FRANCE BED HOLDINGS

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (J-GAAP)

May 13, 2016

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 24, 2016
Scheduled date to submit securities report: June 24, 2016
Scheduled date of the start of dividend payments: June 27, 2016
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, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2016	52,644	1.4	2,596	50.6	2,566	47.0	1,402	54.9
Fiscal year ended March 31, 2015	51,907	-5.4	1,723	-38.4	1,745	-37.3	904	-35.2

Note: Comprehensive income
FY2016: ¥1,974 million (-42.5%) FY2015: ¥3,436 million (153.4%)

	Profit per share	Fully diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2016	33.43	—	3.8	4.3	4.9
Fiscal year ended March 31, 2015	21.12	—	2.4	2.9	3.3

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
FY2016: ¥– million FY2015: ¥– million

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Profit per share shown above is calculated as if the consolidation of shares had been carried out on April 1, 2014.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	59,666	36,431	61.0	891.52
As of March 31, 2015	59,409	37,287	62.7	870.51

Reference: Shareholders' equity
FY2016: ¥36,431 million FY2015: ¥37,287 million

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Net assets per share shown above are calculated as if the consolidation of shares had been carried out on April 1, 2014.

(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, 2016	5,704	(3,741)	(2,296)	9,378
Fiscal year ended March 31, 2015	4,216	(3,501)	(1,026)	9,712

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, 2015	—	2.25	—	2.25	4.50	963	106.5	2.6
Fiscal year ended March 31, 2016	—	2.50	—	12.50	—	1,037	74.7	2.8
Fiscal year ending March 31, 2017 (Outlook)	—	12.50	—	12.50	25.00		62.6	

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

3. Forecasts of Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	26,500	3.3	1,350	12.9	1,300	10.5	770	17.2	18.84
Full year	54,400	3.3	2,800	7.8	2,720	5.9	1,630	16.2	39.88

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: Yes
2) Changes other than those in [1] above: None
3) Changes in accounting estimates: None
4) Changes in presentation due to revisions: None
Note: For further information, please refer to "5. Consolidated Financial Statements (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies)" on page 21 of this document.

(3) Number of shares issued (common shares)

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

FY2016: 44,897,500 shares FY2015: 44,897,500 shares

2) Number of treasury shares at the end of the period

FY2016: 4,033,983 shares FY2015: 2,063,596 shares

3) Average number of shares issued during the period

FY2016: 41,938,180 shares FY2015: 42,834,357 shares

Note: The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. The amounts shown for number of shares issued at the end of the period, number of treasury shares at the end of the period, and average number of shares issued during the period are calculated as if the consolidation of shares had been carried out on April 1, 2014.

[Implementation status of audit procedures]

These consolidated business results are not subject to the audit procedures of the Financial Instruments and Exchange Act. As of the release date of these business results, audit procedures on consolidated financial statements had not been completed.

[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. Analysis of Business Results and Financial Position (1) Analysis of Business Results” 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 Tuesday, May 31, 2016. Handout materials and video of the presentation will be posted on its website immediately following the presentation.

Contents

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

Operating results for the fiscal year ended March 31, 2016

During the fiscal year ended March 31, 2016, the Japanese economy remained on the road to a slow recovery, with improving corporate earnings and employment situation backed by the economic and monetary policies of the government and the Bank of Japan. However, the future of the Japanese economy remains clouded, due to such factors as concerns over economic slowdowns in China and the emerging economies, as well as weak crude oil prices.

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

The main growth strategies are as follows: 1) “Cultivate the nursing care business with a focus on the special needs equipment rental business” as a measure to enhance our core competency; 2) “Establish a revenue base not overly dependent on the nursing care insurance system” (grow the Reha tech business), in order to secure new revenue opportunities; and 3) “Improve the profitability of the Home Furnishing and Health Business” as a measure to convert to a business model capable of achieving stable revenues. During the fiscal year under review, the Group began concrete efforts to achieve these strategies.

As a result of these initiatives, consolidated net sales for the fiscal year under review totaled 52,644 million yen (up 1.4% year on year). Although sales to hospitals/facilities struggled due to a decline in new construction, the Medical Services Business, which constitutes the Group’s core business, had strong sales in the special needs equipment rental business. Additionally, the Group had strong corporate sales targeting hotels, consequent to the growth in the number of foreign visitors to Japan. In addition to the growth in net sales, the Group had consolidated operating income of 2,596 million yen (up 50.6% year on year) and consolidated ordinary income of 2,566 million yen (up 47.0% year on year), due to large growth in the highly profitable special needs equipment rental business. Consolidated profit attributable to owners of parent was 1,402 million yen (up 54.9% year on year), due to such factors as a loss on valuation of investments in capital for non-consolidated subsidiary Jiangsu France Bed Co., Ltd. being recorded as extraordinary losses.

The performance of each business segment is described below.

1) Medical Services Business

In the Medical Services Business, the Group sought to expand net sales with a focus on the special needs equipment rental business, where nursing care insurance payments are increasing, through such means as opening three new sales offices (in Chiba, Chiba Prefecture; Koriyama, Fukushima Prefecture; and Fukuoka, Fukuoka Prefecture) and launching new products.

In the previous fiscal year, the Group began to introduce Low-Floor Reclining Bed FLB-03J Floor Bed, which reduces the risk of falls and the burden on caregivers with a height adjustment function, into the home care field. In the fiscal year under review, the Group sought to enlarge our customer base and acquire new sales agents by focusing on further increasing product awareness by continuing to air TV commercials, and creating new demand. The Group also launched new products into the market, including the caregiver electric wheelchair SP-40K, which became eligible for nursing care insurance payments in April 2015, and the Multi-Functional Lift Chair 01, which assists seniors whose muscular strength has deteriorated with sitting and standing. The Group worked mainly to increase rental revenues from these new products. The Group additionally launched nationwide sales and rentals of products that are completely new to the market. One example is the Wander Catcher WS-01, an alert system for wandering dementia patients that turns conventional thinking on its head to alert family members and caregivers when a dementia patient tries to leave a home or facility, without the need to carry anything. These products have helped to capture new customers and sales agents, resulting in strong sales and rentals of special needs equipment.

With regard to sales of Reha tech brand products, the Group sought to capture sales through such marketing methods as offering test drives of electrically assisted tricycles and the Smart Pal S637, the electric wheelchair with a steering wheel, at locations close to where customers live. The Group also sought to increase brand awareness and solidify the brand image through such means as opening new directly managed Reha tech Shops (in Chiba, Chiba Prefecture; and Fukuoka, Fukuoka Prefecture) that carry products for active seniors.

The Group continued to promote sales of products for hospitals and welfare facilities. The Group ran booths at HOSPEX Japan 2015 in November 2015, and CareTEX 2016 in March, where the Group highlighted our development and technical capabilities. The Group also promoted the sales of such high value-added products as the Monitoring Care System M-1, which reduces the burden on nursing staff and care workers by detecting the bed user's movements (sitting up or getting out of bed) and sending notices to nurses' stations, etc., and the Low-Floor Floor Bed FLB-03, which reduces the risk of falls for bed users and reduces the burden on caregivers. However, net sales for hospitals and welfare facilities were down year on year due to such factors as a decline in new construction and fierce competition.

As a result of these initiatives, net sales for the Medical Services Business amounted to 29,007 million yen (up 2.1% year on year), and operating income was 2,090 million yen (up 25.7% year on year).

2) Home Furnishing and Health Business

In the Home Furnishing and Health Business, as the furniture market continued to struggle, the Group sought to bolster its earnings capabilities through the creation of new demand by launching innovative, one-of-a-kind new products on the market, and through strengthening its mainstay furniture retailer route, as well as sales to such other segments as housing-related companies and volume retailers of home electrical appliances.

In the fiscal year under review, the Group continued its efforts from the previous fiscal year, focusing on sales of the New Reha tech Mattress RH-BAE, which provides comfortable sleep in an ideal sleeping position with a combination of high-density continuous springs, and the BREATHAIR extra®, a new material for a mattress cushion jointly developed with TOYOBO.

The Group also sought to expand sales of the Slumberland bed series, a luxury brand used by top hotels worldwide, by increasing product awareness through TV commercials and other advertising campaigns.

The Group also sought to improve profitability by creating unique product displays incorporating new technology (graphic art technology), new materials (knit fabric and special veneer boards), and new designs (Sanrio characters) to create colorful and lively bed sales floors, and minimizing inventories through the method of production on order with a diversified small-quantity production system.

As for the Reha tech brand products, the Group worked on organizing events where consumers could try out the products and setting up the Reha tech Corner, to existing partners and new sales channels.

Demand is strong at hotels, especially those in central urban locations, due to the Tokyo Olympic Games to be held in 2020, and the growth in the number of foreign visitors to Japan. The Group posted strong sales to such hotels by increasing orders, such as replacements for guest beds, through strengthening its sales system.

As a result of these initiatives, net sales for the Home Furnishing and Health Business amounted to 20,122 million yen (up 0.6% year on year), and operating income was 594 million yen (up 496.3% year on year).

3) Other

In the door-to-door sales business, the Group worked to ensure net sales by continuing to implement measures for revitalization of sales staff which constitute the foundation of this business and actively seek to cultivate new stores for sales expansion of the Reha tech brand products.

In the commodities and sundries sales business, the market continues to shrink as competition grows increasingly fierce. After considering such factors as the conditions of each store location and customer needs, the Group took a number of measures, including closing down unprofitable stores, revising the products carried in stores, and changing the layouts of sales floors. The Group took other measures as well, including opening new types of stores themed on "comfortable sleep," and holding promotional sales, clearance sales, and the like which are effective at attracting customers. However, the business struggled, failing to create new demand.

As a result of these initiatives, net sales for other business had net sales of 3,515 million yen (up 0.1% year on year), and an operating loss of 115 million yen (from operating loss of 66 million yen in the same period of the previous fiscal year).

Outlook for Fiscal year ending March 31, 2017

For the fiscal year ending March 31, 2017, the Group expects the market for the Medical Services Business to continue to grow, as Japan's population continues to age. The Group will seek to grow its share of its mainstay special needs equipment rental business by increasing staffing and offices in this business, and developing and introducing new products. In particular, the Group will focus on developing and expanding the sales of new products that help to solve the increasingly serious problem of dementia.

In the Home Furnishing and Health Business, the Group will seek to increase its earnings capabilities by seeking to establish a production-on-order system and continuing to market high-performance products with high added value. The Group will also seek to expand sales to hotels, especially those in central urban locations, which have strong demand due to the hosting of the Tokyo Olympic Games, and the growth in the number of foreign visitors to Japan, by launching new products.

In addition, the Group will expand sales of Reha tech brand products targeting energetic seniors, including the directly operated Reha tech Shop, and the Reha tech Corner, which is managed by sales agents, including new retailers and others that we have not done business with before.

As a result of the above, the Group expects to achieve net sales of 54,400 million yen, operating income of 2,800 million yen, ordinary income of 2,720 million yen and profit attributable to owners of parent of 1,630 million yen on a consolidated basis for fiscal 2017.

(2) Analysis of Financial Position

1) Positions of total assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased 256 million yen from the end of the previous fiscal year ("the previous year-end") to 59,666 million yen. Current assets declined 303 million yen from the previous year-end to 30,539 million yen. Major factors underlying this change included an increase of 900 million yen in securities, and decreases in cash and deposits, notes and accounts receivable – trade (including electronically recorded monetary claims – operating) and inventories, in the amounts of 634 million yen, 415 million yen and 130 million yen, respectively. Non-current assets increased 579 million yen from the previous year-end to 29,085 million yen. Major factors underlying this change include the purchase of property, plant and equipment, and an increase in net defined benefit asset due to an increase in pension assets reflecting the rise in the market prices of stocks, despite decreases due to transfer of 600 million yen in negotiable certificates of deposits, which are subject to the one-year rule, to current assets and sales of land.

Liabilities increased 1,113 million yen from the previous year-end to 23,235 million yen. Major factors underlying this change were a decrease in current portion of bonds by 400 million yen, and increases in notes and accounts payable – trade, short-term loans payable and lease obligations, in the amounts of 169 million yen, 700 million yen and 264 million yen, respectively.

Net assets decreased 856 million yen from the previous year-end to 36,431 million yen. Major factors for the increase included a profit attributable to owners of parent of 1,402 million yen and remeasurements of defined benefit plans of 783 million yen, while major factors for the decline included purchases of treasury shares of 1,822 million yen and dividends from surplus of 1,008 million yen.

As a result, shareholders' equity ratio rose to 61.0% from the 62.7% at the previous year-end.

2) Cash flow position

As for the cash flows for the fiscal year under review, cash and cash equivalents decreased 333 million yen from the previous year-end to 9,378 million yen. Details of individual cash flow items are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities came to 5,704 million yen (4,216 million yen in the same period of the previous fiscal year), due primarily to inflows including income before income taxes and minority interests of 2,464 million yen, the reporting of depreciation (a noncash item) of 3,609 million yen and the collection of 428 million yen in notes and accounts receivable – trade, offsetting outflows including 690 million yen in funds transfer resulting from transition to a defined-contribution pension plan and 404 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,741 million yen (3,501 million yen in the same period of the previous fiscal year). The major factors were proceeds from sales of property, plant and equipment of 355 million yen, and outflows including a purchase of property, plant and equipment of 3,994 million yen and a purchase of intangible assets of 113 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 2,296 million yen (1,026 million yen in the same period of the previous fiscal year). The major factors were an increase in short-term loans payable of 1,000 million yen, and outflows including a decrease in short-term loans payable of 300 million yen, redemption of bonds of 400 million yen, purchase of treasury shares of 1,826 million yen, and cash dividends paid of

1,007 million yen.

(Reference) Cash flow indicators

	FY2012	FY2013	FY2014	FY2015	FY2016
Shareholders' equity ratio (%)	60.3	59.3	59.7	62.7	61.0
Shareholders' equity ratio at market value (%)	63.5	74.0	69.5	64.5	71.0
Ratio of interest-bearing debt to cash flow (years)	2.2	1.9	2.8	2.1	1.7
Interest coverage ratio (times)	39.1	57.1	38.1	55.6	72.3

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.

(3) Fundamental Policy for Distribution of Earnings, and Fiscal 2016 and Fiscal 2017 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 14, 2015, plans to pay a year-end dividend of 12.5 yen per share for Fiscal 2016.

The Company plans to place this matter on the proposal of the ordinary general shareholders' meeting scheduled for June 2016.

Additionally, for Fiscal 2017, 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.

(4) 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 one affiliate, 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.

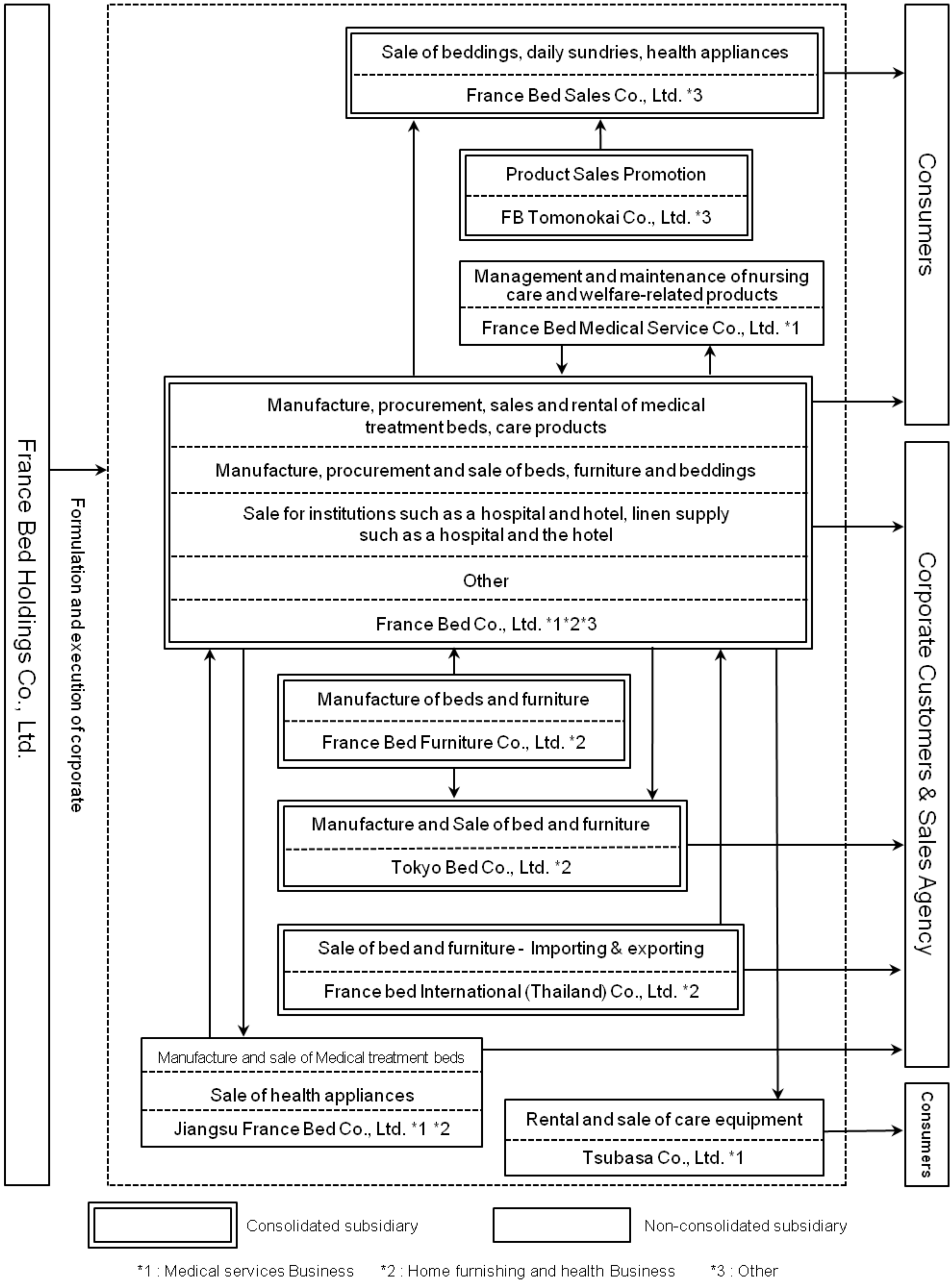
The classification of business segments in the Segment Information is the same as one applied below.

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.
Home Furnishing and Health Business	Manufacture, purchase and wholesale of beds, furniture and beddings, and health appliances, etc.	France Bed Co., Ltd. Tokyo Bed Co., Ltd. France Bed Furniture Co., Ltd. France Bed International (Thailand) Co., Ltd. Jiangsu France Bed Co., Ltd.
Other	Door-to-door sales, sales of sundries, advertising and setting up of exhibition venues and real estate leasing, etc.	France Bed Co., Ltd. France Bed Sales Co., Ltd. FB Tomonokai Co., Ltd.

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

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

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



3. Management Policies

(1) Basic Management Policies of the France Bed Group

The Group holds as its corporate philosophy, “France Bed aims to be an affectionate company that helps people live affluent, relaxing lives through creation and innovation.” and will endeavor to provide new and highly valuable products and services that will provide satisfaction to our consumers.

The Group is committed to strengthening the group’s overall power and increasing its corporate value through the efficient utilization of the management resources of each Group company.

(2) Our Tasks Ahead

The Japanese government is in the process of restructuring its healthcare/welfare system with a focus on giving functional specialization to medical institutions. Another effort is the development of a comprehensive care system for community healthcare and nursing care, which are primarily home-based. This process is scheduled to be completed by 2025 when the baby boom generation will reach the age of 75 or older. In the meantime, various debates are take place on reforming social security to achieve fiscal soundness.

The Group’s core business, the special needs equipment rental business, may be greatly affected by the various social security reforms expected to be implemented in the period up to 2018. Simultaneous revisions to medical benefits and nursing care benefits are scheduled to take place during this period, with a view to 1) fair burden-sharing commensurate with individual financial capacity 2) optimization of benefit provision, to re-establish a more sustainable social security system including the nursing care insurance system.

In these circumstances, the Group is currently working on various initiatives as part of the Medium-term Management Plan. The plan runs for a three-year period from April 2015 to March 31, 2018 and was established under the basic policy to “Seek to maximize the corporate value of the Group as a whole by concentrating the Group’s management resources to further strengthen and actively develop its senior-oriented businesses, in order to meet the needs of a full-fledged aged society.”

In the Medium-term Management Plan, the Group sets its primary targets as to solidify the base of the nursing care business by cultivating the business with a focus on the special needs equipment rental business, the Group’s core business, and to establish a revenue base not overly dependent on the nursing care insurance system, through its effort to grow the Reha tech business targeting energetic seniors, i.e., “active seniors.”

The market for the Home Furnishing and Health Business has matured. The Group will seek a shift “from quantity to quality” in this business and promote the method of production on order with a diversified small-quantity production system, and thereby establish a business model that consistently earns revenue. In addition, demands are growing in the hotel market as the Tokyo Olympic Games approach and the number of foreign visitors to Japan grows. The Group will seek to increase sales by strengthening its sales structure.

Furthermore, the Group is committed to the development of human resources geared for business growth, as well as enhancement of corporate governance to ensure sustainable growth.

Through the initiatives described above, the Group aims to achieve the Medium-term Management Plan and also to become a group of “companies that offer an aging society a realization of a rich lifestyle that allows people to lead active lives, and contribute to society through the continual provision of advanced original products/services at all times.”

(3) Other Important Matters Related to Management

Not applicable

4. 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.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	FY2015 (as of March 31, 2015)	FY2016 (as of March 31, 2016)
Assets		
Current assets		
Cash and deposits	7,213	6,579
Notes and accounts receivable – trade	10,224	9,888
Electronically recorded monetary claims – operating	708	629
Securities	2,498	3,399
Merchandise and finished goods	5,646	5,561
Work in process	530	494
Raw materials and supplies	1,903	1,894
Deferred tax assets	758	763
Other	1,368	1,337
Allowance for doubtful accounts	(10)	(8)
Total current assets	30,843	30,539
Non-current assets		
Property, plant and equipment		
Assets for lease	5,016	5,284
Accumulated depreciation	(3,404)	(3,603)
Assets for lease, net	1,612	1,681
Buildings and structures	14,987	15,522
Accumulated depreciation	(10,565)	(10,786)
Buildings and structures, net	4,422	4,736
Machinery, equipment and vehicles	5,655	5,760
Accumulated depreciation	(4,630)	(4,714)
Machinery, equipment and vehicles, net	1,024	1,046
Tools, furniture and fixtures	2,426	2,483
Accumulated depreciation	(2,088)	(2,201)
Tools, furniture and fixtures, net	338	282
Land	6,800	6,449
Leased assets	7,354	7,399
Accumulated depreciation	(5,352)	(5,155)
Leased assets, net	2,002	2,243
Construction in progress	85	117
Total property, plant and equipment	16,284	16,557
Intangible assets		
Leased assets	15	8
Software	440	309
Other	430	457
Total Intangible assets	885	775
Investments and other assets		
Investment securities	2,078	1,241
Long-term loans receivable	3	2
Deferred tax assets	67	71
Net defined benefit asset	8,404	9,632
Other	*1 926	*1 944
Allowance for doubtful accounts	(146)	(139)
Total investments and other assets	11,335	11,752
Total non-current assets	28,505	29,085
Deferred assets		
Bond issuance cost	60	41
Total deferred assets	60	41
Total assets	59,409	59,666

(Million yen)

	FY2015 (as of March 31, 2015)	FY2016 (as of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,469	3,638
Accounts payable for factoring	2,207	2,266
Short-term loans payable	1,550	2,250
Current portion of bonds	400	—
Lease obligations	1,207	1,311
Income taxes payable	222	520
Accrued consumption taxes	379	246
Deferred tax liabilities	0	0
Provision for bonuses	1,237	1,280
Provision for directors' bonuses	62	72
Other	2,788	2,982
Total current liabilities	13,524	14,569
Non-current liabilities		
Bonds payable	3,950	3,950
Long-term loans payable	1,200	1,200
Lease obligations	962	1,122
Deferred tax liabilities	387	1,018
Provision for directors' retirement benefits	510	536
Provision for contingent loss	9	9
Provision for loss on dissolution of employees' pension fund	12	12
Net defined benefit liability	607	535
Asset retirement obligations	25	25
Other	932	254
Total non-current liabilities	8,597	8,666
Total liabilities	22,122	23,235
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,087	32,481
Treasury shares	(2,083)	(3,906)
Total shareholders' equity	34,871	33,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	305	108
Deferred gains or losses on hedges	(12)	(25)
Remeasurements of defined benefit plans	2,122	2,905
Total accumulated other comprehensive income	2,415	2,988
Total net assets	37,287	36,431
Total liabilities and net assets	59,409	59,666

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2015 (from April 1, 2014 to March 31, 2015)	FY2016 (from April 1, 2015 to March 31, 2016)
Net sales	51,907	52,644
Cost of sales	*1 27,891	*1 27,738
Gross profit	24,015	24,906
Selling, general and administrative expenses	22,291	22,310
Operating income	1,723	2,596
Non-operating income		
Interest income	6	6
Dividend income	29	38
Compensation income	25	41
Other	139	95
Total non-operating income	202	182
Non-operating expenses		
Interest expenses	79	75
Sales discounts	36	36
Other	64	100
Total non-operating expenses	180	212
Ordinary income	1,745	2,566
Extraordinary income		
Gain on sales of non-current assets	17	7
Gain on sales of investment securities	155	—
Total extraordinary income	173	7
Extraordinary losses		
Loss on retirement of non-current assets	15	29
Impairment loss	—	*2 18
Loss on valuation of investment securities	—	20
Loss on valuation of securities of non-consolidated subsidiaries and associates	—	40
Provision for loss on dissolution of employees' pension fund	12	—
Total extraordinary losses	28	109
Income before income taxes and minority interests	1,890	2,464
Income taxes – current	486	689
Income taxes – deferred	499	373
Total income taxes	986	1,062
Profit	904	1,402
Profit attributable to owners of parent	904	1,402

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2015 (from April 1, 2014 to March 31, 2015)	FY2016 (from April 1, 2015 to March 31, 2016)
Profit	904	1,402
Other comprehensive income		
Valuation difference on available-for-sale securities	200	(196)
Deferred gains or losses on hedges	(9)	(13)
Remeasurements of defined benefit plans, net of tax	2,341	783
Total other comprehensive income	2,531	572
Comprehensive income	3,436	1,974
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,436	1,974
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

FY2015 (from April 1, 2014, to March 31, 2015) (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	32,853	(2,083)	35,638
Cumulative effects of changes in accounting policies			(599)		(599)
Restated balance	3,000	1,867	32,253	(2,083)	35,038
Changes of items during period					
Dividends of surplus			(1,070)		(1,070)
Profit attributable to owners of parent			904		904
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(166)	(0)	(166)
Balance at end of current period	3,000	1,867	32,087	(2,083)	34,871

	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	104	(2)	(218)	(115)	35,522
Cumulative effects of changes in accounting policies					(599)
Restated balance	104	(2)	(218)	(115)	34,922
Changes of items during period					
Dividends of surplus					(1,070)
Profit attributable to owners of parent					904
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	200	(9)	2,341	2,531	2,531
Total changes of items during period	200	(9)	2,341	2,531	2,365
Balance at end of current period	305	(12)	2,122	2,415	37,287

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

(Million yen)

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

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

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2015 (from April 1, 2014 to March 31, 2015)	FY2016 (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	1,890	2,464
Depreciation	3,638	3,609
Impairment loss	—	18
Loss (gain) on sales of non-current assets	(17)	(7)
Loss on retirement of non-current assets	15	29
Loss (gain) on sales of investment securities	(155)	—
Increase (decrease) in allowance for doubtful accounts	12	(7)
Increase (decrease) in provision for bonuses	(23)	42
Increase (decrease) in provision for directors' bonuses	(1)	10
Increase (decrease) in net defined benefit liability	(34)	(66)
Decrease (increase) in net defined benefit asset	116	(175)
Increase (decrease) in provision for directors' retirement benefits	(4)	26
Increase (decrease) in provision for business structure improvement	(39)	—
Increase (decrease) in provision for loss on dissolution of employees' pension fund	12	—
Loss (gain) on valuation of investment securities	—	20
Loss on valuation of securities of non-consolidated subsidiaries and associates	—	40
Interest and dividend income	(36)	(45)
Interest expenses	79	75
Decrease (increase) in notes and accounts receivable – trade	1,479	428
Decrease (increase) in inventories	(419)	130
Increase (decrease) in notes and accounts payable – trade	(767)	169
Increase (decrease) in accounts payable for factoring	(185)	58
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(789)	(690)
Increase (decrease) in accrued expenses	(321)	141
Other, net	290	(129)
Subtotal	4,737	6,143
Interest and dividend income received	35	45
Interest expenses paid	(75)	(78)
Income taxes paid	(481)	(404)
Net cash provided by (used in) operating activities	4,216	5,704

(Million yen)

	FY2015 (from April 1, 2014 to March 31, 2015)	FY2016 (from April 1, 2015 to March 31, 2016)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	600	—
Purchase of property, plant and equipment	(3,330)	(3,994)
Proceeds from sales of property, plant and equipment	25	355
Purchase of investment securities	(600)	(0)
Proceeds from sales of investment securities	244	—
Purchase of shares of subsidiaries and associates	(20)	—
Collection of loans receivable	10	7
Purchase of intangible assets	(431)	(113)
Other, net	—	3
Net cash provided by (used in) investing activities	(3,501)	(3,741)
Cash flows from financing activities		
Increase in short-term loans payable	2,000	1,000
Decrease in short-term loans payable	(2,000)	(300)
Proceeds from long-term loans payable	1,200	—
Repayments of long-term loans payable	(2,000)	—
Proceeds from issuance of bonds	788	—
Redemption of bonds	—	(400)
Purchase of treasury shares	(0)	(1,826)
Proceeds from sales and leasebacks	1,521	1,764
Repayments of lease obligations	(1,464)	(1,527)
Cash dividends paid	(1,070)	(1,007)
Net cash provided by (used in) financing activities	(1,026)	(2,296)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(312)	(333)
Cash and cash equivalents at beginning of period	10,024	9,712
Cash and cash equivalents at end of period	*1 9,712	*1 9,378

(5) Notes to the Consolidated Financial Statements
(Notes to the Going Concern Assumption)
Not applicable

(Basis of Presentation of Consolidated Financial Statements)
1. Scope of Consolidation
(1) Number of consolidated subsidiaries: 5
Names of consolidated subsidiaries
France Bed Co., Ltd.
France Bed Furniture Co., Ltd.
France Bed Sales Co., Ltd.
FB Tomonokai Co., Ltd.
Tokyo Bed Co., Ltd.

(2) Names of non-consolidated companies
Tsubasa Co., Ltd.
France Bed International (Thailand) Co., Ltd.
Jiangsu France Bed Co., Ltd.
France Bed Medical Service Co., Ltd.
(Reason for exclusion from the scope of consolidation)
The non-consolidated subsidiaries have been excluded from the scope of consolidation since they are all small in size and their total amounts in terms of total assets, net sales, net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

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

3. 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 (excluding lease assets)

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 (excluding lease 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).

3) Lease assets

Lease assets are amortized on the straight-line method over the lease period of the leased assets, assuming the lease period as the useful life and no residual value.

4) Long-term prepaid expenses

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

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from accounts receivable – trade and other receivables, based on the historical write-off ratio for general receivables and on the individual collectability for specific receivables such as receivables with default possibility.

2) Provision for bonuses

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

3) Provision for directors' bonuses

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

4) Provision for directors' retirement benefits

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

5) Provision for contingent loss

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

6) Provision for loss on dissolution of employees' pension fund

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

(4) Accounting method for retirement benefits

1) Method for attributing expected retirement benefits to periods of service

In calculating the amount of retirement benefit obligations, the straight-line basis is adopted for attributing estimated retirement benefits over the period up to the end of the fiscal year under review.

2) Treatment of actuarial gains or losses

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

3) Methods of accounting for unrecognized actuarial gains or losses

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

4) Adoption of the simplified method by companies that are small in size

Certain consolidated subsidiaries, in the calculation of defined benefit liability and retirement benefit expenses, apply the simplified method in which the amount to be required at the year-end for voluntary termination is recorded as retirement benefit obligations.

(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 in Accounting Policies)
(Adoption of accounting standards related to business combinations)
Effective from the fiscal year under review, the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter, the “Business Combinations Accounting Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter, the “Consolidation Accounting Standard”), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter, the “Business Divestitures Accounting Standard”) and other standards have been adopted. Consequently, the accounting method has been changed to record the difference due to changes in the Company’s equity interest in its subsidiaries that remain under its control as capital surplus, and acquisition-related cost as expenses for the fiscal year in which they are incurred. Meanwhile, for business combinations implemented on or after the beginning of the fiscal year under review, the accounting method has been changed to reflect adjustments to allocated amount of acquisition cost arising from the finalization of the provisional accounting treatment, in the consolidated financial statements for the fiscal year in which the date of the business combination belongs. Furthermore, changes have been made to the presentation of net income, etc. In order to reflect the aforementioned changes in presentation, consolidated financial statements for the previous fiscal year have been reclassified.

The Business Combinations Accounting Standard and other standards are applied in line with the transitional measurement set forth in Paragraph 58-2(4) of the Business Combinations Accounting Standard, Paragraph 44-5(4) of the Consolidation Accounting Standard and Paragraph 57-4(4) of the Business Divestitures Accounting Standard effective from the beginning of the fiscal year under review onward.

There is no impact on the consolidated financial statements.

(Changes to Presentation)
(Consolidated Statements of Income)
Insurance income which was separately presented under non-operating income in the previous fiscal year is included in other under non-operating income in the fiscal year under review, since it became insignificant in terms of amount. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 43 million yen that was stated as insurance income under non-operating income in the consolidated statement of income for the previous fiscal year has been reclassified into other.

(Supplementary Information)
Revisions to the amounts of deferred tax assets and deferred tax liabilities in accordance with the changes in the corporate tax rates

The “Act for the Partial Revision of the Income Tax Act, etc.” (2016, Act No. 15) and the “Act for the Partial Revision of the Local Tax Act, etc.” (2016, Act No. 13) were enacted by the Diet on March 29, 2016, and the corporate tax rates for the fiscal years starting on and after April 1, 2016 have been lowered. In conjunction with this change, the statutory effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities has been changed from the 32.3%, which was used in the calculation for the previous fiscal year, to 30.9% for temporary differences expected to be reversed in the fiscal years starting on April 1, 2016 and April 1, 2017, and to 30.6% for those expected to be reversed in or after the fiscal year starting on April 1, 2018.

As a result, deferred tax liabilities (net of deferred tax assets) decreased by 14 million yen, and income taxes – deferred, valuation difference on available-for-sale securities and remeasurements of defined benefit plans increased by 57 million yen, 3 million yen and 68 million yen, respectively.

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
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.

FY2015 (As of March 31, 2015)		FY2016 (As of March 31, 2016)	
Tsubasa Co., Ltd.	¥139 million	Tsubasa Co., Ltd.	¥111 million
Employees	¥25 million	Employees	¥25 million
Total	¥164 million	Total	¥137 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.

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
FB Tomonokai Co., Ltd.	¥439 million	¥449 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.

FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
¥97 million	¥98 million

*2. Impairment Loss

The following group of assets recorded an impairment loss for FY2016 on a consolidated basis.

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

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

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

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

(Notes to Consolidated Statements of Changes in Equity)
FY2015 (From April 1, 2014 to March 31, 2015)
1. Type and number of shares issued and treasury shares

(Thousand shares)

	As of the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	As of the fiscal year-end
Shares issued				
Common shares	224,487	—	—	224,487
Total	224,487	—	—	224,487
Treasury shares				
Common shares (Note)	10,313	4	—	10,317
Total	10,313	4	—	10,317

Note The increase in the number of treasury shares of 4,000 common shares consists of an increase through the acquisition, upon request, for the purchase of shares representing less than one unit.

2. Dividends
(1) Amounts paid

(Resolution)	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 25, 2014 Shareholders' meeting	Common shares	¥588 million	¥2.75	March 31, 2014	June 26, 2014
October 31, 2014 Board of directors' meeting	Common shares	¥481 million	¥2.25	September 30, 2014	December 5, 2014

Note The dividend of 2.75 yen per share by resolution of the June 25, 2014 Shareholders' meeting includes a commemorative dividend for the 10th anniversary of 0.50 yen per share.

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

(Resolution)	Type of stock	Total dividends paid	Source of dividends	Dividend per share	Dividend record date	Effective date
June 24, 2015 Shareholders' meeting	Common shares	¥481 million	Retained earnings	¥2.25	March 31, 2015	June 25, 2015

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

1. Type and number of shares issued and treasury shares

(Thousand shares)

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

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

(Outline of the relevant change)

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

- Treasury shares

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

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

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

- Shares issued

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

- Treasury shares

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

2. Dividends

(1) Amounts paid

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

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

(2) Dividends for which the date of record is during the current fiscal year, but the proposed effective date is in the following fiscal year. 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 24, 2016 Shareholders' meeting	Common shares	¥510 million	Retained earnings	¥12.50	March 31, 2016	June 27, 2016

(Notes to Consolidated Statements of Cash Flows)

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

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Cash and deposits	¥7,213 million	¥6,579 million
Marketable securities	¥2,498 million	¥3,399 million
Total	¥9,712 million	¥9,978 million
Negotiable certificates of deposits with deposit term of over three months	¥— million	(¥600 million)
Cash and cash equivalents	¥9,712 million	¥9,378 million

(Segment Information)

Segment Information

1. Summary of reporting segments

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

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

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

Medical Services:

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

Home Furnishing and Health:

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

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

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

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

Intersegment revenues and transfers are based on prevailing market prices.

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

FY2015 (From April 1, 2014 to March 31, 2015)

(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	28,397	20,000	48,398	3,508	51,907	—	51,907
Internal sales among segments or transfers	4	676	681	126	807	(807)	—
Total	28,402	20,677	49,080	3,634	52,714	(807)	51,907
Segment income / loss	1,662	99	1,761	(66)	1,695	28	1,723
Segment asset	30,796	26,844	57,640	2,707	60,348	(938)	59,409
Other items							
Depreciation	3,143	461	3,605	31	3,636	1	3,638
Increase in property, plant and equipment and intangible assets	3,027	468	3,496	37	3,534	(5)	3,528

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

(Million yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Sales							
Sales to external customers	29,007	20,122	49,129	3,515	52,644	—	52,644
Internal sales among segments or transfers	9	831	840	126	967	(967)	—
Total	29,016	20,953	49,970	3,641	53,612	(967)	52,644
Segment income / loss	2,090	594	2,685	(115)	2,569	27	2,596
Segment asset	32,422	26,958	59,380	2,586	61,967	(2,300)	59,666
Other items							
Depreciation	3,171	404	3,576	33	3,609	0	3,609
Impairment loss	—	—	—	18	18	—	18
Increase in property, plant and equipment and intangible assets	3,292	834	4,127	35	4,162	(3)	4,158

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)

	FY2015	FY2016
Intersegment transaction elimination	750	767
Corporate expenses*	(721)	(740)
Total	28	27

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

Segment assets (Million yen)

	FY2015	FY2016
Elimination of intersegment transactions	(17,763)	(18,908)
Corporate expenses*	16,824	16,607
Total	(938)	(2,300)

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

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

(Per Share Information)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net assets per share	¥870.51	¥891.52
Profit per share	¥21.12	¥33.43

Notes 1. Diluted profit per share is not presented since the Company has no dilutive shares.

2. The Company carried out a 1-for-5 consolidation of shares on October 1, 2015. Net assets per share and profit per share shown above are calculated as if the consolidation of shares had been carried out on April 1, 2014.

3. The basis for calculating profit per share is as follows.

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Profit attributable to owners of parent (Million yen)	904	1,402
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common shares (Million yen)	904	1,402
Average number of shares of common shares during the fiscal year (Thousand shares)	42,834	41,938

(Significant Subsequent Events)

Not applicable

6. Others

(1) Transition to a Company with an Audit & Supervisory Committee

The Company is scheduled to transition to a Company with an Audit & Supervisory Committee, subject to the approval at the 13th Ordinary General Meeting of Shareholders to be held on June 24, 2016. For details, please see “Notice of Transition to a Company with an Audit & Supervisory Committee” published on March 24, 2016.

(2) Change of Corporate Officers of the Company

For change of corporate officers, please see “Notice of the Appointment of Corporate Officers after the Transition to a Company with an Audit & Supervisory Committee” published separately today (May 13, 2016).