PARAMOUNT BED HOLDINGS

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ANNUAL REPORT 2015 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, 2015). In the fiscal year ended March 2015, it had net sales of ¥75,270 million, operating income of ¥10,038 million, and net income of ¥7,265 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, 2015 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, 2015 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

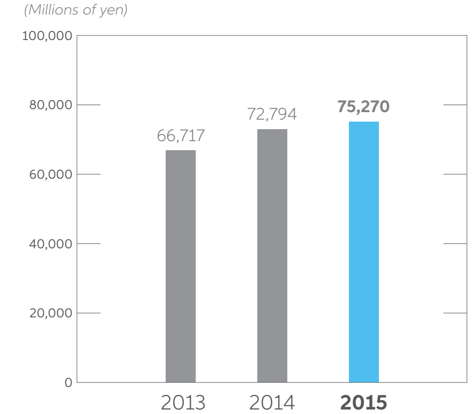
	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2015**	2014	**2015**
For the year			
Net sales	**¥ 75,270**	¥ 72,794	**$ 626,367**
Operating income	**10,038**	11,542	**83,534**
Income before income taxes and minority interests	**11,588**	12,772	**96,431**
Net income	**7,265**	7,385	**60,453**
At year-end			
Total assets	**¥125,509**	¥122,303	**$1,044,425**
Total equity	**85,391**	82,571	**710,588**

	Yen		U.S. dollars
Years ended March 31,	**2015**	2014	**2015**
Per share			
Basic net income	**¥ 244.03**	¥ 241.01	**$ 2.03**
Diluted net income	**225.51**	227.13	**1.88**
Cash dividends applicable to the year	**60.00**	50.00	**0.50**

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.17 to U.S.$1, the approximate exchange rate at March 31, 2015.

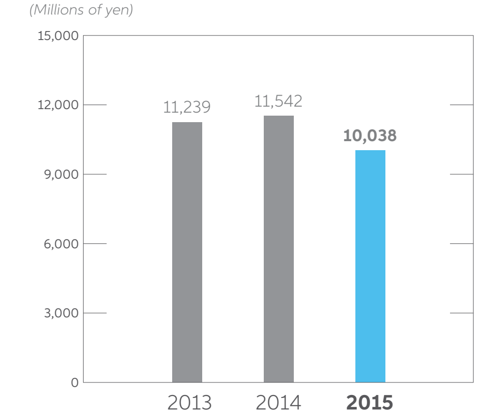
Net sales

(Millions of yen)



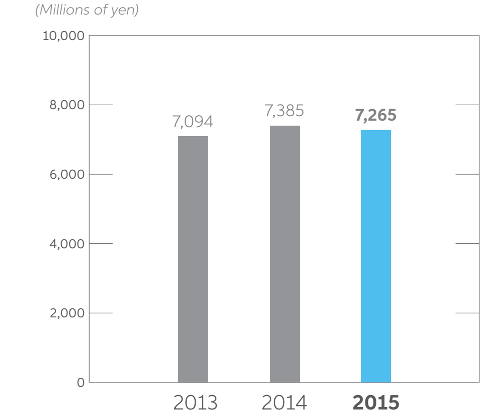
Operating income

(Millions of yen)



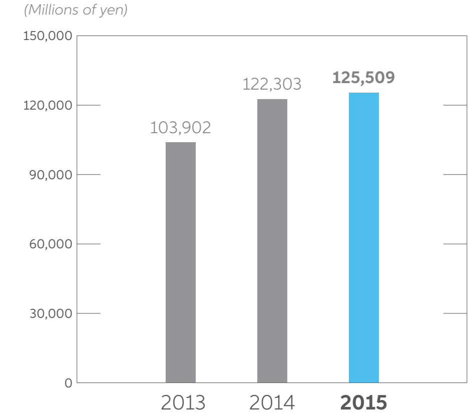
Net income

(Millions of yen)



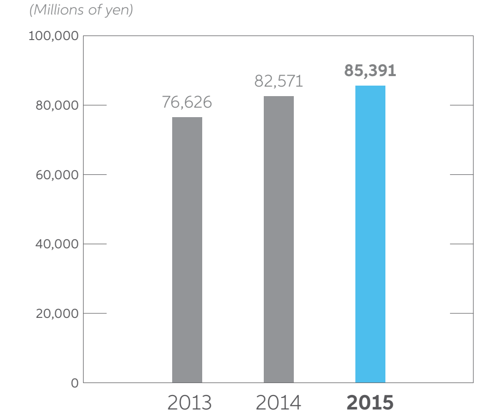
Total assets

(Millions of yen)



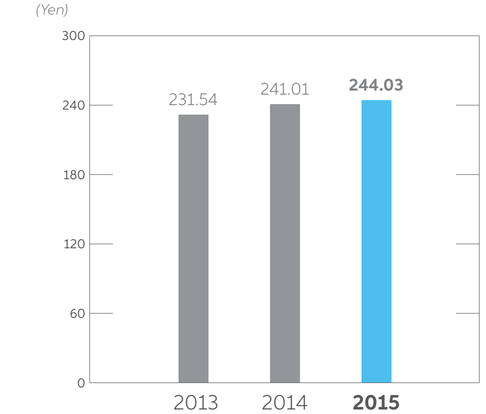
Total equity

(Millions of yen)



Basic net income per share

(Yen)



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

First of all, we thank our shareholders for their continuing support. Let us look at the business conditions and the financial results of Paramount Bed Holdings for the fiscal year ended March 2015.

Business Results for the Fiscal Year under Review

The Company's consolidated net sales grew 3.4% year on year to ¥75,270 million, due to favorable performance of the overseas business and the rental and wholesale business for nursing-care goods in Japan.

Operating income was down 13.0% to ¥10,038 million, and net income dropped 1.6% to ¥7,265 million. This was the first decline in operating income since the Company was listed as Paramount Bed Holdings Co., Ltd. in 2011, and was mainly due to a drop in the gross margin associated with a decrease in sales of the Company's products and an increase in the price of materials purchased due to the rise in consumption tax and depreciation of the yen.

Regarding the dividend payment for the fiscal year under review, the fiscal year-end dividend was set at ¥35 per share, including ¥10 to commemorate the 65th anniversary of the Company's foundation. In combination with the interim disbursement of ¥25 per share, this brought the annual dividend to ¥60 per share.

As for the dividend payment for the fiscal year ending March 2016, we plan to set both the interim disbursement and the year-end dividend at ¥35 per share from the standpoint of stable, ongoing returns for an annual dividend of ¥70 per share, ensuring that a good return to shareholders will remain our high priority.

During the fiscal year under review, we purchased a total of around 1.4 million shares of treasury stock, amounting to roughly ¥4,067 million, through a tender offer in June 2014. In May 2015, we announced that during the next fiscal year we would be purchasing a total of one million shares of treasury stock amounting to a maximum of ¥3,300 million to improve per share value and capital efficiency.

Taking a long-term view, the Paramount Bed Group will continue to seek improvement of corporate value.

Future Business Development

With regard to the Group's business development, we will seek to further strengthen our business of product sales to medical and elderly care facilities—our core business—and will focus on expanding our business domains in Japan and other countries.

In our overseas business, in June 2014 we launched operations at Paramount Bed Vietnam, our fourth overseas production facility, with the aim of strengthening group collaboration and establishing an optimal worldwide production system, having already launched operations in Indonesia, China and France. We will coordinate with our sales facilities in Singapore, Thailand, India, the United Arab Emirates, Mexico and Brazil to promote more community-based business activities.

In Japan, we established four new offices to expand the rental and wholesale business for nursing-care goods conducted by Paramount Care Service. This brought the total of directly managed facilities in Japan to 58.

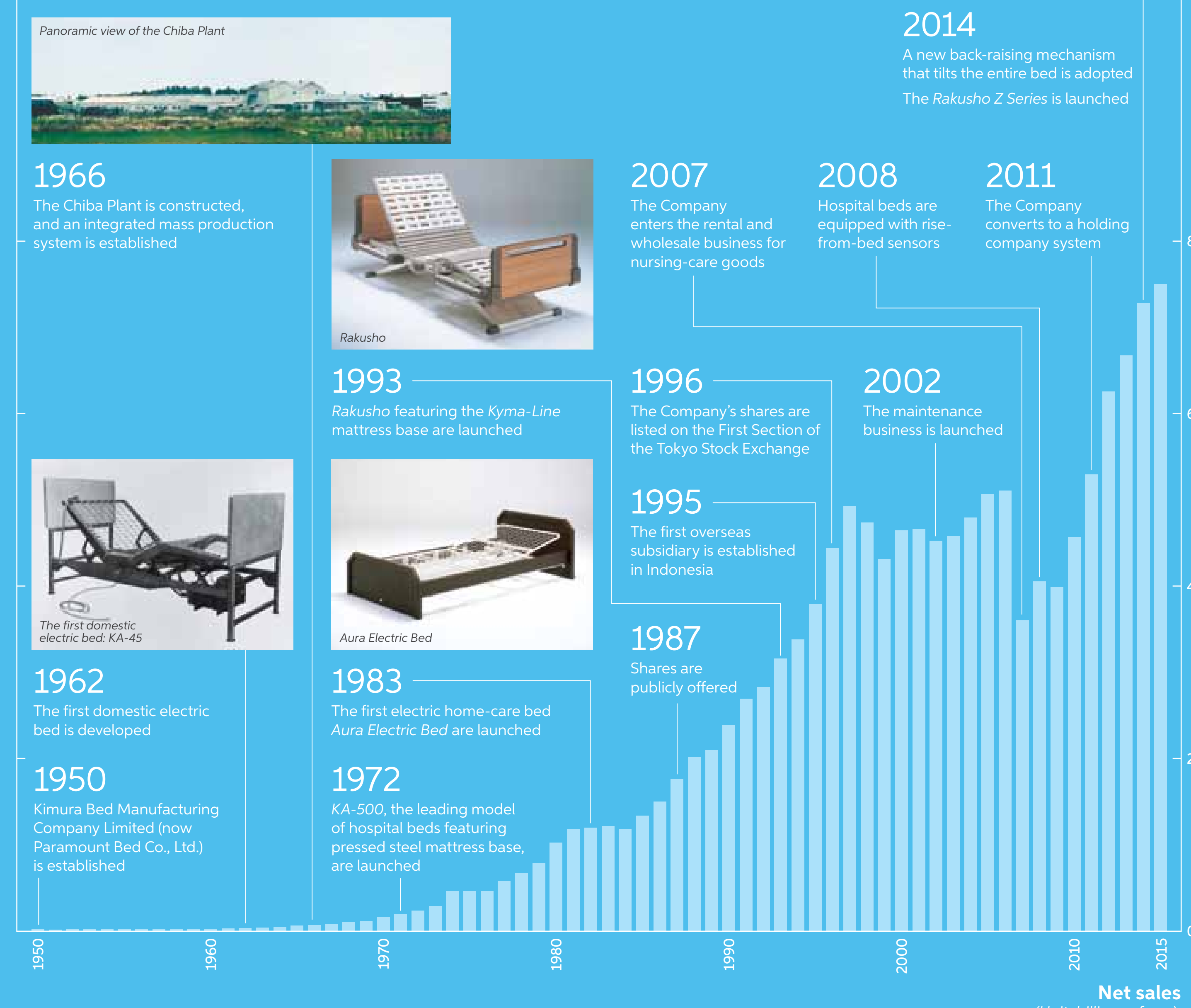
Taking a long-term view, the Paramount Bed Group will devise a business strategy and promote business diversification to boost its corporate value. In all our efforts, we look forward to the continued understanding and cooperation of our shareholders.

Kyosuke Kimura
President and
Chief Executive Officer

Sixty-Five Years at the Paramount Bed Group

The Group originated from Paramount Bed Co., Ltd., which manufactures and sells beds for medical and nursing-care use. Thanks to its stakeholders, Paramount Bed Co., Ltd. celebrated its 65th anniversary on May 25, 2015. In this Special Topics section, we introduce the epoch-making events in the Paramount Bed Group's history, together with the trend in sales.

The Rakusho Z Series



Another exciting, productive year for our Group

JUL 2014

Efforts in Central and South American Markets

In the global business of the Paramount Bed Group, we focus on promising markets in Asia as well as the Central and South American regions, where rapid growth is expected. In Central and South America, Paramount Bed Mexico S.A. de C.V. (PMX) in Mexico City and Paramount Bed Do Brasil Ltda. (PBR) in São Paulo are launched in January and July 2014, respectively. PBR handles sales in Brazil, and PMX handles sales in Central and South American countries other than Brazil. We are forming distribution networks in each area to achieve brand penetration in Central and South America.

We participated in HOSPITALAR 2014, South America's largest medical equipment exhibition, held in São Paulo over a period of four days starting on May 20, 2014. We welcomed a total of 500 visitors to our booth.

SEP 2014

INTIME TRUST electric beds for general use are launched

These beds are lower-priced models featuring both the function and design that distinguish the *INTIME* brand, which is based on the concept of productive time and quality sleep in the bedroom. Handrails can be attached as necessary, so they can also be used as medical treatment beds.

INTIME TRUST suggested retail price: ¥185,000 (excluding tax, mattress sold separately)

OCT 2014

Cococia Yuki bedsore prevention air mattresses are launched

We launched sales of the *Cococia Yuki* bedsore prevention air mattresses, which automatically link to the back-raising functions of beds when paired with medical and nursing care beds and properly control pressure. In addition to high body pressure dispersion functionality, these mattresses support the user's back and posture maintenance, so they reduce the risk of bedsores not only when the user is sleeping but also when sitting up.

Cococia Yuki suggested retail price: ¥187,000 to ¥210,000 (excluding tax)

4 APR 2014 | 5 MAY 2014 | 6 JUN 2014 | 7 JUL 2014 | 8 AUG 2014 | 9 SEP 2014 | 10 OCT 2014 | 11 NOV 2014 | 12 DEC 2014 | 1 JAN 2015 | 2 FEB 2015 | 3 MAR 2015

APR 2014

The Company participates in general welfare exhibitions Barrier Free 2014 and Post-Acute Medicine Fair (Osaka)

JUN 2014

The concept model "Smart Bed System" is announced

JUN 2014

The operations of Paramount Bed Vietnam Co., Ltd. plant is started

JUL 2014

The operations of Paramount Bed Do Brasil Ltda. is started

SLEEP SCAN suggested retail price: Open

JUL 2014

The *KK-8000 Series* emergency stretcher are launched

In addition to emergency transport, these stretchers support a wide range of emergency medical functions, including medical examinations, treatment and X-rays. They offer improved transportation and traveling performance and incorporate functions to reduce the burden on nursing staff.

The KK-8000 Series suggested retail price: Open

SEP 2014

SLEEP SCAN non-wearable sleep meter are relaunched

Real-time display of breathing rate and rising detection functions were added to the *SLEEP SCAN* non-wearable sleep meter, which monitors sleep when it is simply placed under the mattress. It helps to ensure the safety of residents and reduce the burden on caregivers in elderly care and other facilities.

OCT 2014

The *Aldecora Series* of beds for medical and elderly care facilities are launched

We launched sales of the *Aldecora Series*, which incorporates a metallic design, giving it a high-quality feel that makes it go with any space based on the concept of coordination with hospital rooms and living spaces. The aluminum board features a clear panel that can hold sheets of various colors and designs, giving it a wider range of design variation.

Aldecora Series suggested retail price: ¥638,000 (excluding tax)

Rakusho Z Series suggested retail price: Open

OCT 2014

The *Rakusho Z Series* wins the Good Design Award

The *Rakusho Z Series* of home-care beds received the 2014 Good Design Award (G Mark). This bed features a new lifting mechanism that tilts the entire bed. The judges' comments included the remark that "using this function, the idea of reducing the burden on caregivers and promoting independence can be achieved."

Financial Section

Management's Discussion and Analysis

Business Results

Net Sales and Gross Profit

Consolidated net sales increased 3.4% from the previous fiscal year to ¥75,270 million. This was primarily due to continued favorable performance of Paramount Care Service Co., Ltd.'s rental and wholesale business for nursing-care goods and increased sales in the overseas business, especially in Asian regions where sales facilities are located.

Consolidated gross profit was down 1.9% from the previous fiscal year to ¥32,279 million. This was primarily because the cost of sales rose 7.8% from the previous fiscal year to ¥42,991 million. As a result, the consolidated gross profit margin declined 2.3 percentage points to 42.9%.

Operating Income

Consolidated operating income was down 13.0% from the previous fiscal year to ¥10,038 million. This mainly reflected the decrease in the gross margin and an increase in selling, general and administrative expenses of 4.1% to ¥22,241 million. As a result, the consolidated operating margin declined 2.6 percentage points to 13.3%.

Net Income

Consolidated net income was down 1.6% from the previous fiscal year to ¥7,265 million. Net income per share rose to ¥244.03, from ¥241.01 a year earlier. Return on equity (ROE) was 8.7%.

Financial Condition

Assets

Consolidated current assets expanded ¥1,442 million from the end of the previous fiscal year to ¥69,912 million. This was mainly due to an increase in inventories, marketable securities and time deposits.

Consolidated noncurrent assets grew ¥1,764 million to ¥55,597 million. This was mainly due to an increase in assets for rent, investments and advances to unconsolidated subsidiaries and associated companies, and deferred tax assets, reflecting an expansion in the rental and wholesale business for nursing-care goods, which is the main business of subsidiary Paramount Care Service Co., Ltd. As a result, consolidated total assets reached ¥125,509 million at the close of the fiscal year ended March 2015, up ¥3,206 million from a year earlier.

Liabilities

Consolidated current liabilities were down ¥469 million from the end of the previous fiscal year to ¥20,370 million. This mainly reflected a decrease in income taxes payable.

Consolidated long-term liabilities rose ¥855 million to ¥19,748 million. This was mainly due to a rise in deferred tax liabilities. As a result, consolidated liabilities totaled ¥40,118 million at the end of fiscal year under review, up ¥386 million from a year earlier.

Total Equity

Consolidated total equity grew ¥2,820 million from the end of the previous fiscal year to ¥85,391 million. This was due to an increase in retained earnings from the posting of net income.
The shareholders' equity ratio was 68.0%.

Cash Flow

At the close of the fiscal year under review, consolidated cash and cash equivalents amounted to ¥20,453 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 ¥8,152 million. This reflected an increase in income before income taxes and minority interests of ¥11,588 million, an increase in depreciation and amortization of ¥5,128 million and a decrease in receivables of ¥1,580 million, which counterbalanced income taxes paid of ¥6,205 million and a decrease in long-term obligations of 1,509 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,616 million. This was mainly due to purchases of marketable securities and investment securities of ¥7,580, million, an increase in time deposits of ¥521 million, purchases of property, plant and equipment of ¥1,296 million, which counterbalanced proceeds from sales of marketable securities and investment securities of ¥6,266 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥5,375 million. This mainly reflected purchase of treasury stock of ¥4,068 million through a tender offer and a decrease in dividends paid of ¥1,501 million.

Consolidated Balance Sheet

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 20,453	¥ 21,313	$ 170,203
Time deposits (Note 14)	7,150	6,629	59,498
Marketable securities (Notes 3 and 14)	6,237	3,509	51,902
Receivables (Note 14):			
Trade notes	4,356	5,196	36,252
Trade accounts	18,721	19,422	155,790
Unconsolidated subsidiaries and associated companies	374	580	3,109
Other	1,234	1,804	10,265
Allowance for doubtful accounts	(55)	(56)	(458)
Inventories (Note 4)	7,495	6,267	62,374
Lease receivables and investments in leases (Notes 13 and 14)	2,546	2,437	21,184
Deferred tax assets (Note 11)	786	959	6,544
Prepaid expenses and other current assets	615	410	5,114
Total current assets	69,912	68,470	581,777
PROPERTY, PLANT AND EQUIPMENT:			
Land	8,693	8,692	72,340
Buildings and structures	27,458	27,014	228,483
Machinery and equipment	7,741	7,512	64,420
Furniture and fixtures	8,577	8,813	71,373
Leased assets (Note 13)	130	251	1,084
Assets for rent (Note 13)	17,914	16,355	149,071
Construction in progress	149	101	1,244
Total	70,662	68,738	588,015
Accumulated depreciation	(39,891)	(37,617)	(331,951)
Net property, plant and equipment	30,771	31,121	256,064
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	15,845	16,223	131,859
Investments in and advances to unconsolidated subsidiaries and associated companies	1,733	607	14,421
Goodwill	58	111	483
Life insurance fund	1,076	1,117	8,951
Deferred tax assets (Note 11)	1,629	863	13,553
Other assets	4,543	4,336	37,803
Allowance for doubtful accounts	(58)	(60)	(486)
Allowance for investment loss (Note 14)		(485)	
Total investments and other assets	24,826	22,712	206,584
TOTAL	¥125,509	¥122,303	$1,044,425

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 5 and 14)	¥ 618	¥ 435	$ 5,142
Current portion of long-term bank loans (Notes 5 and 14)	38	28	312
Payables (Note 14):			
Trade accounts	10,629	10,149	88,452
Other	2,234	2,443	18,589
Income taxes payable	1,503	2,376	12,508
Accrued expenses	2,101	2,131	17,482
Current portion of long-term lease obligations (Notes 5, 13 and 14)	1,856	2,148	15,441
Other current liabilities	1,391	1,129	11,581
Total current liabilities	20,370	20,839	169,507
LONG-TERM LIABILITIES:			
Bonds with warrants (Notes 5, 6 and 14)	10,033	10,043	83,486
Long-term bank loans (Notes 5 and 14)	259	444	2,152
Liability for retirement benefits (Note 7)	4,536	4,084	37,743
Long-term lease obligations (Notes 5, 13 and 14)	3,211	3,598	26,719
Provision for environmental measures	46	46	382
Deferred tax liabilities (Note 11)	1,336	366	11,121
Other long-term liabilities	327	312	2,727
Total long-term liabilities	19,748	18,893	164,330
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 2015 and 30,828,587 shares in 2014	4,207	4,166	35,012
Capital surplus	49,877	49,836	415,057
Stock acquisition rights		18	
Retained earnings	33,195	27,485	276,234
Treasury stock—at cost, 1,501,744 shares in 2015 and 149,396 shares in 2014	(4,324)	(384)	(35,989)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,078	621	8,978
Foreign currency translation adjustments	1,587	1,024	13,208
Defined retirement benefit plans	(230)	(196)	(1,917)
Total	85,390	82,570	710,583
Minority interests	1	1	5
Total equity	85,391	82,571	710,588
TOTAL	¥125,509	¥122,303	$1,044,425

Consolidated Statement of Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥75,270	¥72,794	$626,367
COST OF SALES	42,991	39,885	357,754
Gross profit	32,279	32,909	268,613
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	22,241	21,367	185,079
Operating income	10,038	11,542	83,534
OTHER INCOME (EXPENSES):			
Interest and dividend income	614	482	5,106
Interest expense	(72)	(90)	(600)
Foreign exchange gain—net	660	238	5,494
Other—net	348	600	2,897
Other income—net	1,550	1,230	12,897
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,588	12,772	96,431
INCOME TAXES (Note 11):			
Current	4,096	5,532	34,090
Deferred	227	(158)	1,887
Total income taxes	4,323	5,374	35,977
NET INCOME BEFORE MINORITY INTERESTS	7,265	7,398	60,454
MINORITY INTERESTS IN NET INCOME	0	13	1
NET INCOME	¥ 7,265	¥ 7,385	$ 60,453

	Yen		U.S. Dollars
	2015	2014	2015
PER SHARE OF COMMON STOCK (Notes 2 and 18):			
Basic net income	¥244.03	¥241.01	$2.03
Diluted net income	225.51	227.13	1.88
Cash dividends applicable to the year	60.00	50.00	0.50

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥7,265	¥7,398	$60,454
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain (loss) on available-for-sale securities	457	(145)	3,809
Foreign currency translation adjustments	563	632	4,688
Defined retirement benefit plans	(34)		(288)
Total other comprehensive income	986	487	8,209
COMPREHENSIVE INCOME	¥8,251	¥7,885	$68,663
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	¥8,251	¥7,830	$68,662
Minority interests	0	55	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, 2015

	Thousands	Millions of Yen						
						Treasury Stock		
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, APRIL 1, 2013	30,792,587	¥4,136	¥49,806	¥29	¥21,656	¥ (17)	¥(460)	¥ (477)
Net income					7,385			
Cash dividends, ¥50.00 per share					(1,531)			
Issuance of new shares–exercise of stock acquisition rights	36,000	30	30					
Purchase of treasury stock						(24)		(24)
Disposal of treasury stock from the Trust							117	117
Change in scope of consolidation					(25)			
Net change in the year				(11)				
BALANCE, MARCH 31, 2014 (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					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, MARCH 31, 2015	30,877,487	¥4,207	¥49,877		¥33,195	¥(4,108)	¥(216)	¥(4,324)

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	¥ 766	¥ 434		¥76,350	¥ 276	¥76,626
Net income				7,385		7,385
Cash dividends, ¥50.00 per share				(1,531)		(1,531)
Issuance of new shares–exercise of stock acquisition rights				60		60
Purchase of treasury stock				(24)		(24)
Disposal of treasury stock from the Trust				117		117
Change in scope of consolidation				(25)		(25)
Net change in the year	(145)	590	¥(196)	238	(275)	(37)
BALANCE, MARCH 31, 2014 (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				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, MARCH 31, 2015	¥1,078	¥1,587	¥(230)	¥85,390	¥ 1	¥85,391

	Thousands of U.S. Dollars (Note 1)						
					Treasury Stock		
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Treasury Stock (the Trust)	Total Treasury Stock
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$34,667	$414,712	$154	$228,717	$ (340)	$(2,854)	$ (3,194)
Cumulative effect of accounting change				(447)			
BALANCE, APRIL 1, 2014 (as restated)	34,667	414,712	154	228,270	(340)	(2,854)	(3,194)
Net income				60,453			
Cash dividends, $0.49 per share				(12,489)			
Issuance of new shares–exercise of stock acquisition rights	345	345					
Purchase of treasury stock					(33,849)		(33,849)
Disposal of treasury stock from the Trust						1,054	1,054
Net change in the year			(154)				
BALANCE, MARCH 31, 2015	$35,012	$415,057		$276,234	$(34,189)	$(1,800)	$(35,989)

	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	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$5,169	$ 8,520	$(1,629)	$687,116	$ 5	$687,121
Cumulative effect of accounting change				(447)		(447)
BALANCE, APRIL 1, 2014 (as restated)	5,169	8,520	(1,629)	686,669	5	686,674
Net income				60,453		60,453
Cash dividends, $0.42 per share				(12,489)		(12,489)
Issuance of new shares–exercise of stock acquisition rights				690		690
Purchase of treasury stock				(33,849)		(33,849)
Disposal of treasury stock from the Trust				1,054		1,054
Net change in the year	3,809	4,688	(288)	8,055	(0)	8,055
BALANCE, MARCH 31, 2015	$8,978	$13,208	$(1,917)	$710,583	$ 5	$710,588

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Paramount Bed Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥11,588	¥12,772	$ 96,431
Adjustments for:			
Income taxes—paid	(6,205)	(7,569)	(51,640)
Depreciation and amortization	5,128	4,805	42,673
Loss (gain) on sales and redemption of investment securities-net	454	(900)	3,779
(Decrease) increase in allowance for investment loss	(485)	485	(4,037)
Changes in assets and liabilities:			
Decrease (increase) in receivables	1,580	(2,953)	13,150
Increase in inventories	(1,018)	(389)	(8,475)
Increase in lease receivables and investments in leases	(81)	(121)	(674)
Increase in assets for rent	(2,270)	(2,309)	(18,891)
Increase in payables	322	1,953	2,683
Decrease in long-term lease obligations	(1,509)	(1,542)	(12,558)
Other—net	648	2,142	5,395
Total adjustments	(3,436)	(6,398)	(28,595)
Net cash provided by operating activities	8,152	6,374	67,836
INVESTING ACTIVITIES:			
Increase in time deposits	(521)	(3,020)	(4,337)
Purchases of marketable securities	(4,000)	(5,697)	(33,286)
Proceeds from sales of marketable securities	3,500	7,503	29,125
Purchases of property, plant and equipment	(1,296)	(1,733)	(10,789)
Purchases of intangible assets	(384)	(235)	(3,199)
Purchases of investment securities	(3,581)	(6,344)	(29,797)
Proceeds from sales of investment securities	2,766	3,455	23,015
Purchases of shares of subsidiaries and associated companies	(56)	(595)	(463)
Other—net	(44)	(390)	(355)
Net cash used in investing activities	(3,616)	(7,056)	(30,086)
FORWARD	¥ 4,536	¥ (682)	$ 37,750

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	192	220	1,599
Repayments of long-term bank loans	(164)	(157)	(1,368)
Proceeds from long-term bank loans	5	171	44
Purchase of treasury stock	(4,068)	(24)	(33,849)
Proceeds from issuance of bonds with warrants		10,050	
Dividends paid	(1,501)	(1,532)	(12,488)
Other—net	161	82	1,333
Net cash (used in) provided by financing activities	(5,375)	8,810	(44,729)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(21)	115	(178)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(860)	8,243	(7,157)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR		10	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,313	13,060	177,360
CASH AND CASH EQUIVALENTS, END OF YEAR	¥20,453	¥21,313	$170,203

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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 10 significant (10 in 2014) subsidiaries (together, the "Group").

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

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

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

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America 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; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (5) exclusion of minority interests from net income, if contained in net income (see Note 2.x).

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

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

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

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

Investments in Limited 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.

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 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 three to 50 years for buildings and structures, four to 11 years for machinery and equipment, two to 20 years for furniture and fixtures, and three to eight years for assets for rent.

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

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

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

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

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

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

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

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

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, 2014. 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, liability for retirement benefits as of April 1, 2014, increased by ¥74 million ($615 thousand), and retained earnings as of April 1, 2014, decreased by ¥54 million ($447 thousand). The effects on net income, however, were immaterial.

o. *Stock Options*—ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, 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 available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

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

w. *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 is effective for the beginning of annual periods beginning on or after April 1, 2014. However, as the relevant trust agreement was concluded before April 1, 2014. The PITF has no effect on the consolidated financial statements for the year ended March 31, 2015.

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

Accounting treatments under this standard and guidance are as follows:

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

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

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

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

y. *New Accounting Pronouncements*

Accounting Standards for Business Combinations and Consolidated Financial Statements—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 minority 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 current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority 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 shall be 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 current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be 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 current 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 current 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.

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.

The Company applies to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current:			
Debt securities	¥ 1,622	¥ 1,709	$ 13,496
Other	4,615	1,800	38,406
Total	¥ 6,237	¥ 3,509	$ 51,902
Non-current:			
Equity securities	¥ 1,280	¥ 1,763	$ 10,652
Debt securities	3,839	4,405	31,947
Other	10,726	10,055	89,260
Total	¥ 15,845	¥ 16,223	$ 131,859

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, were as follows:

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

March 31, 2015	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 2,595	$ 3,664		$ 6,259
Debt securities	39,491	2,859	$ 236	42,114
Other	121,230	8,822	2,387	127,665
Held-to-maturity	3,329	56	15	3,370

The information for available-for-sale securities which were sold during the years ended March 31, 2015 and 2014, was as follows:

March 31, 2015	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 17	¥ 1	
Other	1,294	134	¥ 4
Total	¥ 1,311	¥ 135	¥ 4
March 31, 2014			
Available-for-sale:			
Debt securities	¥ 1,207	¥ 457	
Other	2,060	390	¥ 2
Total	¥ 3,267	¥ 847	¥ 2

March 31, 2015	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 141	$ 7	
Other	10,772	1,116	$ 31
Total	$ 10,913	$ 1,123	$ 31

Impairment loss on unlisted equity securities for the year ended March 31, 2015 was ¥601 million ($5,002 thousand). No impairment loss was recognized for the year ended March 31, 2014.

4. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products	¥ 4,010	¥ 2,909	$ 33,366
Merchandise	1,448	1,316	12,053
Raw materials	1,681	1,658	13,986
Work in process	282	307	2,352
Supplies	74	77	617
Total	¥ 7,495	¥ 6,267	$ 62,374

5. SHORT-TERM BORROWINGS AND LONG TERM DEBT

Short-term borrowings at March 31, 2015 and 2014, consisted of bank overdrafts and trade receivables factoring. The weighted-average interest rates applicable to the short-term borrowings at March 31, 2015 and 2014, were 1.0% and 1.1%, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Bank loans by the Trust, six-month Tokyo Inter Bank Offered Rate (TIBOR) plus 0.45% and due 2019	¥ 296	¥ 472	$ 2,464
Bondswithwarrants	10,033	10,043	83,486
Long-termleaseobligations	5,066	5,746	42,160
Total	15,395	16,261	128,110
Lesscurrentportion	(1,893)	(2,176)	(15,753)
Long-term debt, less current portion	¥ 13,502	¥ 14,085	$ 112,357

Annual maturities of long-term debt at March 31, 2015, 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
2016	¥ 38	$ 312	¥ 1,856	$ 15,441
2017	173	1,450	1,213	10,092
2018	38	312	934	7,776
2019	38	312	604	5,026
2020	9	78	318	2,651
2021 and the reafter			141	1,174
Total	¥ 296	$ 2,464	¥ 5,066	$ 42,160

No assets were pledged as collateral at March 31, 2015 and 2014.

6. BONDS WITH WARRANTS

Bonds with warrants at March 31, 2015, 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	¥10,033	$83,486	0.00	Unsecured	July 26, 2018
Total		¥ 10,033	$ 83,486			

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 ($34.17) per share

Total issue value: ¥10,000 million ($83,215 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, 2015, for the next five years were as follows:

Year Ending March 31	Bonds with warrants	
	Millions of Yen	Thousands of U.S. Dollars
2016		
2017		
2018		
2019	¥ 10,000	$ 83,215
2020		
Total	¥ 10,000	$ 83,215

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, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 4,100	¥ 3,793	$ 34,118
Cumulative effect of accounting change	74		615
Balance at beginning of year (as restated)	4,174	3,793	34,733
Current service cost	337	309	2,801
Interest cost	61	49	509
Actuarial losses	137	17	1,141
Benefits paid	(162)	(68)	(1,345)
Balance at end of year	¥ 4,547	¥ 4,100	$ 37,839

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥16	¥22	$136
Actuarial (gains) losses	(1)	0	(8)
Benefits paid	(4)	(6)	(32)
Balance at end of year	¥11	¥16	$96

(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, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 11	¥ 16	$ 92
Plan assets	(11)	(16)	(96)
Total	(0)	(0)	(4)
Unfunded defined benefit obligation	4,536	4,084	37,747
Net liability arising from defined benefit obligation	¥ 4,536	¥ 4,084	$ 37,743

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 4,536	¥ 4,084	$ 37,743
Net liability arising from defined benefit obligation	¥ 4,536	¥ 4,084	$ 37,743

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 337	¥ 309	$ 2,801
Interest cost	61	49	509
Recognized actuarial losses	18	36	147
Amortization of past service cost	96	128	801
Others	17	42	141
Net periodic benefit costs	¥ 529	¥ 564	$ 4,399

(5) Amounts recognized in comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Past service cost	¥ 96		$ 801
Actuarial gains	(120)		(1,002)
Total	¥ (24)		$ (201)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized past service cost		¥ 96	
Unrecognized actuarial losses	¥ 333	208	$ 2,767
Total	¥ 333	¥ 304	$ 2,767

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Public and corporate debt securities	36.5%	39.4%
Foreign securities	34.7	32.3
Loans receivable	14.7	15.3
Equity securities	7.9	7.7
Others	6.2	5.3
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, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	0.6% to 1.0%	0.6% to 1.5%
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 ¥120 million ($1,002 thousand) and ¥117 million for the years ended March 31, 2015 and 2014, 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 ¥271 million ($2,257 thousand) and ¥258 million for the years ended March 31, 2015 and 2014, respectively.

(1) Funding status of the multiemployer pension plan as of March 31, 2014 and 2013 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2014	As of March 31, 2013	As of March 31, 2014
Plan assets	¥ 512,489	¥ 465,230	$ 4,264,698
Total amount of actuarial liability in pension financing and minimum actuarial reserve (*1)	522,290	497,125	4,346,259
Deficit	¥ (9,801)	¥ (31,895)	$ (81,561)

Note:

(*1) The item was presented as "Pension liabilities (actuarial liability plus balance of unamortized past service cost)." as of March 31, 2014.

(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, 2015	March 1 to 31, 2014
Contribution percentage	1.5%	1.4%

(3) Supplementary information

The deficit presented above is mainly due to the balance of unamortized past service cost of ¥45,242 million ($376,483 thousand) and ¥49,513 million, and the surplus of ¥35,441 million ($294,922 thousand) and ¥17,618 million for the years ended 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 eight years and zero months as of March 31, 2014.

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

The stock options outstanding as of March 31, 2015, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant (*1)	Exercise Price	Exercise Period
2011 Stock Options	One director, four executive officers, and 15 employees 605 directors and employees of subsidiaries	259,000 shares	October 1, 2011	¥1,396 ($11.62)	From October 1, 2011 to July 16, 2014

The stock option activity is as follows:

Year Ended March 31, 2014	
Vested	
March 31, 2013—Outstanding	98,000
Vested	
Exercised	(36,000)
Canceled	
March 31, 2014—Outstanding	62,000

Year Ended March 31, 2015		
Vested		
March 31, 2014—Outstanding	62,000	
Vested		
Exercised	(48,900)	
Canceled	(13,100)	(*1)
March 31, 2015—Outstanding		
Exercise price	¥ 1,396 ($ 11.62)	
Average stock price at exercise	¥ 3,182 ($ 26.48)	
Fair value price at grant date	¥ 298 ($ 2.48)	

Note:

(*1) Gain from the cancellation of stock acquisition rights of ¥4 million ($32 thousand) was recorded for the year ended March 31, 2015.

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

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 34%

Estimated remaining outstanding period: Three and a half years

Estimated dividend: ¥30.00 per share

Risk free interest rate: 0.46%

10. 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
	2015	2014	2015
Treasury stock	¥ 216	¥ 343	$ 1,800
(shares)	(85,500)	(135,600)	
Long-term debt	¥ 137	¥ 301	$ 1,137

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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Accrued bonuses	¥ 383	¥ 410	$ 3,187
Liability for directors' and audit and supervisory board members' retirement benefits	72	79	597
Liability for employees' retirement benefits	1,448	1,444	12,051
Tax loss carryforwards	1,153	1,099	9,599
Allowance for investment loss		173	
Gain on valuation related to an exchange of shares transaction	221	244	1,843
Other	2,818	2,417	23,439
Less valuation allowance	(1,737)	(1,656)	(14,452)
Total	4,358	4,210	36,264
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	441	361	3,672
Gain on revaluation of land of subsidiary	30	30	248
Unrealized gain on available-for-sale securities	463	299	3,857
Loss on valuation related to an exchange of shares transaction	1,534	1,703	12,768
Other	811	361	6,743
Total	3,279	2,754	27,288
Net deferred tax assets	¥ 1,079	¥ 1,456	$ 8,976

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2015 is omitted since the difference between the tax rates is 5% or less of the normal effective statutory tax rate. The reconciliation for the year ended March 31, 2014 is as follows:

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

On March 31, 2015, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 35.6% to 33.1%, effective for years beginning on or after April 1, 2015, and to 32.3%, effective for years beginning on or after April 1, 2016.

The effect of this change is immaterial.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,247 million ($10,375 thousand) and ¥1,257 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014, were ¥3,091 million ($25,724 thousand) and ¥3,079 million, respectively. Total rental revenues, including lease income under finance leases, for the years ended March 31, 2015 and 2014, were ¥13,620 million ($113,343 thousand) and ¥11,696 million, respectively.

(1) The Group as Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 7	$ 56
Due after one year	11	91
Total	¥ 18	$ 147

(2) The Group as Lessor

The net lease receivables are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross receivables	¥ 544	¥ 597	$ 4,527
Unearned interest income	(0)	(34)	(3)
Lease receivables	¥ 544	¥ 563	$ 4,524

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross receivables	¥ 2,691	¥ 2,268	$ 22,390
Unearned interest income	(689)	(394)	(5,730)
Investments in leases	¥ 2,002	¥ 1,874	$ 16,660

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
2016	¥174	$1,447
2017	156	1,298
2018	99	822
2019	61	507
2020	32	264
2021 and thereafter	22	189
Total	¥544	$4,527

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
2016	¥ 665	$ 5,531
2017	597	4,967
2018	575	4,786
2019	372	3,095
2020	240	1,994
2021 and thereafter	242	2,017
Total	¥ 2,691	$ 22,390

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

Derivatives are forward foreign currency contracts 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 four years after March 31, 2015.

(3) Risk Management for Financial Instruments

Credit risk management (counterparty default risk)

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

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

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

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

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

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

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

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

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	$ 170,203	$ 170,203	
Time deposits	59,498	59,498	
Receivables	205,417	205,417	
Lease receivables and investments in leases	21,184	25,883	$ 4,699
Marketable and investment securities			
Held-to-maturity debt securities	3,329	3,370	41
Available-for-sale securities	176,039	176,039	
Total	$ 635,670	$ 640,410	$ 4,740
Payables	$ 88,452	$ 88,452	
Short-term borrowings	5,142	5,142	
Long-term bank loans (including current portion)	2,464	2,436	$ (28)
Lease obligations (including current portion)	42,159	42,930	771
Bonds with warrants	83,486	85,504	2,018
Total	$ 221,703	$ 224,464	$ 2,761
Derivative transactions (*1)	$ 51	$ 51	

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 were entered into.

Marketable and Investment Securities

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

Payables and Short-Term Borrowings

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

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

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

Bonds with Warrants

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

Derivatives

Fair value information for derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unlisted equity securities that do not have a quoted market price in an active market	¥ 827	¥ 1,431	$ 6,883
Investments in investment partnership	170	170	1,415
Other investments	406	7	3,380

Allowance for investment loss was recorded for the unlisted equity securities in the amount of ¥485 million for the year ended March 31, 2014. There was no allowance for investment loss for the year ended March 31, 2015.

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

March 31, 2015	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	¥ 7,175			
Time deposits	7,150			
Receivables	24,685			
Lease receivables and investments in leases	685	¥ 1,667	¥ 194	
Marketable and investment securities				
Held-to-maturity debt securities			200	¥ 200
Available-for-sale securities with contractual maturities				
Debt securities	1,622	1,859	1,061	605
Other	8,784	3,416	986	
Total	¥ 50,101	¥ 6,942	¥ 2,441	¥ 805

March 31, 2015	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	$ 59,705			
Time deposits	59,498			
Receivables	205,417			
Lease receivables and investments in leases	5,701	$ 13,869	$ 1,614	
Marketable and investment securities				
Held-to-maturity debt securities			1,664	$ 1,664
Available-for-sale securities with contractual maturities				
Debt securities	13,496	15,468	8,831	5,039
Other	73,099	28,435	8,201	
Total	$ 416,916	$ 57,772	$ 20,310	$ 6,703

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

March 31, 2015	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.$	$ 4,650	$ 3,672	$ 51	$ 51

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.

16. CONTINGENT LIABILITIES

At March 31, 2015, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for employees' housing loans	¥ 73	$ 610
Recourse obligation for the transfer of payables on factoring transactions	1,390	11,564

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 932	¥ 730	$ 7,754
Reclassification adjustments to profit or loss	(310)	(955)	(2,577)
Amount before income tax effect	622	(225)	5,177
Income tax effect	(165)	80	(1,368)
Total	¥ 457	¥ (145)	$ 3,809
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 563	¥ 632	$ 4,688
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (138)		$ (1,151)
Reclassification adjustments to profit or loss	114		948
Amount before income tax effect	(24)		(203)
Income tax effect	(10)		(85)
Total	¥ (34)		$ (288)
Total other comprehensive income	¥ 986	¥ 487	$ 8,209

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

Year Ended March 31, 2015	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares (*1)	EPS	
Basic EPS—Net income available to common shareholders	¥ 7,265	29,769,237	¥ 244.03	$ 2.03
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	$ 1.88

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

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, 2015, was approved at the Company's shareholders meeting held on June 26, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35 ($0.29) per share (*1)	¥1,028	$8,556

Note:

(*1) As the Company's stock held by the Trust is stated as treasury stock in the accompanying consolidated financial statements, the dividends to the Trust of ¥3 million ($25 thousand) are not included in the total amount of the year-end cash dividends above.

Acquisition of treasury stocks

The board of directors of the Company made a resolution on May 12, 2015 concerning acquisition of treasury stocks in accordance with Article 156 of the Companies Act with replacement of terms pursuant to paragraph 3 of Article 165 of the Companies Act.

Details of the resolution by the board of directors' meeting related to acquisition of treasury stocks are as follows:

1. Purpose:	To raise shareholders' interests by improving capital efficiency and ensuring flexible capital strategy
2. Type of shares to be acquired:	Common stock of the Company
3. Total number of shares to be acquired:	1,000,000 shares (maximum)
4. Total acquisition price:	¥3,300 million ($27,461 thousand) (maximum)
5. Acquisition period:	From May 13, 2015 to December 30, 2015
6. Acquisition method:	Market purchase on the Tokyo Stock Exchange (Discretionary dealing by securities company)
7. Interim status of acquisition as of May 31, 2015 (1) Type of shares acquired: (2) Total number of shares acquired: (3) Total acquisition price of shares:	 Common stock of the Company 128,200 shares ¥418 million ($3,481 thousand)

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, 2015 and 2014.

(2) Information about Products and Services

	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

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

	Thousands of U.S. Dollars						
	2015						
	Products and Services					Rental	Total
	Beds	Mattresses	Ward Equipment	Medical Equipment	Other		
Sales to external customers	$278,253	$43,774	$34,389	$29,539	$134,878	$105,534	$626,367

(3) Information about Geographical Areas

a. Sales

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

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

Thousands of U.S. Dollars					
2015					
Japan	Asia	Middle East	Europe	Other	Total
$ 577,035	$ 31,642	$ 2,867	$ 11,953	$ 2,870	$ 626,367

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, 2015 and 2014.

(4) Information about Major Customers

In the years ended March 31, 2015 and 2014, 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, 2015 and 2014, 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
	2015	2014	2015
Amortization of goodwill	¥ 53	¥ 73	$ 441
Balance of goodwill	58	111	483

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, 2015, 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, 2015, 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 26, 2015

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 AND WHOLESALE BUSINESS FOR NURSING-CARE GOODS

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

OVERSEAS

REGIONAL OVERSIGHT COMPANY

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

MANUFACTURING COMPANIES

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

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

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

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

SALES COMPANIES

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

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

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

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

REPRESENTATIVE OFFICE

⓮ **PARAMOUNT BED 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, 2015

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

Number of Employees:	22 (non-consolidated) 2,496 (consolidated)
Number of Shares Authorized:	126,000,000
Number of Shares Issued:	30,877,487
Number of Shareholders:	12,006

Principal Shareholders:

Name	Number of shares held (thousand)	%
CTOK Co., LTD.	3,121	10.6
LLAGE WOOD Co.	2,373	8.1
NIU VALLEY CAPITAL LLC	1,679	5.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,081	3.7
Japan Trustee Services Bank, Ltd. (Trust Accounts)	939	3.2
Kenji Kimura	912	3.1
Kyosuke Kimura	911	3.1
Michihide Kimura	911	3.1
Tomohiko Kimura	820	2.8
Mizuho Bank, Ltd.	700	2.4

Notes 1. The Company holds 1,416,244 shares of treasury stock, but these are excluded from the above list of major shareholders.
2. The voting rights ratio is calculated excluding treasury stock.

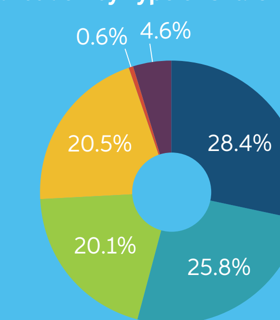
Website Information

PARAMOUNT BED HOLDINGS IR | Search

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

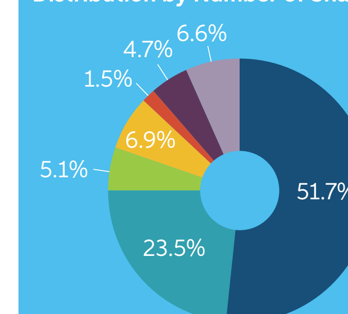
http://www.paramountbed-hd.co.jp/en/

Distribution by Type of Shareholder:



	%
Japanese individuals and others	28.4
Other Japanese companies	25.8
Foreign investors	20.1
Japanese financial institutions	20.5
Japanese security companies	0.6
Treasury stock	4.6

Distribution by Number of Shares Held:



	%
500,000 or more	51.7
100,000 to 499,999	23.5
50,000 to 99,999	5.1
10,000 to 49,999	6.9
5,000 to 9,999	1.5
1,000 to 4,999	4.7
less than 1,000	6.6