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July 29, 2016

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 <under Japanese GAAP>

Company name: **Paramount Bed Holdings Co., Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 7817
 URL: <http://www.paramountbed-hd.co.jp>
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Scheduled date to file Quarterly Securities Report: August 10, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2017 (from April 1, 2016 to June 30, 2016)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2016	15,493	(0.7)	1,819	14.4	1,124	(39.7)	700	(46.2)
June 30, 2015	15,599	(3.6)	1,590	(31.4)	1,864	(21.0)	1,302	(15.3)

Note: Comprehensive income Three months ended June 30, 2016: ¥(183) million: [–%]
 Three months ended June 30, 2015: ¥1,466 million: [(0.8)%]

	Basic net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2016	24.62	22.68
June 30, 2015	44.50	41.08

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2016	119,779	84,057	70.2
March 31, 2016	126,279	85,223	67.5

Reference: Equity

As of June 30, 2016: ¥84,057 million
 As of March 31, 2016: ¥85,223 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	–	35.00	–	35.00	70.00
Fiscal year ending March 31, 2017	–				
Fiscal year ending March 31, 2017 (Forecast)		40.00	–	40.00	80.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	33,800	1.2	4,200	9.9	4,300	2.6	2,900	7.3	101.85
Fiscal year ending March 31, 2017	77,000	3.9	10,700	10.8	11,000	11.9	7,500	17.4	263.40

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

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

Note: For details, please refer to “2. Matters regarding summary information (Notes), (3) Changes in accounting policies, changes in accounting estimates, and restatement” on page 3 of the attached materials.

(4) Number of shares issued (common shares)

a. Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2016	30,877,487 shares
As of March 31, 2016	30,877,487 shares

b. Number of treasury shares at the end of the period

As of June 30, 2016	2,397,697 shares
As of March 31, 2016	2,403,177 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2016	28,476,625 shares
Three months ended June 30, 2015	29,274,280 shares

*** Indication regarding execution of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

*** Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Qualitative information regarding financial results for the first three months, (3) Information regarding consolidated earnings forecasts and other forward-looking statements" on page 2 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

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1. Qualitative information regarding financial results for the first three months

(1) Information regarding operating results

In the three months ended June 30, 2016, the Japanese economy continued to mount a gradual recovery, reflecting the effects of various government measures. Nevertheless, the future prospects of the economy remain uncertain due to the impact of the concern of a downturn in overseas economies, particularly those of emerging countries, the UK's decision to secede from the EU, and other factors.

In the medical and elderly welfare fields, which are related to the operations of the Paramount Bed Group ("the Group"), a reform of the system of medical service fees was implemented in April 2016. In line with this, a review was carried out with the intent of moving closer to realizing the "2025 model," a medical system where all of a patient's needs can be met within their community. This includes differentiating, strengthening, and linking the functions of hospitals and hospital beds; and enhancing, prioritizing, and improving the efficiency of in-home medical care.

Amid this environment, the Group announced its medium-term business plan, "2020 Plan," which covers the five year period from April 2016 to March 2021. The Group has set "maintaining and expanding existing business areas," "stepping up pace of overseas business expansion," and "strengthening R&D and creating business models serving as buds of new growth" as its key policies, and is aiming for sustainable growth and enhancement of corporate value. As part of said business plan, the goals for consolidated net sales and consolidated operating income for the fiscal year ending March 31, 2021, were set at ¥100,000 million and ¥14,000 million respectively.

As a new business model, the Group began accepting orders for the Smart Bed System™, which is able to centrally manage various kinds of biological information, such as measuring in real time the heart rate and breathing of the patient laying on the bed using contact-free sensors. Amidst concern for further labor shortages in medical facilities and nursing homes, the Group expects that by using the Smart Bed System™ it will be possible to save labor, improve accuracy, etc., related to nursing tasks such as understanding the patient's current status and data entry.

On the sales front, each business was, in general, as estimated. This includes, product sales in Japan, maintenance business, and the rental business for welfare equipment, as well as product sales to overseas.

As a result of the above, in the three months ended June 30, 2016, net sales were ¥15,493 million (down 0.7% year on year), operating income was ¥1,819 million (up 14.4%) and ordinary income was ¥1,124 million (down 39.7%). Net income attributable to owners of the parent was ¥700 million (down 46.2%).

Because the business of the Group consists of a single business segment, information by business segment is not provided.

*"Smart Bed System" is a registered trademark of Paramount Bed Co., Ltd.

(2) Information regarding financial position

Total assets as of June 30, 2016, amounted to ¥119,779 million, which was a decrease of ¥6,500 million compared to March 31, 2016. The primary factor in this fall was a decrease in notes and accounts receivable - trade.

Liabilities amounted to ¥35,721 million, which was a decrease of ¥5,333 million compared to March 31, 2016. The primary factors in this fall were decreases in accounts payable - trade, income taxes payable and provision for bonuses.

Net assets amounted to ¥84,057 million, which was a decrease of ¥1,166 million compared to March 31, 2016. The primary factors in this fall were decreases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result, the equity-to-asset ratio as of June 30, 2016, increased by 2.7 percentage points compared to March 31, 2016, to 70.2%.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts announced on May 11, 2016.

2. Matters regarding summary information (Notes)

(1) Changes in significant subsidiaries during the period

No items to report.

(2) Application of special accounting for preparing quarterly consolidated financial statements

No items to report.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

Changes in accounting policies

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the first quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

This has no effect on profit or loss.

(4) Additional Information

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended June 30, 2016, the Company has applied the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

3. Significant events regarding premise of going concern

No items to report.

4. Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	26,229	26,895
Notes and accounts receivable - trade	23,307	17,841
Lease receivables and investment assets	2,277	2,195
Securities	9,384	8,916
Merchandise and finished goods	5,396	5,176
Work in process	237	236
Raw materials and supplies	1,635	1,419
Other	2,578	2,808
Allowance for doubtful accounts	(58)	(55)
Total current assets	70,989	65,434
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,457	27,321
Accumulated depreciation	(18,739)	(18,814)
Buildings and structures, net	8,717	8,506
Machinery, equipment and vehicles	7,577	7,485
Accumulated depreciation	(6,660)	(6,618)
Machinery, equipment and vehicles, net	916	867
Land	8,716	8,714
Leased assets	120	119
Accumulated depreciation	(102)	(105)
Leased assets, net	17	13
Assets for rent	19,243	20,128
Accumulated depreciation	(8,849)	(9,348)
Assets for rent, net	10,394	10,779
Construction in progress	74	89
Other	8,766	8,609
Accumulated depreciation	(7,544)	(7,447)
Other, net	1,221	1,161
Total property, plant and equipment	30,058	30,131
Intangible assets		
Goodwill	34	31
Other	1,951	1,884
Total intangible assets	1,986	1,916
Investments and other assets		
Investment securities	15,511	14,716
Other	7,824	7,667
Allowance for doubtful accounts	(91)	(87)
Total investments and other assets	23,244	22,296
Total non-current assets	55,290	54,345
Total assets	126,279	119,779

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	10,938	7,159
Short-term loans payable	647	677
Lease obligations	1,577	1,658
Income taxes payable	1,782	252
Provision for bonuses	1,212	604
Provision for directors' bonuses	28	–
Other	4,053	4,395
Total current liabilities	20,240	14,747
Non-current liabilities		
Bonds with subscription rights to shares	10,022	10,020
Long-term loans payable	75	65
Lease obligations	3,378	3,561
Provision for environmental measures	41	41
Net defined benefit liability	5,320	5,402
Other	1,976	1,882
Total non-current liabilities	20,815	20,974
Total liabilities	41,055	35,721
Net assets		
Shareholders' equity		
Capital stock	4,207	4,207
Capital surplus	49,877	49,877
Retained earnings	37,552	37,257
Treasury shares	(7,501)	(7,487)
Total shareholders' equity	84,136	83,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	317	(151)
Foreign currency translation adjustment	1,344	918
Remeasurements of defined benefit plans	(574)	(564)
Total accumulated other comprehensive income	1,086	202
Non-controlling interests	0	0
Total net assets	85,223	84,057
Total liabilities and net assets	126,279	119,779

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	15,599	15,493
Cost of sales	8,556	8,226
Gross profit	7,042	7,267
Selling, general and administrative expenses	5,452	5,448
Operating income	1,590	1,819
Non-operating income		
Interest income	41	33
Dividend income	109	48
Foreign exchange gains	109	–
Gain on investments in silent partnership	16	–
Other	39	22
Total non-operating income	315	104
Non-operating expenses		
Interest expenses	12	8
Foreign exchange losses	–	671
Loss on investments in partnership	25	76
Loss on investments in silent partnership	–	29
Other	3	12
Total non-operating expenses	41	799
Ordinary income	1,864	1,124
Extraordinary income		
Gain on sales of investment securities	19	7
Gain on redemption of investment securities	31	36
Total extraordinary income	50	44
Extraordinary losses		
Loss on sales of investment securities	11	–
Loss on redemption of investment securities	–	10
Loss on valuation of investment securities	–	3
Total extraordinary losses	11	14
Income before income taxes	1,903	1,154
Income taxes - current	248	229
Income taxes - deferred	352	224
Total income taxes	601	453
Net income	1,302	701
Net income attributable to non-controlling interests	0	0
Net income attributable to owners of the parent	1,302	700

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	1,302	701
Other comprehensive income		
Valuation difference on available-for-sale securities	96	(468)
Foreign currency translation adjustment	40	(425)
Remeasurements of defined benefit plans, net of tax	27	9
Total other comprehensive income	163	(884)
Comprehensive income	1,466	(183)
Comprehensive income attributable to:		
Owners of the parent	1,466	(183)
Non-controlling interests	0	(0)

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report.

Notes on substantial changes in the amount of shareholders' equity

No items to report.

Significant subsequent events

No items to report.