ANNUAL REPORT 2007 | PARAMOUNT BED CO., LTD.

Statement:

As Human, for Human

Paramount Bed Co., Ltd., founded in 1947, is a pioneer in the field of medical beds. Using its own unique integrated production system, it has been providing products designed not only to improve conditions for convalescing patients, but also to facilitate the work of caregivers for more than half a century. With the aging of the Japanese population, in recent years it has expanded its scope of business to cover facilities for the elderly and home nursing care, developing home-care beds and various other types of welfare equipment. These initiatives are in line with Paramount Bed's goal of creating a patient-friendly healthcare environment.

The Paramount Bed group consists of Paramount Bed and 7 consolidated subsidiaries (as of March 31, 2007). In the fiscal year to March 2007, it had net sales of ¥35,928 million, operating income of ¥841 million and net loss of ¥2,033 million. Paramount Bed is Japan's leading maker of medical beds and has acquired a strong reputation, as reflected in its domestic market share of 70% (PB estimate).

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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 Co., Ltd. during the fiscal year ended March 31, 2007, 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, 2007, and involve known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

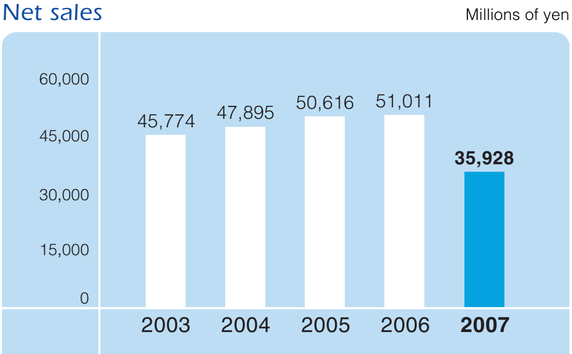
Financial Highlights

Paramount Bed Co., Ltd. and Subsidiaries — Years ended March 31, 2007 and 2006

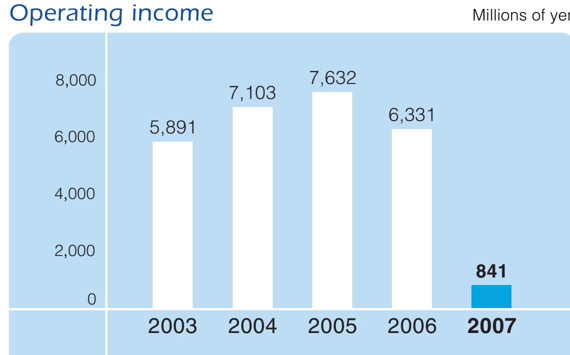
	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
For the year:			
Net sales	**¥ 35,928**	¥ 51,011	**$ 304,346**
Operating income	**841**	6,331	**7,124**
(Loss) income before income taxes and minority interests	**(2,359)**	6,544	**(19,983)**
Net (loss) income	**(2,033)**	3,782	**(17,221)**
Per share data (yen):			
Basic net (loss) income	**(66.83)**	120.61	**(0.57)**
Diluted net income	**—**	120.59	**—**
Total equity	**2,150.22**	2,300.19	**18.21**
At year-end:			
Total assets	**76,478**	84,315	**647,844**
Total equity	**65,510**	70,016	**554,935**

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥118.05 to U.S.$1, the approximate exchange rate at March 31, 2007, as discribed.

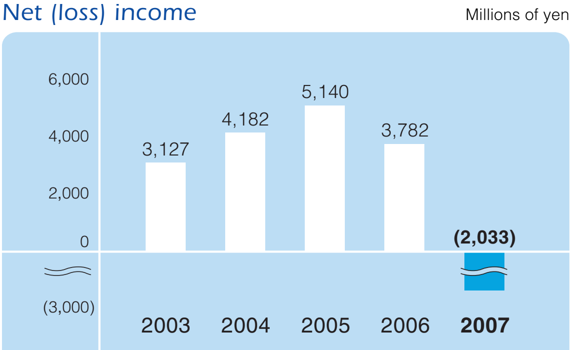
Net sales Millions of yen



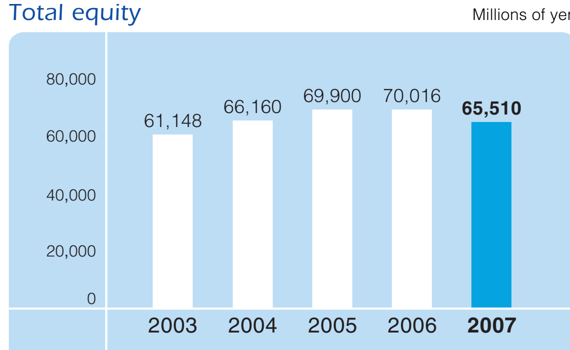
Operating income Millions of yen



Net (loss) income Millions of yen



Total equity Millions of yen



We strive to create a comfortable healthcare environment with advanced technology and consideration towards users.

Kenji Kimura
President and Representative Director

Streamlined management in response to radical changes in the business environment

During the fiscal year under review, earnings of Paramount Bed Co., Ltd. deteriorated greatly due to radical changes in the business environment, following major revisions of laws in both the medical and nursing-care sectors. Under such circumstances, the Company decided to review drastically our cost structure and carried out management rationalization. This included: reducing the directors' monthly remuneration and managers' salaries; soliciting voluntary retirement; reviewing general expenses; and implementing measures such as discontinuing TV commercials and deciding on the consolidation and reorganization of our domestic plants.

For the fiscal year ended March 2007, the Company posted consolidated net sales of ¥35,928 million (down 29.6% year-on-year) and net income fell to a net loss amounting to ¥2,033 million, the first time to record a net loss since listing on the TSE, owing to premium severance payments to voluntary retirees and impairment losses on plants.

As for dividend payments, the Company disbursed ¥25 per share as a year-end dividend, the same amount as the interim dividend, for the fiscal year ended March 2007, fulfilling stable and ongoing profit returns to our shareholders. For the fiscal year ending March 2008, however, the Company regrettably will have to discontinue abandon the current dividend payment level because the Company's performance level has not yet fully recovered. Meanwhile, we plan to disburse ¥15 per share to our shareholders as both interim and year-end dividends, which is ¥10 lower per share over the previous year, totaling ¥30 per share annually. We appreciate your understanding in this decision.

Medium and long-term management strategies

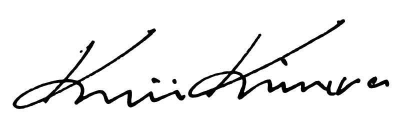
From the next fiscal year, the Company will strive to recover earnings and expand business operations in accordance with three medium and long-term management strategies: "maintenance and expansion of the existing businesses," "globalization of businesses (reinforcement of overseas operations)" and "enhancement of efforts towards new businesses."

Since its foundation, the Company has focused on the development and manufacture of medical beds and ancillary products as its core business under the public insurance system. With the growth of social security expenses being controlled in recent years, it is anticipated that medical techniques will continue to grow more sophisticated, and use of information technology in the medical sector, as well as the realignment of hospital bed systems, will increase. Considering such changes to be business opportunities, we will do our utmost to maintain and expand existing businesses while ensuring our competitiveness. We will proactively work to develop new products and services, searching for various ways to achieve potential growth, including alliances in different business categories.

We believe globalization of businesses is our greatest challenge. We must also think how to develop our current businesses, concentrating on both the Japanese and overseas markets as well. The Company group has been strengthening its overseas operations for more than ten years since the establishment of its plant in Indonesia, our first overseas production base. In December 2006, Corona Medical S.A.S., the second largest manufacturer of medical and nursing-care beds in France, became our affiliate. This development enabled us to make strategic moves in the healthcare bed markets in France, Italy and Spain. Positioning Corona Medical S.A.S. as the marketing strategic affiliate for the European market, we will further accelerate the globalization of our businesses. In addition, we will promote building an optimum global production system through collaboration with our three overseas production bases (Indonesia, China and France) and Japanese plants.

Lastly, another challenge for us is to enhance efforts towards new businesses. We have been carrying out the home nursing care business under the nursing-care insurance program, which allows customers to lease nursing-care beds by paying 10% of the leasing fees. We believe there is also still room for development of the business for general consumers who purchase nursing-care beds at their own expense without using the insurance system. For instance, we are eagerly discussing how to develop the marketing of electric beds for healthy adults, and other products utilizing our know-how in nursing-care beds, including development of products and price strategies. We will aim to create new markets other than the market covered by the nursing-care insurance program as well.

July 2007



Kenji Kimura
President and Representative Director

Corona Medical of France has been put under the umbrella of Paramount Group — A foothold for world strategies

In December 2006 we brought Corona Medical S.A.S., the second largest manufacturer of medical and nursing-care beds in France, under our wing by acquiring shares held by Corbon Holding S.A.S., the holding company of Corona Medical S.A.S., and making the French manufacturer a subsidiary.

Corona Medical S.A.S., established in 1954, holds about 20% of the market share in France. Though their domestic sales account for about 90% of the total sales, they export products to Spain, the United Arab Emirates and other countries. End users of Corona Medical S.A.S. are hospitals, facilities for the elderly, and individuals, just like our end users.

With Corona Medical S.A.S. joining our Group, we anticipate mutual improvements of technology through technology exchange, and promotion of joint procurement as well as increased sales such as those to the Middle and near East regions, while utilizing these areas as bases for entry into the European market.

Outline of Corona Medical S.A.S.

Date of establishment:	1954
Capital:	Approximately ¥110 million
Sales:	Approximately ¥4,200 million (FY2006)

New product of Corona Medical S.A.S.

New products

Launched Pharma Series Beds, beds for use in the home that provide relaxation and peace of mind

On November 1, the Company started marketing the Pharma Series Beds, electric remote-controlled beds for general households that include many of the same functions of nursing-care beds when accessories are attached.

The Pharma Series Beds are electric remote-controlled beds that have been developed for broad use in general households. They feature user-friendly control to keep comfortable bed posture, and are designed for use matching the interiors of both Japanese and Western style rooms.

Users can attach accessories used for nursing-care beds such as the “swing arm assistive bar” that provides the necessary support for users who have difficulty moving from the bed. We intend to market these products to collective housing for the elderly.

Price: Sold under an open pricing system

Launched beds for newborn infants that are designed to be friendly to both infants and mothers

In February 2007, we released beds for infants (KB-115 and KB-116), with the image of “young leaves” under the concept of “wrapping newborn infants gently and comfortably.”

The newly developed beds for newborn infants are equipped with a height and angle adjustment function, which allow mothers, not to mention nursing staff, to easily adjust the bed’s height and angle with a lever and a plastic basket with a wide opening to make changing diapers easy, as well as silent casters to reduce noise while moving.

These new beds also take the safety of newborn infants into consideration. For example, they are equipped with transportation grips, which serve as bumpers, so that any shock from an impact is not directly conveyed to the plastic parts of the bed.

Price:
“KB-116” ¥165,900 (including tax, shown on left)
“KB-115” ¥134,400 (including tax, shown on right)

Fully remodeled one-motor type “Aura Electric Bed”

The Company fully remodeled the one-motor type “Aura Electric Bed,” which had been favorably accepted since its release in 1983, and launched its remodeled type on October 2.

The new “Aura Electric Bed” adopts a mechanism to raise users’ backs and knees, making it easier to shift their bodies when their backs are raised, and helps them keep a comfortable posture on the bed. It is also designed so that it is possible to attach bed accessories such as a “swing arm assistive bar” for improvement of user-friendliness and safety.

The new model is a unified dark woody color, giving due consideration for comfortable use even in a Japanese style room, as well as matching up easily with other furniture.

Price: ¥137,000 (tax not included)

Hospital beds

Beds must provide safety, comfort and ease of operation. Our hospital bed line offers a full range, from sophisticated to standard models. The SO-7000 is a high quality nursing-care bed that features sophisticated functionality and design. Its robust and high quality manufacture supports modern medical care.

Advanced, emergency use

KA-8900 ICU bed

Multi-Purpose Medical Chair

Acute care (for special rooms)

SO-7000

Metis series

Beds for elderly-care facilities

Falling out of bed can be a cause of serious injury for residents of elderly-care facilities. Our ultra-low Callisto beds (Callisto Series) reduce the risk of harm in the event of a fall. (Photo shows bed fitted with Thestor shock-absorbing mattress)

Callisto series

Woody series

Home-care beds

Demand for rental home-care beds has grown rapidly since the start of the nursing-care insurance program. The Rakusho Series is designed to cater to the varied needs of different users.

Rakusho series

Wide Aura bed

Beds for the home (INTIME)

Everyone spends time in bed, and these models are designed to facilitate deep, refreshing sleep.

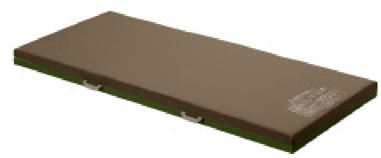
INTIME 7000 series

Style Port

Bed peripherals

● Mattresses

With elasticity similar to the human body's, the new released "Ever Fit" reduces the resistance produced when users turn over on the bed and it also stabilizes the posture during sleep.
The mattress is reversible and both sides have different functions that users can choose to suit their condition, build and preference.
We also offer the versatile Preglar Matress, for use in hospitals, elderly-care facilities and home care.



Ever Fit mattress

Preglar mattress

● Other Products

Scot-klean is a urine collector that automatically activates to collect urine when it detects the presence of urine. The Patient Lifter assists in moving patients between bed and wheelchair.

This unit is based on an original concept developed by Paramount Bed. We also offer a wide range of bed peripherals, such as drip stands, designed to maximize usability.

Scot-klean

KK-330S Wheelchair

Patient Lifter

I.V Stand

Launched "INTIME7000" Series

INTIME is the brand of beds for healthy adults, with which we propose "good quality sleep and health." On September 25, the Company announced the "INTIME7000" series, the first fully remodeled version of the product since its launch in May 2003.

The product was completely remodeled from scratch, including size, functionality and design, anticipating the needs of the next-generation of bedrooms.

Image of the "INTIME7000" series

The prices of the new series range from ¥407,000 to ¥590,000 (including tax).

Characteristics of "INTIME7000"

We developed the "INTIME7000" series, which inherited all the characteristics of the existing INTIME products, targeting quality and functions that surpass those of its predecessors.

For design of the new series, we selected Motomi Kawakami, a prestigious industrial designer who has a reputation for beautiful, easy-to-use and refined designs. We have lined up seven models in the new series, each giving a different impression, realized by combining forms, colors and materials in the frames and headboards.

INTIME website:
http://www.in-time.jp
Customer consultation desk:
0120-03-3648 (toll free in Japan)

In terms of function, in addition to wireless remote-control systems, there is "KIND Motion," which is used in our medical beds, and is fitted as standard equipment on the new models. The length of the new models extends about 10cm longer than that of existing models in consideration of user-friendliness when users' backs are raised.

Newly released products

Aluminum/headboard: White

Square Wood/headboard: Black

Curved Wood/headboard: Yellow

Curved Wood/headboard: Red

Major INTIME products

Mattresses
In addition to the "Style Port" custom-made mattress, which can be made to match the physique of each person, we also offer the "S series."

Day bed
This is a bed for living rooms, which enables users to enjoy siestas*, a new type of affluence. It is equipped with a reclining function to raise and lower the backs and knees using a hand switch.

*Siesta (from Spanish):
A short break or nap taken after lunch.

INTIME pillow
This is an original INTIME pillow. With its original two-layer structure, it gives users a natural posture during sleep and helps them turn over easily. Bed pads, quilts and linen are also available.

Side table
This is a side table with casters, on which books, cups and remote control units can be placed. Users can choose the tabletop color from five colors to match the design of the bed.

Six-year Summary

Paramount Bed Co., Ltd. and Subsidiaries — Years ended March 31

	2007	2006	2005	2004	2003	2002
For the year:				Millions of yen		
Net sales	**¥ 35,928**	¥ 51,011	¥ 50,616	¥ 47,895	¥ 45,774	¥ 45,153
Cost of sales	**23,540**	31,630	30,232	28,251	27,574	27,304
Gross profit	**12,388**	19,381	20,384	19,644	18,200	17,849
Selling, general and administrative expenses	**11,547**	13,050	12,752	12,541	12,309	13,063
Operating income	**841**	6,331	7,632	7,103	5,891	4,786
Net (loss) income	**(2,033)**	3,782	5,140	4,182	3,127	2,498
Net cash (used in) provided by operating activities	**(1,354)**	5,069	4,556	7,138	6,194	4,076
Net cash used in investing activities	**(1,997)**	(6,057)	(3,253)	(423)	(1,615)	(3,948)
Net cash used in financing activities	**(1,525)**	(4,588)	(1,134)	(758)	(1,198)	(1,040)
Cash and cash equivalents, end of year	**10,426**	15,247	20,790	20,622	14,661	11,267
Research and development costs	**1,032**	1,004	898	950	1,075	983
At year-end:						
Total assets	**76,478**	84,315	83,161	81,170	74,331	72,822
Total equity	**65,510**	70,016	69,900	66,160	61,148	59,442
Per share data:				Yen		
Basic net (loss) income	**(66.83)**	120.61	162.38	131.87	98.29	78.86
Diluted net income	**—**	120.59	162.33	—	—	—
Total equity	**2,150.22**	2,300.19	2,224.17	2,105.03	1,945.48	1,882.47
Value indicators:				%		
Return on equity (*1)	**(3.00)**	5.41	7.56	6.57	5.19	4.26
Return on assets (*2)	**(2.53)**	4.52	6.26	5.38	4.25	3.45
Equity ratio	**85.53**	83.04	84.05	81.51	82.26	81.63

*1) Return on equity (ROE): Net income / Average total equity
*2) Return on assets (ROA): Net income / Average total assets

Overview of Financial Results

The Japanese economy recovered in the fiscal year ended March 2007, primarily because of the robustness in the corporate sector and continued improvement in the employment situation, although consumption was weak as indicated by a slowdown and leveling off of consumer spending from the middle of the year.

The fiscal year under review saw rapid changes in the healthcare industry. The revision of medical service fees implemented in April 2006 had a more extensive influence than before on medical institutions, and among other things it accelerated the shortage of nurses. In addition, laws related to medical system reforms, including a great reduction in the number of long-term care beds, were enacted.

In the sector of welfare for the elderly, the market dwindled at a stroke, since a revision of the nursing-care insurance law meant nursing-care bed rental services for persons requiring mild nursing care at home were excluded from insurance payments. However, there was criticism of this revision, and the Ministry of Health, Labor and Welfare decided to ease the limit on using of nursing-care beds rental for persons requiring mild nursing care at home, from April 2007 if certain requirements are satisfied, based on a survey of actual conditions.

In this business environment, the Company group increased its capital investment and focused on research and development activities in order to bolster earnings.

As for major capital investments, the Company built information security systems and a new logistics system, as well as renewed incidental facilities to the head office building, and fully renovated the head office showroom.

With respect to the development and sales of products, the Company released the “Ever Fit Mattress R Type,” which makes it possible to quickly transport patients in an emergency, keeping them lying down; and the beds for newborn infants with our original design. Also, we developed a multi-function electric bed, which we plan to produce at our Chinese plant, and a new-type swing arm assistive bar. We fully remodeled the “Aura Electric Beds” for persons who require mild nursing care. The Company selected industrial designer Mr. Motomi Kawakami to fully remodel the products in our “INTIME” brand, the first time we had remodeled this brand, and released the electric adjustable beds, “INTIME7000 Series.”

As for our overseas operations, the Company put Corona Medical S.A.S., a wholly owned subsidiary of Corbon Holding S.A.S. of France, under its umbrella by acquiring shares held by its holding company. We position Corona Medical S.A.S., the second largest manufacturer of medical and nursing-care beds in France, as a strategic subsidiary for making inroads into the European market.

In the fiscal year under review, looking at the sales by type of user, consolidated sales related to nursing-care facilities dropped by 19.7% year-on-year, because many medical facilities refrained from making capital investments, with a watchful eye on the future direction of institutional reform, while sales of home-care products decreased by 51.2% year-on-year, directly hit by the revisions of the nursing-care insurance system.

Sales by major product category for the fiscal year under review were as follows:

	Millions of yen		%
	2007	2006	**Year-on-year Change**
Beds	**¥ 18,676**	¥ 30,164	**(38.1)**
Mattresses	**2,943**	4,390	**(33.0)**
Hospital-use furniture	**2,814**	3,884	**(27.6)**
Medical-use products	**2,170**	3,017	**(28.1)**
Other	**9,325**	9,556	**(2.4)**
Total	**¥ 35,928**	¥ 51,011	**(29.6)**

As a result, consolidated net sales for the fiscal year under review fell by 29.6%, or ¥15,083 million, year-on-year to ¥35,928 million.

Operating income dropped by 86.7% year-on-year to ¥841 million, primarily because of a sharp decline in sales despite our efforts to reduce expenses as a whole. We suffered our first net loss, amounting to ¥2,033 million, since the listing of our stock, chiefly because we posted approximately ¥3,900 million in premium severance payment for voluntary retirees and about ¥800 million in impairment losses for the Ohira Plant and others, although financial income grew considerably year-on-year.

The Company decided to review our cost structure in response to rapid changes in the business environment, and implemented the following measures in the fiscal year under review, in addition to the soliciting of voluntary retirement: (1) reducing the monthly remunerations for directors and salaries for managers; (2) overall reviewing of our expenses, including the discontinuation of TV commercials; and (3) plans for consolidating and reorganizing of our domestic plants.

Cash Flows

Cash and cash equivalent (hereinafter referred to as "cash") at the end of the fiscal year under review totaled ¥10,426 million, down ¥4,821 million from the end of the previous fiscal year. Each cash flow and their causes in the fiscal year under review are as follows:

(Cash flows from operating activities)
Net cash used in operating activities amounted to ¥1,354 million in the fiscal year under review. A breakdown of outflow shows loss before income taxes and minority interests of ¥2,359 million, a decrease in notes and accounts payable of ¥1,465 million and a payment of income taxes amounting to ¥1,773 million. Meanwhile, contributors to cash inflow were depreciation and amortization of ¥1,822 million, a decrease in inventories of ¥1,004 million and a decrease in notes and accounts receivable of ¥2,809 million.

(Cash flows from investing activities)
Net cash used in investing activities was ¥1,997 million. This was chiefly attributable to acquisition costs of marketable and investment securities and acquisition costs of property, plant and equipment, which totaled ¥7,797 million and ¥1,955 million, respectively, as well as proceeds from sales of marketable and investment securities, which amounted to ¥7,129 million.

(Cash flows from financing activities)
Net cash used in financing activities was ¥1,525 million, owing primarily to the payment of cash dividends of ¥1,521 million.

Issues to Be Addressed and Outlook for the Next Term

In the healthcare industry, moves to realign the hospital bed systems will likely intensify, including the planned formulation of a "regional care improvement plan" by each prefecture as part of measures to accept long-term care beds, whose number will be drastically reduced by the end of fiscal 2012. In the sector of welfare for the elderly, new moves are expected in the market subject to the nursing-care insurance program, since the limit on using of nursing-care beds rental for persons requiring mild nursing care at home was partially eased in April, while the market of welfare equipment, not covered by the insurance, is also expected to expand.

In this business environment, the Company will aim to raise earnings in the healthcare sector by focusing on: (1) enhancing sales capability in the so-called high care (advanced intensive care) field; (2) making comprehensive proposals on renovation and products to improve sickroom environments; and (3) offering a bedside service to provide information to patients via TV screens. In the sector of welfare for the elderly, the Company will strive to expand sales to residence facilities of the elderly, including rental houses exclusively for the elderly, and closely watch market changes in the home nursing care field.

In overseas operations, earnings of the consolidated subsidiary in France will start to make full contributions from the next fiscal year. We will do our utmost to expand sales of the French company's products to Turkey, Egypt and other Mediterranean countries, where we have a scant sales track record.

For our domestic production system, the Company will consolidate the existing three plants into two and reform the production structure over the next year.

Consolidated Balance Sheets

Paramount Bed Co., Ltd. and Subsidiaries — March 31, 2007 and 2006

ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 10,426	¥ 15,247	$ 88,319
Marketable securities (Note 4)	5,852	4,501	49,572
Notes and accounts receivable:			
Trade notes	3,383	5,052	28,658
Trade accounts	11,147	11,542	94,426
Other	704	23	5,963
Allowance for doubtful accounts	(6)	(7)	(51)
Inventories (Note 5)	4,726	5,346	40,034
Deferred tax assets (Note 11)	355	611	3,007
Prepaid expenses and other current assets	258	164	2,186
Total current assets	36,845	42,479	312,114
PROPERTY, PLANT AND EQUIPMENT (Note 6)**:**			
Land (Note 7)	8,084	8,403	68,479
Buildings and structures (Note 7)	24,177	23,722	204,803
Machinery and equipment	13,816	14,436	117,035
Construction in progress	6	95	51
Total	46,083	46,656	390,368
Accumulated depreciation	(24,334)	(23,903)	(206,133)
Net property, plant and equipment	21,749	22,753	184,235
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	11,218	14,825	95,028
Goodwill (Note 3)	903		7,649
Life insurance premium	1,239	1,228	10,496
Deferred tax assets (Note 11)	746	3	6,319
Other assets	3,778	3,027	32,003
Total investments and other assets	17,884	19,083	151,495
TOTAL	¥ 76,478	¥ 84,315	$ 647,844

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
CURRENT LIABILITIES:			
Notes and accounts payable:			
Trade accounts	¥ 5,764	¥ 6,372	$ 48,827
Other (Note 7)	1,515	1,639	12,833
Income taxes payable (Note 11)	35	1,741	296
Accrued expenses	1,025	1,308	8,683
Other current liabilities	660	512	5,591
Total current liabilities	8,999	11,572	76,230
LONG-TERM LIABILITIES:			
Liability for employees' retirement benefits (Note 8)	987	1,280	8,361
Deferred tax liabilities (Note 11)		551	
Other long-term liabilities (Note 7)	982	769	8,318
Total long-term liabilities	1,969	2,600	16,679
MINORITY INTERESTS		127	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 15)			
EQUITY (Notes 9 and 19):			
Common stock — authorized, 126,000,000 shares; issued, 31,682,526 shares	6,591	6,591	55,832
Capital surplus	7,277	7,277	61,643
Retained earnings	53,784	57,378	455,604
Unrealized gain on available-for-sale securities	1,130	2,168	9,572
Foreign currency translation adjustments	161	132	1,364
Treasury stock — at cost, 1,262,507 shares in 2007 and 1,260,653 shares in 2006	(3,534)	(3,530)	(29,936)
Total	65,409	70,016	554,079
Minority interests	101		856
Total equity	65,510	70,016	554,935
TOTAL	¥ 76,478	¥ 84,315	$ 647,844

Consolidated Statements of Operations

Paramount Bed Co., Ltd. and Subsidiaries — Years Ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
NET SALES	**¥ 35,928**	¥ 51,011	**$ 304,346**
COST OF SALES	**23,540**	31,630	**199,407**
Gross profit	**12,388**	19,381	**104,939**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**11,547**	13,050	**97,815**
Operating income	**841**	6,331	**7,124**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**221**	162	**1,872**
Foreign exchange gain	**228**	47	**1,931**
Gain on investments in partnerships and in anonymous association	**1,561**	77	**13,223**
Gain on sales of investment securities (Note 4)	**145**	6	**1,228**
Loss on sales of investment securities (Note 4)	**(18)**		**(152)**
Early retirement payments (Note 8)	**(3,829)**		**(32,435)**
Loss on disposal of property, plant and equipment	**(310)**	(43)	**(2,626)**
Loss on impairment of long-lived assets (Note 6)	**(797)**		**(6,751)**
Other — net	**(401)**	(36)	**(3,397)**
Other (expenses) income — net	**(3,200)**	213	**(27,107)**
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**(2,359)**	6,544	**(19,983)**
INCOME TAXES (Note 11):			
Current	**61**	3,213	**517**
Deferred	**(349)**	(385)	**(2,957)**
Total income taxes	**(288)**	2,828	**(2,440)**
MINORITY INTERESTS IN NET LOSS	**38**	66	**322**
NET (LOSS) INCOME	**¥ (2,033)**	¥ 3,782	**$ (17,221)**

	Yen		U.S. dollars
PER SHARE OF COMMON STOCK (Notes 2.q and 17):			
Basic net (loss) income	**¥ (66.83)**	¥ 120.61	**$ (0.57)**
Diluted net income		120.59	
Cash dividends applicable to the year	**50.00**	50.00	**0.42**

Diluted net income per share for 2007 is not calculated due to the net loss.
See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Paramount Bed Co., Ltd. and Subsidiaries — Years Ended March 31, 2007 and 2006

	Thousands	Millions of yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	31,409	¥ 6,591	¥ 7,277	¥ 55,426	¥ 1,402	¥ (65)	¥ (731)	¥ 69,900		¥ 69,900
Net income				3,782				3,782		3,782
Cash dividends, ¥57 per share				(1,790)				(1,790)		(1,790)
Bonuses to directors				(40)				(40)		(40)
Purchase of treasury stock	(988)						(2,801)	(2,801)		(2,801)
Disposal of treasury stock	1						2	2		2
Net increase in unrealized gain on available-for-sale securities					766			766		766
Net increase in foreign currency translation adjustments						197		197		197
BALANCE, MARCH 31, 2006	30,422	6,591	7,277	57,378	2,168	132	(3,530)	70,016		70,016
Reclassified balance as of March 31, 2006 (Note 2.j)									**¥ 127**	**127**
Net loss				**(2,033)**				**(2,033)**		**(2,033)**
Cash dividends, ¥50 per share				**(1,521)**				**(1,521)**		**(1,521)**
Bonuses to directors				**(40)**				**(40)**		**(40)**
Purchase of treasury stock	**(2)**						**(4)**	**(4)**		**(4)**
Net decrease in unrealized gain on available-for-sale securities					**(1,038)**			**(1,038)**		**(1,038)**
Net increase in foreign currency translation adjustments						**29**		**29**		**29**
Other — net									**(26)**	**(26)**
BALANCE, MARCH 31, 2007	**30,420**	**¥ 6,591**	**¥ 7,277**	**¥ 53,784**	**¥ 1,130**	**¥ 161**	**¥ (3,534)**	**¥ 65,409**	**¥ 101**	**¥ 65,510**

	Thousands of U.S. dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$55,832	$61,643	$486,048	$18,365	$1,118	$(29,902)	$593,104		$593,104
Reclassified balance as of March 31, 2006 (Note 2.j)								**$1,076**	**1,076**
Net loss			**(17,221)**				**(17,221)**		**(17,221)**
Cash dividends, $0.42 per share			**(12,884)**				**(12,884)**		**(12,884)**
Bonuses to directors			**(339)**				**(339)**		**(339)**
Purchase of treasury stock						**(34)**	**(34)**		**(34)**
Net decrease in unrealized gain on available-for-sale securities				**(8,793)**			**(8,793)**		**(8,793)**
Net increase in foreign currency translation adjustments					**246**		**246**		**246**
Other — net								**(220)**	**(220)**
BALANCE, MARCH 31, 2007	**$55,832**	**$61,643**	**$455,604**	**$ 9,572**	**$1,364**	**$(29,936)**	**$554,079**	**$ 856**	**$554,935**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Paramount Bed Co., Ltd. and Subsidiaries — Years Ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2007	2006	**2007**
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	**¥ (2,359)**	¥ 6,544	**$ (19,983)**
Adjustments for:			
Income taxes — paid	**(1,773)**	(3,199)	**(15,019)**
Depreciation and amortization	**1,822**	1,768	**15,434**
Loss on impairment of long-lived assets	**797**		**6,751**
Gain on investments in partnerships and in anonymous association	**(1,561)**	(77)	**(13,223)**
Gain on sales of investment securities	**(145)**	(6)	**(1,228)**
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable	**2,809**	1,002	**23,795**
Decrease (increase) in inventories	**1,004**	(827)	**8,505**
Increase in prepaid expenses and other current assets	**(29)**	(68)	**(246)**
Decrease in notes and accounts payable	**(1,465)**	(616)	**(12,410)**
Decrease in accrued expenses and other current liabilities	**(388)**	(24)	**(3,287)**
Other — net	**(66)**	572	**(559)**
Net cash (used in) provided by operating activities	**(1,354)**	5,069	**(11,470)**
INVESTING ACTIVITIES:			
Purchases of marketable securities	**(2,321)**	(3,801)	**(19,661)**
Proceeds from sales of marketable securities	**4,000**	3,360	**33,884**
Purchases of property, plant and equipment	**(1,955)**	(2,524)	**(16,561)**
Purchases of investment securities	**(5,476)**	(5,573)	**(46,387)**
Proceeds from sales of investment securities	**3,129**	1,953	**26,506**
Payment for purchase of consolidated subsidiaries, net of cash acquired (Note18)	**(954)**		**(8,081)**
Decrease in other assets	**1,580**	528	**13,384**
Net cash used in investing activities	**(1,997)**	(6,057)	**(16,916)**
FINANCING ACTIVITIES:			
Purchases of treasury stock	**(4)**	(2,801)	**(34)**
Disposal of treasury stock		2	
Cash dividends paid	**(1,521)**	(1,789)	**(12,884)**
Net cash used in financing activities	**(1,525)**	(4,588)	**(12,918)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**55**	33	**466**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,821)**	(5,543)	**(40,838)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**15,247**	20,790	**129,157**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 10,426**	¥ 15,247	**$ 88,319**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006.
The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 consolidated financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Paramount Bed Co., Ltd. (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 ¥118.05 to $1, the rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2007 include the accounts of the Company and all its seven (three in 2006) subsidiaries (together, the "Group"). The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years. 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 eliminated.

b. Business Combination — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Separations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

The Company acquired 91% of the net assets of Corbon Holding S.A.S. on December 11, 2006 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 5 years.

c. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, commercial paper and mutual funds investing in bonds, all of which mature or become due within three months of the date of acquisition.

d. Inventories — Inventories are stated at cost determined principally by the average cost method except for supplies, which are stated by the most recent purchase price method.

e. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with 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.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. The cost of securities sold is determined based on 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.

f. 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 subsidiary is computed by the declining-balance method, while the straight-line method is applied to the buildings of the Company and its consolidated domestic subsidiary acquired after April 1, 1998 and is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

g. Long-lived Assets — In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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

h. Retirement and Pension Plans — The Company has an unfunded severance indemnity plan partially supplemented by a defined contribution pension plan and a welfare annuity plan. Two of the consolidated foreign subsidiaries adopt a national welfare pension system of their countries where those subsidiaries are located.

The Group accounts for liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

i. Stock Option — On December 27, 2005, the ASBJ issued ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.
This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Group applied the new accounting standard for stock options to those granted on and after May 1, 2006. There was no effect of adoption of the new accounting standard for stock options.

j. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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

l. Leases — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

m. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 tax laws to the temporary differences.

n. Appropriations of Retained Earnings — Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon shareholders’ approval.

o. Foreign Currency Transactions and Financial Statements —
All short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that derivatives for foreign currency transactions do not qualify for hedge accounting.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the 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” in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date.

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

All derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses recognized in the consolidated statements of operations. If derivatives used for hedging purposes 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 exchange 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.

q. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if treasury stock were issued by stock option plan.

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

r. New Accounting Pronouncements
Measurement of Inventories — Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories,” which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No.13, “Accounting Standard for Lease Transactions,” which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, 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.” The new task force prescribes: (1) 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, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items 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) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. BUSINESS COMBINATION

On December 11, 2006, the Company acquired 91% of the net assets of Corbon Holding S.A.S. This acquisition was made to accelerate expansion of global commercial activities and to position as the key center for entering European market. The results of operations for Corbon Holding S.A.S. are not included in the Company’s consolidated statements of operations.

The Company accounted for this business combination by the purchase method of accounting. The acquisition cost was ¥964 million ($8,166 thousand) in cash in accordance with the Contract of Assignment dated December 11, 2006.
The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill recorded in connection with the acquisition totaled ¥903 million ($7,649 thousand).

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,659	$ 14,053
Property, plant and equipment	301	2,550
Other assets	13	110
Total assets acquired	1,973	16,713
Total liabilities assumed	1,906	16,145
Net assets acquired	¥ 67	$ 568

If this business acquisition had been completed as of April 1, 2006, the beginning of the current fiscal year, the unaudited condensed pro forma consolidated statements of operations for the year ended March 31, 2007 would be as follows:

	Millions of yen	Thousands of U.S. dollars
Sales	¥ 40,116	$ 339,822
Operating income	849	7,192
Net loss	(2,152)	(18,230)

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006 were consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Current:			
Government and corporate bonds	**¥ 3,852**	¥ 1,001	**$ 32,630**
Trust fund investments	**2,000**	3,500	**16,942**
Total	**¥ 5,852**	¥ 4,501	**$ 49,572**
Non-current:			
Marketable equity securities	**¥ 1,958**	¥ 2,466	**$ 16,586**
Government and corporate bonds	**3,613**	4,610	**30,606**
Trust fund investments and others	**4,959**	7,060	**42,008**
Non-marketable equity securities	**688**	689	**5,828**
Total	**¥ 11,218**	¥ 14,825	**$ 95,028**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 381	¥ 1,589	¥ 12	¥ 1,958
Debt securities	5,877	15	28	5,864
Others	6,617	361	19	6,959
Held-to-maturity	1,600	8	26	1,582

	Millions of yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 381	¥ 2,092	¥ 7	¥ 2,466
Debt securities	4,773	3	65	4,711
Others	8,928	1,679	47	10,560
Held-to-maturity	900	10	13	897

	Thousands of U.S. dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 3,227	$ 13,460	$ 101	$ 16,586
Debt securities	49,784	127	237	49,674
Others	56,053	3,058	161	58,950
Held-to-maturity	13,553	68	220	13,401

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Available-for-sale — Equity securities	**¥ 688**	¥ 689	**$ 5,828**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥5,497 million ($46,565 thousand) and ¥4,980 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥145 million ($1,228 thousand) gains and ¥18 million ($152 thousand) losses for the year ended March 31, 2007 and ¥6 million gains for the year ended March 31, 2006.

The carrying values of debt securities and others by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2007	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 7,157		$ 60,627	
Due after one year through five years	2,577		21,830	
Due after five years through ten years	1,400		11,859	
Due after ten years	998	¥ 1,600	8,454	$ 13,553
Total	¥ 12,132	¥ 1,600	$102,770	$ 13,553

5. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Merchandise	**¥ 269**	¥ 255	**$ 2,279**
Finished products	**3,246**	3,949	**27,497**
Work in process	**178**	167	**1,508**
Raw materials and supplies	**1,033**	975	**8,750**
Total	**¥ 4,726**	¥ 5,346	**$ 40,034**

6. LONG-LIVED ASSETS

The Company recognized impairment losses of fixed assets in the aggregate of ¥797 million ($6,751 thousand) for the year ended March 31, 2007. The breakdown of the impairment losses is ¥278 million ($2,355 thousand) for the Takamatsu Branch and ¥519 million ($4,396 thousand) for the Ohira Plant.

With a decline of 50% or more in land price, the Takamatsu Branch had shown signs of impairment loss. Since we expect the plant to continue to have insufficient cash flows in the future because of a sharp drop in sales during fiscal 2007, we reduced its book value to the recoverable value and recorded the said decrease as an impairment loss under "Other expenses." We believe that the ongoing restructuring of the Ohira Plant, including reduction of its scale and partial transfer of machinery and equipment to the Chiba Plant, comes under an impairment loss. Therefore, we reduced its book value to the recoverable value and recorded the said decrease as an impairment loss under "Other expenses."

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 comprise the following:

	Millions of yen	Thousands of U.S. dollars
	2007	**2007**
Bank loans — Weighted-average interest rate 5.2% at March 31, 2007	**¥ 78**	**$ 661**

Long-term borrowings at March 31, 2007 comprise the following:

	Millions of yen	Thousands of U.S. dollars
	2007	**2007**
Bank loans — Weighted-average interest rate 4.1% at March 31, 2007	**¥ 52**	**$ 441**
Total	**52**	**441**
Less current portion	**(27)**	**(229)**
Long-term borrowing, less current portion	**¥ 25**	**$ 212**

Annual maturities of long-term debt as of March 31, 2007 for the next four years were as follows:

	Millions of yen	Thousands of U.S. dollars
Year Ending March 31		
2008	¥ 27	$ 229
2009	15	127
2010	6	51
2011	4	34
Total	¥ 52	$ 441

At March 31, 2007, land and buildings of ¥216 million ($1,830 thousand) were pledged as collateral for short-term bank loans of ¥24 million ($203 thousand).

8. LIABILITY FOR RETIREMENT BENEFITS

Under most circumstances, employees terminating their employment are entitled to certain severance payments based on their average pay during their employment, years of service and certain other factors.

A portion of the severance payments is made in the form of a lump-sum payment for the terminating employee, and the rest is annuity payment by a defined contribution pension plan. Under the plan, employees are entitled to select the defined contribution pension plan or the prepaid retirement benefit plan.

In addition to the plan above, the Company participates in the Tokyo Pharmaceutical Welfare Annuity Foundation, which is established as a mutual pension plan for employees in the same industrial parties. The projected benefit obligation above does not include that of the foundation. The Company's undivided portion of the plan assets amounted to ¥5,104 million ($43,236 thousand) as of March 31, 2007.

The Company had solicited employees to apply for a voluntary retirement program since November 20, 2006, and 145 employees applied for the program. We paid premium severance of ¥3,829 million ($32,435thousand) to those voluntary retirees in addition to the payment of lump-sum retirement benefits, specified in the Retirement Benefit Regulations, and recorded it as other expense.

Liabilities for employees' retirement benefits as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 2,395**	¥ 2,877	**$ 20,288**
Fair value of plan assets	**(95)**	(107)	**(805)**
Unrecognized actuarial net loss	**(319)**	(369)	**(2,702)**
Unrecognized prior service cost	**(995)**	(1,123)	**(8,429)**
Prepaid pension cost	**1**	2	**9**
Liabilities presented on the consolidated balance sheets	**¥ 987**	¥ 1,280	**$ 8,361**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Service cost	**¥ 188**	¥ 185	**$ 1,593**
Interest cost	**58**	54	**491**
Expected return on plan assets		(2)	
Recognized actuarial loss	**58**	57	**491**
Amortization of prior service cost	**128**	128	**1,084**
Installment on the welfare annuity	**231**	229	**1,957**
Installment on the defined contribution pension plan	**115**	116	**974**
Other	**3,846**	14	**32,580**
Net periodic benefit costs	**¥ 4,624**	¥ 781	**$ 39,170**

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**—**	1.5%
Recognition period of actuarial gain/loss	**10 years**	10 years
Amortization period of prior service cost	**10 years**	10 years

9. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Corporate Law 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 Company has stipulated so in its articles of incorporation. The Corporate Law 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 Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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.

10. STOCK OPTION

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options: Granted	Number of Options: Outstanding	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option (The Company)	Directors Selected employees	230,700	153,700	July 19, 2002	¥ 2,687	from July 1, 2004 to June 29, 2007
2006 Stock Option (Corbon Holding S.A.S.)	Director	115	115	December 11, 2006	¥ 633,888	from December 11, 2007 to December 10, 2016

The options granted on July 19, 2002 are exercisable over a period of three years, commencing about two years after the date of grant. The options granted on December 11, 2006 are exercisable over a period of nine years, commencing one year after the date of grant. The stock option activity is as follows:

For the Year Ended March 31, 2007	2002 Stock Option (shares)	2006 Stock Option (shares)
Non-vested:		
March 31, 2006 — outstanding		
Granted		115
Forfeited		
Transfer to vested		
March 31, 2007 — outstanding		115
Vested:		
March 31, 2006 — outstanding	213,000	
Granted		
Forfeited	(59,400)	
Transfer from non-vested		
March 31, 2007 — outstanding	153,700	
Exercise price	¥ 2,687	¥ 633,888
Average stock price at exercise		
Fair value price at grant date		

Calculation Method of Estimation for Revaluation of Fair Value per Share for Stock Option

Valuation of fair value per share for stock options granted by our consolidated subsidiary, Corbon Holding S.A.S., on December 11, 2006 is calculated based on their intrinsic value due to them being an unlisted company. The intrinsic value per share for stock option at the time of granting is as follows:

(1) Valuation of Corbon Holding S.A.S. stock ¥ 633,888
(Valuation is determined by the price calculated based on DCF (discounted cash flow).)

(2) Exercise price of stock option
After calculation, because the exercise price of stock option is the same as valuation of Corbon Holding S.A.S. stock, the intrinsic value is zero. Therefore, valuation of fair value per share for stock option is computed to be zero.

(3) Method of estimating number of stock options vested
Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

(4) Total intrinsic value of stock options as of end of the consolidated fiscal year
¥ 0

11. INCOME TAXES

The Company and its domestic subsidiary are subject to a number of different taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets:			
Accrued bonuses	**¥ 209**	¥ 354	**$ 1,770**
Enterprise taxes	**8**	143	**68**
Payables for directors' and corporate auditors' retirement benefits	**229**	263	**1,940**
Liability for employees' retirement benefits	**392**	519	**3,320**
Loss on impairment of fixed assets	**323**		**2,736**
Tax loss carryforwards	**774**		**6,557**
Other	**442**	348	**3,744**
Less valuation allowance	**(486)**	(74)	**(4,117)**
Deferred tax assets	**1,891**	1,553	**16,018**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(755)**	(1,487)	**(6,396)**
Reserve for advanced depreciation	**(3)**	(3)	**(25)**
Other	**(32)**		**(271)**
Deferred tax liabilities	**(790)**	(1,490)	**(6,692)**
Net deferred tax assets	**¥ 1,101**	¥ 63	**$ 9,326**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**40.7%**	40.7%
Lower income tax rates applicable to income in certain foreign countries	**(3.1)**	2.0
Permanently non-deductible expenses	**(1.3)**	0.7
Change in valuation allowance for deferred tax assets	**(17.4)**	
Unrecognized deferred tax on unrealized intercompany profit	**(6.2)**	
Other — net	**(0.5)**	(0.2)
Actual effective tax rate	**12.2%**	43.2%

At March 31, 2007, the Company and its domestic subsidiary have tax loss carryforwards aggregating approximately ¥1,882 million ($15,942 thousand) which are available to be offset against taxable income of the Company and its domestic subsidiary in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 23	$ 195
2012	41	347
2013	26	220
2014	1,792	15,180
Total	¥ 1,882	$ 15,942

12. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees for employees' housing loans	¥ 247	$ 2,092
Recourse obligation for the balance on the transfers of payables in factoring transactions	1,310	11,097

13. LEASES

The Group, as a lessee, leases certain machinery, computer equipment and other assets. As a lessor, the Group leases certain beds to its customers.

Total lease payments included in cost of sales and selling, general and administrative expenses under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥199 million ($1,686 thousand) and ¥76 million for the years ended March 31, 2007 and 2006, respectively. Total lease revenues were ¥139 million ($1,177 thousand) and ¥21 million for the years ended March 31, 2007 and 2006, respectively.

(1) The Group as Lessee

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Acquisition cost	**¥ 1,316**	¥ 304	**$ 11,148**
Accumulated depreciation	**321**	130	**2,719**
Net leased property	**¥ 995**	¥ 174	**$ 8,429**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 251**	¥ 75	**$ 2,126**
Due after one year	**791**	132	**6,701**
Total	**¥ 1,042**	¥ 207	**$ 8,827**

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Depreciation expense	**¥ 195**	¥ 73	**$ 1,652**
Interest expense	**24**	4	**203**
Total	**¥ 219**	¥ 77	**$ 1,855**

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements of operations, were computed by the straight-line method and the interest method, respectively.

(2) The Group as Lessor

Pro forma information of leasing property such as acquisition cost, accumulated depreciation, credits under finance leases, depreciation expense and interest income of finance leases that do not transfer ownership of the leasing property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Acquisition cost	**¥ 1,066**	¥ 218	**$ 9,030**
Accumulated depreciation	**158**	27	**1,338**
Net leased property	**¥ 908**	¥ 191	**$ 7,692**

Credits under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 193**	¥ 42	**$ 1,635**
Due after one year	**722**	150	**6,116**
Total	**¥ 915**	¥ 192	**$ 7,751**

Depreciation expense and interest income under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Depreciation expense	**¥ 130**	¥ 20	**$ 1,101**
Interest income	**15**	2	**127**
Total	**¥ 145**	¥ 22	**$ 1,228**

Depreciation expense and interest income, which are reflected in the accompanying consolidated statements of operations, were computed by the straight-line method and the interest method, respectively.

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,032 million ($8,742 thousand) and ¥1,004 million for the years ended March 31, 2007 and 2006, respectively.

15. DERIVATIVES

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

The Group does not hold or issue derivatives for trading or speculative purposes.

Derivatives are subject to market risk and credit risk from potential fluctuations in foreign exchange rates. The Group does not anticipate any losses arising from credit risk because the counterparties to those derivatives are limited to highly rated major financial institutions.

Derivative transactions are controlled by the finance department in accordance with the Group's internal regulations and are periodically reported by the finance manager in regular meetings of the Board of Directors.

Fair Value of Derivative Financial Instruments

The fair value of the Company's derivative financial instruments at March 31, 2007 and 2006 is as follows:

	Millions of yen		
	2007		
	Contract Amount	Fair Value	Unrealized Gain
Foreign exchange forward contracts — Receivables — U.S. dollars	¥ 862	¥ 18	¥ 18

	Millions of yen		
	2006		
	Contract Amount	Fair Value	Unrealized Loss
Foreign exchange forward contracts — Receivables — Euro	¥ 1,128	¥ (56)	¥ (56)

	Thousands of U.S. dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Gain
Foreign exchange forward contracts — Receivables — U.S. dollars	$ 7,302	$ 152	$ 152

Foreign exchange forward contracts which qualify for hedge accounting for the years ended March 31, 2007 and 2006 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets at March 31, 2007 and 2006, are excluded from disclosure of market value information.

16. RELATED PARTY TRANSACTIONS

The Company has entered into a consultant agreement with Planning Hiro Ltd. Mr. Hirokatsu Tokuda, director of the Company, owns 100% of the outstanding shares of Planning Hiro Ltd.
Mr. Etsuji Ikegami, a corporate auditor of the Company, is a tax accountant. He does not own any of the outstanding shares of the Company.

Transactions with these related parties for the years ended March 31, 2007 and 2006, and related balances at March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Transactions:			
With Planning Hiro Ltd. —			
Consultant expenses	**¥ 8**		**$ 68**
With Mr. Etsuji Ikegami —			
Expenses of tax accountant		¥ 1	

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Balances:			
With Planning Hiro Ltd. —			
Notes and accounts payable — Other	**¥ 1**		**$ 8**

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net (loss) income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year Ended March 31, 2007	Net Loss	Weighted-Average Shares	EPS	
Basic EPS —				
Net loss attributable				
to common shareholders	**¥ (2,033)**	**30,421**	**¥ (66.83)**	**$ (0.57)**

	Millions of yen	Thousands of shares	Yen
Year Ended March 31, 2006	Net Income	Weighted-Average Shares	EPS
Basic EPS —			
Net income available to			
common shareholders	**¥ 3,743**	**31,029**	**¥120.61**
Effect of dilutive securities —			
Warrants		**5**	
Diluted EPS —			
Net income for computation	**¥ 3,743**	**31,034**	**¥120.59**

18. SUPPLEMENTAL CASH FLOW INFORMATION

The Company acquired stock of the following companies, which are newly consolidated for the year ended March 31, 2007. The breakdown of the assets and liabilities of these companies on the date of acquisition was as follows:

Corbon Holding S.A.S. and its three group companies	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,659	$ 14,054
Goodwill	903	7,649
Other non-current assets	315	2,668
Current liabilities	(1,669)	(14,138)
Long-term liabilities	(238)	(2,016)
Minority interests	(6)	(51)
Acquisition of stock	964	8,166
Cash and cash equivalents	(10)	(85)
Payment for purchase of newly consolidated subsidiaries, net of cash acquired	¥ 954	$ 8,081

19. SUBSEQUENT EVENT

On June 28, 2007, the shareholders of the Company authorized the following appropriations of retained earnings as of March 31, 2007:

	Millions of yen	Thousands of U.S. dollars
Ordinary year-end cash dividends, ¥25 ($0.21) per share	¥ 761	$ 6,446

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Paramount Bed Co., Ltd. (the "Company") and subsidiaries (together, the "Group") as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paramount Bed Co., Ltd. and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.g, effective April 1, 2005, the consolidated financial statements have been prepared in accordance with the new accounting standard for impairment of fixed assets.

As discussed in Note 2.i to the consolidated financial statements, the Group applied the new accounting standard for stock options to those granted on and after May 1, 2006.

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

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Corporate History

In 1947 the Company's founder, Ryusuke Kimura, bought scrapped hospital beds that were delivered to the government during World War Ⅱ, refurbished them, and sold them. More than half a century has passed since then, and the Company's brief history up to now is described below.

May 1947: Ryusuke Kimura founds Kimura Shindai Seisakujo Ltd. as a private enterprise, and starts manufacturing hospital beds.
May 1950: Kimura Shindai Industry Co., Ltd. is established with capital of 200 thousand yen. Paramount Bed is adopted as the brand name.
May 1953: Edogawa plant is built.
July 1955: Gatch (hospital) bed is developed.


Gatch (hospital) bed

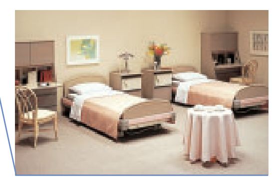
May 1961: Head office is moved to current location.
April 1962: KA-45, the first electric bed in Japan, is developed and sold.
March 1966: Kyushu sales office (now Fukuoka branch) is set up.
May 1966: Chiba plant is built.
February 1970: Matsuo plant is built and absorbs Edogawa plant operation.
February 1971: Osaka branch is set up.
January 1972: KA-500 and KA-600 Series hospital beds are developed and sold.


KA-500 Series hospital bed

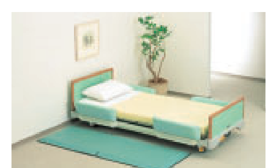
September 1977: Hiroshima and Nagoya sales offices (now Hiroshima branch and Nagoya branch) are set up.
June 1980: Scot-klean (automatic urine receptacle) is developed and sold.
December 1983: KQ-100 (Aura electric bed) home-care bed is developed and sold.


Aura electric bed

July 1986: The Company absorbs Paramount Sendai Co., Ltd. (now Sendai branch) and Paramount Sapporo Co., Ltd. (now Sapporo branch).
March 1987: Corporate name is changed to Paramount Bed Co., Ltd.
December 1987: The Company shares are listed on the JASDAQ market.
November 1988: Paracare Mattress, a mattress made from new material, is developed and sold.
October 1990: Hestia Series (beds for elderly-care facilities) is developed and sold.


Hestia Series

April 1991: Ryusuke Kimura and Kenji Kimura become Chairman and President, respectively.
January 1992: KA-900 Series (microcomputer controlled electric beds) is developed and sold.
May 1992: Yokohama branch is set up.
October 1993: Rakusho Series (home-care beds) is developed and sold.
December 1993: The Company shares are listed on the Second Section of the Tokyo Stock Exchange.
September 1995: PT. Paramount Bed Indonesia is set up as an overseas subsidiary.
May 1996: Takamatsu branch is set up.
September 1996: The Company shares are listed on the First Section of the Tokyo Stock Exchange.
April 1997: Kyma Aura Bed Series (home-care beds) is developed and sold.
October 1997: Customer Service Center is set up.
October 1998: KA-6000 Series (hospital beds) is developed and sold.
April 1999: New Scot-klean (automatic urine receptacle) is developed and sold.
May 1999: Obtain ISO9001 certification.
October 1999: Aura 21 Series (home-care beds) is developed and sold.
February 2000: Club Paramount Series (highly functional family beds) is developed and sold.
October 2000: Saitama branch is set up.
February 2001: Callisto Series (beds for elderly-care facilities) is developed and sold.


Callisto Series

October 2001: Nagoya branch relocates to newly-built office.
January 2002: Shanghai representative office is set up.
July 2002: PARA TECHNO Co., Ltd. is set up as a consolidated subsidiary.
May 2003: A new brand INTIME, which provides sound sleep for better health, is established.


INTIME

July 2003: Paramount Universal Design Station (PUDS) is set up.
November 2003: Rakusho Series (home-care beds) is developed and sold.


Rakusho Series

March 2004: Paramount Bed (China) Co., Ltd. is set up as a consolidated subsidiary.
March 2006: Head Office, Completed construction of the Technical Center.
December 2006: The Company acquired shares of Corbon Holding S.A.S. (currently a consolidated subsidiary).

Corporate Information

As of March 31, 2007

Corporate Data

Corporate Name:	Paramount Bed Co., Ltd.
Head Office:	14-5, Higashisuna 2-chome, Koto-ku, Tokyo 136-8670, Japan
Founded:	May 1947
Capital:	¥6,591 million
Number of Employees:	788

Board of Directors and Corporate Auditors

(As of June 28, 2007)

President and Representative Director:	Kenji Kimura
Vice-president and Representative Director:	Kyosuke Kimura
Directors:	Michihide Kimura Tadaharu Kato Ikuo Sakamoto Toshio Horiuchi Hirokatsu Tokuda
Standing Corporate Auditors:	Tadahiro Sekine Katsuhiro Shibata
Corporate Auditors:	Etsuji Ikegami Yukari Oka

Shareholder Information

Authorized Shares:	126,000,000
Issued Shares:	31,682,526
Number of Shareholders:	18,084

Major Shareholders

	Number of Shares Owned (Thousands)	Percentage of Voting Rights (%)
Kimura Kosan Co., Ltd.	6,607	21.8
Kenji Kimura	2,535	8.4
Kyosuke Kimura	1,913	6.3
The Master Trust Bank of Japan, Ltd. (Trust)	1,332	4.4
Mizuho Bank, Ltd.	1,203	4.0
Michihide Kimura	1,195	3.9
Ryusuke Kimura	669	2.2
The Kimura Foundation for Nursing Education	630	2.1
Japan Trustee Services Bank, Ltd. (Trust)	463	1.5
RBC Dexia Investor Services Trust London Client Account	340	1.1

The Company holds 1,262 thousands shares of treasury stock, but is excluded from the above major shareholders.

Ownership among Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total Shares Issued (%)
Financial institutions	5,230	16.5
Securities firms	180	0.6
Foreign corporations	3,187	10.0
Other domestic corporations	7,951	25.1
Individuals and others	13,870	43.8
Treasury stock	1,262	4.0

Network

Domestic

Head Office

14-5, Higashisuna 2-chome, Koto-ku, Tokyo 136-8670
Tel. +81-3-3648-1111 (key number)
Tel. +81-3-3648-2961 (Overseas Trade Division)

Branches

- Sapporo Branch
  318-11, Nishi 13-chome, Minaminijo, Chuo-ku, Sapporo, Hokkaido 060-0062
  Tel. +81-11-271-1181
- Sendai Branch
  3-3, Oroshi-machi 2-chome, Wakabayashi-ku, Sendai, Miyagi 984-0015
  Tel. +81-22-239-5211
- Saitama Branch
  4-7, Kamiochiai 9-chome, Chuo-ku, Saitama, Saitama 338-0001
  Tel. +81-48-852-0707
- Yokohama Branch
  1715-1, Tsuruma, Machida, Tokyo 194-0004
  Tel. +81-42-795-8800
- Nagoya Branch
  20-17, Izumi 1-chome, Higashi-ku, Nagoya, Aichi 461-0001
  Tel. +81-52-963-0600
- Osaka Branch
  3-33, Tosabori 2-chome, Nishi-ku, Osaka, Osaka 550-0001
  Tel. +81-6-6443-8791
- Hiroshima Branch
  8-5, Yokogawa-cho 3-chome, Nishi-ku, Hiroshima, Hiroshima 733-0011
  Tel. +81-82-293-1311
- Takamatsu Branch
  223-1, Goto-cho, Takamatsu, Kagawa 761-8031
  Tel. +81-87-881-8800
- Fukuoka Branch
  14-20, Hakataeki-higashi 3-chome, Hakata-ku, Fukuoka, Fukuoka 812-0013
  Tel. +81-92-461-1131

INTIME Shops

- INTIME Kyobashi
  Sumitomo Mitsui Hull Tepco Bldg.1F
  6-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031
  Tel. +81-3-5250-1515
- INTIME Sapporo
  1-4, Nishi 5-chome, Kitayojo, Chuo-ku, Sapporo, Hokkaido 060-0004
  Tel. +81-11-219-8800
- INTIME Nagoya
  Address: Same as Nagoya Branch
  Tel. +81-52-963-6800
- INTIME Shinsaibashi
  Sanei Shinsaibashi Bldg.1F
  13-15, Nishishinsaibashi 1-chome, Chuo-ku, Osaka, Osaka 542-0086
  Tel. +81-6-6245-9021
- INTIME Fukuoka
  Address: Same as Fukuoka Branch
  Tel. +81-92-461-0666

Plants

- Chiba Plant
  2078, Shirahata, Sammu-shi, Chiba 289-1306
  Tel. +81-475-82-6111
- Matsuo Plant
  617, Kashikehongo, Matsuo-machi, Sammu-shi, Chiba 289-1537
  Tel. +81-479-86-3331
- Ohira Plant
  690-1, Shimonogo, Matsuo-machi, Sammu-shi, Chiba 289-1536
  Tel. +81-479-86-2121

Subsidiary

- PARA TECHNO Co., Ltd.
  1648-7, 1-chome, Kaijincho-minami, Funabashi, Chiba 273-0024
  Tel. +81-47-431-0552

Overseas

Representative Office

- Shanghai Representative Office
  Suite 1105, Liu Lin Tower, No.1 Huai Hai Middle Road, Shanghai 20021, P.R. China
  Tel. +86-21-5383-5111
- Representative Office in Paris
  6, Rue de Remusat, 75016 Paris, France
  Tel. +33-6-09-841-507

Subsidiaries

- PT. Paramount Bed Indonesia
  MM2100 Industrial Town, Block M-1-1, Export Processing Zone, Cikarang Barat, Bekasi 17520, Jawa Barat, Indonesia
  Tel. +62-21-8980715
- Paramount Bed (China) Co., Ltd.
  A-105, Wuxi National Hi & New Tech Industrial Developement Zone, Wuxi, Jiangsu, China
  Tel. +86-510-8532-3201
- Corbon Holding S.A.S.
  Z.I. La Planche-37210 Rochecorbon, France
  Tel. +33-2-47-885-885

PARAMOUNT BED

Paramount Bed Co., Ltd.
14-5, Higashisuna 2-chome,
Koto-ku, Tokyo 136-8670, Japan
Tel. +81-3-3648-1111
http://www.paramount.co.jp

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