PARAMOUNT BED HOLDINGS

ANNUAL REPORT 2016 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 10 consolidated subsidiaries, eight non-consolidated subsidiaries and two affiliated companies (as of March 31, 2016). In the fiscal year ended March 2016, it had net sales of ¥74,089 million, operating income of ¥9,660 million, and net income attributable to owners of the parent of ¥6,388 million. Paramount Bed is Japan's leading maker of medical beds and has acquired a strong reputation, as reflected in its estimated domestic market share of approximately 70% in medical and senior housing facilities and 60% in home healthcare.

Disclaimer Regarding Forward-Looking Statements

The information contained in this annual report is given for the sole purpose of providing information regarding the business performance of Paramount Bed Holdings Co., Ltd. during the fiscal year ended March 31, 2016 and is not intended to solicit investment in any securities issued by the Company. Any statements with respect to Paramount Bed's current plans, strategies, and forecasts are forward-looking statements based upon information available as of March 31, 2016 and involve known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

Financial Highlights

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries

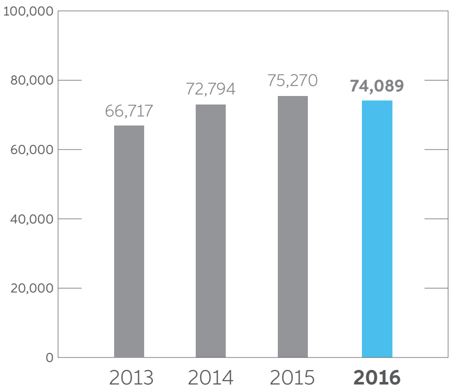
	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	**2016**
For the year			
Net sales	**¥ 74,089**	¥ 75,270	**$ 657,521**
Operating income	**9,660**	10,038	**85,731**
Net income before income taxes	**9,735**	11,588	**86,399**
Net income attributable to owners of the parent	**6,388**	7,265	**56,691**
At year-end			
Total assets	**¥126,280**	¥125,509	**$1,120,694**
Total equity	**85,224**	85,391	**756,336**

	Yen		U.S. dollars
Years ended March 31,	**2016**	2015	**2016**
Per share			
Basic net income	**¥ 221.76**	¥ 244.03	**$ 1.97**
Diluted net income	**204.48**	225.51	**1.81**
Cash dividends applicable to the year	**70.00**	60.00	**0.62**

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥112.68 to U.S.$1, the approximate exchange rate at March 31, 2016.

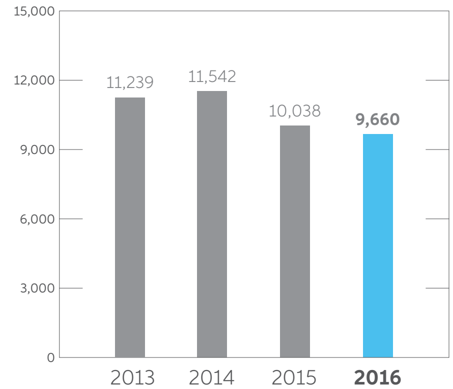
Net sales

(Millions of yen)



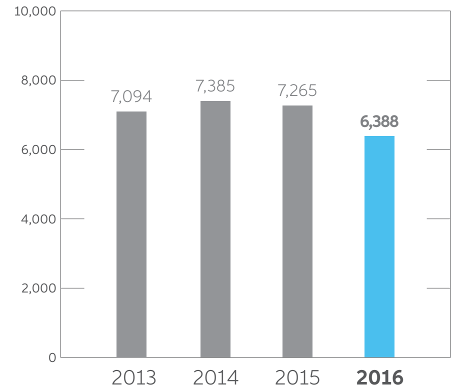
Operating income

(Millions of yen)



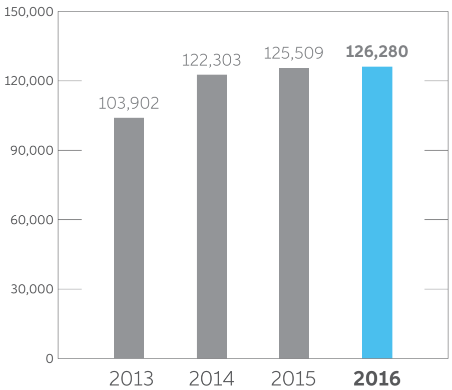
Net income attributable to owners of the parent

(Millions of yen)



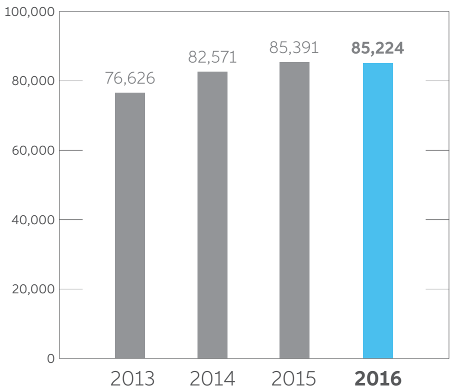
Total assets

(Millions of yen)



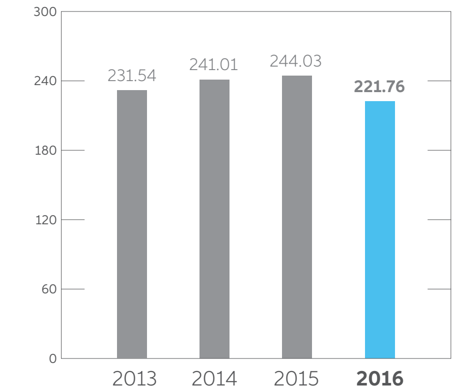
Total equity

(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 2016.

Kyosuke Kimura
President and
Chief Executive Officer

Business Results for the Fiscal Year under Review

The Company's consolidated net sales amounted to ¥74,089 million (down 1.6% compared to the previous year). While the maintenance and rental business in Japan and overseas business performed well, product sales in Japan were lower than in the previous period.

Operating income was ¥9,660 million (down 3.8%), and net income attributable to owners of the parent was ¥6,388 million (down 12.1%). The decline in sales resulted in a drop in profit.

Regarding the dividend payment for the fiscal year under review, the fiscal year-end dividend was set at ¥35 per share. As a result, the annual dividend totaled ¥70 per share, including the distributed interim dividend of ¥35 per share.

As for the dividend payment for the fiscal year ending March 2017, we plan to set both the interim dividend and the year-end dividend at ¥40 per share from the standpoint of stable, ongoing returns, for an annual dividend of ¥80 per share.

Future Business Development

We have formulated a medium-term business plan, "the 2020 Plan," covering the five-year period from April 2016 to March 2021. To achieve sustainable and steady growth and improve corporate value, we have set a target of ¥100 billion in consolidated net sales and ¥14 billion in consolidated operating income for the fiscal year ending March 2021.

The 2020 Plan outlines three key policies: (1) maintain/expand existing business areas, (2) accelerate overseas business expansion, and (3) strengthen R&D and create business models serving as buds of new growth. Working with group companies, we will steadily boost our presence in our core market: medical and elderly care in Japan. We will also strive to improve our market share overseas, engage in new businesses in Japan and overseas, and thereby achieve steady growth.

We determine the distribution of profits based on a comprehensive consideration of numerous factors, including the need to bolster the Company's internal reserves to proactively develop future-oriented business such as R&D, capital investment, and mergers and acquisitions, respond to rapid changes in the business environment, and further strengthen our operating foundation. In accordance with this policy, we seek a dividend payout ratio of 30%. The 2020 Plan sets an annual dividend of ¥100 for the fiscal year ending March 2021. In all our efforts,
we look forward to the continued understanding and cooperation of our shareholders.

Medium-Term Business Plan: The 2020 Plan

We have recently formulated a medium-term business plan titled the 2020 Plan. The details of this plan are as follows:

Outline of the 2020 Plan

PERIOD:
April 2016 to March 2021 (the last fiscal year is the fiscal year ending March, 2021)

MAJOR TARGET:
¥100 billion in consolidated net sales and **¥14 billion** in consolidated operating income

Key Policies of the 2020 Plan

1. Maintain/expand existing business areas
2. Accelerate overseas business expansion
3. Strengthen R&D and create business models serving as buds of new growth

Numerical Targets in the 2020 Plan

CONSOLIDATED PERFORMANCE:

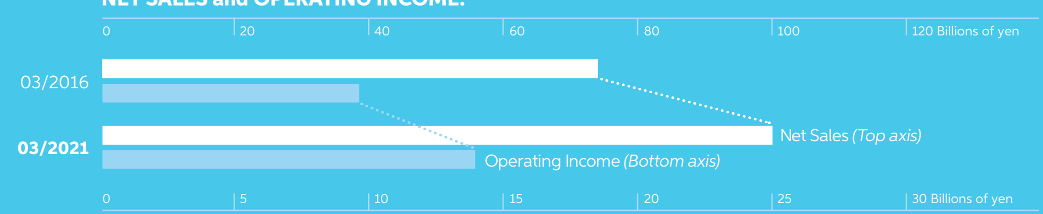
(Billions of yen)	FY2015 Results	FY2020 Targets
NET SALES	74.0	**100.0**
OPERATING INCOME	9.7	**14.0**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	6.4	**10.0**
BASIC NET INCOME PER SHARE *(Yen)*	222	**342**

Note: Net income per share does not take into account dilutive shares.

NET SALES BY BUSINESS:

(Billions of yen)	FY2015 Results	FY2020 Targets
EXISTING DOMESTIC BUSINESSES	66.9	**70.0**
OVERSEAS BUSINESSES	7.1	**20.0**
NEW BUSINESSES	0.0	**10.0**
TOTAL	74.0	**100.0**

NET SALES and OPERATING INCOME:



Another exciting, productive year for our Group

Strengthening our foothold in the perinatal and pediatric care field

As part of our group's efforts to develop new businesses, we will increase our presence in the perinatal and pediatric care field. Recent increases in the average age of women giving birth and the rate of low birth-weight infants have led to a need for more specialist beds, facilities, and medical devices to protect the healthcare of expectant mothers and their unborn children and treat newborn infants.

Against this backdrop, our group aims to improve perinatal and pediatric care by helping to create an environment that brings children and their families closer together. To this end, we have launched products such as Bassinet Cart, Pediatric Stretcher, and Breastfeeding Chair.

The products in this lineup incorporate design elements such as a young leaf motif, resin material, and rounded shape, which are intended to convey a gentle and easy feel. The products are also equipped with functions that facilitate convenient and safe nursing care.

We will continue to expand our lineup of products in this field.

Suyasuya Cot GCU
This low-noise Bassinet Cart is designed for use in neonatal intensive care units (NICUs), growing care units (GCUs), and similar settings.

4 APR 2015 | 5 MAY 2015 | 6 JUN 2015 | 7 JUL 2015 | 8 AUG 2015 | 9 SEP 2015

APR 2015

Improved lineup of electric patient lifts

We launched three types of electric lifts: electric mobile hoists (electrically operated open/closing leg type), stand/recline assists, and walking assists. In addition to bedside mobility, these products can be used for toileting assistance, rehabilitation, and a range of other purposes.

Electric mobile patient hoist
(electrically operated open/ closing leg type)
Suggested retail price: ¥460,000 (excluding tax)

Stand/recline assist
Mini Lift 125
Suggested retail price: ¥500,000 (excluding tax)

Walking assist Ever 450
Suggested retail price: ¥460,000 (excluding tax)
Note: Handrail sold separately

JUN 2015

Qualitas Plus Series launched for the overseas market

SEP 2015

Paramount Bed (Thailand) opens sales office in Chiang Mai

AUG/SEP/OCT 2015

Launch of Bassinet Cart (*Suyasuya Cot GCU* and *Suyasuya Cot LARGE*), Pediatric Stretcher (*Odekake Cart*), and Breastfeeding Chair (*HugHug*).

OCT 2015

Breastfeeding Chair

This nursing chair features a cushion integrated with the chair to ease the burden of breastfeeding. It was developed by female employees who have experienced childbirth.

Rakusho Z Series suggested retail price: Open

Suyasuya Cot LARGE

This bed is intended for larger infants up to around six months.

Odekake Cart

This is a stretcher for transporting toddlers in hospitals during medical examinations or other medical procedures.

OCT 2015

Rakusho Z Series, winner of the Japan Society of Medical Health Science's Medical Health Award 2015

The Japan Society of Medical Health Science promotes products that contribute to medical health, and they confer the Medical Health Award on products and the companies that develop, produce, and market such products. In 2015, the third year of the award, the *Rakusho Z Series* of home-care beds was one of the five products selected for the award from among 3,000 medical health products.

10 OCT 2015 | 11 NOV 2015 | 12 DEC 2015 | 1 JAN 2016 | 2 FEB 2016 | 3 MAR 2016

NOV 2015

Winner of the Japan Society of Physiological Anthropology's PA Design Award

We were winner of the Director-General for Commerce, Distribution and Industrial Safety Policy's Award at the 9th Awards for Best Contributors to Product Safety.

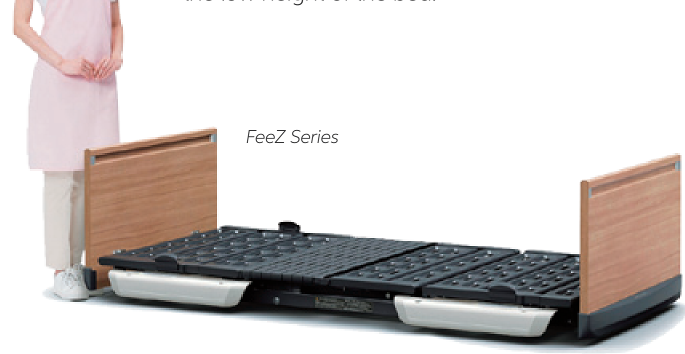
At the 9th Awards for Best Contributors to Product Safety hosted by the Ministry of Economy, Trade and Industry, Paramount Bed won the Director-General for Commerce, Distribution and Industrial Safety Policy's Award in the large manufacturer and importer category. Paramount Bed was commended for its long-standing efforts to create safe product development systems and prevent product-related accidents.

Product Safety
2015
製品安全対策優良企業

NOV 2015 MAR 2016

Launch of *FeeZ Series* and *Rakusho FeeZ Series* of ultra-low electric beds

We developed electric beds that are as low as 15 centimeters from the ground. In November, we launched the *FeeZ Series* of facility care beds, and in March we launched the JIS-certified *Rakusho FeeZ Series* of home-care beds. These beds are designed to offer comfort and peace of mind to those who are used to sleeping on a futon, and if they fall out of bed, the shock of the fall will be softened due to the low height of the bed.



FeeZ Series

Business Results

Net Sales and Gross Profit

Consolidated net sales declined 1.6% from the previous fiscal year to ¥74,089 million. This result primarily reflected the fact that while the rental and wholesale business for nursing-care goods in Japan performed well—as did overseas markets—product sales in Japan experienced a decline. The main reasons for this decline included the drying up of special demand for the *Rakusho Z Series* of home-care beds launched in January 2014 (although the series nevertheless remained a top-seller), the impact of the revision of the medical service and long-term care fee systems, and the fact that the construction of elderly care facilities did not proceed as planned.

Consolidated gross profit was down 2.1% from the previous fiscal year to ¥31,593 million. This was primarily due to the fact that while the cost of sales declined 1.2% from the previous fiscal year to ¥42,496 million, net sales dropped 1.6% from the previous fiscal year to ¥74,089 million. As a result, the consolidated gross profit margin decreased 0.2 percentage point to 42.6%.

Operating Income

Consolidated operating income was down 3.8% from the previous fiscal year to ¥9,660 million. This result primarily reflected the fact that while selling, general and administrative expenses declined 1.4% to ¥21,933 million, gross profit decreased 2.1% to ¥31,593 million. As a result, the consolidated operating margin declined 0.3 percentage point to 13.0%.

Net Income Attributable to Owners of the Parent

Consolidated net income attributable to owners of the parent was down 12.1% from the previous fiscal year to ¥6,388 million.

As a result, basic net income per share decreased to ¥221.76, from ¥244.03 a year earlier. Return on equity (ROE) was 7.5%.

Financial Condition

Assets

Consolidated current assets expanded ¥1,077 million from the end of the previous fiscal year to ¥70,989 million. This primarily reflected an increase in cash and cash equivalents.

Consolidated noncurrent assets decreased ¥306 million to ¥55,290 million. This was primarily due to a drop in investment securities.

As a result, consolidated total assets reached ¥126,280 million at the close of the fiscal year ended March 2016, up ¥771 million from a year earlier.

Liabilities

Consolidated current liabilities were down ¥129 million from the end of the previous fiscal year to ¥20,240 million. This mainly reflected a decrease in short-term lease obligations.

Consolidated long-term liabilities rose ¥1,068 million to ¥20,816 million. This was due primarily to an increase in liability for retirement benefits.

As a result, consolidated liabilities totaled ¥41,056 million at the end of fiscal year under review, up ¥938 million from a year earlier.

Total Equity

Consolidated total net assets decreased ¥167 million from the end of the previous fiscal year to ¥85,224 million. This primarily reflected the fact that while retained earnings from the posting of net income increased, there was a decrease in purchases of treasury stock and the valuation difference on available-for-sale securities. The shareholders' equity ratio was 67.5%.

Cash Flow

At the close of the fiscal year under review, consolidated cash and cash equivalents amounted to ¥22,616 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 ¥9,657 million. This primarily reflected inflows such as ¥9,735 million in net income before income taxes, and ¥4,960 million in depreciation and amortization, which counterbalanced ¥3,864 million in income taxes paid and a decrease of ¥1,412 million in long-term lease obligations.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥2,038 million. This result was mainly due to outflows such as ¥5,086 million in purchases of marketable securities and investment securities and ¥916 million in purchases of property, plant and equipment. Inflows included ¥4,182 million in sales of marketable securities and investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥5,493 million. This mainly reflected outflows such as ¥3,291 million in purchases of treasury stock and ¥2,028 million in dividends paid.

Consolidated Balance Sheet

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 22,616**	¥ 20,453	**$ 200,707**
Time deposits (Note 14)	**7,169**	7,150	**63,625**
Marketable securities (Notes 3 and 14)	**5,829**	6,237	**51,729**
Receivables (Note 14):			
Trade notes	**4,801**	4,356	**42,603**
Trade accounts	**18,071**	18,721	**160,371**
Unconsolidated subsidiaries and associated companies	**442**	374	**3,925**
Other	**1,386**	1,234	**12,308**
Allowance for doubtful accounts	**(58)**	(55)	**(517)**
Inventories (Note 4)	**7,270**	7,495	**64,516**
Lease receivables and investments in leases (Notes 13 and 14)	**2,278**	2,546	**20,216**
Deferred tax assets (Note 11)	**756**	786	**6,714**
Prepaid expenses and other current assets	**429**	615	**3,812**
Total current assets	**70,989**	69,912	**630,009**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**8,717**	8,693	**77,356**
Buildings and structures	**27,457**	27,458	**243,674**
Machinery and equipment	**7,577**	7,741	**67,247**
Furniture and fixtures	**8,767**	8,577	**77,801**
Leased assets (Note 13)	**120**	130	**1,066**
Assets for rent (Note 13)	**19,244**	17,914	**170,783**
Construction in progress	**74**	149	**659**
Total	**71,956**	70,662	**638,586**
Accumulated depreciation	**(41,897)**	(39,891)	**(371,822)**
Net property, plant and equipment	**30,059**	30,771	**266,764**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	**14,972**	15,845	**132,872**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,114**	1,733	**18,759**
Goodwill	**35**	58	**309**
Life insurance fund	**1,044**	1,076	**9,268**
Deferred tax assets (Note 11)	**1,992**	1,629	**17,682**
Other assets	**5,166**	4,543	**45,843**
Allowance for doubtful accounts	**(91)**	(58)	**(812)**
Total investments and other assets	**25,232**	24,826	**223,921**
TOTAL	**¥126,280**	¥125,509	**$1,120,694**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 5 and 14)	**¥ 613**	¥ 618	**$ 5,445**
Current portion of long-term bank loans (Notes 5 and 14)	**34**	38	**299**
Payables (Note 14):			
Trade accounts	**10,866**	10,616	**96,432**
Unconsolidated subsidiaries and associated companies	**73**	13	**644**
Other	**2,086**	2,234	**18,512**
Income taxes payable	**1,782**	1,503	**15,818**
Accrued expenses	**2,069**	2,101	**18,364**
Current portion of long-term lease obligations (Notes 5, 13 and 14)	**1,577**	1,856	**13,999**
Other current liabilities	**1,140**	1,391	**10,114**
Total current liabilities	**20,240**	20,370	**179,627**
LONG-TERM LIABILITIES:			
Bonds with warrants (Notes 5, 6 and 14)	**10,023**	10,033	**88,947**
Long-term bank loans (Notes 5 and 14)	**76**	259	**674**
Liability for retirement benefits (Note 7)	**5,321**	4,536	**47,222**
Long-term lease obligations (Notes 5, 13 and 14)	**3,378**	3,211	**29,979**
Provision for environmental measures	**42**	46	**372**
Deferred tax liabilities (Note 11)	**1,640**	1,336	**14,551**
Other long-term liabilities	**336**	327	**2,986**
Total long-term liabilities	**20,816**	19,748	**184,731**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Notes 8, 9 and 19):			
Common stock—authorized, 126,000,000 shares; issued, 30,877,487 shares in 2016 and 2015	**4,207**	4,207	**37,340**
Capital surplus	**49,877**	49,877	**442,646**
Retained earnings	**37,553**	33,195	**333,269**
Treasury stock—at cost, 2,403,177 shares in 2016 and 1,501,744 shares in 2015	**(7,501)**	(4,324)	**(66,570)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**317**	1,078	**2,817**
Foreign currency translation adjustments	**1,344**	1,587	**11,928**
Defined retirement benefit plans	**(574)**	(230)	**(5,099)**
Total	**85,223**	85,390	**756,331**
Noncontrolling interests	**1**	1	**5**
Total equity	**85,224**	85,391	**756,336**
TOTAL	**¥126,280**	¥125,509	**$1,120,694**

Consolidated Statement of Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
NET SALES	**¥74,089**	¥75,270	**$657,521**
COST OF SALES	**42,496**	42,991	**377,139**
Gross profit	**31,593**	32,279	**280,382**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**21,933**	22,241	**194,651**
Operating income	**9,660**	10,038	**85,731**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**396**	614	**3,516**
Interest expense	**(46)**	(72)	**(406)**
Foreign exchange (loss) gain—net	**(387)**	660	**(3,433)**
Other—net	**112**	348	**991**
Other income—net	**75**	1,550	**668**
INCOME BEFORE INCOME TAXES	**9,735**	11,588	**86,399**
INCOME TAXES (Note 11):			
Current	**2,882**	4,096	**25,581**
Deferred	**465**	227	**4,126**
Total income taxes	**3,347**	4,323	**29,707**
NET INCOME	**6,388**	7,265	**56,692**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**0**	0	**1**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 6,388**	¥ 7,265	**$ 56,691**

	Yen		U.S. Dollars
	2016	2015	**2016**
PER SHARE OF COMMON STOCK (Notes 2 and 18):			
Basic net income	**¥221.76**	¥244.03	**$1.97**
Diluted net income	**204.48**	225.51	**1.81**
Cash dividends applicable to the year	**70.00**	50.00	**0.62**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
NET INCOME	**¥6,388**	¥7,265	**$56,692**
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized (loss) gain on available-for-sale securities	**(762)**	457	**(6,757)**
Foreign currency translation adjustments	**(243)**	563	**(2,158)**
Defined retirement benefit plans	**(344)**	(34)	**(3,055)**
Total other comprehensive (loss) income	**(1,349)**	986	**(11,970)**
COMPREHENSIVE INCOME	**¥5,039**	¥8,251	**$44,722**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥5,039**	¥8,251	**$44,721**
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, 2016

	Thousands	Millions of Yen						
						Treasury Stock		
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	30,828,587	¥4,166	¥49,836	¥18	¥27,485	¥ (41)	¥(343)	¥ (384)
Cumulative effect of accounting change					(54)			
BALANCE, APRIL 1, 2014 (as restated)	30,828,587	4,166	49,836	18	27,431	(41)	(343)	(384)
Net income attributable to owners of the parent					7,265			
Cash dividends, ¥50.00 per share					(1,501)			
Issuance of new shares—exercise of stock acquisition rights	48,900	41	41					
Purchase of treasury stock						(4,067)		(4,067)
Disposal of treasury stock from the Trust							127	127
Net change in the year				(18)				
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, MARCH 31, 2016	30,877,487	¥4,207	¥49,877		¥37,553	¥(7,399)	¥(102)	¥(7,501)

	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, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	¥621	¥1,024	¥(196)	¥82,570	¥ 1	¥82,571
Cumulative effect of accounting change				(54)		(54)
BALANCE, APRIL 1, 2014 (as restated)	621	1,024	(196)	82,516	1	82,517
Net income attributable to owners of the parent				7,265		7,265
Cash dividends,¥50.00 per share				(1,501)		(1,501)
Issuance of new shares—exercise of stock acquisition rights				82		82
Purchase of treasury stock				(4,067)		(4,067)
Disposal of treasury stock from the Trust				127		127
Net change in the year	457	563	(34)	968	(0)	968
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, MARCH 31, 2016	¥317	¥1,344	¥(574)	¥85,223	¥ 1	¥85,224

	Thousands of U.S. Dollars (Note 1)						
					Treasury Stock		
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, APRIL 1, 2015	$37,340	$442,646		$294,596	$(36,462)	$(1,919)	$ (38,381)
Net income attributable to owners of the parent				56,691			
Cash dividends, $0.62 per share				(18,018)			
Purchase of treasury stock					(29,204)		(29,204)
Disposal of treasury stock from the Trust						1,015	1,015
Net change in the year							
BALANCE, MARCH 31, 2016	$37,340	$442,646		$333,269	$(65,666)	$(904)	$(66,570)

	Thousands of U.S. Dollars (Note 1)					
	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	$9,574	$14,086	$(2,044)	$757,817	$ 5	$757,822
Net income attributable to owners of the parent				56,691		56,691
Cash dividends, $0.62 per share				(18,018)		(18,018)
Purchase of treasury stock				(29,204)		(29,204)
Disposal of treasury stock from the Trust				1,015		1,015
Net change in the year	(6,757)	(2,158)	(3,055)	(11,970)	(0)	(11,970)
BALANCE, MARCH 31, 2016	$2,817	$11,928	$(5,099)	$756,331	$ 5	$756,336

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
OPERATING ACTIVITIES:			
Income before income taxes	**¥9,735**	¥11,588	**$86,399**
Adjustments for:			
Income taxes—paid	**(3,864)**	(6,205)	**(34,292)**
Depreciation and amortization	**4,960**	5,128	**44,016**
Loss on sales and redemption of investment securities-net	**95**	454	**844**
Decrease in allowance for investment loss		(485)	
Changes in assets and liabilities:			
(Increase) decrease in receivables	**(104)**	1,580	**(924)**
Decrease (increase) in inventories	**87**	(1,018)	**773**
Decrease (increase) in lease receivables and investments in leases	**291**	(81)	**2,580**
Increase in assets for rent	**(1,883)**	(2,270)	**(16,714)**
Increase in payables	**521**	322	**4,625**
Decrease in long-term lease obligations	**(1,412)**	(1,509)	**(12,530)**
Other—net	**1,231**	648	**10,927**
Total adjustments	**(78)**	(3,436)	**(695)**
Net cash provided by operating activities	**9,657**	8,152	**85,704**
INVESTING ACTIVITIES:			
Increase in time deposits	**(19)**	(521)	**(171)**
Purchases of marketable securities	**(1,100)**	(4,000)	**(9,762)**
Proceeds from sales of marketable securities	**2,705**	3,500	**24,005**
Purchases of property, plant and equipment	**(916)**	(1,296)	**(8,129)**
Purchases of intangible assets	**(204)**	(384)	**(1,812)**
Purchases of investment securities	**(3,986)**	(3,581)	**(35,372)**
Proceeds from sales of investment securities	**1,477**	2,766	**13,107**
Purchases of shares of subsidiaries and associated companies		(56)	
Other—net	**5**	(44)	**49**
Net cash used in investing activities	**(2,038)**	(3,616)	**(18,085)**
FORWARD	**¥7,619**	¥ 4,536	**$67,619**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings—net	**(8)**	192	**(72)**
Repayments of long-term bank loans	**(170)**	(164)	**(1,512)**
Proceeds from long-term bank loans		5	
Purchase of treasury stock	**(3,291)**	(4,068)	**(29,204)**
Dividends paid	**(2,028)**	(1,501)	**(17,998)**
Other—net	**4**	161	**30**
Net cash used in financing activities	**(5,493)**	(5,375)	**(48,756)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**37**	(21)	**327**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,163**	(860)	**19,190**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**20,453**	21,313	**181,517**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥22,616**	¥20,453	**$200,707**

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.68 to $1, the approximate rate of exchange at March 31, 2016. 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. *Consolidatio*—The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 10 significant (10 in 2015) subsidiaries (together, the "Group").

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

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

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

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or 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*—In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest*—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. Under the previous accounting standard, 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 an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "net income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination*—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. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, 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.

(e) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities.

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 acquired on or after April 1, 1998 and assets for rent of the consolidated domestic subsidiaries and substantially all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally 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.

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 included in investments and other assets and 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 terminating their employment.

Liability for retirement benefits is accounted for based on the projected benefit obligation and plan assets at the balance sheet date. A straight-line basis was used for the method of attributing expected benefit to periods in determining defined benefit obligation for the year ended March 31, 2016. The Company and certain consolidated domestic subsidiaries, however, apply the simplified method. Past service costs are amortized on a straight-line basis over 10 years, which is within the average remaining service period. Actuarial gains and losses are amortized on a straight-line basis over 10 years, which is within the average remaining service period.

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 17).

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

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

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014 decreased by ¥54 million.

o. Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

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

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

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

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

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

t. Foreign Currency Financial Statements—The balance sheet accounts and revenue and 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.

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

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

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

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

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

w. *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.

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

Accounting treatments under this standard and guidance are as follows:

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

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

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

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

y. *New Accounting Pronouncements*

Tax Effect Accounting —On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Debt securities	¥ 1,133	¥ 1,622	$ 10,053
Other	4,696	4,615	41,676
Total	¥ 5,829	¥ 6,237	$ 51,729
Non-current:			
Equity securities	¥ 1,530	¥ 1,280	$ 13,580
Debt securities	3,652	3,839	32,406
Other	9,790	10,726	86,886
Total	¥ 14,972	¥ 15,845	$ 132,872

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

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, 2015	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 312	¥ 440		¥ 752
Debt securities	4,745	344	¥ 28	5,061
Other	14,568	1,060	286	15,342
Held-to-maturity	400	7	2	405

March 31, 2016	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 4,648	$ 3,204	$ 12	$ 7,840
Debt securities	39,442	2,101	858	40,685
Other	129,078	5,559	6,076	128,562
Held-to-maturity	1,775	21		1,796

The information for available-for-sale securities which were sold during the years ended March 31, 2016 and 2015, was as follows:

March 31, 2016	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 102	¥ 21	
Other	912	47	¥ 64
Total	¥ 1,014	¥ 68	¥ 64
March 31, 2015			
Available-for-sale:			
Debt securities	¥ 17	¥ 1	
Other	1,294	134	¥ 4
Total	¥ 1,311	¥ 135	¥ 4

March 31, 2016	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 903	$ 185	
Other	8,099	420	$ 565
Total	$ 9,002	$ 605	$ 565

Impairment loss was recorded for the year ended March 31, 2016 in the amount of ¥136 million ($1,208 thousand) on investment trusts and for the year ended March 31, 2015 in the amount of ¥601 million on unlisted equity securities.

4. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products	¥ 3,930	¥ 4,010	$ 34,874
Merchandise	1,467	1,448	13,021
Raw materials	1,558	1,681	13,823
Work in process	238	282	2,108
Supplies	77	74	690
Total	¥ 7,270	¥ 7,495	$ 64,516

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015, consisted of bank overdrafts and trade receivables factoring. The weighted-average interest rates applicable to the short-term borrowings at March 31, 2016 and 2015, were 0.9% and 1.0%, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Bank loans by the Trust, six-month Tokyo Inter Bank Offered Rate (TIBOR) plus 0.45% and due 2019	¥ 110	¥ 296	$ 973
Bonds with warrants	10,023	10,033	88,947
Long-term lease obligations	4,955	5,066	43,978
Total	15,088	15,395	133,898
Less current portion	(1,611)	(1,893)	(14,298)
Long-term debt, less current portion	¥ 13,477	¥ 13,502	$ 119,600

Annual maturities of long-term debt at March 31, 2016, for the next five years and thereafter were as follows:

Year Ending March 31	Long-term bank loans		Lease obligations	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 34	$ 299	¥ 1,577	$ 13,999
2018	34	299	1,330	11,801
2019	34	299	987	8,761
2020	8	76	633	5,618
2021			338	2,997
2022 and the reafter			90	802
Total	¥ 110	$ 973	¥ 4,955	$ 43,978

No assets were pledged as collateral for short-term borrowings and long-term debt at March 31, 2016 and 2015.

6. BONDS WITH WARRANTS

Bonds with warrants at March 31, 2016, 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	¥ 10,023	$ 88,947	0.00	Unsecured	July 26, 2018
Total		¥ 10,023	$ 88,947			

Notes:

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

Type of shares: Common stock

Issue value of warrants: No consideration

Issue price of shares: ¥4,106 ($36.44) per share

Total issue value: ¥10,000 million ($88,747 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, 2016, for the next five years were as follows:

Year Ending March 31	Bonds with warrants	
	Millions of Yen	Thousands of U.S. Dollars
2017		
2018		
2019	¥ 10,000	$ 88,747
2020		
2021		
Total	¥ 10,000	$ 88,747

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 terminating their employment.

In addition to the plans above, the Company and certain consolidated subsidiaries participate in the Tokyo Pharmaceutical Welfare Annuity Foundation, a multiemployer pension plan for employees in the same industry. Among those, plans 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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 4,547	¥ 4,100	$ 40,354
Cumulative effect of accounting change		74	
Balance at beginning of year (as restated)	4,547	4,174	40,354
Current service cost	334	337	2,962
Interest cost	47	61	420
Actuarial losses	525	137	4,658
Benefits paid	(112)	(162)	(992)
Other	(13)		(117)
Balance at end of year	¥ 5,328	¥ 4,547	$ 47,285

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥11	¥16	$102
Actuarial losses (gains)	0	(1)	1
Benefits paid	(4)	(4)	(40)
Balance at end of year	¥ 7	¥11	$ 63

(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, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 7	¥ 11	$ 60
Plan assets	(7)	(11)	(63)
Total	(0)	(0)	(3)
Unfunded defined benefit obligation	5,321	4,536	47,225
Net liability arising from defined benefit obligation	¥ 5,321	¥ 4,536	$ 47,222

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 5,321	¥ 4,536	$ 47,222
Net liability arising from defined benefit obligation	¥ 5,321	¥ 4,536	$ 47,222

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 334	¥ 337	$ 2,962
Interest cost	47	61	420
Recognized actuarial losses	29	18	257
Amortization of past service cost		96	
Others	17	17	150
Net periodic benefit costs	¥ 427	¥ 529	$ 3,789

(5) Amounts recognized in comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Past service cost		¥ 96	
Actuarial gains	¥ (492)	(120)	$ (4,368)
Total	¥ (492)	¥ (24)	$ (4,368)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial losses	¥ 825	¥ 333	$ 7,319
Total	¥ 825	¥ 333	$ 7,319

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Public and corporate debt securities	34.9%	36.5%
Foreign securities	33.7	34.7
Loans receivable	15.3	14.7
Equity securities	8.6	7.9
Others	7.5	6.2
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, 2016 and 2015, are set forth as follows:

	2016	2015
Discount rate	0.0% to 0.2%	0.6% to 1.0%
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 ¥125 million ($1,108 thousand) and ¥120 million for the years ended March 31, 2016 and 2015, 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 ¥264 million ($2,347 thousand) and ¥271 million for the years ended March 31, 2016 and 2015, respectively.

(1) Funding status of the multiemployer pension plan as of March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of March 31, 2015
Plan assets	¥ 571,380	¥ 512,489	$ 5,070,824
Total amount of actuarial liability in pension financing and minimum actuarial reserve (*1)	561,736	522,290	4,985,234
Surplus (Deficit)	¥ 9,644	¥ (9,801)	$ 85,590

Note:

(*1) The item was presented as "Pension liabilities (actuarial liability plus balance of unamortized past service cost)" as of March 31, 2015.

(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, 2016	March 1 to 31, 2015
Contribution percentage	1.5%	1.5%

(3) Supplementary information

The surplus (deficit) presented above is mainly due to the balance of unamortized past service cost of ¥40,107 million ($355,941 thousand) and ¥45,242 million, the surplus of ¥14,311 million ($127,005 thousand) and ¥35,441 million and the general reserve of ¥35,441 million ($314,526 thousand) and none as of March 31, 2015 and 2014, 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 seven years and zero months as of March 31, 2015.

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

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

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

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

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

No stock options were outstanding as of March 31, 2016 and 2015.

Gain from the cancellation of stock acquisition rights of nil and ¥4 million was recorded for the years ended March 31, 2016 and 2015, respectively.

10. EMPLOYEE STOCK OWNERSHIP PLAN

The Trust held the following amounts of treasury stock and long-term debt which are included in the consolidated balance sheet.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Treasury stock	¥ 102	¥ 216	$ 905
(shares)	(40,300)	(85,500)	
Long-term debt		¥ 137	

11. 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 32.3% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Accrued bonuses	¥ 350	¥ 383	$ 3,108
Liability for directors' and audit and supervisory board members' retirement benefits	67	72	599
Liability for employees' retirement benefits	1,627	1,448	14,438
Tax loss carryforwards	1,153	1,153	10,234
Gain on valuation related to an exchange of shares transaction	210	221	1,861
Other	2,823	2,818	25,052
Less valuation allowance	(1,675)	(1,737)	(14,862)
Total	4,555	4,358	40,430
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	470	441	4,169
Gain on revaluation of land of subsidiary	27	30	238
Unrealized gain on available-for-sale securities	121	463	1,070
Loss on valuation related to an exchange of shares transaction	1,446	1,534	12,831
Other	1,382	811	12,276
Total	3,446	3,279	30,584
Net deferred tax assets	¥ 1,109	¥ 1,079	$ 9,846

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 years ended March 31, 2016 and 2015 is omitted since the difference between the tax rates is 5% or less of the normal effective statutory tax rate.

On March 29, 2016, tax reform laws were enacted in Japan which changed the normal effective statutory tax rate from approximately 32.3% to 30.9%, effective for years beginning on April 1, 2016 and 2017, and to 30.6%, effective for years beginning on or after April 1, 2018.

The effect of this change is immaterial.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,386 million ($12,300 thousand) and ¥1,247 million for the years ended March 31, 2016 and 2015, respectively.

13. LEASES

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

Total rental expenses, including lease payments under finance leases, for the years ended March 31, 2016 and 2015, were ¥3,010 million ($26,708 thousand) and ¥3,091 million, respectively. Total rental revenues, including lease income under finance leases, for the years ended March 31, 2016 and 2015, were ¥15,230 million ($135,163 thousand) and ¥13,620 million, respectively.

(1) The Group as Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 10	$ 90
Due after one year	10	87
Total	¥ 20	$ 177

(2) The Group as Lessor

The net lease receivables are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross receivables	¥ 515	¥ 544	$ 4,567
Unearned interest income	(19)	(0)	(163)
Lease receivables	¥ 496	¥ 544	$ 4,404

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross receivables	¥ 2,194	¥ 2,691	$ 19,472
Unearned interest income	(412)	(689)	(3,660)
Investments in leases	¥ 1,782	¥ 2,002	$ 15,812

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
2017	¥ 186	$ 1,652
2018	128	1,140
2019	88	779
2020	59	526
2021	36	316
2022 and thereafter	18	154
Total	¥ 515	$ 4,567

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
2017	¥ 670	$ 5,943
2018	510	4,523
2019	405	3,597
2020	287	2,546
2021	191	1,694
2022 and thereafter	131	1,169
Total	¥ 2,194	$ 19,472

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

Receivables such as trade notes and accounts receivable, lease receivables and investments in leases are exposed to customer credit risk. Trade receivables in foreign currencies 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.

Borrowings are intended to procure operating capital due within four 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 15 for more details about derivatives.

Bonds with warrants are used as funds for the purchase of welfare equipment for rental business of the Group and investments in domestic and overseas manufacturing facilities. The redemption date of the bonds is within three years after March 31, 2016.

(3) Risk Management for Financial Instruments

Credit risk management (counterparty default risk)

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

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

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

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

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

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

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

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. The reasonably calculated values may fluctuate if different assumptions are applied. The contract amounts regarding derivative transactions described in Note 15 do not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

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 (*1)	¥ (94)	¥ (94)	

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 20,453	¥ 20,453	
Time deposits	7,150	7,150	
Receivables	24,685	24,685	
Lease receivables and investments in leases	2,546	3,110	¥ 564
Marketable and investment securities			
Held-to-maturity debt securities	400	405	5
Available-for-sale securities	21,155	21,155	
Total	¥ 76,389	¥ 76,958	¥ 569
Payables	¥ 10,629	¥ 10,629	
Short-term borrowings	618	618	
Long-term bank loans (including current portion)	296	293	¥ (3)
Lease obligations (including current portion)	5,066	5,159	93
Bonds with warrants	10,033	10,275	242
Total	¥ 26,642	¥ 26,974	¥ 332
Derivative transactions (*1)	¥ 6	¥ 6	

March 31, 2016	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	$ 200,707	$ 200,707	
Time deposits	63,625	63,625	
Receivables	219,207	219,207	
Lease receivables and investments in leases	20,216	23,159	$ 2,943
Marketable and investment securities			
Held-to-maturity debt securities	1,775	1,796	21
Available-for-sale securities	177,087	177,087	
Total	$ 682,617	$ 685,581	$ 2,964
Payables	$ 97,076	$ 97,076	
Short-term borrowings	5,445	5,445	
Long-term bank loans (including current portion)	973	979	6
Lease obligations (including current portion)	43,978	45,556	$ 1,578
Bonds with warrants	88,947	99,397	10,450
Total	$ 236,419	$ 248,453	$ 12,034
Derivative transactions (*1)	$ (834)	$ (834)	

Note:

(*1) 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 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unlisted equity securities that do not have a quoted market price in an active market	¥ 1,017	¥ 827	$ 9,022
Investments in investment partnership	170	170	1,509
Other investments	406	406	3,604

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

March 31, 2016	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 7,620			
Time deposits	7,169			
Receivables	24,700			
Lease receivables and investments in leases	740	¥ 1,420	¥ 118	
Marketable and investment securities				
Held-to-maturity debt securities			200	
Available-for-sale securities with contractual maturities				
Debt securities	431	814	738	¥ 672
Other	9,683	3,410	1,544	186
Total	¥ 50,343	¥ 5,644	¥ 2,600	¥ 858

March 31, 2016	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 67,629			
Time deposits	63,625			
Receivables	219,207			
Lease receivables and investments in leases	6,567	$ 12,603	$ 1,046	
Marketable and investment securities				
Held-to-maturity debt securities			1,775	
Available-for-sale securities with contractual maturities				
Debt securities	3,826	7,227	6,553	$ 5,961
Other	85,927	30,257	13,701	1,652
Total	$ 446,781	$ 50,087	$ 23,075	$ 7,613

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

15. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 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, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 559	¥ 441	¥ 6	¥ 6

March 31, 2016	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.$	$ 4,302	$ 3,231	$ (121)	$ (121)
Buying CNY	42,943		(712)	(712)

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 ($1,874 thousand) and ¥235 million ($2,084 thousand), respectively.

16. CONTINGENT LIABILITIES

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for employees' housing loans	¥ 64	$ 567
Recourse obligation for the transfer of payables on factoring transactions	1,184	10,510

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ (1,395)	¥ 932	$ (12,380)
Reclassification adjustments to profit or loss	291	(310)	2,579
Amount before income tax effect	(1,104)	622	(9,801)
Income tax effect	342	(165)	3,044
Total	¥ (762)	¥ 457	$ (6,757)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (243)	¥ 563	$ (2,158)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (521)	¥ (138)	$ (4,625)
Reclassification adjustments to profit or loss	29	114	257
Amount before income tax effect	(492)	(24)	(4,368)
Income tax effect	148	(10)	1,313
Total	¥ (344)	¥ (34)	$ (3,055)
Total other comprehensive (loss) income	¥ (1,349)	¥ 986	$ (11,970)

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

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 (*1)	EPS	
Basic EPS—Net income available to common shares	¥ 6,388	28,805,006	¥ 221.76	$ 1.97
Effect of dilutive securities—Bonds with warrants		2,435,460		
Diluted EPS—Net income for computation	¥ 6,388	31,240,466	¥ 204.48	$ 1.81

Year Ended March 31, 2015	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of Parent	Weighted-Average Shares (*1)	EPS	
Basic EPS—Net income available to common shares	¥ 7,265	29,769,237	¥ 244.03	
Effect of dilutive securities—Bonds with warrants		2,435,460		
Effect of dilutive securities—Stock acquisition rights		10,006		
Diluted EPS—Net income for computation	¥ 7,265	32,214,703	¥ 225.51	

Note:

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

19. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's shareholders meeting held on June 29, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35 ($0.31) per share (*1)	¥997	$8,845

Note:

(*1) As the Company's stock held by the Trust is stated as treasury stock in the accompanying consolidated financial statements, the dividends to the Trust of ¥1 million ($13 thousand) are not included in the total amount of the year-end cash dividends above.

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, 2016 and 2015.

(2) Information about Products and Services

	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

	Millions of Yen						
	2015						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	¥ 33,438	¥ 5,260	¥ 4,132	¥ 3,550	¥ 16,208	¥ 12,682	¥ 75,270

	Thousands of U.S. Dollars						
	2016						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	$259,945	$40,235	$34,484	$28,936	$167,609	$126,312	$657,521

(3) Information about Geographical Areas

a. Sales

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

Millions of Yen					
2015					
Japan	Asia	Middle East	Europe	Other	Total
¥ 69,342	¥ 3,802	¥ 345	¥ 1,436	¥ 345	¥ 75,270

Thousands of U.S. Dollars					
2016					
Japan	Asia	Middle East	Europe	Other	Total
$ 593,784	$ 44,338	$ 4,351	$ 11,941	$ 3,107	$ 657,521

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, 2016 and 2015.

(4) Information about Major Customers

In the years ended March 31, 2016 and 2015, 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, 2016 and 2015, 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
	2016	2015	2016
Amortization of goodwill	¥ 23	¥ 53	$ 206
Balance of goodwill	35	58	309

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Paramount Bed Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, 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, 2016, 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, 2016

Member of
Deloitte Touche Tohmatsu Limited

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 NURSING-CARE GOODS

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

OVERSEAS

REGIONAL OVERSIGHT COMPANY

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

MANUFACTURING COMPANIES

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

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

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

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

SALES COMPANIES

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

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

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

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

REPRESENTATIVE OFFICE

⓮ **PARAMOUNT BED 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, 2016

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 the leasing and wholesaling of assistive products. Paramount Bed Holdings Co., Ltd. is responsible for the planning, drafting, and implementation of Group management strategies, auditing of group management, and other tasks related to Group management control.

Number of Employees: 22 (non-consolidated)
2,638 (consolidated)

Number of Shares Authorized: 126,000,000

Number of Shares Issued: 30,877,487

Number of Shareholders: 9,583

Principal Shareholders:

Name	Number of shares held (thousand)	%
CTOK Co., LTD.	3,121	10.9
LLAGE WOOD Co.	2,373	8.3
NIU VALLEY CAPITAL LLC	1,679	5.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	968	3.4
Japan Trustee Services Bank, Ltd. (Trust Accounts)	966	3.4
Kenji Kimura	912	3.2
Kyosuke Kimura	911	3.2
Michihide Kimura	911	3.2
Tomohiko Kimura	820	2.9
Mizuho Bank, Ltd.	700	2.5

Notes 1. The Company holds 2,362,877 shares of treasury stock, but these are excluded from the above list of principal shareholders.
2. The voting rights ratio is calculated excluding treasury stock.

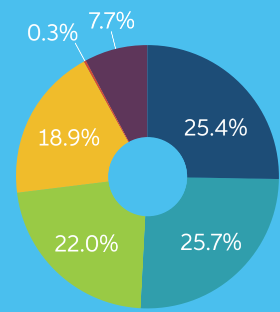
Website Information

PARAMOUNT BED HOLDINGS IR Search

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

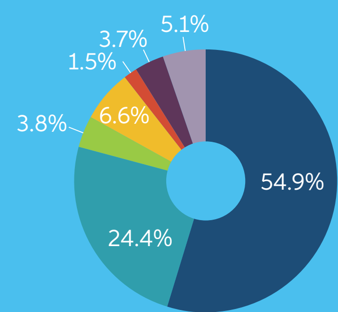
http://www.paramountbed-hd.co.jp/en/

Distribution by Type of Shareholder:



	%
Japanese individuals and others	25.4
Other Japanese companies	25.7
Foreign investors	22.0
Japanese financial institutions	18.9
Japanese securities companies	0.3
Treasury stock	7.7

Distribution by Number of Shares Held:



	%
500,000 or more	54.9
100,000 to 499,999	24.4
50,000 to 99,999	3.8
10,000 to 49,999	6.6
5,000 to 9,999	1.5
1,000 to 4,999	3.7
Less than 1,000	5.1

PARAMOUNT BED HOLDINGS

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Printed in Japan