PARAMOUNT BED HOLDINGS

ANNUAL REPORT 2014 Paramount Bed Holdings Co., Ltd.

Profile

Paramount Bed Holdings Co., Ltd. is the holding company of a comprehensive medical group comprised of the core entity Paramount Bed Co., Ltd.

The Paramount Bed Group was established in 1947. Paramount Bed Group started out as a manufacturer of hospital beds and against the subsequent backdrop of demographic aging later branched out into senior care facilities and visiting nursing care while developing a diversity of products and services.

In recent years, the Group has been diversifying its operations in Japan and abroad centered on healthcare offerings such as inspection and maintenance services for institutional bedding and wholesale rental operations for assistive products. Going forward, in keeping with the corporate motto of "As human, for human," the Group remains committed to creating and increasing customer satisfaction and augmenting enterprise value while contributing to society through the Paramount Bed Group business activities.

The Group consists of Paramount Bed Holdings and 10 consolidated subsidiaries, eight non-consolidated subsidiaries and two affiliated companies (as of March 31, 2014). In the fiscal year ended March 2014, it had net sales of ¥72,794 million, operating income of ¥11,542 million, and net income of ¥7,385 million. Paramount Bed is Japan's leading maker of medical beds and has acquired a strong reputation, as reflected in its estimated domestic market share of approximately 70% in medical and senior housing facilities and 60%* in home healthcare.

Disclaimer Regarding Forward-Looking Statements
The information contained in this annual report is given for the sole purpose of providing information regarding the business performance of Paramount Bed Holdings Co., Ltd. during the fiscal year ended March 31, 2014 and is not intended to solicit investment in any securities issued by the Company. Any statements with respect to Paramount Bed's current plans, strategies, and forecasts are forward-looking statements based upon information available as of March 31, 2014 and involve known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

Financial Highlights

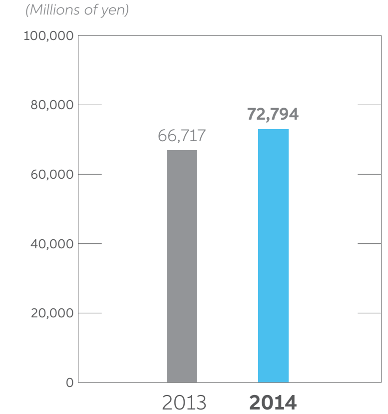
Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2014**	2013	**2014**
For the year			
Net sales	**¥ 72,794**	¥ 66,717	**$ 707,291**
Operating income	**11,542**	11,239	**112,142**
Income before income taxes and minority interests	**12,772**	11,941	**124,099**
Net income	**7,385**	7,094	**71,755**
At year-end			
Total assets	**¥122,303**	¥103,902	**$1,188,329**
Total equity	**82,571**	76,626	**802,286**

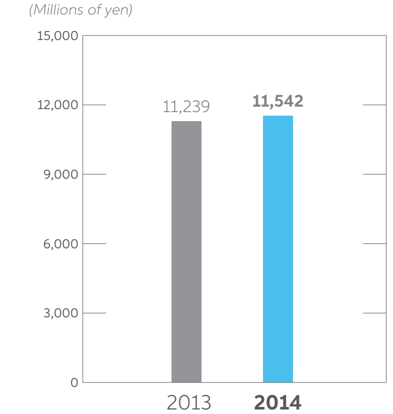
	yen		U.S. dollars
Years ended March 31,	**2014**	2013	**2014**
Per share			
Basic net income	**¥ 241.01**	¥ 231.54	**$ 2.34**
Diluted net income	**227.13**	230.94	**2.21**
Cash dividends applicable to the year	**50.00**	45.00	**0.49**

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102.92 to U.S.$1, the approximate exchange rate at March 31, 2014.

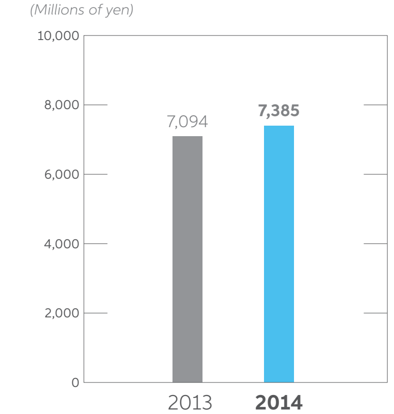
Net sales
(Millions of yen)



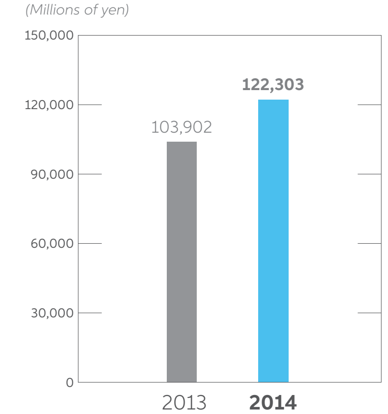
Operating income
(Millions of yen)



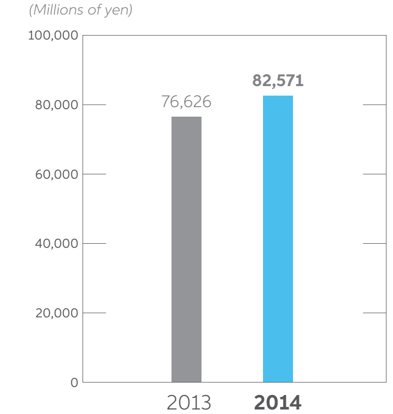
Net income
(Millions of yen)



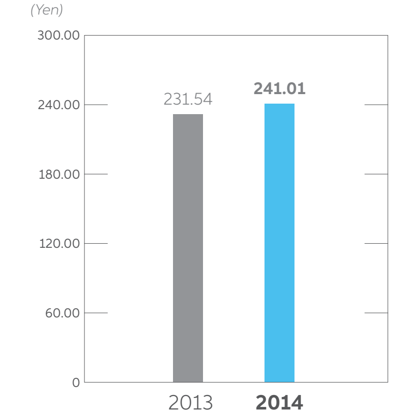
Total assets
(Millions of yen)



Total equity
(Millions of yen)



Basic net income per share
(Yen)



We create comfortable, healthy environments through cutting-edge technology with a human touch.

First of all, we thank our shareholders for their continuing support. Let us look at the business conditions and the financial results of Paramount Bed Holdings for the fiscal year ended March 2014.

Kyosuke Kimura
President and
Chief Executive Officer

Business Results for the Fiscal Year under Review

The Company's consolidated net sales grew 9.1% year on year to ¥72,794 million, due to higher domestic sales of products and maintenance services as well as a solid performance by the rental and wholesale business for nursing-care goods. Overseas product sales also contributed to sales growth.

Operating income rose 2.7% to ¥11,542 million, while net income increased 4.1% to ¥7,385 million. The yen depreciated more than expected during the fiscal year, reducing income by making imported parts more expensive, but we succeeded in posting record-high sales and income.

Regarding the dividend payment for the fiscal year under review, the fiscal year-end dividend was set at ¥25 per share. In combination with the interim disbursement of ¥25 per share, this brought the annual dividend to ¥50 per share.

As for the dividend payment for the fiscal year ending March 2015, we plan to set the interim disbursement at ¥25 per share and raise the year-end dividend to ¥35 per share, including ¥10 to commemorate the 65th anniversary of the Company's foundation, for an annual dividend of ¥60, ensuring that a good return to shareholders will remain our high priority.

Future Business Development

Stronger overseas operations and expansion of our domestic business fields are key elements in our future business development.

In overseas business, to promote local-oriented sales activities and enhance our production system on a global basis, we established Paramount Bed Mexico S.A. de C.V., a sales company in Central and South America, and Paramount Bed Vietnam Co., Ltd., a manufacturer of peripheral goods for medical beds. Paramount Bed Mexico began operating in January 2014 and Paramount Bed Vietnam did so in June.

Domestically, we plan to expand into peripheral business by creating synergistic effects in the healthcare field. We will do this by strengthening collaboration with our Group companies as well as promoting the sales activities of Paramount Bed Co., Ltd., the Group's core company.

Taking a long-term view, the Paramount Bed Group will devise a business strategy and promote business diversification to boost its corporate value. In all our efforts, we look forward to the continued understanding and cooperation of our shareholders.

Initiatives for the Promising Asian Market

The Paramount Bed Group identifies Asia, where rapid growth is expected, as one of its most promising markets. Within the region, our Singapore-based subsidiary Paramount Bed Asia Pacific Pte. Ltd. oversees Group companies. From manufacturing and sales bases in Indonesia and China, as well as sales bases in Thailand and India, we are developing businesses that are expertly suited to each market's needs. Paramount Bed Vietnam, a manufacturing subsidiary, began operating in June 2014.

The Market Environment in Asia

The number of hospital beds in Asia (excluding Japan) is about 8.4 million. Of these, 5.7 million beds are concentrated in China, with its population of more than 1.3 billion, followed by 1.7 million beds in India, with its population of more than 1.2 billion. Southeast Asia and other parts of the continent have about 1 million hospital beds for a population of 1.5 billion, according to our estimates. However, healthcare systems cannot be described as adequate in most of these areas.

In line with economic development, an increasing number of countries are moving aggressively to provide healthcare and other forms of social security. Indonesia, for example, has identified 11 sectors of importance in its National Development Plan, with the health sector as the third sector, after governance and education. Accordingly, we expect the number of hospital beds to expand greatly.

In recent years, many Asian countries have begun to introduce more highly efficient electric beds than before at acute care wards, centering intensive care units in university hospitals, hospitals that receive foreign medical tourists in Thailand and elsewhere, and private hospitals for VIPs.

Exterior view of the new factory in Vietnam

Another exciting, productive year for our Group.

APR 2013

Industry-academia joint research course with Chiba University

Beginning in April, Paramount Bed and Chiba University gave an industry-academia joint research course on constructing a life care and support environment centered on intelligent beds. The course name was "Nursing/Engineering Joint Research Course on Supporting the Elderly." Researchers from the Paramount Bed Group participated in the course along with four people from Chiba University: Faculty of Engineering Professor Kenzo Nonami (Chiba University Vice President, Robotics and Systems Control); School of Nursing Professor Harue Masaki (Dean, Adult and Gerontological Nursing); Faculty of Engineering Associate Professor Mihoko Otake (Service Engineering); and Faculty of Engineering Associate Professor Yoshihiro Shimomura (Design Humanomics). Using our technology in rise-from-bed sensors and sleep management systems, research is proceeding into ways of supporting the elderly in a very aged society, as well as product development for that society.

AUG 2013

SLEEP SCAN sleep management system became eligible for government subsidy

SLEEP SCAN (NN-1300)

On August 1, the *SLEEP SCAN* sleep management system was chosen by the Ministry of Land, Infrastructure, Transport and Tourism to be eligible for a buyer subsidy aimed at preventing traffic accidents caused by fatigue. Transportation businesses such as operators of buses, taxis, and trucks will receive a subsidy for introducing *SLEEP SCAN*. The ministry established four product categories for accident prevention, and *SLEEP SCAN* is eligible as an instrument for measuring the state of a driver's sleep during rest periods.

SLEEP SCAN does not attach directly to the body. It only needs to be placed on top of a mattress to assess the user's sleep quality. It senses the sleep/wakefulness rhythm and trend, making it easier to detect lifestyle problems, propose countermeasures, and confirm their effectiveness. Data provided by *SLEEP SCAN* can be used to improve drivers' sleep habits and adjust their working hours, which we expect will lead to fewer accidents.

JAN 2014

The home-care bed *Rakusho Z* Series was launched.

This new-series home-care bed for home use has the conventional back-raise motion, and its new lifting mechanism (not included in all models) allows the entire bed to tilt, greatly reducing the experience of friction and pressure when the user rises. The *Rakusho Z* Series has won high praise for ease of upper-body movement when the bed is in its new back-raising position, for ease of rising from the bed, and for ease of maintenance.

Rakusho Z

4 APR 2013 | 5 MAY 2013 | 6 JUN 2013 | 7 JUL 2013 | 8 AUG 2013 | 9 SEP 2013 | 10 OCT 2013 | 11 NOV 2013 | 12 DEC 2013 | 1 JAN 2014 | 2 FEB 2014 | 3 MAR 2014

JUN 2013

A subsidiary was established in Mexico

JUL 2013

Paratechno expanded its maintenance business

Maintenance services for IABP devices begin

Paratechno Co., Ltd., which handles maintenance work for the Paramount Bed Group, began doing maintenance of intra-aortic blood pumping (IABP) devices in July 2013. IABP devices are medical implements classified as artificial organs. They are used in operating rooms and IC units to temporarily assist the heart's functions. As part of its business expansion plan, Paratechno has launched an inspection service for medical implements not made by Paramount Bed. Last year, Paratechno started doing periodic inspections of medical ventilators. It plans to expand the range of maintenance work it does to offer comprehensive support to medical institutions.

IABP device undergoing inspection

JUL 2013

Sales of Stretch Series mattresses began

JUL 2013

A subsidiary was established in Vietnam

OCT 2013

Paratechno's bedpan washer was launched

Paratechno Co., Ltd., which heads the Group's maintenance business, began marketing its BPW-100 bedpan washer. This product, which is used to wash bedpans and other soiled implements in hospital cleaning rooms, strengthens our lineup of anti-infectious products.

Bedpan washer (BPW-100)

OCT 2013

The "Penguin Support" body position changer won the Good Design Award

DEC 2013

New TV commercials started

FEB 2014

The stacking-type IV stand was launched

The leg portion of the new IV stand (KC-509) is stackable for compact storage. Because of this stacking feature, the KC-509 uses 54% less storage space than Paramount Bed's conventional IV stand when not in use. The space needed to store five conventional stands can now be used to store 11 stands.

IV stand (KC-509)

Management's Discussion and Analysis

Business Results

Net Sales and Gross Profit

Consolidated net sales increased 9.1% from the previous fiscal year to ¥72,794 million. Growth was driven mainly by firm sales of products and maintenance services to domestic institutions, as well as sales of products and rental broking of nursing-care goods for home use. In overseas operations, sales growth was centered in parts of Asia where Paramount Bed's sales bases were located.

Consolidated gross profit grew 6.8% to ¥32,909 million. This primarily reflected higher sales and expanded production, which boosted productivity. However, cost of sales rose 11.1% to ¥39,885 million. As a result, the consolidated gross profit margin declined 1.0 percentage point to 45.2%.

Operating Income

Consolidated operating income grew 2.7% from the previous fiscal year to ¥11,542 million. However, selling, general and administrative expenses increased 9.2% to ¥21,367 million. As a result, the consolidated operating margin declined 0.9 percentage point to 15.9%.

Net Income

Consolidated net income grew 4.1% from the previous fiscal year to ¥7,385 million. As a result, net income per share rose to ¥241.01, from ¥231.54 a year earlier. ROE was 9.3%.

Financial Condition

Assets

Consolidated liquid assets expanded ¥15,730 million from the end of the previous fiscal year to ¥68,470 million. This result mainly reflected higher sales, which were accompanied by increases in cash and cash equivalents as well as trade accounts receivable.

Consolidated fixed assets grew ¥2,670 million to ¥53,832 million. One reason for this was that subsidiary Paramount Care Service Co., Ltd. expanded its main business (rental broking of nursing-care goods), boosting its lease assets. In addition, Paramount Bed purchased additional investment securities. As a result, consolidated total assets reached ¥122,302 million at the close of the fiscal year ended March 2014, up ¥18,400 million from a year earlier.

Liabilities

Consolidated total current liabilities were up ¥1,626 million from the end of the previous fiscal year to ¥20,839 million. This mainly reflected an increase in trade accounts payable.

Consolidated long-term liabilities rose ¥10,828 million to ¥18,893 million. This was mainly due to the issuance of corporate bonds with warrants in the second quarter of 2013. As a result, consolidated liabilities totaled ¥39,732 million at the end of fiscal year under review, up ¥12,455 million from a year earlier.

Total Equity

Consolidated total equity grew ¥5,945 million to ¥82,571 million. This was due to the increase in net income to ¥7,385 million, which outweighed a decrease in retained earnings accompanying dividend payments. The shareholders' equity ratio was 67.5%.

Cash Flow

At the close of the fiscal year under review, consolidated cash and cash equivalents amounted to ¥21,313 million. During the fiscal year, cash flows and the factors behind them were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥6,374 million. This reflected income before income taxes and minority interests of ¥12,772 million, depreciation and amortization of ¥4,805 million, and an increase in payables of ¥1,953 million. Cash outflows included an increase in notes and accounts receivable of ¥2,953 million, income tax payments of ¥7,569 million, and a decrease in long-term lease obligations of ¥1,542 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥7,056 million. This was mainly due to purchases of marketable securities and investment securities of ¥12,041 million, time deposits of ¥3,020 million, and purchases of property, plant and equipment of ¥1,733 million. Cash inflows included ¥10,958 million from the sales of marketable securities and investment securities.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥8,810 million. This mainly reflected a cash inflow of ¥10,050 million due to the issuance of bonds with warrants in the second quarter of 2013. Cash outflows included dividends paid of ¥1,532 million.

Consolidated Balance Sheet

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 21,313	¥ 13,060	$ 207,086
Time deposits (Note 15)	6,629	3,609	64,407
Marketable securities (Notes 3 and 15)	3,509	4,045	34,095
Receivables (Note 15):			
Trade notes	5,196	5,321	50,490
Trade accounts	19,422	16,253	188,708
Unconsolidated subsidiaries and associated companies	580	43	5,640
Other	1,804	968	17,528
Allowance for doubtful accounts	(56)	(61)	(548)
Inventories (Note 4)	6,267	5,652	60,893
Lease receivables and investments in leases (Notes 13 and 15)	2,437	2,287	23,679
Deferred tax assets (Note 10)	959	1,046	9,322
Prepaid expenses and other current assets	410	517	3,974
Total current assets	68,470	52,740	665,274
PROPERTY, PLANT AND EQUIPMENT:			
Land	8,692	8,677	84,457
Buildings and structures	27,014	26,336	262,477
Machinery and equipment	7,512	7,057	72,988
Furniture and fixtures	8,813	8,126	85,629
Leased assets (Note 13)	251	361	2,443
Assets for rent (Note 13)	16,355	13,978	158,910
Construction in progress	101	191	978
Total	68,738	64,726	667,882
Accumulated depreciation	(37,617)	(34,805)	(365,503)
Net property, plant and equipment	31,121	29,921	302,379
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 15)	16,223	14,997	157,628
Investments in and advances to unconsolidated subsidiaries and associated companies	607	883	5,897
Goodwill	111	121	1,079
Life insurance fund	1,117	1,110	10,854
Deferred tax assets (Note 10)	863	334	8,383
Other assets	4,336	3,862	42,132
Allowance for doubtful accounts	(60)	(66)	(583)
Allowance for investment loss (Note 15)	(485)		(4,714)
Total investments and other assets	22,712	21,241	220,676
TOTAL	¥122,303	¥103,902	$1,188,329

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Shortterm borrowings (Notes 5 and 15)	¥ 435	¥ 216	$ 4,230
Current portion of long-term bank loans (Notes 5 and 15)	28		271
Payables (Note 15):			
Trade accounts	10,149	7,979	98,610
Other	2,443	2,535	23,732
Income taxes payable	2,376	3,460	23,089
Accrued expenses	2,131	1,947	20,708
Current portion of long-term lease obligations (Notes 5, 13 and 15)	2,148	1,981	20,869
Other current liabilities	1,129	1,094	10,968
Total current liabilities	20,839	19,212	202,477
LONG-TERM LIABILITIES:			
Bonds with warrants (Notes 5, 6 and 15)	10,043		97,576
Long-term bank loans (Notes 5 and 15)	444	458	4,317
Liability for retirement benefits (Note 7)	4,084	3,279	39,678
Long-term lease obligations (Notes 5, 13 and 15)	3,598	3,665	34,958
Provision for environmental measures	46	46	450
Deferred tax liabilities (Note 10)	366	265	3,553
Other long-term liabilities	312	351	3,034
Total long-term liabilities	18,893	8,064	183,566
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 16 and 17)			
EQUITY (Notes 8, 9 and 20):			
Common stock—authorized, 126,000,000 shares; issued, 30,828,587 shares in 2014 and 30,792,587 shares in 2013	4,166	4,136	40,478
Capital surplus	49,836	49,806	484,220
Stock acquisition rights	18	29	180
Retained earnings	27,485	21,656	267,051
Treasury stock—at cost, 149,396 shares in 2014 and 188,384 shares in 2013	(384)	(477)	(3,729)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	621	766	6,035
Foreign currency translation adjustments	1,024	434	9,948
Defined retirement benefit plans	(196)		(1,903)
Total	82,570	76,350	802,280
Minority interests	1	276	6
Total equity	82,571	76,626	802,286
TOTAL	¥122,303	¥103,902	$1,188,329

Consolidated Statement of Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES	¥72,794	¥66,717	$707,291
COST OF SALES	39,885	35,907	387,538
Gross profit	32,909	30,810	319,753
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	21,367	19,571	207,611
Operating income	11,542	11,239	112,142
OTHER INCOME (EXPENSES):			
Interest and dividend income	482	348	4,686
Interest expense	(90)	(109)	(871)
Foreign exchange gain—net	238	308	2,310
Other—net	600	155	5,832
Other income—net	1,230	702	11,957
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	12,772	11,941	124,099
INCOME TAXES (Note 10):			
Current	5,532	5,155	53,751
Deferred	(158)	(386)	(1,535)
Total income taxes	5,374	4,769	52,216
NET INCOME BEFORE MINORITY INTERESTS	7,398	7,172	71,883
MINORITY INTERESTS IN NET INCOME	13	78	128
NET INCOME	¥ 7,385	¥ 7,094	$ 71,755

	Yen		U.S. Dollars
	2014	2013	2014
PER SHARE OF COMMON STOCK (Notes 2 and 19):			
Basic net income	¥241.01	¥231.54	$2.34
Diluted net income	227.13	230.94	2.21
Cash dividends applicable to the year	50.00	45.00	0.49

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥7,398	¥7,172	$71,883
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(145)	792	(1,410)
Foreign currency translation adjustments	632	380	6,139
Total other comprehensive income	487	1,172	4,729
COMPREHENSIVE INCOME	¥7,885	¥8,344	$76,612
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	¥7,830	¥8,248	$76,078
Minority interests	55	96	534

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Thousands	Millions of Yen						
						Treasury Stock		
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, APRIL 1, 2012	30,679,387	¥4,040	¥49,710	¥63	¥16,097	¥ (1)	¥ (10)	¥ (11)
Net income					7,094			
Cash dividends, ¥50.00 per share					(1,535)			
Issuance of new shares—exercise of stock acquisition rights	113,200	96	96					
Purchase of treasury stock						(16)	(518)	(534)
Disposal of treasury stock from the Trust							68	68
Net change in the year				(34)				
BALANCE, MARCH 31, 2013	30,792,587	4,136	49,806	29	21,656	(17)	(460)	(477)
Net income					7,385			
Cash dividends, ¥50.00 per share					(1,531)			
Issuance of new shares—exercise of stock acquisition rights	36,000	30	30					
Purchase of treasury stock						(24)		(24)
Disposal of treasury stock from the Trust							117	117
Change in scope of consolidation					(25)			
Net change in the year				(11)				
BALANCE, MARCH 31, 2014	30,828,587	¥4,166	¥49,836	¥18	¥27,485	¥(41)	¥(343)	¥(384)

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	¥ (26)	¥ 72		¥69,945	¥200	¥70,145
Net income				7,094		7,094
Cash dividends, ¥50.00 per share				(1,535)		(1,535)
Issuance of new shares—exercise of stock acquisition rights				192		192
Purchase of treasury stock				(534)		(534)
Disposal of treasury stock from the Trust				68		68
Net change in the year	792	362		1,120	76	1,196
BALANCE, MARCH 31, 2013	766	434		76,350	276	76,626
Net income				7,385		7,385
Cash dividends, ¥50.00 per share				(1,531)		(1,531)
Issuance of new shares—exercise of stock acquisition rights				60		60
Purchase of treasury stock				(24)		(24)
Disposal of treasury stock from the Trust				117		117
Change in scope of consolidation				(25)		(25)
Net change in the year	(145)	590	¥(196)	238	(275)	(37)
BALANCE, MARCH 31, 2014	¥621	¥1,024	¥(196)	¥82,570	¥ 1	¥82,571

	Thousands of U.S. Dollars (Note 1)						
					Treasury Stock		
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, MARCH 31, 2013	$40,182	$483,924	$284	$210,419	$(168)	$(4,470)	$(4,638)
Net income				71,755			
Cash dividends, $0.49 per share				(14,876)			
Issuance of new shares—exercise of stock acquisition rights	296	296					
Purchase of treasury stock					(229)		(229)
Disposal of treasury stock from the Trust						1,138	1,138
Change in scope of consolidation				(247)			
Net change in the year			(104)				
BALANCE, MARCH 31, 2014	$40,478	$484,220	$180	$267,051	$(397)	$(3,332)	$(3,729)

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$7,445	$4,220		$741,836	$2,679	$744,515
Net income				71,755		71,755
Cash dividends, $0.49 per share				(14,876)		(14,876)
Issuance of new shares—exercise of stock acquisition rights				592		592
Purchase of treasury stock				(229)		(229)
Disposal of treasury stock from the Trust				1,138		1,138
Change in scope of consolidation				(247)		(247)
Net change in the year	(1,410)	5,728	$(1,903)	2,311	(2,673)	(362)
BALANCE, MARCH 31, 2014	$6,035	$9,948	$(1,903)	$802,280	$ 6	$802,286

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥12,772	¥11,941	$124,099
Adjustments for:			
Income taxes—paid	(7,569)	(3,724)	(73,543)
Depreciation and amortization	4,805	4,258	46,689
(Gain) loss on sales and redemption of investment securities-net	(900)	41	(8,749)
Increase in allowance for investment loss	485		4,714
Changes in assets and liabilities:			
Increase in receivables	(2,953)	(3,660)	(28,694)
Increase in inventories	(389)	(295)	(3,776)
Increase in lease receivables and investments in leases	(121)	(29)	(1,171)
Increase in assets for rent	(2,309)	(1,465)	(22,438)
Increase in payables	1,953	3,539	18,972
Decrease in long-term lease obligations	(1,542)	(1,341)	(14,984)
Other—net	2,142	201	20,808
Total adjustments	(6,398)	(2,475)	(62,172)
Net cash provided by operating activities	6,374	9,466	61,927
INVESTING ACTIVITIES:			
Increase in time deposits	(3,020)	(3,609)	(29,342)
Purchases of marketable securities	(5,697)	(4,995)	(55,350)
Proceeds from sales of marketable securities	7,503	5,939	72,898
Purchases of property, plant and equipment	(1,733)	(1,949)	(16,835)
Purchases of intangible assets	(235)	(686)	(2,282)
Purchases of investment securities	(6,344)	(6,414)	(61,643)
Proceeds from sales of investment securities	3,455	1,629	33,567
Purchases of shares of subsidiaries and associated companies	(595)		(5,778)
Other—net	(390)	(243)	(3,789)
Net cash used in investing activities	(7,056)	(10,328)	(68,554)
FORWARD	¥ (682)	¥ (862)	$ (6,627)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	220	43	2,134
Repayments of long-term bank loans	(157)	(61)	(1,524)
Proceeds from long-term bank loans	171	519	1,663
Purchase of treasury stock	(24)	(534)	(229)
Proceeds from issuance of bonds with warrants	10,050		97,649
Dividends paid	(1,532)	(1,533)	(14,889)
Other—net	82	151	793
Net cash provided by (used in) financing activities	8,810	(1,415)	85,597
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	115	79	1,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,243	(2,198)	80,090
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	10		101
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,060	15,258	126,895
CASH AND CASH EQUIVALENTS, END OF YEAR	¥21,313	¥13,060	$207,086

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Paramount Bed Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 10 significant (nine in 2013) subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America ("U.S. GAAP") tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (5) exclusion of minority interests from net income, if contained in net income.

c. *Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d. *Inventories*—Inventories are stated at the lower of cost, determined principally by the average cost method, or net selling value, except for supplies which are stated by the most recent purchase price method.

e. *Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investments in Limited Partnership ("LPS") and similar ventures (considered as securities under the Japanese Financial Instruments and Exchange Act) are stated at the amounts of corresponding equity portion based on the most recent available financial statements on the reporting date stipulated in the contracts of the LPS and the ventures.

f. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998 and assets for rent of the consolidated domestic subsidiaries and substantially all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally three to 50 years for buildings and structures, four to 11 years for machinery and equipment, two to 20 years for furniture and fixtures, and three to eight years for assets for rent.

g. *Long-lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. *Amortization of Goodwill*—The differences between the cost and underlying net equity of investments in consolidated subsidiaries at acquisition are included in investments and other assets and are amortized on a straight-line basis over five years.

i. *Other Assets*—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Software development costs for internal use are amortized by the straight-line method over the estimated useful lives.

j. *Allowance for Doubtful Accounts*—The allowance for doubtful accounts is estimated based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

k. *Allowance for Investment Loss*—The allowance for investment loss is estimated for possible future loss from nonmarketable investment securities considering their financial conditions.

l. *Bonuses to Directors*—Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

m. *Provision for Environmental Measures*—The Group estimates a provision for future losses resulting from the treatment of Polychlorinated Biphenyl ("PCB") wastes required by the law concerning "Special Measures for Promotion of Proper Treatment of PCB Wastes."

n. *Retirement and Pension Plans*—The Company and certain consolidated subsidiaries have defined contribution and defined benefit pension plans based on a point system. The defined benefit pension plan provides for a lump-sum payment to terminated employees. A premium severance may be paid to employees terminating their employment.

A straight-line basis is used for the method of attributing expected benefit to periods in determining defined benefit obligation. The Company and certain domestic consolidated subsidiaries, however, apply the simplified method. Past service costs are amortized on a straight-line basis over a certain period (10 years) within the average remaining service period. Actuarial gains and losses are amortized on a straight-line basis over a certain period (10 years) within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of fiscal years beginning on or after April 1, 2013, and for (c) above is effective for the beginning of fiscal years beginning on or after April 1, 2014, or for the beginning of fiscal years beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥4,084 million ($39,678 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥196 million ($1,903 thousand). Net assets per share decreased by ¥6.38 ($0.06) as of March 31, 2014.

o. *Stock Options*—ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

p. *Research and Development Costs*—Research and development costs are charged to income as incurred.

q. *Leases*—As a lessee, all finance lease transactions are capitalized to recognize leased assets, assets for rent and lease obligations in the balance sheet.

As a lessor, all finance leases that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

r. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

s. *Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

t. *Foreign Currency Financial Statements*—The balance sheet accounts and revenue and expenses accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

u. *Derivatives and Hedging Activities*—The Group uses derivative financial instruments, such as foreign exchange forward contracts to manage its exposures to fluctuations in foreign exchange rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts which qualify for hedge accounting employed to hedge foreign exchange exposures for import purchases are translated at the foreign exchange rate stipulated in the contract.

The Group evaluates hedge effectiveness semiannually by comparing total cash flow of hedging instruments and items hedged.

v. *Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

w. *Trust-type Employee Stock Ownership Incentive Plan*—On September 18, 2012, the Company's board of directors approved the reintroduction of the "Trust-type Employee Stock Ownership Incentive Plan" (the "Plan") for the purpose of providing an incentive to enhance corporate value on a mid- and long-term basis.

According to the Plan, the "Paramount Bed Group Employee Stock Ownership Plan Exclusive Trust Account" (the "Trust") acquired 204,700 shares of the Company's stock for a corresponding number of shares which are expected to be acquired by the "Paramount Bed Group Employee Stock Ownership Association" (the "Stock Ownership Association") during the four years subsequent to October 2012. Subsequently, the Trust transfers the Company's stock to the Stock Ownership Association by the time the Trust terminates and gains on sale of the Company's stock accumulated in the Trust will be distributed as residual assets to eligible employees. Additionally, as the Company grants a guarantee to the Trust on the bank loans for purchasing the Company's stock, the Company is liable for repayment of such debt pursuant to the guarantee agreement. The guarantee agreement stipulates that the Company guarantees repayment of debt at the end of the term of the Trust, which, in case, is equivalent to an accumulated loss on sale of stock due to a decline in stock price.

Assets, liabilities, profits and losses in the accompanying consolidated financial statements include those of the Trust, including the Company's stock held by the Trust, as the Trust was established by the Company and its bank loans to purchase the Company's stock are guaranteed by the Company. The number of treasury stock includes shares held by the Trust. As of March 31, 2014 and 2013, the Trust holds 135,600 shares and 181,900 shares of the Company's stock, respectively.

x. *Accounting Changes and Error Corrections*—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections."

Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

y. *New Accounting Pronouncements*

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

The revision mainly focused on the accounting treatment for unrecognized actuarial gains and losses and past service costs, methods for calculating retirement benefit obligations and current service costs, and the enhancement of disclosure. The revised method for calculating retirement benefit obligations and current service costs will be applied from the fiscal year beginning on April 1, 2014. Since the revised accounting standard and the guidance specified tentative treatments, the revision will not be applied retrospectively to the consolidated financial statements in prior periods.

The effect of applying the revised accounting standard and the guidance on the consolidated financial statements is expected to be immaterial.

Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts—On December 25, 2013, the ASBJ issued PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts". This PITF is effective for the beginning of fiscal years beginning on or after April 1, 2014, with earlier application permitted from the beginning of fiscal years first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon, in case, transfer of treasury stock to employee stockownership trust by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year end, the entity shall record (1) the entity stock held by employee stockownership trust as treasury stock in equity, (2) all other assets and liabilities of employee stockownership trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by employee stockownership trust to the employee stock ownership association, (ii) dividends received from the entity for the stock held by employee stockownership trust, and (iii) any expenses relating to employee stockownership trust.

The Company expects to apply the PITF from the beginning of the fiscal year beginning on April 1, 2014. However, the PITF permits an entity to continue the accounting treatments previously applied for agreements entered into before the effective date of the PITF. As the relevant trust agreement has been concluded before then, the same accounting treatment will be applied as previously. Therefore, applying the PITF has no effects in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current:			
Commercial papers and money management funds		¥ 998	
Debt securities	¥ 1,709	1,747	$ 16,604
Other	1,800	1,300	17,491
Total	¥ 3,509	¥ 4,045	$ 34,095
Non-current:			
Equity securities	¥ 1,763	¥ 2,259	$ 17,128
Debt securities	4,405	4,517	42,805
Other	10,055	8,221	97,695
Total	¥16,223	¥ 14,997	$157,628

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, were as follows:

March 31, 2014	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 312	¥ 328	¥ 2	¥ 638
Debt securities	5,638	119	43	5,714
Other	11,338	665	148	11,855
Held-to-maturity	400	0	2	398

March 31, 2013	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 312	¥ 297	¥ 4	¥ 605
Debt securities	5,256	346	39	5,563
Other	10,674	662	117	11,219
Held-to-maturity	700		16	684

March 31, 2014	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 3,030	$ 3,183	$ 16	$ 6,197
Debt securities	54,787	1,155	419	55,523
Other	110,159	6,465	1,438	115,186
Held-to-maturity	3,886	3	21	3,868

The information for available-for-sale securities which were sold during the years ended March 31, 2014 and 2013, was as follows:

March 31, 2014	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Debt securities	¥ 1,207	¥ 457	
Other	2,060	390	¥ 2
Total	¥ 3,267	¥ 847	¥ 2
March 31, 2013			
Available-for-sale:			
Debt securities	¥ 340	¥ 26	
Other	1,056	26	¥ 50
Total	¥ 1,396	¥ 52	¥ 50

March 31, 2014	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Debt securities	$ 11,732	$ 4,444	
Other	20,014	3,788	$ 18
Total	$ 31,746	$ 8,232	$ 18

4. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Merchandise	¥ 2,909	¥ 1,008	$ 28,266
Finished products	1,316	3,087	12,790
Raw materials	1,658	1,243	16,112
Work in process	307	244	2,981
Supplies	77	70	744
Total	¥ 6,267	¥ 5,652	$ 60,893

5. SHORT-TERM BORROWINGS AND LONGTERM DEBT

Short-term borrowings at March 31, 2014 and 2013, consisted of bank overdrafts and trade receivables factoring. The weighted-average interest rates applicable to the short-term borrowings at March 31, 2014 and 2013, were 1.1% and 0.9%, respectively. Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Bank loans by the Trust, six-month Tokyo Inter Bank Offered Rate (TIBOR) plus 0.45% and due 2019	¥ 472	¥ 458	$ 4,588
Bonds with warrants	10,043		97,576
Long-term lease obligations	5,746	5,646	55,827
Total	16,261	6,104	157,991
Less current portion	(2,176)	(1,981)	(21,140)
Long-term debt, less current portion	¥ 14,085	¥ 4,123	$ 136,851

Annual maturities of long-term debt at March 31, 2014, for the next five years and thereafter were as follows:

Year Ending March 31	Long-term bank loans		Lease obligations	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 28	$ 271	¥ 2,148	$ 20,869
2016	37	361	1,551	15,071
2017	338	3,285	901	8,751
2018	37	361	634	6,165
2019	32	310	349	3,389
2020 and thereafter			163	1,582
Total	¥ 472	$ 4,588	¥ 5,746	$ 55,827

No assets were pledged as collateral at March 31, 2014 and 2013.

6. BONDS WITH WARRANTS

Bonds with warrants at March 31, 2014 consisted of the following:

Issuer/ description	Issued date	Millions of Yen	Thousands of U.S. Dollars	Coupon rate (%)	Secured/ unsecured	Due
The Company						
Yen bonds with warrants due 2018	July 26, 2013	¥ 10,043	$ 97,576	0.00	Unsecured	July 26, 2018
Total		¥ 10,043	$ 97,576			

Notes:

(*1) Details of the above bonds with warrants are as follows:

Type of shares: Common stock

Issue value of warrants: No consideration

Issue price of shares: ¥4,106 ($39.90) per share

Total issue value: ¥10,000 million ($97,163 thousand)

Percentage of warrants granted: 100%

Warrants exercise period: From August 9, 2013 to July 12, 2018

The warrants are exercised in exchange for the bonds and the payment amount upon exercise is equivalent to the face amount of bonds. Issue price of shares is subject to adjustment related to stock splits and certain other events.

(*2) Annual maturities of bonds with warrants at March 31, 2014, for the next five years were as follows:

Year Ending March 31	Bonds with warrants	
	Millions of Yen	Thousands of U.S. Dollars
2015		
2016		
2017		
2018		
2019	¥ 10,000	$ 97,163
Total	¥ 10,000	$ 97,163

7. RETIREMENT AND PENSION PLANS

Year ended March 31, 2014

The Company and certain consolidated subsidiaries have defined contribution and defined benefit pension plans based on a point system. The defined benefit pension plan provides for a lump-sum payment to terminated employees. Points are granted based on the participating employees' pay, years of service, position and certain other factors. The Company and certain consolidated subsidiaries also maintain closed pension plans for the pension beneficiaries. A premium severance may be paid to employees terminating their employment.

In addition to the plans above, the Company and certain consolidated subsidiaries participate in the Tokyo Pharmaceutical Welfare Annuity Foundation, a multiemployer pension plan for employees in the same industry. Among those, plans for which it is difficult to reasonably calculate the plan assets corresponding to their contributions are accounted for in the same way as defined contribution pension plans.

Defined benefit pension plans

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 3,793	$ 36,851
Current service cost	309	3,006
Interest cost	49	477
Actuarial losses	17	167
Benefits paid	(68)	(664)
Balance at end of year	¥ 4,100	$ 39,837

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 22	$ 218
Actuarial gains	0	1
Benefits paid	(6)	(60)
Balance at end of year	¥ 16	$ 159

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 16	$ 151
Plan assets	(16)	(159)
	(0)	(8)
Unfunded defined benefit obligation	4,084	39,686
Net liability arising from defined benefit obligation	¥ 4,084	$ 39,678

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 4,084	$ 39,678
Net liability arising from defined benefit obligation	¥ 4,084	$ 39,678

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current service cost	¥ 309	$ 3,006
Interest cost	49	477
Recognized actuarial losses	36	346
Amortization of past service cost	128	1,247
Others	42	403
Net periodic benefit costs	¥ 564	$ 5,479

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S.Dollars
Unrecognized past service cost	¥ 96	$ 935
Unrecognized actuarial losses	208	2,021
Total	¥ 304	$ 2,956

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

Public and corporate debt securities	39.4%
Foreign securities	32.3
Loans receivable	15.3
Equity securities	7.7
Others	5.3
Total	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	0.6% to 1.5%
Expected rate of return on plan assets	0.0%

Defined contribution pension plans

The required contribution of the Company and certain consolidated subsidiaries to the defined contribution pension plans amounted to ¥117 million ($1,134 thousand) for the year ended March 31, 2014.

Multiemployer pension plan

The required contribution to the multiemployer pension plan which is accounted for in the same way as the defined contribution pension plan, amounted to ¥258 million ($2,508 thousand) as of March 31, 2014.

(1) Funding status of the multiemployer pension plan as of March 31, 2013 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Plan assets	¥ 465,230	$ 4,520,305
Pension liabilities (actuarial liability plus balance of unamortized past service cost)	497,125	4,830,209
Deficit	¥ (31,895)	$ (309,904)

(2) Contributions by the Group as a percentage of total contributions to the multiemployer pension plan

Information for the period of:	March 1 to 31, 2014
Contribution percentage	1.4%

(3) Supplementary information

The deficit presented above is mainly due to the balance of unamortized past service cost of ¥49,513 million ($481,087 thousand) and the surplus of ¥17,618 million ($171,183 thousand) for the year ended March 31, 2014.

Unamortized prior service cost represents present value of special contributions, principal and interest of which are amortized using the straight-line method. The contribution rate borne by the employer is 1.55% and the remaining amortization period is nine years and zero months as of April 1, 2013.

Year ended March 31, 2013

The Company and certain consolidated subsidiaries have defined contribution and defined benefit pension plans based on a point system. The defined benefit pension plan provides for a lump-sum payment to terminated employees. Points are granted based on the participating employees' pay, years of service, position and certain other factors. The Company and certain consolidated subsidiaries also maintain closed pension plans for the pension beneficiaries. A premium severance may be paid to employees terminating their employment.

In addition to the plans above, the Company and certain consolidated subsidiaries participate in the Tokyo Pharmaceutical Welfare Annuity Foundation, a multiemployer pension plan for employees in the same industry. The projected benefit obligation and plan assets of the Group as presented below do not include the projected benefit obligation and plan assets of this multiemployer plan, for which required contributions to the plan are expensed to retirement benefit costs as incurred.

Information concerning the multiemployer plan for which required contributions are expensed to retirement benefit costs as incurred is as follows:

(1) Overall funded status

	Millions of Yen
Information as of (*1):	March 31, 2012
Plan assets	¥ 414,218
Projected benefit obligation	(459,016)
Net	¥ (44,798)

Note:

(*1) The amounts presented above are the latest information available at the time of release of the accompanying consolidated financial statements for the year ended March 31, 2013. The date of the information is a year before the fiscal year-end, which is March 31, 2012.

(2) Contributions by the Group as a percentage of total contributions to the multiemployer pension plan

Information for the period of:	March 1 to 31, 2013
Contribution percentage	1.4%

(3) Supplementary explanation

For the year ended March 31, 2013, the net balance presented in (1) is mainly composed of unamortized prior service cost of ¥38,603 million and pension shortfall carried forward of ¥3,216 million and pension shortfall for the year of ¥2,979 million.

Unamortized prior service cost represents present value of special contributions. It is amortized through amortization of principal and interest using the straight-line method. The contribution rate borne by the employer is 1.55% and the remaining amortization period is six years and 10 months as of March 31, 2012.

The liability for the Group's employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 3,752
Fair value of plan assets	(22)
Unrecognized actuarial loss	(226)
Unrecognized prior service cost	(225)
Liability for employees' retirement benefits	¥ 3,279

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 286
Interest cost	54
Recognized actuarial loss	22
Amortization of prior service cost	123
Contribution paid to welfare annuity foundation	247
Contribution paid to defined contribution benefit plan	108
Other	24
Net periodic benefit costs	¥ 864

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Method for allocating expected benefit obligation	Straight-line method
Discount rate	1.5%
Expected rate of return on plan assets	0.0%
Recognition period of actuarial gain/loss	10 years
Amortization period of prior service cost	10 years

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. ***Treasury Stock and Treasury Stock Acquisition Rights***

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2014, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant (*1)	Exercise Price	Exercise Period
2011 Stock Options	One director, four executive officers, and 15 employees 605 directors and employees of subsidiaries	259,000 shares	October 1, 2011	¥1,396 ($13.56)	From October 1, 2011 to July 16, 2014

Note:

(*1) In connection with the exchange of shares transaction approved at Paramount Bed's shareholders' meeting on June 29, 2011, stock options issued by Paramount Bed before the share exchange were cancelled as of October 1, 2011, the effective date of the share exchanges and, in return, the Company issued new options to holders of the cancelled options.

The stock option activity is as follows:

	Year Ended March 31, 2013
Vested	
March 31, 2012—Outstanding	211,700
Vested	
Exercised	(113,200)
Canceled	(500)
March 31, 2013—Outstanding	98,000

	Year Ended March 31, 2014
Vested	
March 31, 2013—Outstanding	98,000
Vested	
Exercised	(36,000)
Canceled	
March 31, 2014—Outstanding	62,000
Exercise price	¥ 1,396 ($ 13.56)
Average stock price at exercise	¥ 3,298 ($ 32.04)
Fair value price at grant date	¥ 298 ($ 2.90)

The Assumptions Used to Measure the Fair Value of the 2011 Stock Option

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 34%

Estimated remaining outstanding period: Three and a half years

Estimated dividend: ¥ 30.00 per share

Risk free interest rate: 0.46%

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Accrued bonuses	¥ 410	¥ 425	$ 3,988
Liability for directors' and audit & supervisory board members' retirement benefits	79	83	769
Liability for employees' retirement benefits	1,444	1,164	14,027
Tax loss carryforwards	1,099	596	10,680
Allowance for investment loss	173		1,680
Gain on valuation related to an exchange of shares transaction	244	244	2,371
Other	2,417	2,068	23,480
Less valuation allowance	(1,656)	(1,034)	(16,086)
Total	4,210	3,546	40,909
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	361	287	3,512
Gain on revaluation of land of subsidiary	30	23	287
Unrealized gain on available-for-sale securities	299	379	2,905
Loss on valuation related to an exchange of shares transaction	1,703	1,739	16,549
Other	361	3	3,504
Total	2,754	2,431	26,757
Net deferred tax assets	¥ 1,456	¥ 1,115	$ 14,152

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2014 with the corresponding figures for 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	38.0%	38.0%
Lower income tax rates applicable to income in certain foreign countries	(0.4)	(0.7)
Expenses not deductible for income tax purposes	1.2	0.5
Inhabitants taxes	0.3	0.1
Undistributed earnings on subsidiaries	0.2	0.4
Unrecognized deferred tax on unrealized intercompany profits	0.2	0.2
Change in valuation allowance for deferred tax assets	1.7	0.5
Other—net	0.9	0.9
Actual effective tax rate	42.1%	39.9%

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special reconstruction surtax will no longer be imposed from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from 38.0% to 35.6% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2014. The effect of this change is immaterial.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,257 million ($12,210 thousand) and ¥1,119 million for the years ended March 31, 2014 and 2013, respectively.

12. ADVERTISING COSTS

Advertising costs are expenses incurred for a placement of an advertisement in television, newspapers, magazines and others. Advertising costs were ¥1,203 million ($11,686 thousand) and ¥1,070 million for the years ended March 31, 2014 and 2013, respectively.

13. LEASES

The Group, as a lessee, leases certain servers and personal computers for internal use (machinery and equipment), as well as certain welfare equipment for rental business (assets for rent). As a lessor, the Group leases certain beds and other welfare equipment to its customers.

Total rental expenses, including lease payments under finance leases, for the years ended March 31, 2014 and 2013, were ¥3,079 million ($29,915 thousand) and ¥2,710 million, respectively. Total rental revenues, including lease income under finance leases, for the years ended March 31, 2014 and 2013, were ¥11,696 million ($113,641 thousand) and ¥9,626 million, respectively.

(1) The Group as Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 4	$ 44
Due after one year	8	76
Total	¥ 12	$ 120

(2) The Group as Lessor

The net lease receivables are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross receivables	¥597	¥681	$5,805
Unearned interest income	(34)	(55)	(336)
Lease receivables	¥563	¥626	$5,469

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross receivables	¥ 2,268	¥ 1,923	$ 22,039
Unearned interest income	(394)	(262)	(3,829)
Investments in leases	¥ 1,874	¥ 1,661	$ 18,210

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 160	$ 1,554
2016	147	1,431
2017	132	1,287
2018	82	799
2019	42	410
2020 and thereafter	34	324
Total	¥ 597	$ 5,805

Maturities of investments in leases for finance leases that deem not to transfer ownership of the leased property to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 609	$ 5,913
2016	515	5,003
2017	442	4,296
2018	316	3,073
2019	188	1,825
2020 and thereafter	198	1,929
Total	¥ 2,268	$ 22,039

14. RELATED PARTY TRANSACTIONS

There are no related party transactions during the year ended March 31, 2014.

During the year ended March 31, 2013, the Trust acquired the Company's stock from Fukuko Kimura, mother of Kyosuke Kimura, president and representative director of the Company, at the closing price immediately before the transaction date through the Tokyo Stock Exchange Trading Network System in the total amount of ¥441 million.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses its own funds and procures funds by issuance of bonds for operating capital and capital investments necessary to conduct its business activities. Cash surpluses, if any, are mainly invested in financial instruments such as deposits and marketable securities. It is the Group's policy not to use derivatives for speculative purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and accounts receivable, lease receivables and investments in leases are exposed to customer credit risk. Trade receivables in foreign currencies arising from business in foreign countries are exposed to the market risk of fluctuation in foreign currency exchange rates.

Marketable and investment securities are exposed to the risk of market price fluctuations and business risk of the investees.

Trade accounts payable are due within one year. Certain trade accounts payable arising from importing raw materials and others are denominated in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates. Other accounts payable are due within one year.

Lease obligations are mainly intended to finance purchases of assets for rent and capital investments and are due within six years from the balance sheet date.

Borrowings are mainly associated with the introduction of the "Trust-type Employee Stock Ownership Incentive Plan" and due within five years from the balance sheet date. Borrowings with variable interest rates are exposed to market risk fluctuation of interest rates.

Derivatives are forward foreign currency contracts used to hedge the market risk of fluctuation in foreign currency exchange rates of trade receivables and payables in foreign currencies. Please see Note 16 for more details about derivatives.

Bonds with warrants are used as funds for the purchase of welfare equipment for rental business of the Group and investments in domestic and overseas manufacturing facilities. The redemption date of the bonds is within five years after March 31, 2014.

(3) Risk Management for Financial Instruments

Credit risk management (counterparty default risk)

The Group manages its credit risk from trade receivables on the basis of internal credit limit guidelines, which include controls on payment terms and balances of each customer and monitoring of major customers' credit condition on a regular basis so that it can reduce its risk by early identification of a possible default caused by financial difficulties of customers.

With respect to derivatives, because the counterparties are limited to highly rated financial institutions, the Group does not anticipate any losses arising from credit risk.

Market risk management (foreign exchange risk and interest rate risk)

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

The execution and control of derivatives are made in accordance with internal guidelines which regulate the authorization of derivative transactions. Each transaction is executed by the relevant function under the approval of the person with defined authority.

Liquidity risk management (the risk that the Group cannot meet its contractual obligations in full on their maturity dates)

The Company and its major subsidiaries manage their liquidity risk by holding adequate volumes of liquid assets, along with preparing and updating adequate cash management plan on a monthly basis.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. The reasonably calculated values may fluctuate in case different assumptions are applied. The contract amounts regarding derivative transactions described in Note 16 do not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 21,313	¥ 21,313	
Time deposits	6,629	6,629	
Receivables	27,002	27,002	
Lease receivables and investments in leases	2,437	2,753	¥ 316
Marketable and investment securities			
Held-to-maturity debt securities	400	398	(2)
Available-for-sale securities	18,366	18,366	
Total	¥76,147	¥76,461	¥ 314
Payables	¥10,149	¥10,149	
Short-term borrowings	435	435	
Long-term bank loans (including current portion)	472	460	¥ 12
Lease obligations (including current portion)	5,746	5,981	(235)
Bonds with warrants	10,043	10,825	(782)
Total	¥ 26,845	¥ 27,850	¥ (1,005)
Derivative transactions (*1)	¥ 13	¥ 13	

March 31, 2013	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 13,060	¥ 13,060	
Time deposits	3,609	3,609	
Receivables	22,585	22,585	
Lease receivables and investments in leases	2,287	2,503	¥ 216
Marketable and investment securities			
Held-to-maturity debt securities	700	684	(16)
Available-for-sale securities	17,387	17,387	
Total	¥ 59,628	¥ 59,828	¥ 200
Payables	¥ 10,514	¥ 10,514	
Short-term borrowings	216	216	
Long-term bank loans	458	436	¥ 22
Lease obligations (including current portion)	5,646	5,656	(10)
Total	¥ 16,834	¥ 16,822	¥ 12
Derivative transactions (*1)	¥ 16	¥ 16	

March 31, 2014	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	$ 207,086	$ 207,086	
Time deposits	64,407	64,407	
Receivables	262,366	262,366	
Lease receivables and investments in leases	23,679	26,751	$ 3,072
Marketable and investment securities			
Held-to-maturity debt securities	3,886	3,868	(18)
Available-for-sale securities	178,449	178,449	
Total	$ 739,873	$ 742,927	$ 3,054
Payables	$ 98,610	$ 98,610	
Short-term borrowings	4,230	4,230	
Long-term bank loans (including current portion)	4,588	4,474	$ 114
Lease obligations (including current portion)	55,827	58,109	(2,282)
Bonds with warrants	97,576	105,179	(7,603)
Total	$ 260,831	$ 270,602	$ (9,771)
Derivative transactions (*1)	$ 123	$ 123	

Note:

(*1) Receivables and payables arising from derivative transactions are presented on a net basis and numbers in parenthesis denote net payables.

Cash and Cash Equivalents, Time Deposits, and Receivables

The carrying values approximate fair value because of their short maturities.

Lease Receivables and Investments in Leases

The fair values are measured at the amount calculated by discounting the sum of principal and interest after reflecting their collectability by the rate which would be applied if a similar new lease transaction were entered into.

Marketable and Investment Securities

The fair values are measured at the quoted market price of the stock exchange and at the quoted price obtained from the counterparty financial institutions. For certain debt securities, fair values are measured at the amount calculated by discounting the expected redemption value by the yield rate which would be expected if similar new debt securities were acquired. Fair value information on marketable and investment securities by classification is included in Note 3.

Payables and Short-Term Borrowings

The carrying values approximate fair value because of their short maturities.

Long-Term Bank Loans (including current portion) and Lease Obligations (including current portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the rate which would be applied if a similar new borrowing or lease transaction were entered into.

Bonds with Warrants

The fair values of the bonds issued by the Company are measured by the market price.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unlisted equity securities that do not have a quoted market price in an active market	¥ 1,431	¥ 1,143	$ 13,902
Investments in investment partnership	170	170	1,652

Allowance for investment loss is provided for the unlisted equity securities in the amount of ¥485 million ($4,714 thousand) and nil for the years ended March 31, 2014 and 2013, respectively.

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2014	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 159			
Time deposits	6,629			
Receivables	27,002			
Lease receivables and investments in leases	670	¥ 1,580	¥ 187	
Marketable and investment securities				
Held-to-maturity debt securities			200	¥ 200
Available-for-sale securities with contractual maturities				
Debt securities	1,709	3,185	507	313
Other	3,270	2,606	851	
Total	¥ 39,439	¥ 7,371	¥ 1,745	¥ 513

March 31, 2014	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 1,544			
Time deposits	64,407			
Receivables	262,366			
Lease receivables and investments in leases	6,515	$ 15,351	$ 1,813	
Marketable and investment securities				
Held-to-maturity debt securities			1,943	$ 1,943
Available-for-sale securities with contractual maturities				
Debt securities	16,605	30,951	4,929	3,038
Other	31,766	25,322	8,269	
Total	$383,203	$71,624	$16,954	$ 4,981

Please see Note 5 for annual maturities of long-term debt including obligations under finance leases.

16. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to highly rated financial institutions, the Group does not anticipate any losses arising from credit risk.

The execution and control of derivatives are made in accordance with internal guidelines which regulate the authorization of derivative transactions. Each transaction is executed by the relevant function under the approval of the person with defined authority.

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2014	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts: Buying U.S.$	¥ 253	¥ 146	¥ 13	¥ 13

March 31, 2013	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts: Buying U.S.$	¥ 211	¥ 121	¥ 16	¥ 16

March 31, 2014	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts: Buying U.S.$	$ 2,458	$ 1,423	$ 123	$ 123

The fair value of derivative transactions is measured at the quoted price obtained from the counterparty financial institutions.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

17. CONTINGENT LIABILITIES

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for employees' housing loans	¥ 85	$ 824
Recourse obligation for the balance on the transfers of payables in factoring transactions	1,634	15,872

18. COMPREHENSIVE INCOME

The components of other comprehensive income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 730	¥ 1,223	$ 7,097
Reclassification adjustments to profit or loss	(955)	92	(9,287)
Amount before income tax effect	(225)	1,315	(2,190)
Income tax effect	80	(523)	780
Total	¥ (145)	¥ 792	$ (1,410)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 632	¥ 380	$ 6,139
Total other comprehensive income	¥ 487	¥ 1,172	$ 4,729

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

Year Ended March 31, 2014	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares (*1)	EPS	
Basic EPS—Net income available to common shareholders	¥ 7,385	30,641,779	¥ 241.01	$ 2.34
Effect of dilutive securities—Bonds with warrants		1,826,595		
Effect of dilutive securities—Stock acquisition rights		46,028		
Diluted EPS—Net income for computation	¥ 7,385	32,514,402	¥ 227.13	$ 2.21

Year Ended March 31, 2013	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares (*1)	EPS	
Basic EPS—Net income available to common shareholders	¥ 7,094	30,635,890	¥ 231.54	
Effect of dilutive securities—Stock acquisition rights		80,588		
Diluted EPS—Net income for computation	¥ 7,094	30,716,478	¥ 230.94	

Note:

(*1) As the Company's stock held by the Trust is stated as treasury stock in the accompanying consolidated financial statements, the number of shares of such stock is not included in the number of shares of common stock and the weighted-average number of shares for the years used for computation of the basic and diluted EPS.

20. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 ($0.24) per share (*1)	¥ 767	$ 7,452

Note:

(*1) As the Company's stock held by the Trust is stated as treasury stock in the accompanying consolidated financial statements, the dividends to the Trust of ¥3 million ($33 thousand) are not included in the total amount of the year-end cash dividends above.

Acquisition of Treasury Stocks by Means of Tender Offer

The board of directors of the Company made a resolution on May 22, 2014 concerning acquisition of treasury stocks by means of a Tender Offer in accordance with paragraph 1 of Article 156 of the Companies Act with replacement of terms pursuant to paragraph 3 of Article 165 of the Companies Act and the Company's Articles of Incorporation.

1. Details of the resolution by the board of directors' meeting

(1) Type of shares to be acquired:	Common stock of the Company
(2) Total number of shares to be acquired:	1,500,100 shares (maximum)
(3) Total acquisition price of shares:	¥ 4,350,290,000 ($42,268,655) (maximum)
(4) Acquisition period:	From May 23, 2014 to June 30, 2014

2. Overview of the Tender Offer

(1) Tender Offer period:	From May 23, 2014 to June 19, 2014 (20 business days)
(2) Acquisition price:	¥ 2,900 ($28.18) per share
(3) Total number of shares to be acquired:	1,500,000 shares
(4) Date of public notice of commencement of the Tender Offer Bid:	May 23, 2014
(5) Settlement commencement date:	July 11, 2014

3. Results of the Tender Offer

(1) Total number of tendered shares:	1,400,233 shares
(2) Total number of shares acquired:	1,400,233 shares
(3) Total acquisition price:	¥ 4,060,675,700 ($39,454,680)

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segment

The Group has only one reportable segment, which is related to bed business, for the years ended March 31, 2014 and 2013.

(2) *Information about Products and Services*

	Millions of Yen						
	2014						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	¥ 34,808	¥ 5,021	¥ 4,464	¥ 3,607	¥ 14,136	¥ 10,758	¥ 72,794

	Millions of Yen						
	2013						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	¥ 32,355	¥ 4,617	¥ 4,455	¥ 3,483	¥ 13,063	¥ 8,744	¥ 66,717

	Thousands of U.S. Dollars						
	2014						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	$338,207	$48,790	$ 43,375	$ 35,051	$137,338	$104,530	$707,291

(3) *Information about Geographical Areas*

a. Sales

Millions of Yen					
2014					
Japan	Asia	Middle East	Europe	Other	Total
¥ 67,336	¥ 3,662	¥ 222	¥ 1,372	¥ 202	¥ 72,794

Millions of Yen					
2013					
Japan	Asia	Middle East	Europe	Other	Total
¥ 62,513	¥ 2,867	¥ 99	¥ 1,124	¥ 114	¥ 66,717

Thousands of U.S. Dollars					
2014					
Japan	Asia	Middle East	Europe	Other	Total
$ 654,254	$ 35,582	$ 2,163	$ 13,329	$ 1,963	$ 707,291

b. Property, plant and equipment

The Group operates mainly in Japan and total tangible fixed assets in foreign countries were less than 10% of consolidated tangible fixed assets as of March 31, 2014 and 2013.

(4) *Information about Major Customers*

In the years ended March 31, 2014 and 2013, there were no individual customers for whom sales exceeded 10% of consolidated net sales.

(5) *Information about Impairment Loss on Fixed Assets*

In the years ended March 31, 2014 and 2013, there were no impairment loss on fixed assets.

(6) *Information about Amortization of Goodwill and Unamortized Balance of Goodwill*

	Millions of Yen	
	2014	
	Bed	Total
Amortization	¥ 73	¥ 73
Unamortized balance of goodwill	111	111

	Millions of Yen	
	2013	
	Bed	Total
Amortization	¥ 138	¥ 138
Unamortized balance of goodwill	121	121

	Thousands of U.S. Dollars	
	2014	
	Bed	Total
Amortization	$ 712	$ 712
Unamortized balance of goodwill	1,079	1,079

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Paramount Bed Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Paramount Bed Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paramount Bed Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited

❶ **Paramount Bed Holdings Co., Ltd.**

DOMESTIC

MANUFACTURE AND SALES OF MEDICAL AND NURSING-CARE EQUIPMENT

◆❷ **Paramount Bed Co., Ltd.**
2-14-5 Higashisuna, Koto-ku, Tokyo 136-8670, Japan

INSPECTION, MAINTENANCE, AND LEASING OF BEDS AND OTHER PRODUCTS

◆❸ **Paratechno Co., Ltd.**
5-28-3, Hongo, Bunkyo-ku, Tokyo 113-8415, Japan

RENTAL AND WHOLESALE BUSINESS FOR NURSING-CARE GOODS

◆❹ **Paramount Care Service Co., Ltd.**
2-14-5, Higashisuna, Koto-ku, Tokyo 136-0074, Japan

OVERSEAS

REGIONAL OVERSIGHT COMPANY

◆❺ **Paramount Bed Asia Pacific Pte. Ltd.**
1 Raffles Place #19-01
One Raffles Place, Office Tower One, Singapore 048616

MANUFACTURING COMPANIES

◆❻ **PT. Paramount Bed Indonesia**
MM2100 Industrial Town, Block M-1-1 Export Processing Zone
Cikarang Barat Bekasi 17520, Jawa Barat, Indonesia

◆❼ **Paramount Bed (China) Co., Ltd.**
A-105 (Xin Mei Road) Wuxi National Hi and New Tech Industrial Development Zone, Wuxi, Jiangsu, 214028, China

◆❽ **Corona Medical S.A.S. France**
Z.A. la Fosse Neuve, Route de Meslay 37210 Parcay-Meslay, France

◇❾ **Paramount Bed Vietnam Co., Ltd.**
Lot H-1, Long Duc Industrial Park, Long Duc Ward,
Long Thanh Dist., Dong Nai Province, Vietnam

SALES COMPANIES

◇❿ **Paramount Bed (Thailand) Co.,Ltd.**
924 Talomsin Building 5th Fl., Rama 3 Rd., Bangpongpang
Yannawa, Bangkok 10120, Thailand

◇⓫ **Paramount Bed India Pvt. Ltd.**
1002A&B, 10th Floor, Welldone Tech Park, Sector-48,
Sohna Road, Gurgaon-122002, India

◇⓬ **Paramount Bed Mexico S.A. de C.V.**
Florencia No. 57 Piso 3 Col. Juarez Del. Cuauhtemoc CP 06600,
Mexico D.F. Mexico

◇⓭ **Paramount Bed Do Brasil Ltda.**
Rua Maestro Cardim 407, Salas 1009 E 1010, Liberdade
Cep: 01323-000 Sao Paulo-Sp-Brazil

REPRESENTATIVE OFFICE

⓮ **Paramount Bed Co., Ltd. Middle East Office**
Dubai Airport Free Zone, 4WB, Room No. G38, P.O. Box 293552,
Dubai, U.A.E.

◆Consolidated subsidiaries
◇Non-Consolidated subsidiaries

Corporate/Share Information

As of March 31, 2014

Corporate Name:	Paramount Bed Holdings Co., Ltd.
Head Office:	2-14-5, Higashisuna, Koto-ku, Tokyo 136-8671, Japan
Tel:	+81-3-3648-1100
Established:	October 1982
Capital:	¥4,166 million
Representatives:	Chairman: Kenji Kimura President and Chief Executive Officer: Kyosuke Kimura

Business Lines:

Paramount Bed Holdings Co., Ltd. is the holding company of a comprehensive medical group comprised of the core entity Paramount Bed Co. Ltd., which engages in the manufacture and sale of beds, mattresses, and equipment for medical and nursing care environments, and subsidiaries engaged in services such as the inspection and maintenance of Paramount Bed products and the leasing and wholesaling of assistive products. Paramount Bed Holdings Co., Ltd. is responsible for the planning, drafting, and implementation of Group management strategies, auditing of group management, and other tasks related to Group management control.

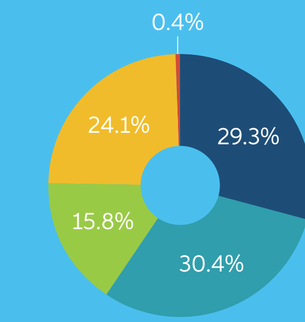
Number of Employees:	16 (non-consolidated) 2,404 (consolidated)
Number of Shares Authorized:	126,000,000
Number of Shares Issued:	30,828,587
Number of Shareholders:	12,547

Principal Shareholders:

Name	Number of shares held (thousand)	%
CTOK Co., LTD.	3,521	11.5
LLAGE WOOD Co.	2,873	9.3
NIUVALLEY CAPITAL LLC	2,179	7.1
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	1,212	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,078	3.5
Mizuho Bank, Ltd.	1,000	3.3
Kenji Kimura	912	3.0
Kyosuke Kimura	911	3.0
Michihide Kimura	910	3.0
Japan Trustee Services Bank, Ltd. (Trust Account)	844	2.7

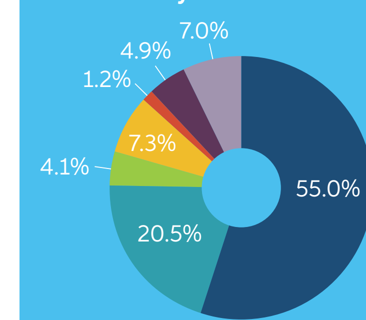
Note: Shareholding ratios are calculated without including the total number of treasury stock shares (13,796 shares).

Distribution by type of shareholder:



	%
Japanese individuals and others	29.3
Other Japanese companies	30.4
Foreign Investors	15.8
Japanese financial institutions	24.1
Japanese security companies	0.4

Distribution by number of shares held:



	%
500,000 or more	55.0
100,000 to 499,999	20.5
50,000 to 99,999	4.1
10,000 to 49,999	7.3
5,000 to 9,999	1.2
1,000 to 4,999	4.9
less than 1,000	7.0

PARAMOUNT BED
HOLDINGS

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