pieces to facilitate delivery by a single person and thus reduce labor, and the "Grand Max" high-quality furniture-style nursing care bed with enhanced functionality and design.

With regard to the Reha tech brand aimed at active seniors, the Group launched sales of the Nordic walking "ADVANCE POLE," which maintains health and increases body strength through the practice of walking with two poles, and held events such as Nordic walking workshops and a health promotion event "*Iki-iki* Health Fair" with the aim of ensuring penetration of the Reha tech brand. The Group focused on creating a structure to capture sales not covered by the nursing care insurance system through measures such as opening one new directly-managed Reha tech Shop (in Shingu, Wakayama Prefecture) in September, capturing sales by enhancing products, and the addition of the lighter-weight, more compact "S638 Smart Pal Light" to our lineup of "electrically powered scooters," which have been well-received at test drives offered close to where customers live.

With regard to hospitals and welfare facilities, in addition to capturing demand for beds from newly-built facilities as well as from replacements, the Group worked on comprehensive sales combining peripheral furniture, rehabilitation equipment, and bath devices. Moreover, to improve conditions in hospitals and welfare facilities, where the shortage of nurses and nursing care staff has become a chronic issue, the Group has brought to the market and worked to promote sales of the "Monitoring Care System M-2," a monitoring robot built into a bed which has monitoring features that provide support for daily life, as well as automatic weighing and other functions. By utilizing these products, the Company has proactively advanced the "Project for Helping Putting Welfare Equipment and Nursing Robots into Practice" and the "Project to Promote the Development and Introduction of Robotic Devices for Nursing Care" sponsored by the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, and local governments. Furthermore, the Group focused efforts on sales of the "Powered Turning Bed FB-640N," launched in May, to promote sound sleep, prevent bedsores and reduce the physical burden on caregivers.

As a result of these initiatives, net sales for the Medical Services Business amounted to 29,484 million yen (up 1.8% year on year), and operating profit was 2,235 million yen (up 10.5% year on year).

2) Home Furnishing and Health Business

In the Home Furnishing and Health Business, amid a decline in sales to mainstay furniture retailers, the Group responded to changes in customers' furniture purchasing methods by cultivating new sales channels other than furniture retailers, such as housing-related companies, e-commerce businesses, and consumer electronics retailers, and developed products for e-commerce. Furthermore, the Group sought to bolster its earnings capabilities by utilizing its 17 showrooms nationwide, including two newly opened showrooms (in Niigata, Niigata Prefecture; and Kobe, Hyogo Prefecture), and focusing efforts on sales at exhibitions with business partners and other events.

To expand sales of products with high added value, the Group focused on sales of the "New Reha tech Mattress RH-BAE" with "BREATHAIR extra®" jointly developed with Toyobo Co., Ltd. that offers comfortable rest, the "Cloudia" mattress series developed targeting female customers, and a mattress rolled out in June that adopts the new "PRO・WALL" technology developed independently by the Group equipped with features that reduce sinking at the edge of the mattress.

In addition, the Group worked to expand sales of products in line with customer needs through efforts including the rollout of the "vivo step" brand of children's bedding in October and "La deuxieme," a new bedding brand aimed at online sales in March.

As for overseas expansion, the Group pursued business development in the Asia region and other areas, by launching sales of the "LOOPER MOVE RP-1000 DLX" electric reclining bed in South Korea in September, and participating in exhibitions including the "Japan Healthy Lifestyle Exhibition in Jakarta" held in Indonesia in March, and the "Malaysian International Furniture Fair (MIFF) 2018" held in Malaysia.

The Group strengthened its sales system to meet corporate demand from hotels in central urban locations and business hotels that has been stimulated by the effect of inbound tourism to Japan and the Tokyo Olympic and Paralympic Games to be held in 2020. As a result, orders have increased for new and replacement guest beds, and sales have been favorable for "Slumberland," a top-of-the-line brand that is used in the world's finest hotels.

Although overall sales for the segment decreased because the above measures were unable to cover the decline in sales to furniture retailers, profitability rose due to improvement in the cost of sales ratio, among other factors.

As a result of these initiatives, net sales for the Home Furnishing and Health Business amounted to 19,507 million yen (down 1.5% year on year), and operating profit was 314 million yen (up 11.1% 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, while striving to increase 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 implementing product initiatives according to the characteristics of each store and using SNS to acquire repeat customers, in addition to closing down unprofitable stores and strengthening control of purchasing.

As a result of these initiatives, net sales for other business amounted to 3,419 million yen (up 1.8% year on year), and operating profit was 23 million yen (from operating loss of 6 million yen in the same period of the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2018

(Total assets)

Total assets at the end of the fiscal year under review increased 3,258 million yen from the end of the previous fiscal year (“the previous year-end”) to 65,713 million yen. Current assets increased 247 million yen from the previous year-end to 33,331 million yen. Major factors underlying this change included increases of 1,500 million yen in securities, 269 million yen in notes and accounts receivable – trade (including electronically recorded monetary claims – operating), and 395 million yen in inventories, and a decrease of 1,894 million yen in cash and deposits. Non-current assets increased 2,996 million yen from the previous year-end to 32,343 million yen. Major factors underlying this change included purchase and depreciation of property, plant and equipment and purchase and amortization of intangible assets, purchase and sales of investment securities, and an increase in net defined benefit asset due to an increase in pension assets from a rise in the market value of shares.

(Liabilities)

Liabilities increased 452 million yen from the previous year-end to 24,829 million yen. Major factors underlying this change included an increase of 1,957 million yen in electronically recorded obligations – operating associated with a change in the settlement method for notes and accounts payable – trade, etc., a decrease of 2,287 million yen in accounts payable for factoring, a decrease of 314 million yen in notes and accounts payable – trade, as well as an increase of 700 million yen in bonds (including current portion), a decrease of 1,200 million yen in current portion of long-term loans payable, and an increase of 1,287 million yen in income taxes payable.

(Net assets)

Net assets increased 2,806 million yen from the previous year-end to 40,884 million yen. Major factors for the increase included a profit attributable to owners of parent of 1,806 million yen and remeasurements of defined benefit plans of 1,931 million yen, while major factors for the decline included dividends from surplus of 1,005 million yen.

As a result, shareholders’ equity ratio fell to 62.2% from the 60.9% at the previous year-end.

(3) Overview of Cash Flow Position for the Fiscal Year Ended March 31, 2018

As for the cash flows for the fiscal year under review, cash and cash equivalents decreased 394 million yen from the previous year-end to 13,254 million yen. Details of individual cash flow items are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities came to 4,674 million yen (8,373 million yen in the same period of the previous fiscal year). The major factors were inflows including profit before income taxes of 2,791 million yen and the reporting of depreciation (a noncash item) of 3,886 million yen, offsetting outflows including an increase of 395 million yen in inventories, a decrease of 644 million yen in notes and accounts payable – trade (including accounts payable for factoring), and 439 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,582 million yen (4,004 million yen in the same period of the previous fiscal year). The major factors were proceeds from sales of investment securities of 289 million yen, and outflows including a purchase of investment securities of 106 million yen, a purchase of property, plant and equipment of 3,598 million yen, and a purchase of securities of non-consolidated subsidiaries and associates of 133 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,487 million yen (98 million yen in the same period of the previous fiscal year). The major factors were proceeds from sales and leasebacks of 1,898 million yen and issuance of bonds of 1,464 million yen, and outflows including repayments of finance lease obligations of 1,845 million yen, repayments of long-term loans payable of 1,200 million yen, redemption of bonds of 800 million yen, and cash dividends paid of 1,003 million yen.

(Reference) Cash flow indicators

	FY2014	FY2015	FY2016	FY2017	FY2018
Shareholders' equity ratio (%)	59.7	62.7	61.0	60.9	62.2
Shareholders' equity ratio at market value (%)	69.5	64.5	71.0	59.5	57.7
Ratio of interest-bearing debt to cash flow (years)	2.8	2.1	1.7	1.3	2.3
Interest coverage ratio (times)	38.1	55.6	72.3	107.2	72.5

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 aging of society is expected to progress further in Japan, and populations are also expected to age in countries overseas including in Asia and in Europe.

In such a business environment, the Group will concentrate its management resources to further strengthen its senior-oriented businesses and actively expand the business.

In the Medical Services Business, the Group aims to expand its business by developing and introducing high-performance products with high added value in the special needs equipment rental business, where demand is expected to grow considerably with the increase in the elderly population, and expanding its sales offices. The Group will also increase its focus on developing and expanding sales of new products that result in "labor reductions and power saving" to solve issues such as the shortage of nursing care staff at facilities due to the shrinking workforce, and the problem of the elderly caring for the elderly at home, as the number of those requiring nursing care continues to grow.

In the Home Furnishing and Health Business, the Group will seek to improve its earnings structure by reviewing its product strategy and sales strategy in light of the shrinking furniture market in Japan and changes in consumers' purchasing methods.

In overseas expansion, the Group will promote market cultivation and export sales aimed mainly at countries in Asia and Europe, with a focus on high-performance products with high added value developed in the Japanese market.

In the Reha tech business, the Group will continue its efforts to develop Reha tech brand products for active seniors, spry old people, in preparation for revisions of the nursing care insurance system that take place every three years, while seeking to increase brand awareness and expand sales.

The Group expects to achieve net sales of 53,000 million yen, operating profit of 2,800 million yen, ordinary profit of 2,730 million yen, and profit attributable to owners of parent of 1,700 million yen on a consolidated basis for fiscal 2019.

(5) Fundamental Policy for Distribution of Earnings, and Fiscal 2018 and Fiscal 2019 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 12, 2017, plans to pay a year-end dividend of 12.5 yen per share for Fiscal 2018.

The Company plans to place this matter on the proposal of the ordinary general shareholders' meeting scheduled for June 2018.

Additionally, for Fiscal 2019, 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.

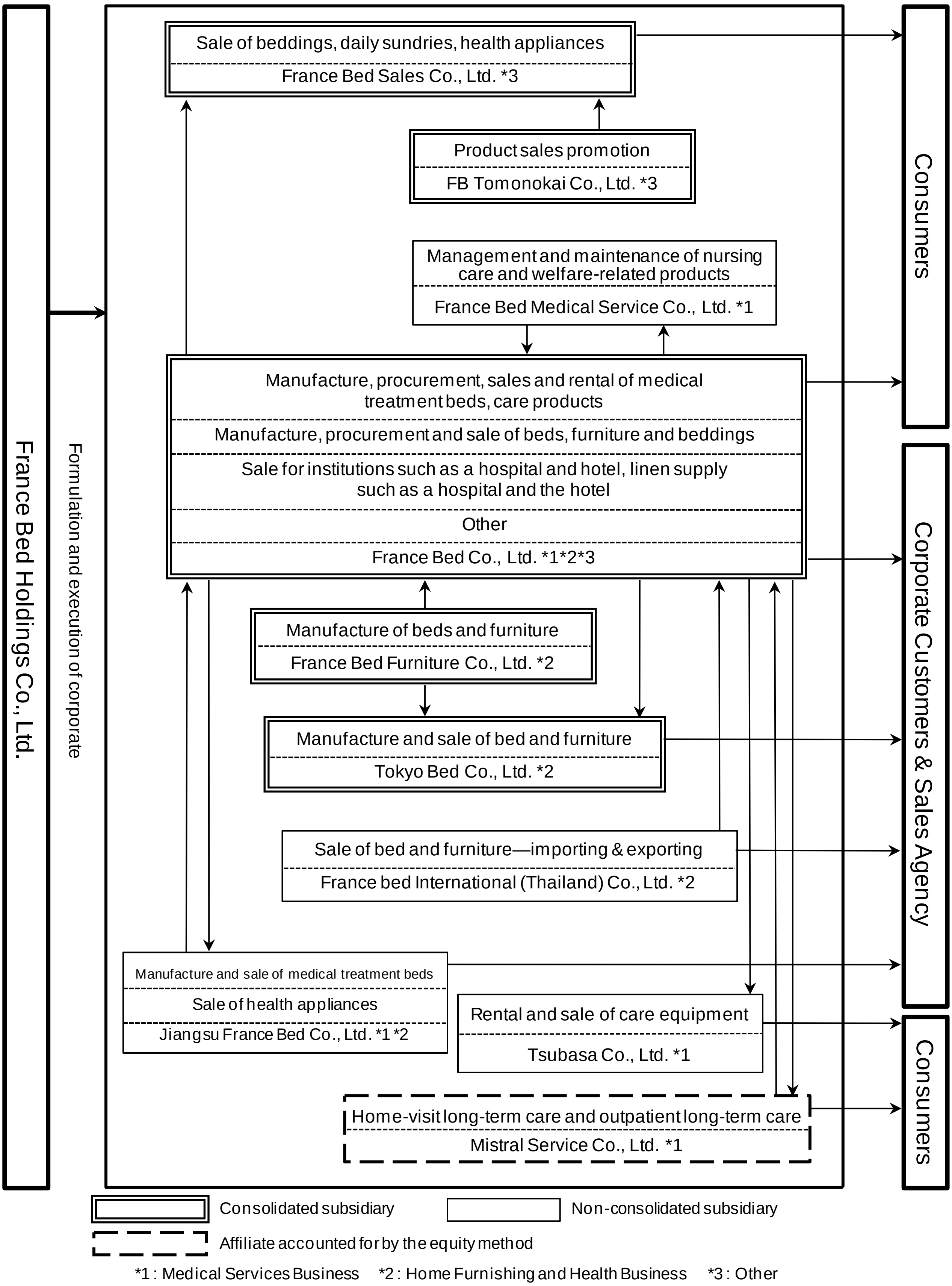
Notes 1. FB Tomonokai Co., Ltd., a subsidiary of the Company's consolidated subsidiary, France Bed Sales Co., Ltd., solicits members based on contracts for specified prepaid transactions relevant to products marketed by France Bed Sales Co. and mediates product sales to such members.

2. 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, profit 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)

	FY2017 (as of March 31, 2017)	FY2018 (as of March 31, 2018)
Assets		
Current assets		
Cash and deposits	10,849	8,954
Notes and accounts receivable – trade	9,886	*3 10,117
Electronically recorded monetary claims – operating	628	*3 666
Securities	2,799	4,299
Merchandise and finished goods	4,967	5,050
Work in process	416	475
Raw materials and supplies	1,737	1,991
Deferred tax assets	519	592
Other	1,287	1,202
Allowance for doubtful accounts	(7)	(18)
Total current assets	33,084	33,331
Non-current assets		
Property, plant and equipment		
Assets for lease	5,337	5,332
Accumulated depreciation	(3,663)	(3,686)
Assets for lease, net	1,673	1,646
Buildings and structures	15,515	15,065
Accumulated depreciation	(10,994)	(10,824)
Buildings and structures, net	4,521	4,240
Machinery, equipment and vehicles	6,001	6,078
Accumulated depreciation	(4,824)	(4,884)
Machinery, equipment and vehicles, net	1,176	1,193
Tools, furniture and fixtures	2,485	2,544
Accumulated depreciation	(2,217)	(2,273)
Tools, furniture and fixtures, net	268	270
Land	6,186	6,153
Leased assets	7,370	7,906
Accumulated depreciation	(5,113)	(5,377)
Leased assets, net	2,257	2,528
Construction in progress	84	78
Total property, plant and equipment	16,169	16,112
Intangible assets		
Leased assets	1,435	1,279
Software	417	534
Other	15	34
Total intangible assets	1,869	1,848
Investments and other assets		
Investment securities	1,092	973
Long-term loans receivable	1	0
Deferred tax assets	73	78
Net defined benefit asset	9,365	12,375
Other	*1 907	*1 1,119
Allowance for doubtful accounts	(131)	(165)
Total investments and other assets	11,308	14,382
Total non-current assets	29,347	32,343
Deferred assets		
Bond issuance cost	23	38
Total deferred assets	23	38
Total assets	62,454	65,713

(Million yen)

	FY2017 (as of March 31, 2017)	FY2018 (as of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,438	*3 3,123
Electronically recorded obligations - operating	99	2,057
Accounts payable for factoring	2,287	—
Short-term loans payable	2,050	2,050
Current portion of bonds	800	3,150
Current portion of long-term loans payable	1,200	—
Lease obligations	1,527	1,608
Income taxes payable	301	1,588
Accrued consumption taxes	191	121
Deferred tax liabilities	0	—
Provision for bonuses	1,232	1,242
Provision for directors' bonuses	56	6
Other	2,257	*3 2,398
Total current liabilities	15,442	17,346
Non-current liabilities		
Bonds payable	3,150	1,500
Long-term loans payable	300	300
Lease obligations	2,359	2,397
Deferred tax liabilities	1,760	1,933
Provision for directors' retirement benefits	546	97
Provision for contingent loss	9	8
Net defined benefit liability	515	531
Asset retirement obligations	26	26
Other	267	687
Total non-current liabilities	8,934	7,482
Total liabilities	24,377	24,829
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	—
Retained earnings	33,391	33,669
Treasury shares	(4,533)	(2,041)
Total shareholders' equity	33,725	34,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59	72
Deferred gains or losses on hedges	—	(40)
Remeasurements of defined benefit plans	4,292	6,224
Total accumulated other comprehensive income	4,352	6,255
Total net assets	38,077	40,884
Total liabilities and net assets	62,454	65,713

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Net sales	52,126	52,410
Cost of sales	*1 27,044	*1 26,975
Gross profit	25,082	25,435
Selling, general and administrative expenses	22,756	22,828
Operating profit	2,326	2,606
Non-operating income		
Interest income	2	1
Dividend income	39	21
Share of profit of entities accounted for using equity method	5	6
Rent income	18	23
Difference due to change in contract of insurance	—	21
Other	138	117
Total non-operating income	205	191
Non-operating expenses		
Interest expenses	79	67
Sales discounts	35	34
Amortization of bond issuance cost	18	19
Rent expenses	16	21
Other	87	47
Total non-operating expenses	237	191
Ordinary profit	2,293	2,606
Extraordinary income		
Gain on sales of non-current assets	3	160
Gain on sales of investment securities	4	45
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	1,027	205
Extraordinary losses		
Loss on sales of non-current assets	4	—
Loss on retirement of non-current assets	18	21
Impairment loss	*4 381	—
Loss on valuation of investment securities	55	—
Other	14	—
Total extraordinary losses	475	21
Profit before income taxes	2,846	2,791
Income taxes – current	518	1,722
Income taxes – deferred	396	(737)
Total income taxes	915	984
Profit	1,931	1,806
Profit attributable to owners of parent	1,931	1,806

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Profit	1,931	1,806
Other comprehensive income		
Valuation difference on available-for-sale securities	(49)	12
Deferred gains or losses on hedges	25	(40)
Remeasurements of defined benefit plans, net of tax	1,387	1,931
Total other comprehensive income	1,363	1,903
Comprehensive income	3,294	3,709
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,294	3,709
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

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)
Disposal of treasury shares					—
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
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)
Disposal of treasury shares					—
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
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

FY2018 (from April 1, 2017, to March 31, 2018)

(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	33,391	(4,533)	33,725
Changes of items during period					
Dividends of surplus			(1,005)		(1,005)
Profit attributable to owners of parent			1,806		1,806
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		4		98	102
Retirement of treasury shares		(2,394)		2,394	—
Transfer to capital surplus from retained earnings		522	(522)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,867)	278	2,492	903
Balance at end of current period	3,000	—	33,669	(2,041)	34,628

	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	59	—	4,292	4,352	38,077
Changes of items during period					
Dividends of surplus					(1,005)
Profit attributable to owners of parent					1,806
Purchase of treasury shares					(0)
Disposal of treasury shares					102
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
Net changes of items other than shareholders' equity	12	(40)	1,931	1,903	1,903
Total changes of items during period	12	(40)	1,931	1,903	2,806
Balance at end of current period	72	(40)	6,224	6,255	40,884

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	2,846	2,791
Depreciation	3,730	3,886
Impairment loss	381	—
Loss (gain) on sales of non-current assets	1	(160)
Loss on retirement of non-current assets	18	21
Increase (decrease) in allowance for doubtful accounts	(9)	44
Increase (decrease) in provision for bonuses	(48)	10
Increase (decrease) in provision for directors' bonuses	(15)	(50)
Increase (decrease) in net defined benefit liability	(25)	7
Decrease (increase) in net defined benefit asset	3,144	(219)
Increase (decrease) in provision for directors' retirement benefits	10	(449)
Loss (gain) on sales of investment securities	(4)	(45)
Loss (gain) on valuation of investment securities	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)	—
Interest and dividend income	(42)	(23)
Interest expenses	79	67
Share of (profit) loss of entities accounted for using equity method	(5)	(6)
Decrease (increase) in notes and accounts receivable – trade	3	(278)
Decrease (increase) in inventories	826	(395)
Increase (decrease) in notes and accounts payable – trade	(99)	1,642
Increase (decrease) in accounts payable for factoring	21	(2,287)
Increase (decrease) in long-term accounts payable - other	11	421
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(617)	—
Increase (decrease) in accrued expenses	(68)	22
Other, net	47	156
Subtotal	9,222	5,155
Interest and dividend income received	42	22
Interest expenses paid	(78)	(64)
Income taxes paid	(814)	(439)
Net cash provided by (used in) operating activities	8,373	4,674

(Million yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,489)	(3,598)
Proceeds from sales of property, plant and equipment	27	249
Proceeds from redemption of securities	600	—
Purchase of investment securities	(0)	(106)
Proceeds from sales of investment securities	183	289
Purchase of securities of non-consolidated subsidiaries and associates	—	(133)
Payments of loans receivable	(0)	—
Collection of loans receivable	7	6
Purchase of intangible assets	(1,345)	(291)
Other, net	11	1
Net cash provided by (used in) investing activities	(4,004)	(3,582)
Cash flows from financing activities		
Increase in short-term loans payable	100	—
Decrease in short-term loans payable	(300)	—
Proceeds from long-term loans payable	300	—
Repayments of long-term loans payable	—	(1,200)
Proceeds from issuance of bonds	—	1,464
Redemption of bonds	—	(800)
Purchase of treasury shares	(627)	(0)
Proceeds from sales and leasebacks	3,135	1,898
Repayments of lease obligations	(1,687)	(1,845)
Cash dividends paid	(1,019)	(1,003)
Net cash provided by (used in) financing activities	(98)	(1,487)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	4,270	(394)
Cash and cash equivalents at beginning of period	9,378	13,648
Cash and cash equivalents at end of period	* 13,648	* 13,254

(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, profit 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.

(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 profit 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.

(Supplementary Information)

(Abolishment of Directors' Retirement Benefits System)

At the 14th Ordinary General Shareholders' Meeting held on June 23, 2017, the Company carried out a revision of the system of compensation for directors, and resolved to abolish the directors' retirement benefits system and pay final retirement benefits following the abolishment of the system (payment to be made at the time of each director's resignation). Accordingly, the total amount of provision for directors' retirement benefits at the Company and its consolidated subsidiary France Bed Co., Ltd. was reversed, and the unpaid amount of 421 million yen for payment of final retirement benefits is included in "other" stated under "non-current liabilities." The directors' retirement benefits system still exists at some consolidated subsidiaries, and the provision for directors' retirement benefits is provided at an amount required to be paid at the end of the fiscal year under review, based on internal regulations.

(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.

(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.

(Changes to Presentation)

(Consolidated Balance Sheets)

“Electronically recorded obligations – operating,” which was included in “notes and accounts payable – trade” under “current liabilities” in the previous fiscal year, is separately presented from the fiscal year under review since the importance of the amount increased. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, “notes and accounts payable – trade” of 3,538 million yen, which was presented under “current liabilities” in the consolidated balance sheets for the previous fiscal year, has been restated as “notes and accounts payable – trade” of 3,438 million yen and “electronically recorded obligations – operating” of 99 million yen.

(Consolidated Statements of Income)

“Compensation income,” which was separately presented under “non-operating income” in the previous fiscal year, is included in “other” from the fiscal year under review since the amount decreased to 10% or less of the total amount of non-operating income. In addition, “rent income,” which was included in “other” under “non-operating income” in the previous fiscal year, is separately presented from the fiscal year under review since the amount exceeded 10% of the total amount of non-operating income. Consolidated financial statements for the previous fiscal year have been restated to reflect these changes in presentation.

As a result, “compensation income” of 42 million yen and “other” of 114 million yen, which were presented under “non-operating income” in the consolidated statements of income for the previous fiscal year, have been restated as “rent income” of 18 million yen and “other” of 138 million yen.

“Amortization of bond issuance cost” and “rent expenses,” which were included in “other” under “non-operating expenses” in the previous fiscal year, are separately presented from the fiscal year under review since the amounts exceeded 10% of the total amount of non-operating expenses. Consolidated financial statements for the previous fiscal year have been restated to reflect these changes in presentation.

As a result, 122 million yen that was included in “other” under “non-operating expenses” in the consolidated statements of income for the previous fiscal year has been restated as “amortization of bond issuance cost” of 18 million yen, “rent expenses” of 16 million yen, and “other” of 87 million yen.

(Consolidated Statements of Cash Flows)
"Increase (decrease) in long-term accounts payable – other," which was included in "other, net" under "cash flows from operating activities" in the previous fiscal year, is separately presented from the fiscal year under review since the importance of the amount increased. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, 59 million yen that was included in "other, net" under "cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year has been restated as "increase (decrease) in long-term accounts payable – other" of 11 million yen and "other, net" of 47 million yen.

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
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.

FY2017 (As of March 31, 2017)		FY2018 (As of March 31, 2018)	
Tsubasa Co., Ltd.	¥89 million	Tsubasa Co., Ltd.	¥68 million
Employees	¥19 million	Employees	¥13 million
Total	¥108 million	Total	¥82 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.

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
FB Tomonokai Co., Ltd.	¥453 million	¥465 million

*3. Notes matured at the end of the fiscal year

With regard to accounting for notes matured at the end of the fiscal year, such notes are settled on the clearance date. Since the last day of the fiscal year under review was a holiday for financial institutions, notes maturing at the end of the next fiscal year are included in the balance at the end of the fiscal year.

		FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
(Current assets)	Notes receivable – trade	¥– million	¥73 million
	Electronically recorded monetary claims – operating	¥– million	¥11 million
(Current liabilities)	Notes payable – trade	¥– million	¥192 million
	Other (notes payable – facilities)	¥– million	¥6 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.

FY2017 (From April 1, 2016 to March 31, 2017)	FY2018 (From April 1, 2017 to March 31, 2018)
¥46 million	¥41 million

*2. Gain on change in equity

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

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.

FY2018 (From April 1, 2017 to March 31, 2018)

Not applicable

*3. Gain on redemption of retirement benefit trust

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

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.

FY2018 (From April 1, 2017 to March 31, 2018)

Not applicable

*4. Impairment loss

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

The following group of assets recorded an impairment loss.

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.

FY2018 (From April 1, 2017 to March 31, 2018)
Not applicable

(Notes to Consolidated Statements of Changes in Equity)

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	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.

(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

FY2018 (From April 1, 2017 to March 31, 2018)

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 1)	44,897	—	2,500	42,397
Total	44,897	—	2,500	42,397
Treasury shares				
Common shares (Note 2, 3)	4,732	0	2,602	2,130
Total	4,732	0	2,602	2,130

Notes 1. The decrease in the total number of shares issued of 2,500 thousand common shares is due to retirement of treasury shares by resolution of the Board of Directors.

2. The increase in the number of treasury shares of 0 thousand common shares is due to a purchase of shares representing less than one unit.

3. The decrease in the number of treasury shares of 2,602 thousand common shares consists of a decrease of 2,500 thousand shares due to retirement of treasury shares and a decrease of 102 thousand shares due to disposal of treasury shares by resolution of the Board of Directors.

2. Dividends

(1) Amounts paid

(Resolution)	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 23, 2017 Shareholders' meeting	Common shares	¥502 million	¥12.50	March 31, 2017	June 26, 2017
October 31, 2017 Board of Directors' meeting	Common shares	¥503 million	¥12.50	September 30, 2017	December 5, 2017

(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 22, 2018 Shareholders' meeting	Common shares	¥503 million	Retained earnings	¥12.50	March 31, 2018	June 25, 2018

(Notes to Consolidated Statements of Cash Flows)

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

	FY2017 (From April 1, 2016 to March 31, 2017)	FY2018 (From April 1, 2017 to March 31, 2018)
Cash and deposits	¥10,849 million	¥8,954 million
Marketable securities	¥2,799 million	¥4,299 million
Cash and cash equivalents	¥13,648 million	¥13,254 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 profit.

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

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

FY2018 (From April 1, 2017 to March 31, 2018)

(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	29,484	19,507	48,991	3,419	52,410	—	52,410
Internal sales among segments or transfers	5	977	982	135	1,118	(1,118)	—
Total	29,489	20,484	49,974	3,554	53,529	(1,118)	52,410
Segment income / loss	2,235	314	2,550	23	2,574	32	2,606
Segment asset	35,897	28,286	64,184	2,470	66,655	(941)	65,713
Other items							
Depreciation	3,383	476	3,859	22	3,882	3	3,886
Impairment loss	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	3,497	390	3,887	15	3,903	(4)	3,898

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)

	FY2017	FY2018
Intersegment transaction elimination	766	856
Corporate expenses*	(739)	(823)
Total	27	32

*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)

	FY2017	FY2018
Elimination of intersegment transactions	(22,895)	(17,819)
Corporate assets*	20,300	16,878
Total	(2,595)	(941)

*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 profit reported in the consolidated financial statements.

(Per Share Information)

	FY2017 (From April 1, 2016 to March 31, 2017)	FY2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	¥948.03	¥1,015.33
Profit per share	¥47.59	¥44.88

Notes 1. Diluted profit per share is not presented since the Company has no dilutive shares.
2. The basis for calculating profit per share is as follows.

	FY2017 (From April 1, 2016 to March 31, 2017)	FY2018 (From April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (Million yen)	1,931	1,806
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common shares (Million yen)	1,931	1,806
Average number of shares of common shares during the fiscal year (Thousand shares)	40,572	40,241

(Significant Subsequent Events)

Not applicable

5. Others

(1) Changes of Corporate Officers of the Company

1) Change of Representative of the Company

Not applicable

2) Changes of Other Corporate Officers of the Company (As of June 22, 2018)

- New candidates for Director
  Director Kazumi Ikeda (current Executive Managing Director, GM of Operations Management and Corporate Planning of France Bed Co., Ltd.)
- Directors scheduled to retire
  Director Satoru Higashijima (currently in charge of Planning Group)

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 23, 2017, shall expire upon the commencement of the 15th Ordinary General Meeting of Shareholders to be held on June 22, 2018. 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)