Consolidated Financial Results
for the Fiscal Year Ended March 31, 2015 (J-GAAP)

May 14, 2015

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, 2015
Scheduled date to submit securities report: June 24, 2015
Scheduled date of the start of dividend payments: June 25, 2015
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, 2015 (April 1, 2014 – March 31, 2015)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2015	51,907	-5.4	1,723	-38.4	1,745	-37.3	904	-35.2
Fiscal year ended March 31, 2014	54,891	8.0	2,799	37.0	2,784	37.9	1,397	23.5

Note: Comprehensive income
FY2015: ¥3,436 million (153.4%) FY2014: ¥1,356 million (5.8%)

	Net income per share	Fully diluted net income 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, 2015	4.22	—	2.4	2.9	3.3
Fiscal year ended March 31, 2014	6.44	—	3.8	4.6	5.1

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
FY2015: ¥– million FY2014: ¥– million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	59,409	37,287	62.7	174.10
As of March 31, 2014	59,443	35,522	59.7	165.85

Reference: Shareholders' equity
FY2015: ¥37,287 million FY2014: ¥35,522 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2015	4,216	(3,501)	(1,026)	9,712
Fiscal year ended March 31, 2014	3,241	(2,550)	(2,165)	10,024

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, 2014	—	2.25	—	2.75	5.00	1,080	77.5	3.0
Fiscal year ended March 31, 2015	—	2.25	—	2.25	4.50	963	106.5	2.6
Fiscal year ending March 31, 2016 (Outlook)	—	2.50	—	12.50	—		97.3	

Note: The dividend at the end of the fiscal year ended March 31, 2014 includes payments of an ordinary dividend of 2.25 yen per share and a commemorative dividend of 0.50 yen per share.
The Company plans to conduct a consolidation of its common shares at a rate of one share for every five shares to become effective October 1, 2015. Consequently, in terms of the cash dividends per share for the fiscal year ending March 31, 2016 (Outlook), the year-end dividend is presented, factoring in the impact of this consolidation of shares; while the amount of total annual dividend is presented as "—." The year-end dividend per share for the fiscal year ending March 31, 2016 (Outlook) which does not factor in this consolidation of shares will amount to 2.50 yen and the annual dividend per share will amount to 5.00 yen. For details, please see "Note concerning the appropriate use of performance forecasts and other related items."

3. Forecasts of Results for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	25,500	2.2	940	17.2	910	13.8	520	39.7	2.42
Full year	53,500	3.0	2,200	27.6	2,150	23.1	1,100	21.5	25.68

Note: Net income per share presented in the full year forecasts of results for the fiscal year ending March 31, 2016 factors in the impact of the consolidation of shares.
For details, please see "Note concerning the appropriate use of performance forecasts and other related items."

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

(3) Number of shares issued (common shares)
1) Number of shares issued at the end of the period (including treasury shares)
FY2015: 224,487,500 shares FY2014: 224,487,500 shares
2) Number of treasury shares at the end of the period
FY2015: 10,317,983 shares FY2014: 10,313,385 shares
3) Average number of shares issued during the period
FY2015: 214,171,786 shares FY2014: 216,626,813 shares

[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.

(Outlook of dividends and performance forecasts following the consolidation of shares)
The Company, at the meeting of the Board of Directors held on May 14, 2015, resolved to submit a proposal for the consolidation of shares to the 12th Ordinary General Meeting of Shareholders to be held on June 24, 2015, and subject to approval of the said General Meeting of Shareholders, plans to conduct a consolidation of its common shares at a rate of one share for every five shares to become effective October 1, 2015. In addition, the Company plans to change the number of shares per unit from 1,000 shares to 100 shares, effective the same date as the consolidation of shares. The outlook for dividends and consolidated performance forecasts for the fiscal year ending March 31, 2016, calculated without factoring in the consolidation of shares, are as follows.

1. Outlook for dividends for the fiscal year ending March 31, 2016
   End of second quarter: 2.50 yen (Note 1)
   End of fiscal year: 2.50 yen (Note 2)
2. Consolidated performance forecasts for the fiscal year ending March 31, 2016
   Net income per share
   Full year: 5.13 yen

Notes 1. Dividends for the end of second quarter will be paid in accordance with the number of shares before the consolidation of shares.
2. The amount of dividends has been calculated without factoring in the consolidation of shares.
3. Annual dividends per share for the fiscal year ending March 31, 2016 without factoring in the consolidation of shares will amount to 5.00 yen.

[Method of obtaining supplementary materials of the financial results]
The Company scheduled a presentation of financial results for institutional investors and securities analysts on Friday, May 29, 2015. 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, 2015

During the fiscal year ended March 31, 2015, the Japanese economy remained on the road to a slow recovery, with an improving employment environment and corporate earnings on the rise backed by the economic policies and monetary easing of the government and the Bank of Japan. However, the future of the Japanese economy remains clouded amid price increases of imported materials, among factors, attributable to the yen's depreciation and the long-term decline in consumer spending following the hike in Japan's consumption tax.

In this economic environment, the France Bed Group (hereinafter, the "Group") sought to boost profitability. To this end, the Group engaged in initiatives for the further growth of the Medical Services Business, which included increasing the number of its sales offices and launching inimitable new products, to capture the ever-increasing needs of nursing care. In addition, the Group continued to focus on sales of high-performance products with high added value in the Home Furnishing and Health Business, in order to meet the needs of consumers with clearly defined lifestyle preferences.

The Group also sought to increase market penetration and sales of its Reha tech brand, geared mainly towards energetic seniors, through new product development and the cultivation of new sales channels, while also establishing a business model by starting the expansion of operation of model shops under the exclusive management of the Company.

As a result of these initiatives, strong performance was seen in the special needs equipment rental business under the Medical Services Business, which constitutes the Group's core business. However, it was offset by the struggle in sales to hospitals/facilities under the same Business and in the Home Furnishing and Health Business, primarily due to the effect of the decline following the consumption tax hike. Consequently, consolidated net sales for the fiscal year under review totaled 51,907 million yen (down 5.4% year on year). In addition to a decrease in net sales, consolidated operating income was 1,723 million yen (down 38.4% year on year) and consolidated ordinary income was 1,745 million yen (down 37.3% year on year), primarily owing to an increase in selling, general and administrative expenses such as net retirement benefit expenses included in personnel expenses and advertising expenses. Consolidated net income was 904 million yen (down 35.2% year on year) due to the following factors: the Group recorded a gain on sales of investment securities of 155 million yen as extraordinary income upon disposal of investment securities held by the Group; and the Group reversed its deferred tax assets and reported income taxes – deferred of 135 million yen following the revision to the tax law published on March 31, 2015 that gradually lowers the corporate tax rate.

The performance of each business segment is described below.

1) Medical Services Business

In the Medical Services Business, the Group made efforts to bolster its earnings capabilities through seeking an increase in net sales with a focus on rentals. The initiatives included opening three new sales offices (in Kyoto City of Kyoto Prefecture, Ota Ward of Tokyo, and Hiroshima City of Hiroshima Prefecture) and two logistics centers (in Katsushika Ward of Tokyo and Izumiotsu City of Osaka Prefecture) and introducing new products, for its special needs equipment rental business, where nursing care insurance payments are on the rise.

During the fiscal year under review, the Group started to newly introduce Low-Floor Reclining Bed FLB-03J Floor Bed into the home care field, in addition to the existing facilities field. The bed reduces the risk of falls and the burden on caregivers with a height adjustment function. In addition, the Group also sought to enlarge its customer base and acquire sales agents by focusing on increasing product awareness and creation of new demand through TV commercials and other advertising campaigns.

Other new products were also introduced to the market, including the electric reclining bed, which provides a sound signal at a preset back raising angle called the Sound Signaling Reclining Bed FBN-PJJSUL30, a mattress for the prevention of bedsores with a hardness and form appropriate to individual body parts for burden-reduction called SF-Pro, and the Legless Chair Type Lift Up Chair 800, which provides support for rising to one's feet from the floor, as well as a Japanese tatami mat.

In order to gain new sales, the Group launched the sales and rental of a new product under the Reha tech brand: the Smart Pal S637, the electric wheelchair with a steering wheel which provides easy riding as if it was a bicycle. Test drive events were held at numerous customer locations. At the same time, the Group sought to increase brand awareness and solidify the brand image by renovating directly managed stores offering nursing care equipment into Reha tech Shops and operating them as model shops.

The Group continually promoted sales of its products for hospitals and welfare facilities as well, such 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 injuries from falls by bed users and reduces the burden on caregivers. However, factors including a decline in order, mainly due to the effects of the revision to the medical payment system in FY2014, and the decline following the last-minute rise in demand ahead of the consumption tax hike caused a decrease in net sales.

As a result of these initiatives, net sales for the Medical Services Business amounted to 28,397 million yen (down 3.3 % year on year), and operating income was 1,662 million yen (down 20.1 % year on year).

2) Home Furnishing and Health Business

In the Home Furnishing and Health Business, against the backdrop of increasing demand for luxury products by consumers, the Group sought to increase its earnings capabilities by continuing to bring high-performance products with high added value to the market in order to meet the needs of consumers with clearly defined lifestyle preferences and who demand quality sleep, as well as launching innovative, one-of-a-kind new products on the market to counter the decline following the last-minute rise in demand ahead of the consumption tax hike, and focusing on sales of these products.

The Group introduced to the market the New Reha tech Mattress RH-BAE, along with its related products, which provides a 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, and increased product awareness through TV commercials and other advertising campaigns. In addition, the Group sought to create new demand through the sale of products and promotion campaigns commemorating the 65th anniversary of the founding of France Bed Co., Ltd. (hereinafter "France Bed"), the Company's consolidated subsidiary, in June 2015.

The Group also opened ERPO Gallery Roppongi, the flagship store for the sale of products from ERPO, a German company offering reclining sofas using top-grade leather, to appeal to consumers with demand for luxury products by offering products customizable according to the customers' preference.

In addition, the new headquarters was established in France Bed to supervise the hotel management divisions around Japan with the aim of increasing the Group's share as new demand from hotels, especially those in central urban locations, are expected in the future for the Tokyo Olympic Games to be held in 2020.

As for the Reha tech brand products, the Group worked on organizing events where customers could actually try out the products and setting up the Reha tech Corner, a space showcasing products for seniors, at specialty furniture stores that carry Group products, as well as at new sales channels.

Despite the Group's efforts to engage in these new initiatives to minimize the effects of the decline after the consumption tax hike, partly owing to the effect from the consumer slump after the consumption tax hike in the furniture retail market which turned out to be more prolonged than expected, net sales for the Home Furnishing and Health Business amounted to 20,000 million yen (down 7.7% year on year), and operating income was 99 million yen (down 86.2% year on year).

3) Other

In the door-to-door sales business, the Group worked to ensure net sales by implementing 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 Group reviewed the product lineups and changed the layout of store floors by studying such factors as store location and customer needs for each store, as well as conducting various sales events and clearance sales with a significant effect of attracting customers.

As a result of these initiatives, net sales for other business had net sales of 3,508 million yen (down 8.5% year on year), and an operating loss of 66 million yen (from operating loss of 32 million yen in the same period of the previous fiscal year).

Outlook for Fiscal year ending March 31, 2016

For the fiscal year ending March 31, 2016, the Group expects the market for the Medical Services Business to continue to grow, as Japan's population continues to age. With the Home Furnishing and Health Business experiencing declining demand after the hike in the consumption tax, the Group will continue to sell high-performance products with high added value and introduce new products with inimitable attractive design to differentiate itself from competitors, thereby improving profitability. The Group will also seek to increase sales for hotels in central urban locations whose demands are expanding with the coming Tokyo Olympic Games by strengthening the organization and introducing new products.

In addition, the Group will expand sales routes for the Reha tech brand products targeting active seniors, including the Reha tech Shop, which is directly managed by us and the Reha tech Corner, which is managed by sales agents.

As a result of the above, the Group expects to achieve net sales of 53,500 million yen, operating income of 2,200 million yen, ordinary income of 2,150 million yen and a net income attributable to owners of parent of 1,100 million yen on a consolidated basis for fiscal 2016.

(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 fell 33 million yen from the end of the previous fiscal year (“the previous year-end”) to 59,409 million yen. Current assets declined 2,145 million yen from the previous year-end to 30,843 million yen. Major factors underlying this change included a decrease of 912 million yen in cash and deposits and a decrease of 1,417 million yen in notes and accounts receivable – trade (including electronically recorded monetary claims – operating), which offset an increase of 419 million yen in inventories. Non-current assets increased 2,118 million yen from the previous year-end to 28,505 million yen. Major factors underlying this change included an increase of 600 million yen in negotiable certificates of deposits, in addition to an increase in net defined benefit asset as a result of such factors as an increase in pension assets reflecting the rise in the market prices of stocks.

Liabilities decreased 1,798 million yen from the previous year-end to 22,122 million yen. Major factors underlying this change were decreases in notes and accounts payable – trade, accounts payable for factoring and long-term accounts payable – other, in the amounts of 767 million yen, 185 million yen and 698 million yen, respectively.

Net assets increased 1,765 million yen from the previous year-end to 37,287 million yen. Major factors for the increase included a net income of 904 million yen and remeasurements of defined benefit plans of 2,341 million yen, while major factors for the decline included dividends from surplus of 1,070 million yen.

As a result, shareholders’ equity ratio rose to 62.7% from the 59.7% 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 312 million yen from the previous year-end to 9,712 million yen. Details of individual cash flow items are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities came to 4,216 million yen (3,241 million yen in the same period of the previous fiscal year), due primarily to inflows including income before income taxes and minority interests of 1,890 million yen, the reporting of depreciation (a noncash item) of 3,638 million yen and the collection of 1,479 million yen in notes and accounts receivable – trade, offsetting outflows including an increase in inventories of 419 million yen, the payment of notes and accounts payable – trade of 767 million yen, 789 million yen in funds transfer resulting from transition to a defined-contribution pension plan and 481 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,501 million yen (2,550 million yen in the same period of the previous fiscal year), due primarily to inflows including proceeds from sales of investment securities of 244 million yen, which were offset by outflows including a purchase of property, plant and equipment of 3,330 million yen and a purchase of intangible assets of 431 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,026 million yen (2,165 million yen in the same period of the previous fiscal year), primarily due to cash dividends paid of 1,070 million yen.

(Reference) Cash flow indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Shareholders' equity ratio (%)	60.8	60.3	59.3	59.7	62.7
Shareholders' equity ratio at market value (%)	39.3	63.5	74.0	69.5	64.5
Ratio of interest-bearing debt to cash flow (years)	2.2	2.2	1.9	2.8	2.1
Interest coverage ratio (times)	43.3	39.1	57.1	38.1	55.6

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 2015 and Fiscal 2016 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 15, 2014, plans to pay a year-end dividend of 2.25 yen per share for Fiscal 2015. As a result, the Company's annual dividend for the fiscal year under review will amount to 4.50 yen per share, which includes 2.25 yen per share already paid as the interim dividend.

The Company plans to place this matter on the proposal of the ordinary general shareholders' meeting scheduled for June 2015.

Additionally, for Fiscal 2016, the Company plans to pay an interim dividend of 2.50 yen per share and a year-end dividend of 2.50 yen per share, without factoring in the consolidation of shares, for an annual dividend of 5.00 yen per share. The Company expects the year-end dividend for Fiscal 2016 to be 12.50 yen per share, if the consolidation of common shares at a rate of one share for every five shares to become effective October 1, 2015, subject to the approval of the 12th Ordinary General Meeting of Shareholders to be held on June 24, 2015, is factored in.

(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.

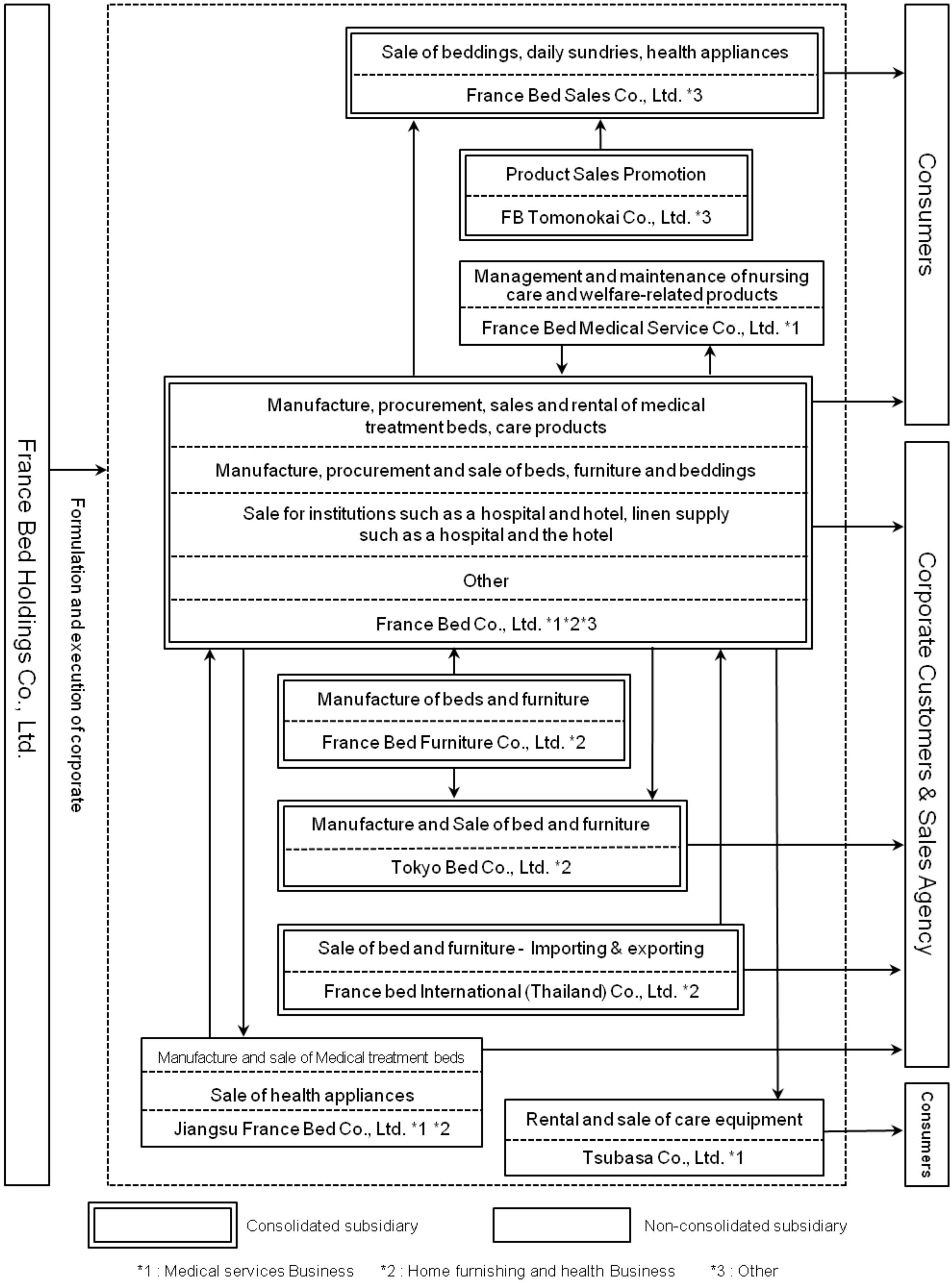
The classification of business segments in the Segment Information is the same as one applied below.

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, 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

According to Japan’s Cabinet Office, Japan’s elderly population, aged 65 or older, will be 33,950,000 in 2015, when the baby boom generation reaches the age of 65 or older, and is expected to amount to 36,570,000 in 2025 when the baby boom generation reaches the age of 75 or older.

In these circumstances, the Group recognizes that its top management challenge is continual growth of the special needs equipment rental business, the Group’s core business, by winning the ever-increasing needs for nursing care. On the other hand, since the senior-oriented business is one of the only fields where domestic demand is growing, competition is expected to grow increasingly fierce, including entries into the market from other industries. In this business climate, in addition to continually developing and introducing to the market new inimitable products/services fulfilling customer needs by utilizing the Group’s expertise and management resources as the pioneer in the business in Japan, the Group will also establish and expand sales offices, service centers and other business bases to increase the market share and further solidify the business foundation.

In addition, as the birthrate declines and the population ages rapidly, the nursing care insurance system is expected to go through various reforms to maintain its sustainability, and the Group expects such reforms to affect its revenue structure.

To this end, in October 2010 the Group developed and launched its first product under the Reha tech brand: the ASU-3W01 electrically assisted tricycle. Since the launch of its inaugural product, the Group has expanded its line of Reha tech products aimed at helping energetic seniors, i.e., “active seniors,” lead more active, fun and comfortable lives. One example is the Light Cane; launched in December 2013, a walking cane with a light that helps users see where they are stepping. The Group will increase the number of the Reha tech Shops, directly managed stores, and the Reha tech Corner, stores managed by sales agents, as the store where seniors may readily visit and see the products described above in order to expand brand awareness and sales of products, thereby proceeding with establishment of a revenue base not overly dependent on the nursing care insurance system in the business targeting seniors.

In the Home Furnishing and Health Business, whose market has matured, the Group will seek a shift “from quantity to quality” to establish a business model gaining revenue in a stable manner. For that purpose, the Group will develop high-performance products and new products with inimitable original design and forward the method of production on order with diversified small-quantity production system. In addition, the Group will seek to increase sales in the hotel market where demands are expanding with the coming Tokyo Olympic Games, by initiatives including strengthening of the internal organization.

Through the initiatives described above, the Group aims 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” by strengthening its approaches to senior-oriented businesses.

(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)

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Assets		
Current assets		
Cash and deposits	8,125	7,213
Notes and accounts receivable – trade	11,857	10,224
Electronically recorded monetary claims – operating	493	708
Securities	2,498	2,498
Merchandise and finished goods	5,335	5,646
Work in process	465	530
Raw materials and supplies	1,859	1,903
Deferred tax assets	863	758
Other	1,499	1,368
Allowance for doubtful accounts	(10)	(10)
Total current assets	32,988	30,843
Non-current assets		
Property, plant and equipment		
Assets for lease	4,784	5,016
Accumulated depreciation	(3,180)	(3,404)
Assets for lease, net	1,604	1,612
Buildings and structures	14,746	14,987
Accumulated depreciation	(10,274)	(10,565)
Buildings and structures, net	4,472	4,422
Machinery, equipment and vehicles	5,594	5,655
Accumulated depreciation	(4,676)	(4,630)
Machinery, equipment and vehicles, net	918	1,024
Tools, furniture and fixtures	2,329	2,426
Accumulated depreciation	(1,961)	(2,088)
Tools, furniture and fixtures, net	367	338
Land	6,481	6,800
Leased assets	7,380	7,354
Accumulated depreciation	(5,461)	(5,352)
Leased assets, net	1,918	2,002
Construction in progress	481	85
Total property, plant and equipment	16,244	16,284
Intangible assets		
Leased assets	32	15
Software	735	440
Other	286	430
Total intangible assets	1,055	885
Investments and other assets		
Investment securities	1,294	2,078
Long-term loans receivable	6	3
Deferred tax assets	976	67
Net defined benefit asset	5,942	8,404
Other	*1 1,000	*1 926
Allowance for doubtful accounts	(132)	(146)
Total investments and other assets	9,087	11,335
Total non-current assets	26,387	28,505
Deferred assets		
Bond issuance cost	66	60
Total deferred assets	66	60
Total assets	59,443	59,409

(Million yen)

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	4,237	3,469
Accounts payable for factoring	2,392	2,207
Short-term loans payable	1,550	1,550
Current portion of bonds	—	400
Current portion of long-term loans payable	2,000	—
Lease obligations	1,225	1,207
Income taxes payable	208	222
Accrued consumption taxes	114	379
Deferred tax liabilities	0	0
Provision for bonuses	1,261	1,237
Provision for directors' bonuses	64	62
Provision for business structure improvement	39	—
Other	3,444	2,788
Total current liabilities	16,539	13,524
Non-current liabilities		
Bonds payable	3,550	3,950
Long-term loans payable	—	1,200
Lease obligations	958	962
Deferred tax liabilities	12	387
Provision for directors' retirement benefits	514	510
Provision for contingent loss	6	9
Provision for loss on dissolution of employees' pension fund	—	12
Net defined benefit liability	646	607
Asset retirement obligations	25	25
Other	1,668	932
Total non-current liabilities	7,381	8,597
Total liabilities	23,921	22,122
Net assets		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	1,867	1,867
Retained earnings	32,853	32,087
Treasury shares	(2,083)	(2,083)
Total shareholders' equity	35,638	34,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	104	305
Deferred gains or losses on hedges	(2)	(12)
Remeasurements of defined benefit plans	(218)	2,122
Total accumulated other comprehensive income	(115)	2,415
Total net assets	35,522	37,287
Total liabilities and net assets	59,443	59,409

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2014 (from April 1, 2013 to March 31, 2014)	FY2015 (from April 1, 2014 to March 31, 2015)
Net sales	54,891	51,907
Cost of sales	*1 30,151	*1 27,891
Gross profit	24,739	24,015
Selling, general and administrative expenses	21,939	22,291
Operating income	2,799	1,723
Non-operating income		
Interest income	9	6
Dividend income	28	29
Insurance income	16	43
Compensation income	33	25
Other	79	96
Total non-operating income	167	202
Non-operating expenses		
Interest expenses	85	79
Sales discounts	34	36
Other	62	64
Total non-operating expenses	182	180
Ordinary income	2,784	1,745
Extraordinary income		
Gain on sales of non-current assets	0	17
Gain on sales of investment securities	—	155
Total extraordinary income	0	173
Extraordinary losses		
Loss on sales of non-current assets	17	—
Loss on retirement of non-current assets	39	15
Business structure improvement expenses	150	—
Provision for loss on dissolution of employees' pension fund	—	12
Total extraordinary losses	206	28
Income before income taxes and minority interests	2,578	1,890
Income taxes – current	633	486
Income taxes – deferred	547	499
Total income taxes	1,180	986
Income before minority interests	1,397	904
Net income	1,397	904

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2014 (from April 1, 2013 to March 31, 2014)	FY2015 (from April 1, 2014 to March 31, 2015)
Income before minority interests	1,397	904
Other comprehensive income		
Valuation difference on available-for-sale securities	(38)	200
Deferred gains or losses on hedges	(2)	(9)
Remeasurements of defined benefit plans	—	2,341
Total other comprehensive income	(41)	2,531
Comprehensive income	1,356	3,436
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,356	3,436
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statements of Changes in Net Assets

FY2014 (from April 1, 2013, to March 31, 2014) (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	32,451	(1,229)	36,089
Cumulative effects of changes in accounting policies					
Restated balance	3,000	1,867	32,451	(1,229)	36,089
Changes of items during period					
Dividends of surplus			(982)		(982)
Net income			1,397		1,397
Change of scope of consolidation			(12)		(12)
Change of scope of consolidation – foreign currency translation adjustment					—
Purchase of treasury shares				(853)	(853)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	401	(853)	(451)
Balance at end of current period	3,000	1,867	32,853	(2,083)	35,638

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	143	0	(25)	—	118	36,208
Cumulative effects of changes in accounting policies						
Restated balance	143	0	(25)	—	118	36,208
Changes of items during period						
Dividends of surplus						(982)
Net income						1,397
Change of scope of consolidation						(12)
Change of scope of consolidation – foreign currency translation adjustment			25		25	25
Purchase of treasury shares						(853)
Net changes of items other than shareholders' equity	(38)	(2)	—	(218)	(259)	(259)
Total changes of items during period	(38)	(2)	25	(218)	(234)	(685)
Balance at end of current period	104	(2)	—	(218)	(115)	35,522

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)
Net income			904		904
Change of scope of consolidation					—
Change of scope of consolidation – foreign currency translation adjustment					—
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	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive 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)
Net income						904
Change of scope of consolidation						—
Change of scope of consolidation – foreign currency translation adjustment						—
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

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2014 (from April 1, 2013, to March 31, 2014)	FY2015 (from April 1, 2014, to March 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	2,578	1,890
Depreciation	3,609	3,638
Loss (gain) on sales of non-current assets	0	(17)
Loss on retirement of non-current assets	19	15
Loss (gain) on sales of investment securities	—	(155)
Increase (decrease) in allowance for doubtful accounts	(7)	12
Increase (decrease) in provision for bonuses	70	(23)
Increase (decrease) in provision for directors' bonuses	9	(1)
Increase (decrease) in net defined benefit liability	(110)	(34)
Decrease (increase) in net defined benefit asset	(28)	116
Increase (decrease) in provision for directors' retirement benefits	41	(4)
Increase (decrease) in provision for business structure improvement	39	(39)
Increase (decrease) in provision for loss on dissolution of employees' pension fund	—	12
Interest and dividend income	(37)	(36)
Interest expenses	85	79
Business structure improvement expenses	100	—
Decrease (increase) in notes and accounts receivable – trade	(1,204)	1,479
Decrease (increase) in inventories	(30)	(419)
Increase (decrease) in notes and accounts payable – trade	440	(767)
Increase (decrease) in accounts payable for factoring	57	(185)
Increase (decrease) in accounts payable – other resulting from transition to a defined-contribution pension plan	(879)	(789)
Increase (decrease) in accrued expenses	307	(321)
Other, net	(448)	290
Subtotal	4,614	4,737
Interest and dividend income received	36	35
Interest expenses paid	(85)	(75)
Income taxes paid	(1,323)	(481)
Net cash provided by (used in) operating activities	3,241	4,216

(Million yen)

	FY2014 (from April 1, 2013, to March 31, 2014)	FY2015 (from April 1, 2014, to March 31, 2015)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	500	600
Purchase of securities	(999)	—
Proceeds from redemption of securities	1,999	—
Purchase of property, plant and equipment	(3,756)	(3,330)
Proceeds from sales of property, plant and equipment	13	25
Purchase of investment securities	(0)	(600)
Proceeds from sales of investment securities	—	244
Purchase of shares of subsidiaries and associates	—	(20)
Payments of loans receivable	(0)	—
Collection of loans receivable	10	10
Purchase of intangible assets	(317)	(431)
Net cash provided by (used in) investing activities	(2,550)	(3,501)
Cash flows from financing activities		
Increase in short-term loans payable	300	2,000
Decrease in short-term loans payable	(400)	(2,000)
Proceeds from long-term loans payable	—	1,200
Repayments of long-term loans payable	—	(2,000)
Proceeds from issuance of bonds	3,078	788
Redemption of bonds	(3,150)	—
Purchase of treasury shares	(853)	(0)
Proceeds from sales and leasebacks	1,362	1,521
Repayments of lease obligations	(1,523)	(1,464)
Cash dividends paid	(981)	(1,070)
Net cash provided by (used in) financing activities	(2,165)	(1,026)
Effect of exchange rate change on cash and cash equivalents	1	(0)
Net increase (decrease) in cash and cash equivalents	(1,473)	(312)
Cash and cash equivalents at beginning of period	11,584	10,024
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(85)	—
Cash and cash equivalents at end of period	*1 10,024	*1 9,712

(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 Standards

(1) Standards and methods for asset valuation

1) Securities

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

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 (currency option transactions and 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 retirement benefits)
Effective from the fiscal year under review, the “Accounting Standard for Retirement Benefits” (Accounting Standard Boards of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter, the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015, hereinafter, the “Retirement Benefits Guidance”) have been adopted in respect of the provisions specified in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Retirement Benefits Guidance, whereby the method of calculating retirement benefit obligations and service costs has been reviewed. Consequently, the method of attributing expected retirement benefits to periods of service has been changed from the straight-line basis to the benefit formula basis, while the method of determining discount rates has been changed from the method where the discount rate is determined based on the approximate number of years of the average remaining years of service of the eligible employees, to the method using a single weighted average discount rate reflecting the estimated timing of retirement benefit payments, and the amount of retirement benefit payments for each estimated payment period.

The Retirement Benefits Accounting Standard is applied in line with the transitional measurement set forth in Paragraph 37 of the Retirement Benefits Accounting Standard, and accordingly, the amount of the effects of this change in the calculation method of retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of the fiscal year under review.

As a result, net defined benefit assets decreased by 854 million yen, net defined benefit liability increased by 43 million yen, and retained earnings decreased by 599 million yen, as of the beginning of the fiscal year under review. In addition, operating income, ordinary income and income before income taxes and minority interests of the fiscal year under review each increased by 27 million yen.

Net assets per share decreased by 2.79 yen and net income per share increased by 0.12 yen for the fiscal year under review.

(Changes to Presentation)
(Consolidated Balance Sheets)
Since the monetary significance of electronically recorded monetary claims – operating, which was included in notes and accounts receivable – trade under current assets in the previous fiscal year, has increased, the account item is presented separately in the fiscal year under review. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 12,350 million yen that was stated as notes and accounts receivable – trade under current assets in the consolidated financial statements for the previous fiscal year has been reclassified into 11,857 million yen of notes and accounts receivable – trade and 493 million yen of electronically recorded monetary claims – operating.

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

Following the promulgation of the “Act for the Partial Revision of the Income Tax Act, etc.” (2015, Act No. 9) and the “Act for the Partial Revision of the Local Tax Act, etc.” (2015, Act No. 2) on March 31, 2015, the corporate tax rates for the fiscal years starting on and after April 1, 2015 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 previous 35.6% to 33.1% for temporary differences expected to be reversed in the fiscal year starting on April 1, 2015, and to 32.3% for those expected to be reversed in or after the fiscal year starting on April 1, 2016.

As a result, deferred tax assets (net of deferred tax liabilities) decreased by 25 million yen, and income taxes – deferred, valuation difference on available-for-sale securities and remeasurements of defined benefit plans increased by 135 million yen, 8 million yen and 101 million yen, respectively.

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
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.

FY2014 (As of March 31, 2014)		FY2015 (As of March 31, 2015)	
Tsubasa Co., Ltd.	¥168 million	Tsubasa Co., Ltd.	¥139 million
Employees	¥29 million	Employees	¥25 million
Total	¥197 million	Total	¥164 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.

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
FB Tomonokai Co., Ltd.	¥411 million	¥439 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.

FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
¥98 million	¥97 million

(Notes to Consolidated Statements of Changes in Equity)

FY2014 (From April 1, 2013 to March 31, 2014)

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)	6,109	4,204	—	10,313
Total	6,109	4,204	—	10,313

Note The increase in the number of treasury shares of 4,204,000 common shares consists of an increase of 4,200,000 shares through the acquisition of treasury shares pursuant to the resolution of the Board of Directors in accordance with Article 156 of the Companies Act as applied pursuant to Article 165-3 and an increase of 4,000 shares 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 26, 2013 Shareholders' meeting	Common shares	¥491 million	¥2.25	March 31, 2013	June 27, 2013
October 31, 2013 Board of directors' meeting	Common shares	¥491 million	¥2.25	September 30, 2013	December 6, 2013

(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 25, 2014 Shareholders' meeting	Common shares	¥588 million	Retained earnings	¥2.75	March 31, 2014	June 26, 2014

Note The dividend of 2.75 yen per share includes a commemorative dividend for the 10th anniversary of 0.50 yen per share.

FY2015 (From April1, 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. 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, 2015 Shareholders' meeting	Common shares	¥481 million	Retained earnings	¥2.25	March 31, 2015	June 25, 2015

(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

	FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
Cash and deposits	¥8,125 million	¥7,213 million
Marketable securities	¥2,498 million	¥2,498 million
Total	¥10,624 million	¥9,712 million
Time deposits with the deposit term exceeding three months	(¥600 million)	¥— million
Cash and cash equivalents	¥10,024 million	¥9,712 million

(Segment Information)

1. Summary of reporting segments

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

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

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

Medical Services:

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

Home Furnishing and Health:

Manufacture, purchase and wholesale of beds, furniture and bedding, 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

FY2014 (From April 1, 2013 to March 31, 2014)

(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	29,382	21,672	51,055	3,835	54,891	—	54,891
Internal sales among segments or transfers	6	621	627	132	759	(759)	—
Total	29,388	22,294	51,682	3,968	55,650	(759)	54,891
Segment income / loss	2,082	726	2,809	(32)	2,776	23	2,799
Segment asset	30,487	27,111	57,598	2,925	60,523	(1,080)	59,443
Other items							
Depreciation	3,122	456	3,579	27	3,606	2	3,609
Increase in property, plant and equipment and intangible assets	3,264	1,020	4,285	23	4,309	(1)	4,307

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

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)

	FY2014	FY2015
Intersegment transaction elimination	722	750
Corporate expenses*	(699)	(721)
Total	23	28

*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)

	FY2014	FY2015
Elimination of intersegment transactions	(15,993)	(17,763)
Corporate expenses*	14,912	16,824
Total	(1,080)	(938)

*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)

	FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
Net assets per share	¥165.85	¥174.10
Net income per share	¥6.44	¥4.22

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

	FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
Net income (Million yen)	1,397	904
Amount not attributable to common shareholders (Million yen)	—	—
Net income related to common shares (Million yen)	1,397	904
Average number of shares of common shares during the fiscal year (Thousand shares)	216,626	214,171

(Significant Subsequent Events)

The Company, at the meeting of the Board of Directors held on May 14, 2015, resolved to submit to the 12th Ordinary General Meeting of Shareholders to be held on June 24, 2015 proposals for the consolidation of shares, change to the number of shares per unit, change to the total number of authorized shares and partial amendments to the Articles of Incorporation.

For details, please see "Notice of Consolidation of Shares, Change to the Number of Shares per Unit, Change to the Total Number of Authorized Shares and Partial Amendments to the Articles of Incorporation," which was announced separately today (May 14, 2015).

6. Others

(1) Change of Corporate Officers of the Company

Not applicable

The effective tenure of the current Substitute Audit & Supervisory Board Member, Hiroyuki Watabiki, who was elected at the Ordinary General Meeting of Shareholders on June 25, 2014, shall expire upon the commencement of the 12th Ordinary General Meeting of Shareholders to be held on June 24, 2015. Accordingly, a Substitute Audit & Supervisory Board Member will be elected again at the meeting.
The candidate for Substitute Audit & Supervisory Board Member is as follows.
Hiroyuki Watabiki (current Member of the Board, Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.)