

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



February 3, 2017

Consolidated Financial Results for the First Nine 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>
 Representative: Kyosuke Kimura, President and Chief Executive Officer
 Contact: Kenji Ouchi, Executive Officer, General Manager of Finance Division
 TEL: 03-3648-1100

Scheduled date to file Quarterly Securities Report: February 13, 2017
 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 nine months of the fiscal year ending March 31, 2017 (from April 1, 2016 to December 31, 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 | % |
| Nine months ended | | | | | | | | |
| December 31, 2016 | 48,730 | (2.6) | 6,738 | 17.1 | 7,236 | 12.7 | 5,263 | 24.0 |
| December 31, 2015 | 50,020 | (1.3) | 5,757 | (12.7) | 6,419 | (15.5) | 4,246 | (11.1) |

Note: Comprehensive income
 Nine months ended December 31, 2016: ¥4,608 million: [22.1%]
 Nine months ended December 31, 2015: ¥3,774 million: [(33.7)%]

| | Basic net income per share | Diluted net income per share |
|-------------------|----------------------------|------------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2016 | 185.31 | 170.66 |
| December 31, 2015 | 146.90 | 135.49 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| December 31, 2016 | 120,866 | 84,467 | 69.9 |
| March 31, 2016 | 126,279 | 85,223 | 67.5 |

Reference: Equity

As of December 31, 2016: ¥84,466 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 | – | 40.00 | – | | |
| Fiscal year ending March 31, 2017 (Forecast) | | | | 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 |
| 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): Yes

Newly included: –

Excluded: 1 company Corona Medical SAS

Note: For details, please refer to “2. Matters regarding summary information (Notes), (1) Changes in significant subsidiaries during the period” on page 4 of the attached materials.

- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None

(4) Number of shares issued (common shares)

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

| | |
|-------------------------|-------------------|
| As of December 31, 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 December 31, 2016 | 3,263,052 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)

| | |
|-------------------------------------|-------------------|
| Nine months ended December 31, 2016 | 28,402,526 shares |
| Nine months ended December 31, 2015 | 28,905,009 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 nine months, (3) Information regarding consolidated earnings forecasts and other forward-looking statements" on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Attached Materials

Index

- 1. Qualitative information regarding financial results for the first nine months 2
 - (1) Information regarding operating results..... 2
 - (2) Information regarding financial position 2
 - (3) Information regarding consolidated earnings forecasts and other forward-looking statements..... 3
- 2. Matters regarding summary information (Notes)..... 4
 - (1) Changes in significant subsidiaries during the period..... 4
 - (2) Application of special accounting for preparing quarterly consolidated financial statements..... 4
 - (3) Changes in accounting policies, changes in accounting estimates, and restatement 4
 - (4) Additional Information 4
- 3. Significant events regarding premise of going concern 4
- 4. Quarterly consolidated financial statements..... 5
 - (1) Consolidated balance sheet 5
 - (2) Consolidated statement of income and consolidated statement of comprehensive income..... 7
 - Consolidated statement of income (cumulative)..... 7
 - Consolidated statement of comprehensive income (cumulative)..... 8
 - (3) Notes to quarterly consolidated financial statements..... 9
 - Notes on premise of going concern..... 9
 - Notes on substantial changes in the amount of shareholders’ equity..... 9

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

(1) Information regarding operating results

In the nine months ended December 31, 2016, the Japanese economy maintained a trend of 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 and other factors.

In the medical and elderly welfare fields, which are related to the operations of the Paramount Bed Group (“the Group”), as a policy to contain growth in social security spending, the following items were incorporated into the proposed fiscal 2017 budget: the increased burden of elderly people and the reduction of high pharmaceutical prices in the medical field, the introduction of the income-based contribution (a change in the distribution system of payment for nursing care insurance) in the caregiving field, and other items.

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.

With respect to product development, the “Cococia Fūka” air mattress designed to prevent bedsores, and “INTIME 1000,” which is an electric-powered bed that transforms into a bed for caregiving when needed, were both launched in October 2016.

On the sales front, business was, in general, as estimated for maintenance, rental of welfare equipment, etc. as well as product sales for home caregiving, despite a decline in product sales for medical and elderly facilities year on year.

Furthermore, Paramount Bed Co., Ltd., a consolidated subsidiary of the Company, on October 31, 2016, transferred all of the shares that it held in Corona Medical SAS (hereinafter “Corona Medical”) to Hcare International SAS. Corona Medical has carried out the manufacture and sales of beds, etc., for medical welfare, predominately in France; however, operation of Corona Medical was under difficult circumstances due mainly to the economic slowdown in Europe. As a result of the aforementioned share transfer, extraordinary losses of ¥1,142 million were recorded in the nine months ended December 31, 2016. However, as a result of the application of deferred tax accounting, etc., the impact on net income attributable to owners of the parent was minor.

As a result of the above, in the nine months ended December 31, 2016, net sales were ¥48,730 million (down 2.6% year on year), operating income was ¥6,738 million (up 17.1%) and ordinary income was ¥7,236 million (up 12.7%). Net income attributable to owners of the parent was ¥5,263 million (up 24.0%).

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

(2) Information regarding financial position

Total assets as of December 31, 2016, amounted to ¥120,866 million, which was a decrease of ¥5,413 million compared to March 31, 2016. The primary factor in this fall was a decrease in notes and accounts receivable - trade.

Liabilities amounted to ¥36,399 million, which was a decrease of ¥4,656 million compared to March 31, 2016. The primary factors in this fall were decreases in accounts payable - trade and income taxes payable.

Net assets amounted to ¥84,467 million, which was a decrease of ¥756 million compared to March 31, 2016. The primary factor in this fall was acquisition of treasury shares.

As a result, the equity-to-asset ratio as of December 31, 2016, increased by 2.4 percentage points compared to March 31, 2016, to 69.9%.

(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

In the third quarter ended December 31, 2016, as a result of Paramount Bed Co., Ltd., a consolidated subsidiary of the Company, transferring all of the shares of its specified subsidiary, Corona Medical, to Hcare International SAS, Corona Medical no longer qualifies as a specified subsidiary of Paramount Bed Co., Ltd. Accordingly, it has been excluded from the scope of consolidation for the third quarter ended December 31, 2016.

(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.

The effect of this application on profit or loss is immaterial.

(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 December 31, 2016 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 26,229 | 29,695 |
| Notes and accounts receivable - trade | 23,307 | 15,439 |
| Lease receivables and investment assets | 2,277 | 2,048 |
| Securities | 9,384 | 7,703 |
| Merchandise and finished goods | 5,396 | 5,820 |
| Work in process | 237 | 217 |
| Raw materials and supplies | 1,635 | 1,259 |
| Other | 2,578 | 3,306 |
| Allowance for doubtful accounts | (58) | (44) |
| Total current assets | 70,989 | 65,446 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 27,457 | 27,136 |
| Accumulated depreciation | (18,739) | (19,026) |
| Buildings and structures, net | 8,717 | 8,110 |
| Machinery, equipment and vehicles | 7,577 | 7,262 |
| Accumulated depreciation | (6,660) | (6,518) |
| Machinery, equipment and vehicles, net | 916 | 743 |
| Land | 8,716 | 8,649 |
| Leased assets | 120 | 99 |
| Accumulated depreciation | (102) | (94) |
| Leased assets, net | 17 | 4 |
| Assets for rent | 19,243 | 21,986 |
| Accumulated depreciation | (8,849) | (10,623) |
| Assets for rent, net | 10,394 | 11,362 |
| Construction in progress | 74 | 194 |
| Other | 8,766 | 8,736 |
| Accumulated depreciation | (7,544) | (7,573) |
| Other, net | 1,221 | 1,162 |
| Total property, plant and equipment | 30,058 | 30,227 |
| Intangible assets | | |
| Goodwill | 34 | 25 |
| Other | 1,951 | 1,909 |
| Total intangible assets | 1,986 | 1,935 |
| Investments and other assets | | |
| Investment securities | 15,511 | 15,921 |
| Other | 7,824 | 7,422 |
| Allowance for doubtful accounts | (91) | (86) |
| Total investments and other assets | 23,244 | 23,257 |
| Total non-current assets | 55,290 | 55,420 |
| Total assets | 126,279 | 120,866 |

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 10,938 | 7,509 |
| Short-term loans payable | 647 | – |
| Lease obligations | 1,577 | 1,824 |
| Income taxes payable | 1,782 | 433 |
| Provision for bonuses | 1,212 | 645 |
| Provision for directors' bonuses | 28 | – |
| Other | 4,053 | 4,506 |
| Total current liabilities | 20,240 | 14,919 |
| Non-current liabilities | | |
| Bonds with subscription rights to shares | 10,022 | 10,015 |
| Long-term loans payable | 75 | – |
| Lease obligations | 3,378 | 3,876 |
| Provision for environmental measures | 41 | 41 |
| Net defined benefit liability | 5,320 | 5,499 |
| Other | 1,976 | 2,047 |
| Total non-current liabilities | 20,815 | 21,479 |
| Total liabilities | 41,055 | 36,399 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,207 | 4,207 |
| Capital surplus | 49,877 | 49,877 |
| Retained earnings | 37,552 | 40,679 |
| Treasury shares | (7,501) | (10,729) |
| Total shareholders' equity | 84,136 | 84,034 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 317 | 505 |
| Foreign currency translation adjustment | 1,344 | 454 |
| Remeasurements of defined benefit plans | (574) | (527) |
| Total accumulated other comprehensive income | 1,086 | 432 |
| Non-controlling interests | 0 | 0 |
| Total net assets | 85,223 | 84,467 |
| Total liabilities and net assets | 126,279 | 120,866 |

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

Consolidated statement of income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Net sales | 50,020 | 48,730 |
| Cost of sales | 27,966 | 25,576 |
| Gross profit | 22,054 | 23,154 |
| Selling, general and administrative expenses | 16,297 | 16,415 |
| Operating income | 5,757 | 6,738 |
| Non-operating income | | |
| Interest income | 120 | 110 |
| Dividend income | 204 | 103 |
| Gain on investments in partnership | 20 | 262 |
| Gain on investments in silent partnership | 251 | 28 |
| Other | 144 | 106 |
| Total non-operating income | 741 | 611 |
| Non-operating expenses | | |
| Interest expenses | 35 | 26 |
| Foreign exchange losses | 38 | 54 |
| Other | 5 | 33 |
| Total non-operating expenses | 79 | 114 |
| Ordinary income | 6,419 | 7,236 |
| Extraordinary income | | |
| Gain on sales of investment securities | 56 | 42 |
| Gain on redemption of investment securities | 44 | 59 |
| Total extraordinary income | 100 | 102 |
| Extraordinary losses | | |
| Loss on sales of investment securities | 62 | – |
| Loss on redemption of investment securities | 0 | 18 |
| Loss on valuation of investment securities | 87 | – |
| Loss on sales of shares of subsidiaries and associates | – | 1,142 |
| Total extraordinary losses | 150 | 1,160 |
| Income before income taxes | 6,369 | 6,177 |
| Income taxes - current | 1,414 | 892 |
| Income taxes - deferred | 708 | 21 |
| Total income taxes | 2,123 | 914 |
| Net income | 4,246 | 5,263 |
| Net income attributable to non-controlling interests | 0 | 0 |
| Net income attributable to owners of the parent | 4,246 | 5,263 |

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Net income | 4,246 | 5,263 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (417) | 187 |
| Foreign currency translation adjustment | (87) | (889) |
| Remeasurements of defined benefit plans, net of tax | 33 | 46 |
| Total other comprehensive income | (471) | (654) |
| Comprehensive income | 3,774 | 4,608 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 3,774 | 4,608 |
| 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.