PARAMOUNT BED HOLDINGS

ANNUAL REPORT 2017 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. The 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 Paramount Bed 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 Group's business activities.

The Group consists of Paramount Bed Holdings and seven consolidated subsidiaries, eight non-consolidated subsidiaries and two affiliated companies (as of March 31, 2017). In the fiscal year ended March 2017, it had net sales of ¥73,199 million, operating income of ¥11,015 million, and net income attributable to owners of the parent of ¥9,035 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.

Financial Highlights

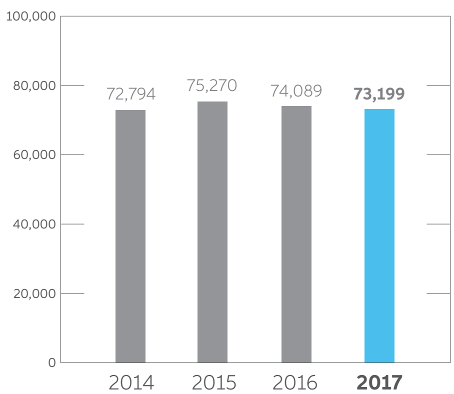
Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2017**	2016	**2017**
For the year			
Net sales	**¥ 73,199**	¥ 74,089	**$ 652,454**
Operating income	**11,015**	9,660	**98,184**
Income before income taxes	**11,243**	9,735	**100,214**
Net income attributable to owners of the parent	**9,035**	6,388	**80,530**
At year-end			
Total assets	**¥128,962**	¥126,280	**$1,149,500**
Total equity	**88,391**	85,224	**787,873**
	Yen		**U.S. dollars**
Years ended March 31,	**2017**	2016	**2017**
Per share			
Basic net income	**¥ 320.14**	¥ 221.76	**$ 2.85**
Diluted net income	**294.68**	204.48	**2.63**
Cash dividends applicable to the year	**90.00**	70.00	**0.80**

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥112.19 to U.S.$1, the approximate exchange rate at March 31, 2017.

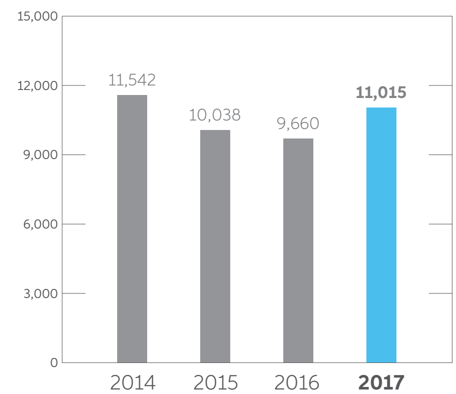
Net sales

(Millions of yen)



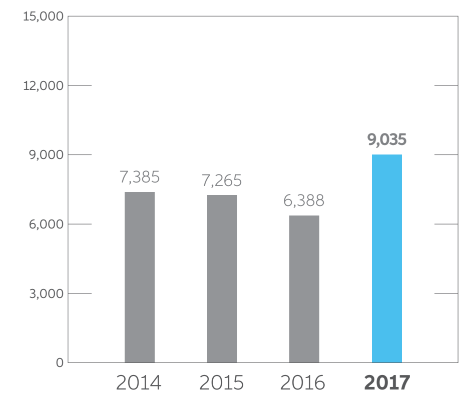
Operating income

(Millions of yen)



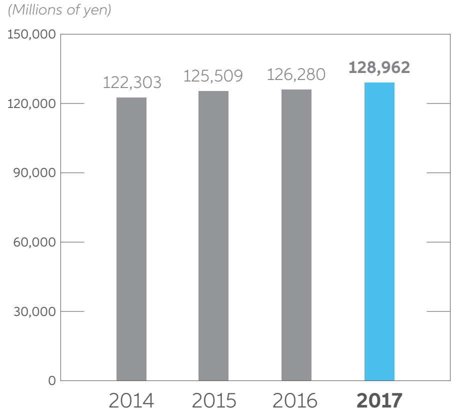
Net income attributable to owners of the parent

(Millions of yen)



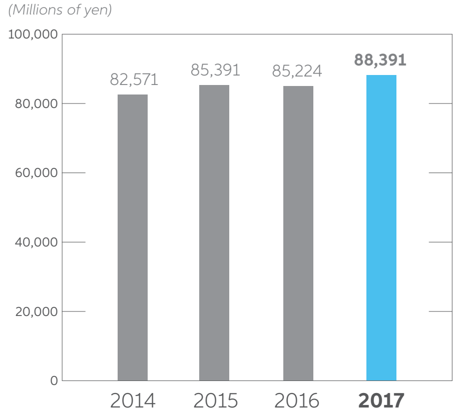
Total assets

(Millions of yen)



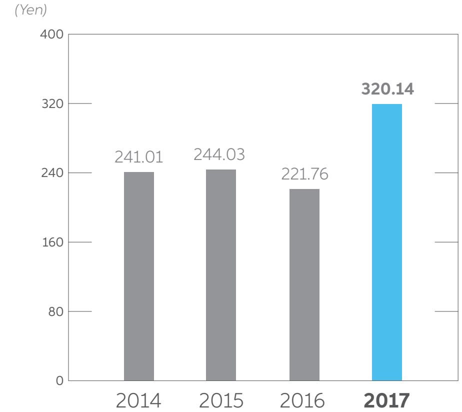
Total equity

(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 2017.

Kyosuke Kimura
President and
Chief Executive Officer

Business Results for the Fiscal Year under Review

The Company's consolidated net sales were ¥73,199 million (down 1.2% compared with the previous year). Aside from sales to facilities for the elderly, the maintenance business and the rental wholesale business for assistive products were solid, while sales to medical facilities in Japan were down.

Regarding profits, operating income was ¥11,015 million (up 14.0%), and net income attributable to owners of the parent was ¥9,035 million (up 41.4%) due primarily to cost reductions in production and to the effects of a decrease in prices of items procured from overseas because of the yen's appreciation.

For dividend payments for the fiscal year under review, a ¥10 per share commemorative dividend celebrating Paramount Bed's 70th anniversary was added to the year-end dividend of ¥40 per share for a total of ¥50 per share. As a result, including the interim dividend of ¥40 per share, the annual dividend was ¥90 per share.

For the dividend payment for the fiscal year ending March 2018, we plan to set both the interim dividend and the year-end dividend at ¥45 per share from the standpoint of stable, ongoing returns, for an annual dividend of ¥90 per share. We are wholly committed to providing the best profit returns to shareholders going forward.

Future Business Development

The Paramount Bed Group announced the medium-term business plan, or the 2020 Plan, which runs for five years from April 2016 to March 2021. The major targets of this plan are ¥100 billion in consolidated net sales and ¥14 billion in consolidated operating income in the fiscal year ending March 2021. The key policies of the plan are to (1) maintain/expand existing business areas, (2) to accelerate overseas business expansion, and (3) to strengthen R&D and create business models serving as "buds" of new growth. These activities aim to drive sustainable development and to boost corporate value.

In overseas business, we are focusing in particular on Asia and Central and South America. We plan to build assembly plants during the fiscal year ending March 2018 in Mexico and India, where we already have sales hubs. Through local production, we aim to minimize the burden of customs duties and further increase sales.

For new business models, we will strive to further popularize our Smart Bed System™, which enables the integrated management of a variety of biological information in addition to measuring a patient's heart rate and respiration rate in real time from the bed without the need to wear a device. By introducing this system, customers can expect to save on labor and to increase accuracy, among other benefits, amid concerns over further staff shortages at medical and nursing facilities.

We aim to drive steady growth in the Japanese and overseas markets by strengthening ties between Group companies. In all our efforts, we look forward to the continued understanding and cooperation of our shareholders.

Peace of mind and kindness from the comfort of a bed.

The Smart Bed System™, a comprehensive information system for bedside care, was developed with three concepts in mind: "comfortable recuperation of patients," "peace of mind for people supporting patients, such as family members and others," and "safer and more reassuring care from medical and nursing staff." A range of data that includes the sleeping condition and vital signs of the patient in bed is collected and integrated and that information can be shared at any time with family and medical and nursing staff. The Smart Bed System helps create an environment where the patient is closely cared for from his or her bedside using state-of-the-art technology.

Integrates patient information on bedside terminals

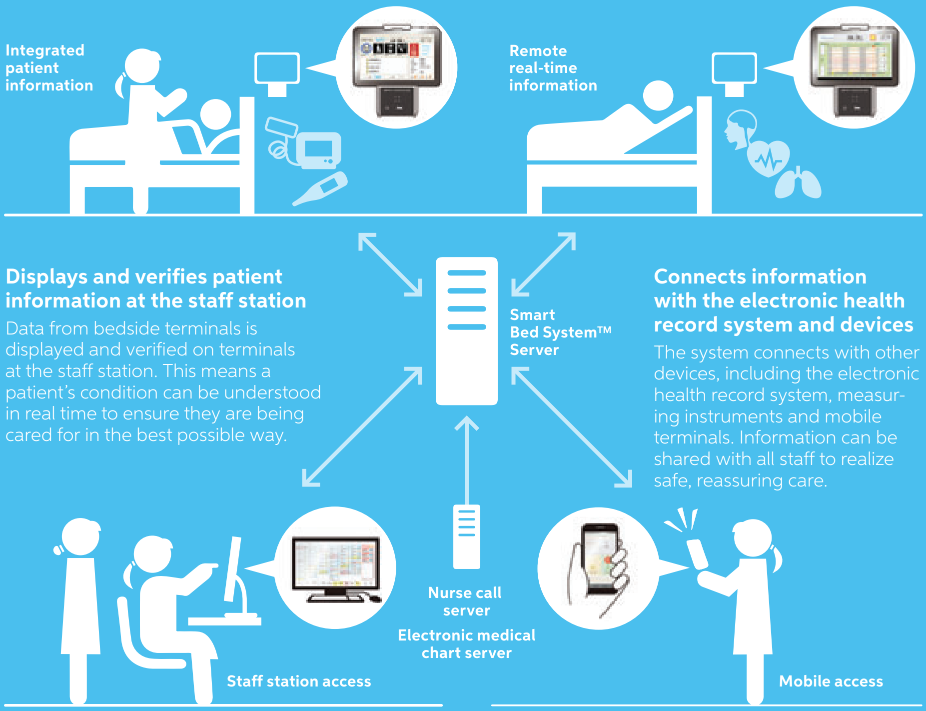
Data from sensors, such as sleep, waking, respiration rate and heart rate, is aggregated and displayed on the terminal.

Displays and verifies patient information at the staff station

Data from bedside terminals is displayed and verified on terminals at the staff station. This means a patient's condition can be understood in real time to ensure they are being cared for in the best possible way.

Connects information with the electronic health record system and devices

The system connects with other devices, including the electronic health record system, measuring instruments and mobile terminals. Information can be shared with all staff to realize safe, reassuring care.



Another exciting, productive year for our Group

MAY 2016

Announced medium-term business plan, the 2020 Plan

The medium-term business plan will run for five years from April 2016 to March 2021. The aims are to drive steady and ongoing growth and to boost corporate value, with financial targets set at ¥100 billion in consolidated net sales and ¥14 billion in consolidated operating income in the fiscal year ending March 2021.

Key Policies of the 2020 Plan

1. Maintain/ expand existing business areas
2. Accelerate overseas business expansion
3. Create new business models

AUG 2016

Exhibited at Annual Conference of The Japan Academy of Nursing Administration and Policies

SEP 2016

Won a Good Design Award for the Metis PRO Series

4 APR 2016 | 5 MAY 2016 | 6 JUN 2016 | 7 JUL 2016 | 8 AUG 2016 | 9 SEP 2016

APR 2016

Exhibited at Barrier Free 2016 (Osaka)

JUN 2016

Started sales of robotic nursing-care equipment ROBOHELPER SASUKE

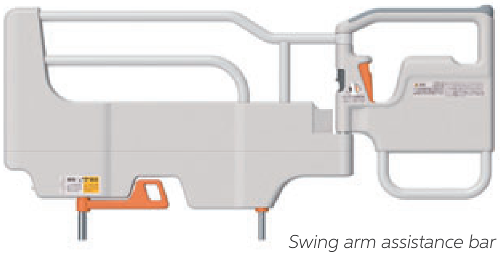
JUL 2016

Exhibited at International Modern Hospital Show 2016

JUL 2016

Started sales of the KS-098AG swing arm assist bar for medical and nursing facilities

This increases safety and convenience for both those in bed and staff through the introduction of a one-touch system for attaching it to a bed as well as changes to the shape of the arm and the operating lever.



Swing arm assistance bar (KS-098AG)
Suggested retail price: ¥52,000 (excluding tax)

JUL 2016

Expanded lineup of Metis PRO Series beds for medical facilities

Models with aluminum and wooden headboards were added to the range. The beds will be recommended for special rooms for use by VIPs.

Metis PRO Series (wooden headboard)
Suggested retail price: ¥890,000 (excluding tax)

JUL 2016

Established a showroom at the Paramount Bed Takamatsu Sales Office

OCT 2016

Launched the INTIME 1000 Series of electric beds for general households

Launched electric beds for general households with exceptional design

—Can be transformed for nursing care when required—

The INTIME 1000 Series of electric beds for general households, boasting exceptional design, was launched on October 13. There are 486 different models in this lineup. People can choose from a range of design variations, including the shape of the headboard and the color to match a room decor and individual tastes. The INTIME 1000 Series incorporates technologies amassed by the Group in the medical care field. The beds include a reclining mechanism that places a minimal load on the back and abdomen, making it useful for medical beds, and a memory setting feature so people can restore a preferred position. These and other inventive features ensure a comfortable time in bed, especially for reading or watching videos.

INTIME1000 Series
Suggested retail price:
from ¥145,000 (tax exempt)

FEB 2017

Expanded lineup of Metis PRO Series beds for medical facilities

10 OCT 2016 | 11 NOV 2016 | 12 DEC 2016 | 1 JAN 2017 | 2 FEB 2017 | 3 MAR 2017

DEC 2016

Launched the Fieldo Projection Systems for rehabilitation

DEC 2016

Won a 2016 Annual Grand Prize from TV Tokyo's WBS

Our Stretch Glide Rescue pressure-reduction mattress, which allows patients to be transported while lying on the mattress in case of an emergency, was awarded the 2016 Annual Grand Prize from the economic news TV program World Business Satellite (WBS), which is televised through TV Tokyo, in a section marking new trends.

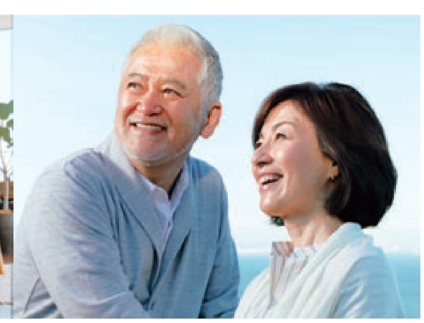
Stretch-Glide type R
Suggested retail price: open

MAR 2017

Introduced a new TV commercial for the INTIME 1000 Series

—Promoted an electric bed with exceptional design that can also be transformed for nursing—

The new TV commercial *Ima Yagate-hen* (lit. "For now and the future") was first broadcast in March. It promotes the INTIME 1000 Series of electric beds for general households with exceptional design that can also be transformed for nursing when required. The commercial shows a husband and wife with their daughter purchasing one of the beds and receiving it at their home. The catchphrase of the commercial translates as "the bed I want for now and the future." The INTIME 1000 provides ongoing gentle support as an electric bed that enriches one's lifestyle and as a nursing bed when required.



Financial Section

Business Results

Net Sales and Gross Profit

Consolidated net sales declined 1.2 % from the previous fiscal year to ¥73,199 million. This result primarily reflected a decrease in sales of products in Japan due to the impact of revisions to medical fees and nursing care compensation, despite solid performance in the rental wholesale business for assistive products in Japan as well.

Consolidated gross profit was up 6.5% from the previous fiscal year to ¥33,636 million. This was primarily due to the fact that the cost of sales dropped 6.9% from the previous fiscal year to ¥39,563 million. As a result, the consolidated gross profit margin increased 3.4 percentage point to 46.0%.

Operating income

Consolidated operating income was up 14.0% from the previous fiscal year to ¥11,015 million. This result primarily reflected the fact that while selling, general and administrative expenses increased 3.1% to ¥22,621 million, gross profit increased 6.5% to ¥33,636 million. As a result, the consolidated operating margin grew 2.0 percentage point to 15.0%.

Net income attributable to owners of the parent

Consolidated net income attributable to owners of the parent was up 41.4% from the previous fiscal year to ¥9,035 million.

As a result, net income attributable to owners of the parent per share increased to ¥320.14, from ¥221.76 a year earlier. Return on equity (ROE) was 10.4%.

Financial Condition

Assets

Consolidated current assets expanded ¥2,095 million from the end of the previous fiscal year to ¥73,085 million. This primarily reflected an increase in cash and deposits.

Consolidated noncurrent assets expanded ¥586 million to ¥55,877 million. This was primarily due to an increase in rental assets for the rental wholesale business for assistive products, a core business of a subsidiary, Paramount Care Service Co., Ltd.

As a result, consolidated total assets reached ¥128,962 million at the close of the fiscal year ended March 2017, up ¥2,682 million from a year earlier.

Liabilities

Consolidated current liabilities were down ¥1,732 million from the end of the previous fiscal year to ¥18,508 million. This was mainly a reflection of decreases in short-term borrowings and income taxes payable.

Consolidated long-term liabilities rose ¥1,247 million to ¥22,063 million. This was due primarily to increases in lease obligations and deferred tax liabilities.

As a result, consolidated liabilities totaled ¥40,570 million at the end of fiscal year under review, down ¥484 million from a year earlier.

Total Equity

Consolidated total net assets grew ¥3,167 million from the end of the previous fiscal year to ¥88,391 million. This primarily reflected an increase in retained earnings from the recording of net income attributable to owners of the parent. The shareholders' equity ratio was 68.5%.

Cash Flow

At the close of the fiscal year under review, consolidated cash and cash equivalents amounted to ¥27,644 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 ¥12,019 million. This primarily reflected increases such as ¥11,243 million in income before income taxes, ¥5,179 million in depreciation and amortization, and ¥279 million in liability for retirement benefits, and also because of decreases such as ¥3,589 million in income taxes paid and ¥1,545 million in long-term lease obligations.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥937 million. This result was mainly due to decreases such as ¥3,428 million in purchases of marketable securities and investment securities, ¥780 million in purchases of property, plant and equipment, and ¥1,885 million in payments for sales of shares of subsidiaries resulting in a change in scope of consolidation, and also because of increases such as ¥3,964 million in sales of marketable securities and investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥5,642 million. This was mainly a reflection of decreases such as ¥3,331 million in purchases of treasury stock and ¥2,134 million in dividends paid.

Consolidated Balance Sheet

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 27,644	¥ 22,616	$ 246,406
Time deposits (Note 13)	7,192	7,169	64,102
Marketable securities (Notes 3 and 13)	5,197	5,829	46,325
Receivables (Note 13):			
Trade notes	4,024	4,801	35,871
Trade accounts	18,263	18,071	162,790
Unconsolidated subsidiaries and associated companies	636	442	5,672
Other	1,114	1,386	9,925
Allowance for doubtful accounts	(45)	(58)	(397)
Inventories (Note 4)	6,060	7,270	54,012
Lease receivables and investments in leases (Notes 12 and 13)	1,963	2,278	17,497
Deferred tax assets (Note 10)	757	756	6,743
Prepaid expenses and other current assets	280	429	2,496
Total current assets	73,085	70,989	651,442
PROPERTY, PLANT AND EQUIPMENT:			
Land	8,650	8,717	77,104
Buildings and structures	27,257	27,457	242,953
Machinery and equipment	7,376	7,577	65,738
Furniture and fixtures	8,876	8,767	79,116
Leased assets (Note 12)	110	120	977
Assets for rent (Note 12)	22,858	19,244	203,747
Construction in progress	126	74	1,127
Total	75,253	71,956	670,762
Accumulated depreciation	(44,756)	(41,897)	(398,930)
Net property, plant and equipment	30,497	30,059	271,832
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	15,037	14,972	134,032
Investments in and advances to unconsolidated subsidiaries and associated companies	2,232	2,114	19,897
Goodwill	22	35	197
Life insurance fund	1,043	1,044	9,300
Deferred tax assets (Note 10)	2,043	1,992	18,207
Other assets	5,057	5,166	45,074
Allowance for doubtful accounts	(54)	(91)	(481)
Total investments and other assets	25,380	25,232	226,226
TOTAL	¥128,962	¥126,280	$1,149,500

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 5 and 13)		¥ 613	
Current portion of long-term bank loans (Notes 5 and 13)		34	
Payables (Note 13):			
Trade accounts	¥ 10,493	10,866	$ 93,526
Unconsolidated subsidiaries and associated companies	111	73	987
Other	2,136	2,086	19,044
Income taxes payable	714	1,782	6,363
Accrued expenses	2,034	2,069	18,126
Current portion of long-term lease obligations (Notes 5, 12 and 13)	1,889	1,577	16,835
Other current liabilities	1,131	1,140	10,087
Total current liabilities	18,508	20,240	164,968
LONG-TERM LIABILITIES:			
Bonds with warrants (Notes 5, 6 and 13)	10,013	10,023	89,246
Long-term bank loans (Notes 5 and 13)		76	
Liability for retirement benefits (Note 7)	5,565	5,321	49,602
Long-term lease obligations (Notes 5, 12 and 13)	4,034	3,378	35,961
Provision for environmental measures	42	42	374
Deferred tax liabilities (Note 10)	2,081	1,640	18,549
Other long-term liabilities	328	336	2,927
Total long-term liabilities	22,063	20,816	196,659
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 8 and 19):			
Common stock—authorized, 126,000,000 shares; issued, 30,877,487 shares in 2017 and 2016	4,207	4,207	37,503
Capital surplus	49,877	49,877	444,579
Retained earnings	44,451	37,553	396,213
Treasury stock—at cost, 3,263,161 shares in 2017 and 2,403,177 shares in 2016	(10,730)	(7,501)	(95,646)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	542	317	4,835
Foreign currency translation adjustments	568	1,344	5,064
Defined retirement benefit plans	(525)	(574)	(4,681)
Total	88,390	85,223	787,867
Noncontrolling interests	1	1	6
Total equity	88,391	85,224	787,873
TOTAL	¥128,962	¥126,280	$1,149,500

Consolidated Statement of Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
NET SALES	**¥73,199**	¥74,089	**$652,454**
COST OF SALES	**39,563**	42,496	**352,637**
Gross profit	**33,636**	31,593	**299,817**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**22,621**	21,933	**201,633**
Operating income	**11,015**	9,660	**98,184**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**311**	396	**2,773**
Interest expense	**(34)**	(46)	**(304)**
Foreign exchange loss—net	**(143)**	(387)	**(1,275)**
Loss on sales of investments in subsidiaries and associated companies	**(1,142)**		**(10,183)**
Other—net	**1,236**	112	**11,019**
Other income—net	**228**	75	**2,030**
INCOME BEFORE INCOME TAXES	**11,243**	9,735	**100,214**
INCOME TAXES (Note 10):			
Current	**1,900**	2,882	**16,937**
Deferred	**308**	465	**2,746**
Total income taxes	**2,208**	3,347	**19,683**
NET INCOME	**9,035**	6,388	**80,531**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**0**	0	**1**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 9,035**	¥ 6,388	**$ 80,530**

	Yen		U.S. Dollars
	2017	2016	**2017**
PER SHARE OF COMMON STOCK (Notes 2 and 17):			
Basic net income	**¥320.14**	¥221.76	**$2.85**
Diluted net income	**294.68**	204.48	**2.63**
Cash dividends applicable to the year	**90.00**	70.00	**0.80**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
NET INCOME	**¥9,035**	¥6,388	**$80,531**
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain (loss) on available-for-sale securities	**225**	(762)	**2,006**
Foreign currency translation adjustments	**(775)**	(243)	**(6,916)**
Defined retirement benefit plans	**49**	(344)	**440**
Total other comprehensive loss	**(501)**	(1,349)	**(4,470)**
COMPREHENSIVE INCOME	**¥8,533**	¥5,039	**$76,061**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥8,533**	¥5,039	**$76,060**
Noncontrolling interests	**0**	0	**1**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Thousands	Millions of Yen					
					Treasury Stock		
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, APRIL 1, 2015	30,877,487	¥4,207	¥49,877	¥33,195	¥ (4,108)	¥(216)	¥ (4,324)
Net income attributable to owners of the parent				6,388			
Cash dividends, ¥70.00 per share				(2,030)			
Purchase of treasury stock					(3,291)		(3,291)
Disposal of treasury stock from the Trust						114	114
Net change in the year							
BALANCE, APRIL 1, 2016	30,877,487	4,207	49,877	37,553	(7,399)	(102)	(7,501)
Net income attributable to owners of the parent				9,035			
Cash dividends, ¥75.00 per share				(2,137)			
Purchase of treasury stock					(3,331)		(3,331)
Disposal of treasury stock from the Trust						102	102
Net change in the year							
BALANCE, MARCH 31, 2017	30,877,487	¥4,207	¥49,877	¥44,451	¥(10,730)		¥(10,730)

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2015	¥1,078	¥1,587	¥(230)	¥85,390	¥ 1	¥85,391
Net income attributable to owners of the parent				6,388		6,388
Cash dividends, ¥70.00 per share				(2,030)		(2,030)
Purchase of treasury stock				(3,291)		(3,291)
Disposal of treasury stock from the Trust				114		114
Net change in the year	(761)	(243)	(344)	(1,348)	0	(1,348)
BALANCE, APRIL 1, 2016	317	1,344	(574)	85,223	1	85,224
Net income attributable to owners of the parent				9,035		9,035
Cash dividends, ¥75.00 per share				(2,137)		(2,137)
Purchase of treasury stock				(3,331)		(3,331)
Disposal of treasury stock from the Trust				102		102
Net change in the year	225	(776)	49	(502)	0	(502)
BALANCE, MARCH 31, 2017	¥ 542	¥ 568	¥(525)	¥88,390	¥ 1	¥88,391

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock		
				Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, APRIL 1, 2016	$37,503	$444,579	$334,725	$(65,952)	$(909)	$(66,861)
Net income attributable to owners of the parent			80,530			
Cash dividends, $0.67 per share			(19,042)			
Purchase of treasury stock				(29,694)		(29,694)
Disposal of treasury stock from the Trust					909	909
Net change in the year						
BALANCE, MARCH 31, 2017	$37,503	$444,579	$396,213	$(95,646)		$(95,646)

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, APRIL 1, 2016	$2,829	$11,980	$(5,121)	$759,634	$ 6	$759,640
Net income attributable to owners of the parent				80,530		80,530
Cash dividends, $0.67 per share				(19,042)		(19,042)
Purchase of treasury stock				(29,694)		(29,694)
Disposal of treasury stock from the Trust				909		909
Net change in the year	2,006	(6,916)	440	(4,470)	0	(4,470)
BALANCE, MARCH 31, 2017	$4,835	$ 5,064	$(4,681)	$787,867	$ 6	$787,873

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
OPERATING ACTIVITIES:			
Income before income taxes	**¥11,243**	¥9,735	**$100,214**
Adjustments for:			
Income taxes—paid	**(3,589)**	(3,864)	**(31,991)**
Depreciation and amortization	**5,179**	4,960	**46,161**
(Gain) loss on sales and redemption of investment securities-net	**(597)**	95	**(5,323)**
Loss on sales of investments in subsidiaries and associated companies	**1,142**		**10,183**
Changes in assets and liabilities:			
Decrease (increase) in receivables	**109**	(104)	**968**
Decrease in inventories	**825**	87	**7,355**
Decrease in lease receivables and investments in leases	**354**	291	**3,157**
Increase in assets for rent	**(2,104)**	(1,883)	**(18,756)**
Increase in payables	**71**	521	**629**
Decrease in long-term lease obligations	**(1,545)**	(1,412)	**(13,770)**
Other—net	**931**	1,231	**8,310**
Total adjustments	**776**	(78)	**6,923**
Net cash provided by operating activities	**12,019**	9,657	**107,137**
INVESTING ACTIVITIES:			
Increase in time deposits	**(22)**	(19)	**(200)**
Purchases of marketable securities	**(1,000)**	(1,100)	**(8,913)**
Proceeds from sales of marketable securities	**1,926**	2,705	**17,163**
Purchases of property, plant and equipment	**(780)**	(916)	**(6,948)**
Purchases of intangible assets	**(386)**	(204)	**(3,441)**
Purchases of investment securities	**(2,429)**	(3,986)	**(21,650)**
Proceeds from sales of investment securities	**2,039**	1,477	**18,174**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	**(1,885)**		**(16,799)**
Proceeds from distribution of investment in partnerships, etc.	**1,315**	765	**11,720**
Other—net	**285**	(759)	**2,544**
Net cash used in investing activities	**(937)**	(2,037)	**(8,350)**
FORWARD	**¥11,082**	¥7,619	**$ 98,787**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	**(76)**	(8)	**(681)**
Repayments of long-term bank loans	**(22)**	(170)	**(199)**
Purchase of treasury stock	**(3,331)**	(3,291)	**(29,694)**
Dividends paid	**(2,134)**	(2,028)	**(19,016)**
Other—net	**(79)**	4	**(699)**
Net cash used in financing activities	**(5,642)**	(5,493)	**(50,289)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(412)**	37	**(3,676)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,028**	2,163	**44,822**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**22,616**	20,453	**201,584**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥27,644**	¥22,616	**$246,406**

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 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017, include the accounts of the Company and its seven significant (10 in 2016) 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*—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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 generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification— "FASB ASC") 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 recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; and (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

c. *Business Combinations*—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. *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, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

e. *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.

f. *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 Partnerships ("LPS") and similar ventures (considered as securities under the Japanese Financial Instruments and Exchange Act) are stated at the amounts of the 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.

g. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings (excluding building improvements) acquired on or after April 1, 1998, building improvements and structures acquired on or after April 1, 2016 by the Company and its consolidated domestic subsidiaries 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 from three to 50 years for buildings and structures, from four to 11 years for machinery and equipment, from two to 20 years for furniture and fixtures, and from three to eight years for assets for rent.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32 "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this change on profit or loss for the year ended March 31, 2017, was immaterial.

h. *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.

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

j. *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 based on the estimated useful lives.

k. *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.

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 upon termination of their employment.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. The Company and certain consolidated domestic subsidiaries, however, apply the simplified method. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees.

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

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

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

q. ***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.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

r. ***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.

s. ***Foreign Currency Financial Statements***—The balance sheet accounts and revenue and expense 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.

t. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments, such as foreign currency 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 statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of a 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.

u. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable 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.

v. ***Employee Stock Ownership Plan***—On September 18, 2012, the Company's Board of Directors approved the introduction 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 such a 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.

The Company applied "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, issued on March 26, 2015) which was effective for the beginning of annual periods beginning on or after April 1, 2014.

w. *Accounting Changes and Error Corrections*—Under 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 are required 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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current:			
Debt securities	¥ 601	¥ 1,133	$ 5,359
Other	4,596	4,696	40,966
Total	¥ 5,197	¥ 5,829	$ 46,325
Non-current:			
Equity securities	¥ 1,155	¥ 1,530	$ 10,296
Debt securities	4,300	3,652	38,326
Other	9,582	9,790	85,410
Total	¥ 15,037	¥ 14,972	$ 134,032

The costs and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016, were as follows:

March 31, 2017	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 524	¥ 452		¥ 976
Debt securities	4,605	187	¥ 91	4,701
Other	13,977	700	499	14,178
Held-to-maturity	200	1		201
March 31, 2016	**Millions of Yen**			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 523	¥ 361	¥ 1	¥ 883
Debt securities	4,444	237	97	4,584
Other	14,545	626	685	14,486
Held-to-maturity	200	2		202

March 31, 2017	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 4,669	$ 4,028		$ 8,697
Debt securities	41,054	1,662	$ 814	41,902
Other	124,583	6,239	4,446	126,376
Held-to-maturity	1,783	11		1,794

The information for available-for-sale securities which were sold during the years ended March 31, 2017 and 2016, was as follows:

March 31, 2017	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 399	¥ 601	
Debt securities	110	31	
Other	615	42	
Total	¥ 1,124	¥ 674	
March 31, 2016			
Available-for-sale:			
Equity securities	¥ 102	¥ 21	
Other	912	47	¥ 64
Total	¥ 1,014	¥ 68	¥ 64

March 31, 2017	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 3,553	$ 5,358	
Debt securities	981	276	
Other	5,486	377	
Total	$ 10,020	$ 6,011	

Impairment loss was recorded for the year ended March 31, 2017 in the amount of ¥119 million ($1,058 thousand) on unlisted equity securities and for the year ended March 31, 2016 in the amount of ¥136 million on investment trusts.

4. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Finished products	¥ 2,999	¥ 3,930	$ 26,730
Merchandise	1,455	1,467	12,963
Raw materials	1,304	1,558	11,623
Work in process	225	238	2,008
Supplies	77	77	688
Total	¥ 6,060	¥ 7,270	$ 54,012

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016, consisted of bank overdrafts and trade receivables factoring. The weighted-average interest rate applicable to the short-term borrowings at March 31, 2016, was 0.9%. There were no short-term borrowings outstanding at March 31, 2017.

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Bank loans by the Trust, six-month Tokyo Inter Bank Offered Rate (TIBOR) plus 0.45% and due 2019		¥ 110	
Bonds with warrants	¥ 10,013	10,023	$ 89,246
Long-term lease obligations	5,923	4,955	52,796
Total	15,936	15,088	142,042
Less current portion	(1,889)	(1,611)	(16,835)
Long-term debt, less current portion	¥ 14,047	¥ 13,477	$ 125,207

Annual maturities of long-term debt at March 31, 2017, for the next five years and thereafter were as follows:

Year Ending March 31	Lease obligations	
	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 1,889	$ 16,835
2019	1,582	14,102
2020	1,175	10,469
2021	759	6,765
2022	464	4,140
2023 and thereafter	54	484
Total	¥ 5,923	$ 52,795

No assets were pledged as collateral for short-term borrowings and long-term debt at March 31, 2017 and 2016.

6. BONDS WITH WARRANTS

Bonds with warrants at March 31, 2017, 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	¥ 10,013	$ 89,246	0.00	Unsecured	July 26, 2018
Total		¥ 10,013	$ 89,246			

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: ¥4,100.2 ($36.55) per share

Total issue value: ¥10,000 million ($89,135 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, 2017, for the next five years were as follows:

Year Ending March 31	Bonds with warrants	
	Millions of Yen	Thousands of U.S. Dollars
2018		
2019	¥ 10,000	$ 89,135
2020		
2021		
2022		
Total	¥ 10,000	$ 89,135

7. 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. 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 upon termination of 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 under which it is impossible 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 years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 5,328	¥ 4,547	$ 47,491
Current service cost	358	334	3,195
Interest cost	19	47	172
Actuarial losses	11	525	91
Benefits paid	(111)	(112)	(992)
Other	(36)	(13)	(321)
Balance at end of year	¥ 5,569	¥ 5,328	$ 49,636

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 7	¥ 11	$ 64
Actuarial losses	0	0	0
Benefits paid	(3)	(4)	(30)
Balance at end of year	¥ 4	¥ 7	$ 34

(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, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 4	¥ 7	$ 32
Plan assets	(4)	(7)	(34)
Total	(0)	(0)	(2)
Unfunded defined benefit obligation	5,565	5,321	49,604
Net liability arising from defined benefit obligation	¥ 5,565	¥ 5,321	$ 49,602

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 5,565	¥ 5,321	$ 49,602
Net liability arising from defined benefit obligation	¥ 5,565	¥ 5,321	$ 49,602

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥ 358	¥ 334	$ 3,195
Interest cost	19	47	172
Recognized actuarial losses	82	29	730
Others	7	17	59
Net periodic benefit costs	¥ 466	¥ 427	$ 4,156

(5) Amounts recognized in comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Actuarial losses (gains)	¥ 72	¥ (492)	$ 639
Total	¥ 72	¥ (492)	$ 639

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial losses	¥ 753	¥ 825	$ 6,712
Total	¥ 753	¥ 825	$ 6,712

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Public and corporate debt securities	33.7%	34.9%
Foreign securities	36.2	33.7
Loans receivable	15.3	15.3
Equity securities	7.8	8.6
Others	7.0	7.5
Total	100.0%	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.

(8) Assumptions used for the years ended March 31, 2017 and 2016, are set forth as follows:

	2017	2016
Discount rate	0.0% to 0.2%	0.0% to 0.2%
Expected rate of return on plan assets	0.0%	0.0%
Expected future salary increases	Points by service period and position	Points by service period and position

Defined contribution pension plans

The required contribution of the Company and certain consolidated subsidiaries to the defined contribution pension plans amounted to ¥132 million ($1,173 thousand) and ¥125 million for the years ended March 31, 2017 and 2016, respectively.

Multiemployer pension plan

The required contribution to the multiemployer pension plan, which is accounted for in the same way as the defined contribution pension plans, amounted to ¥250 million ($2,224 thousand) and ¥264 million for the years ended March 31, 2017 and 2016, respectively.

(1) Funding status of the multiemployer pension plan as of March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
Plan assets	¥ 531,917	¥ 571,380	$ 4,741,214
Total amount of actuarial liability in pension financing and minimum actuarial reserve	538,161	561,736	4,796,866
(Deficit) surplus	¥ (6,244)	¥ 9,644	$ (55,652)

(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, 2017	March 1 to 31, 2016
Contribution percentage	1.6%	1.5%

(3) Supplementary information

The (deficit) surplus presented above is mainly due to the balance of unamortized past service cost of ¥34,541 million ($307,876 thousand) and ¥40,107 million, the (deficit) surplus of ¥(21,455) million ($(191,236) thousand) and ¥14,311 million and the general reserve of ¥49,752 million ($443,459 thousand) and ¥35,441 million as of March 31, 2016 and 2015, respectively.

Unamortized past service cost represents the present value of special contributions, principal and interest, which are amortized using the straight-line method. The contribution rate borne by the employer is 1.55% and the remaining amortization period is six years and zero months as of March 31, 2016.

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.

Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, 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.

With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act.

The Company is organized as a company with an audit and supervisory committee.

The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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 within equity 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 a 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. EMPLOYEE STOCK OWNERSHIP PLAN

The Trust held the following amounts of treasury stock which is included in the consolidated balance sheet at March 31, 2016.

	Millions of Yen
	2016
Treasury stock	¥ 102
(shares)	(40,300)

There was no balance of treasury stock held by the Trust at March 31, 2017 since all treasury stock held by the Trust was sold during the year ended March 31, 2017.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.9% and 32.3% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Accrued bonuses	¥ 374	¥ 350	$ 3,329
Liability for directors' and audit and supervisory board members' retirement benefits	67	67	602
Liability for employees' retirement benefits	1,712	1,627	15,255
Tax loss carryforwards		1,153	
Gain on valuation related to an exchange of shares transaction	208	210	1,858
Other	2,513	2,823	22,401
Less valuation allowance	(340)	(1,675)	(3,035)
Total	4,534	4,555	40,410
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	385	470	3,428
Gain on revaluation of land of subsidiary		27	
Unrealized gain on available-for-sale securities	207	121	1,846
Loss on valuation related to an exchange of shares transaction	1,408	1,446	12,553
Other	1,815	1,382	16,182
Total	3,815	3,446	34,009
Net deferred tax assets	¥ 718	¥ 1,109	$ 6,401

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2017 is as follows:

	2017
Normal effective statutory tax rate	30.9%
Expenses not deductible for income tax purposes	0.7
Inhabitants taxes	0.4
Lower income tax rates applicable to income in certain foreign countries	(1.1)
Undistributed earnings on subsidiaries	(0.8)
Change in valuation allowance for deferred tax assets	(10.1)
Other—net	(0.4)
Actual effective tax rate	19.6%

The reconciliation for the year ended March 31, 2016 is omitted since the difference between the tax rates is 5% or less of the normal effective statutory tax rate.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,600 million ($14,262 thousand) and ¥1,386 million for the years ended March 31, 2017 and 2016, respectively.

12. 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, 2017 and 2016, were ¥3,175 million ($28,296 thousand) and ¥3,010 million, respectively. Total rental revenues, including lease income under finance leases, for the years ended March 31, 2017 and 2016, were ¥16,667 million ($148,560 thousand) and ¥15,230 million, respectively.

(1) The Group as Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 66	$ 589
Due after one year	662	5,899
Total	¥ 728	$ 6,488

Disclosure of minimum rental commitments under noncancelable operating leases at March 31, 2016 was omitted since the amounts were immaterial.

(2) The Group as Lessor

The net lease receivables are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Gross receivables	¥ 338	¥ 515	$ 3,012
Unearned interest income	(3)	(19)	(23)
Lease receivables	¥ 335	¥ 496	$ 2,989

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Gross receivables	¥ 2,090	¥ 2,194	$ 18,628
Unearned interest income	(462)	(412)	(4,120)
Investments in leases	¥ 1,628	¥ 1,782	$ 14,508

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
2018	¥ 114	$ 1,013
2019	82	731
2020	61	548
2021	43	386
2022	15	137
2023 and thereafter	23	197
Total	¥ 338	$ 3,012

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
2018	¥ 660	$ 5,882
2019	513	4,571
2020	393	3,505
2021	297	2,647
2022	163	1,454
2023 and thereafter	64	569
Total	¥ 2,090	$ 18,628

13. 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

Foreign currency deposits included in cash and cash equivalent are exposed to the market risk of fluctuation in foreign currency exchange rates.

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 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 from importing raw materials and others are denominated in foreign currencies and exposed to the market risk of fluctuation in foreign currency exchange rates.

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.

Derivatives are forward foreign currency contracts to hedge the market risk of fluctuation in foreign currency exchange rates of trade receivables and payables in foreign currencies. Please see Note 14 for more details about derivatives.

Bonds with warrants are used as funds for the purchase of welfare equipment for the rental business of the Group and investments in domestic and overseas manufacturing facilities. The redemption date of the bonds is within two years after March 31, 2017.

(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 currency exchange rate risk and interest rate risk)

Marketable and investment securities are managed by monitoring market values and the 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 an 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 if different assumptions are applied. The contract amounts regarding derivative transactions described in Note 14 do not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

March 31, 2017	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 27,644	¥ 27,644	
Time deposits	7,192	7,192	
Receivables	24,037	24,037	
Lease receivables and investments in leases	1,963	2,326	¥ 363
Marketable and investment securities			
Held-to-maturity debt securities	200	201	1
Available-for-sale securities	19,855	19,855	
Total	¥ 80,891	¥ 81,255	¥ 364
Payables	¥ 10,603	¥ 10,603	
Lease obligations (including current portion)	5,923	6,140	¥ 217
Bonds with warrants	10,013	11,437	1,425
Total	¥ 26,539	¥ 28,181	¥ 1,642
Derivative transactions	¥ 0	¥ 0	

March 31, 2016	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 22,616	¥ 22,616	
Time deposits	7,169	7,169	
Receivables	24,700	24,700	
Lease receivables and investments in leases	2,278	2,610	¥ 332
Marketable and investment securities			
Held-to-maturity debt securities	200	202	2
Available-for-sale securities	19,954	19,954	
Total	¥ 76,917	¥ 77,251	¥ 334
Payables	¥ 10,939	¥ 10,939	
Short-term borrowings	613	613	
Long-term bank loans (including current portion)	110	111	¥ 1
Lease obligations (including current portion)	4,955	5,133	¥ 178
Bonds with warrants	10,023	11,200	1,177
Total	¥ 26,640	¥ 27,996	¥ 1,356
Derivative transactions *	¥ (94)	¥ (94)	

March 31, 2017	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 246,406	$ 246,406	
Time deposits	64,102	64,102	
Receivables	214,258	214,258	
Lease receivables and investments in leases	17,497	20,733	$ 3,236
Marketable and investment securities			
Held-to-maturity debt securities	1,783	1,794	11
Available-for-sale securities	176,975	176,975	
Total	$ 721,021	$ 724,268	$ 3,247
Payables	$ 94,513	$ 94,513	
Lease obligations (including current portion)	52,795	54,730	$ 1,935
Bonds with warrants	89,246	101,943	12,697
Total	$ 236,555	$ 251,187	$ 14,632
Derivative transactions	$ 1	$ 1	

Note:

* Receivables and payables from derivative transactions are presented on a net basis and numbers in parentheses 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 was 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 was entered into.

Bonds with Warrants

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

Derivatives

Fair value information for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unlisted equity securities that do not have a quoted market price in an active market	¥ 707	¥ 1,017	$ 6,303
Investments in investment partnership	170	170	1,515
Other investments	406	406	3,620

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

March 31, 2017	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 6,776			
Time deposits	7,192			
Receivables	24,038			
Lease receivables and investments in leases	643	¥ 1,252	¥ 68	
Marketable and investment securities				
Held-to-maturity debt securities		200		
Available-for-sale securities with contractual maturities				
Debt securities	601	2,002	491	¥ 966
Other	9,704	2,879	942	394
Total	¥ 48,954	¥ 6,333	¥ 1,501	¥ 1,360

March 31, 2017	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 60,399			
Time deposits	64,102			
Receivables	214,258			
Lease receivables and investments in leases	5,730	$ 11,163	$ 604	
Marketable and investment securities				
Held-to-maturity debt securities		1,783		
Available-for-sale securities with contractual maturities				
Debt securities	5,359	17,839	4,379	$ 8,617
Other	86,497	25,665	8,398	3,510
Total	$ 436,345	$ 56,450	$ 13,381	$ 12,127

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

14. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign currency exchange rate 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, 2017	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 364	¥ 243	¥ 0	¥ 0

March 31, 2016	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 485	¥ 364	¥ (14)	¥ (14)
Buying CNY	4,839		(80)	(80)

March 31, 2017	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.$	$ 3,245	$ 2,169	$ 1	$ 1

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.

At March 31, 2016, cash and cash equivalents and investment securities were pledged as collateral for derivative transactions in the amount of ¥211 million and ¥235 million, respectively. No assets were pledged for derivative transactions at March 31, 2017.

15. CONTINGENT LIABILITIES

At March 31, 2017, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for employees' housing loans	¥ 58	$ 521

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 1,289	¥ (1,395)	$ 11,490
Reclassification adjustments to profit or loss	(977)	291	(8,712)
Amount before income tax effect	312	(1,104)	2,778
Income tax effect	(87)	342	(772)
Total	¥ 225	¥ (762)	$ 2,006
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (226)	¥ (243)	$ (2,015)
Reclassification adjustments to profit or loss	(550)		(4,901)
Total	¥ (775)	¥ (243)	$ (6,916)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (10)	¥ (521)	$ (91)
Reclassification adjustments to profit or loss	81	29	729
Amount before income tax effect	71	(492)	638
Income tax effect	(22)	148	(198)
Total	¥ 49	¥ (344)	$ 440
Total other comprehensive income (loss)	¥ (501)	¥ (1,349)	$ (4,470)

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, is as follows:

Year Ended March 31, 2017	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares *	EPS	
Basic EPS—Net income available to common shareholders	¥ 9,035	28,220,639	¥ 320.14	$ 2.85
Effect of dilutive securities—Bonds with warrants		2,438,905		
Diluted EPS—Net income for computation	¥ 9,035	30,659,544	¥ 294.68	$ 2.63

Year Ended March 31, 2016	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares *	EPS	
Basic EPS—Net income available to common shareholders	¥ 6,388	28,805,006	¥ 221.76	
Effect of dilutive securities—Bonds with warrants		2,435,460		
Diluted EPS—Net income for computation	¥ 6,388	31,240,466	¥ 204.48	

Note:

* 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 used for computation of the basic and diluted EPS. The weighted-average number of shares of such stock was 16,962 shares and 63,069 shares for the years ended March 31, 2017 and 2016, respectively. There was no balance of treasury stock held by the Trust at March 31, 2017 since all treasury stock held by the Trust was sold during the year ended March 31, 2017.

18. SUPPLEMENTARY CASH FLOW INFORMATION

Corona Medical S.A.S. France, a former consolidated subsidiary has been excluded from the scope of consolidation due to sales of its shares during the year ended March 31, 2017. Assets and liabilities of Corona Medical S.A.S. France, consideration and net payments for sales of the subsidiary shares at the time of the sale are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 2,551	$ 22,742
Non-current assets	155	1,384
Current liabilities	(1,009)	(8,997)
Non-current liabilities	(97)	(865)
Foreign currency translation adjustments	(550)	(4,901)
Adjustments due to exclusion from consolidation	92	820
Loss on sales of shares	(1,142)	(10,183)
Consideration for sales of shares	0	0
Cash and cash equivalents	(1,885)	(16,799)
Net payments for sales of shares	¥ (1,885)	$ (16,799)

19. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2017, was approved at the Company's shareholders meeting held on June 29, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥50 ($0.45) per share	¥ 1,381	$ 12,307

20. 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 the bed business, for the years ended March 31, 2017 and 2016.

(2) *Information about Products and Services*

	Millions of Yen						
	2017						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	¥ 27,961	¥ 4,450	¥ 4,059	¥ 3,697	¥ 17,410	¥ 15,622	¥ 73,199

	Millions of Yen						
	2016						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	¥ 29,291	¥ 4,534	¥ 3,885	¥ 3,260	¥ 18,886	¥ 14,233	¥ 74,089

	Thousands of U.S. Dollars						
	2017						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	$249,232	$39,665	$36,181	$32,950	$155,184	$139,242	$652,454

(3) *Information about Geographical Areas*

a. Sales

Millions of Yen					
2017					
Japan	Asia	Middle East	Europe	Other	Total
¥ 66,059	¥ 5,752	¥ 380	¥ 778	¥ 230	¥ 73,199

Millions of Yen					
2016					
Japan	Asia	Middle East	Europe	Other	Total
¥ 66,908	¥ 4,996	¥ 490	¥ 1,345	¥ 350	¥ 74,089

Thousands of U.S. Dollars					
2017					
Japan	Asia	Middle East	Europe	Other	Total
$ 588,813	$ 51,273	$ 3,382	$ 6,935	$ 2,051	$ 652,454

Note: Sales are classified by country or region based on the location of customers.

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, 2017 and 2016.

(4) *Information about Major Customer*

In the years ended March 31, 2017 and 2016, 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, 2017 and 2016, there was no impairment loss on fixed assets.

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Amortization of goodwill	¥ 13	¥ 23	$ 116
Balance of goodwill	22	35	196

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan

Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2017, 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, 2017, 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 29, 2017

Member of
Deloitte Touche Tohmatsu Limited

Fundamental Approach to Corporate Governance

Maintaining a sound framework for corporate governance is required to increase corporate value and fulfill corporate citizenship obligations by managing operations properly and ensuring that all activities are transparent and in compliance with laws and regulations. The Paramount Bed Group will continue to position measures to strengthen corporate governance as one of its highest priorities and take actions as needed to improve governance according to the fundamental policies stated below.

1. Respect for the rights of shareholders and ensure equality for all shareholders

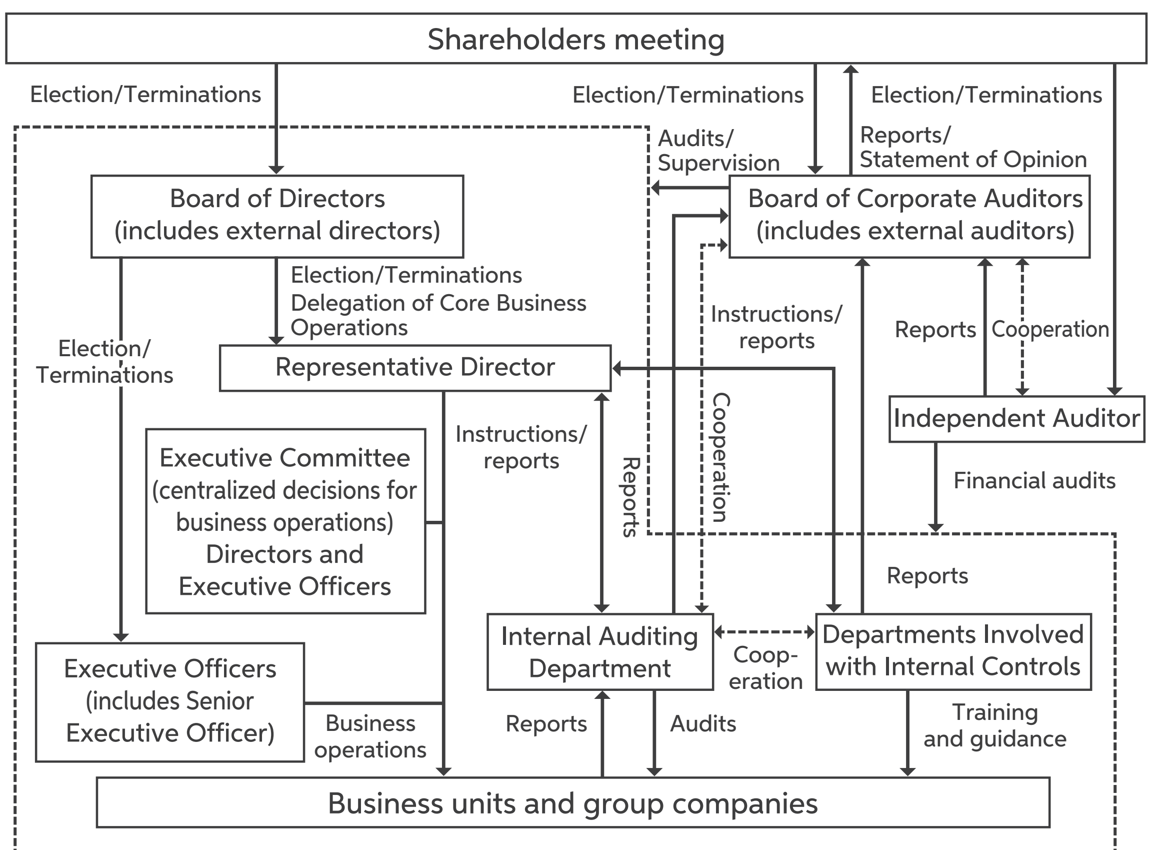
2. Suitable collaboration with shareholders and all other stakeholders to reflect their interests

3. Proper disclosure of corporate information to maintain transparency

4. Ensure the effectiveness of the Board of Director's oversight of business operations by using independent external directors to receive objective advice and reflect the opinions of all stakeholders

5. Constructive dialogues with shareholders based on investment policies that are consistent with the medium-to long-term shareholders benefits

Corporate Governance Flowchart



Global Network

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 WHOLESALE BUSINESS FOR ASSISTIVE PRODUCTS

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

SALES COMPANIES

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

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

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

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

REPRESENTATIVE OFFICE

⓭ **PARAMOUNT BED Middle East Office**
Dubai Airport Free Zone 4WA, G10,
P.O. Box 293552, Dubai, U.A.E.

◆ Consolidated subsidiary
◇ Non-consolidated subsidiary

Corporate/Share Information

As of March 31, 2017

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: ¥4,207 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 sales 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 rental wholesale of assistive products. Paramount Bed Holdings Co., Ltd. is responsible for the planning, drafting, and implementation of the Group management strategies, auditing of the Group management, and other tasks related to the Group management control.

Number of Employees: 22 (non-consolidated)
2,685 (consolidated)

Number of Shares Authorized: 126,000,000

Number of Shares Issued: 30,877,487

Number of Shareholders: 9,192

Principal Shareholders:

Name	Number of shares held (thousand)	%
CTOK Co., LTD.	2,821	10.2
LLAGE WOOD Co.	2,073	7.5
NIU VALLEY CAPITAL LLC	1,379	5.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,069	3.9
Kenji Kimura	912	3.3
Kyosuke Kimura	911	3.3
Michihide Kimura	911	3.3
Tomohiko Kimura	820	3.0
Japan Trustee Services Bank, Ltd. (Trust Accounts 9)	765	2.8
State Street Bank and Trust Company	754	2.7

Note 1. The Company owns 3,263,161 shares as treasury stock, but it should be noted that the voting rights ratio is calculated by excluding treasury stock.

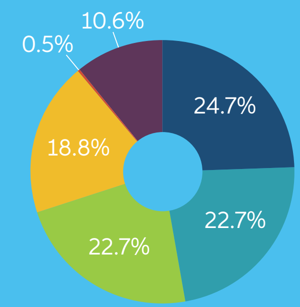
Website Information

PARAMOUNT BED HOLDINGS IR Search

Please see the materials on the Company's website for more detailed information.

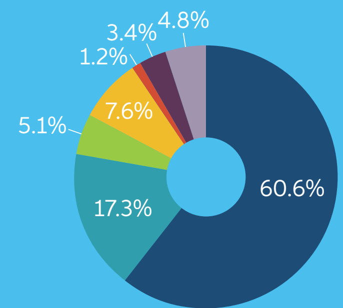
http://www.paramountbed-hd.co.jp/en/

Distribution by Type of Shareholder:



	%
Japanese individuals and others	24.7
Other Japanese companies	22.7
Foreign investors	22.7
Japanese financial institutions	18.8
Japanese securities companies	0.5
Treasury stock	10.6

Distribution by Number of Shares Held:



	%
500,000 or more	60.6
100,000 to 499,999	17.3
50,000 to 99,999	5.1
10,000 to 49,999	7.6
5,000 to 9,999	1.2
1,000 to 4,999	3.4
Less than 1,000	4.8

PARAMOUNT BED
HOLDINGS

Paramount Bed Holdings Co., Ltd.
2-14-5, Higashisuna, Koto-ku, Tokyo 136-8671, Japan
Tel. +81-3-3648-1100
www.paramountbed-hd.co.jp/en/

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