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November 5, 2014

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2015 <under Japanese GAAP>

Company name: **Paramount Bed Holdings Co., Ltd.**

Listing: Tokyo Stock Exchange

Securities code: 7817

URL: <http://www.paramountbed-hd.co.jp>

Representative: Kyosuke Kimura, President and Chief Executive Officer

Contact: Kenji Ouchi, Executive Officer, General Manager of Finance Division

TEL: 03-3648-1100

Scheduled date to file Quarterly Securities Report: November 13, 2014

Scheduled date to commence dividend payments: December 2, 2014

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2015 (from April 1, 2014 to September 30, 2014)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2014	33,869	10.1	4,661	5.1	5,054	9.5	3,301	16.8
September 30, 2013	30,749	1.7	4,435	(15.0)	4,616	(10.2)	2,826	(7.6)

Note: Comprehensive income Six months ended September 30, 2014: ¥3,503 million: [8.1%]
Six months ended September 30, 2013: ¥3,240 million: [12.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2014	Yen 109.62	Yen 101.36
September 30, 2013	92.31	88.64

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of September 30, 2014	Millions of yen 116,606	Millions of yen 81,305	% 69.7
March 31, 2014	122,302	82,571	67.5

Reference: Equity

As of September 30, 2014: ¥81,305 million

As of March 31, 2014: ¥82,552 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2014	Yen –	Yen 25.00	Yen –	Yen 25.00	Yen 50.00
Fiscal year ending March 31, 2015	–	25.00			
Fiscal year ending March 31, 2015 (Forecast)			–	35.00	60.00

Note: Revisions to the dividends forecasts most recently announced: None

Dividends for the fiscal year ending March 31, 2015, are scheduled as follows: interim regular dividends of ¥25 in addition to year-end regular dividends of ¥25 and year-end commemorative dividends of ¥10.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2015	75,000	3.0	12,000	4.0	12,300	(0.5)	7,400	0.2	241.50

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

(4) Number of shares issued (common shares)

- a. Number of shares issued at the end of the period (including treasury shares)

As of September 30, 2014	30,877,487 shares
As of March 31, 2014	30,828,587 shares

- b. Number of treasury shares at the end of the period

As of September 30, 2014	1,528,244 shares
As of March 31, 2014	149,396 shares

- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2014	30,115,354 shares
Six months ended September 30, 2013	30,623,799 shares

*** Indication regarding execution of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

*** Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Qualitative information regarding financial results for the first six months, (3) Information regarding consolidated earnings forecasts and other forward-looking statements" on page 2 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

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1. Qualitative information regarding financial results for the first six months

(1) Information regarding operating results

In the six months ended September 30, 2014, the Japanese economy showed signs of gradual recovery mainly reflecting the effects of various economic measures taken by the government. Nevertheless, owing to the protracted nature of a pullback in demand following a rush ahead of a consumption tax hike, downswings in overseas economies and other factors, the economy's prospects remained unclear.

The medical and elderly welfare fields, which are related to the operations of the Paramount Bed Group (the "Group"), underwent developments implemented to with a view to realizing the 2025 medical service supply system envisioned in the government's Comprehensive Reform of Social Security and Tax. These consisted of the further promotion of measures such as differentiating hospital bed space by function, enhancing in-home medical care and establishing an integrated community care system in a reform of the system of medical service fees implemented in April 2014.

Amid this environment, the Group worked to further strengthen its core business of product sales targeted at medical and elderly facilities and made concerted efforts to expand its business fields in Japan and overseas.

Products developed during the six months included the "Cococia Yuki Series" of mattresses designed to prevent bedsores by appropriately controlling pressure on the body in line with the movement of the bed, and the "Aldecora Series" of electric-powered beds designed to match a variety of different convalescence spaces for use in medical and nursing facilities.

On the sales front, sales and rentals of the "Rakusho Z Series" of beds for home caregiving launched in January 2014 remained strong, contributing to generally solid sales at all of the Group's companies.

As a result of the above, in the six months ended September 30, 2014, net sales were ¥33,869 million (up 10.1% year on year), operating income was ¥4,661 million (up 5.1%) and ordinary income was ¥5,054 million (up 9.5%). Net income was ¥3,301 million (up 16.8%).

Because the business of the Group consists of a single business segment, information by business segment is not provided.

(2) Information regarding financial position

Total assets as of September 30, 2014, amounted to ¥116,606 million, which was a decrease of ¥5,696 million compared to March 31, 2014. The primary factor in this fall was a decrease in notes and accounts receivable - trade.

Liabilities amounted to ¥35,300 million, which was a decrease of ¥4,430 million compared to March 31, 2014. The primary factors in this fall were decreases in accounts payable - trade and income taxes payable.

Net assets amounted to ¥81,305 million, which was a decrease of ¥1,265 million compared to March 31, 2014. The primary factor in this fall was an increase in the number of treasury shares due to a tender offer.

As a result, the equity-to-asset ratio as of September 30, 2014, increased by 2.2 percentage points compared to March 31, 2014, to 69.7%.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts announced on May 13, 2014.

2. Matters regarding summary information (Notes)

(1) Changes in significant subsidiaries during the period

No items to report.

(2) Application of special accounting for preparing quarterly consolidated financial statements

No items to report.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

Changes in accounting policies

(Application of the Accounting Standard for Retirement Benefits, etc.)

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), effective from the first quarter of the fiscal year ending March 31, 2015, the provisions of the main clauses of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of Guidance on Accounting Standard for Retirement Benefits have been applied. Consequently, the method for calculating retirement benefit obligations and current service costs was reviewed and the method of attributing expected benefit to periods was changed from the straight-line method to the benefit formula method, while the method for determining discount rates was changed from one in which the period for bonds, which forms the basis for determining the discount rate, is determined based on the approximate number of years of the average remaining service period of employees, to a method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefit payments, as well as the amount of retirement benefit payment for each such period.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the method for calculating retirement benefit obligations and current service costs was added to or deducted from retained earnings as of April 1, 2014.

As a result, as of April 1, 2014, net defined benefit liability increased by ¥73 million, and retained earnings decreased by ¥53 million. In addition, the effect of this application on profit or loss for the first six months of the fiscal year ending March 31, 2015 is immaterial.

(Application of the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts)

“Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts” (ASBJ PITF No. 30, December 25, 2013) has been applied effective from the first quarter of the fiscal year ending March 31, 2015. As the relevant trust agreement was concluded before the beginning of the first six months of the fiscal year ending March 31, 2015, the previously used method is still being employed. Consequently, this has no effects on profit or loss for the first six months of the fiscal year ending March 31, 2015.

3. Significant events regarding premise of going concern

No items to report.

4. Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	27,783	28,267
Notes and accounts receivable - trade	24,698	16,052
Lease receivables and investment assets	2,436	2,354
Securities	3,667	5,094
Merchandise and finished goods	4,225	5,215
Work in process	306	273
Raw materials and supplies	1,734	1,648
Other	3,672	2,515
Allowance for doubtful accounts	(56)	(57)
Total current assets	<u>68,469</u>	<u>61,364</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,014	27,373
Accumulated depreciation	(17,564)	(17,940)
Buildings and structures, net	9,449	9,432
Machinery, equipment and vehicles	7,511	7,530
Accumulated depreciation	(6,278)	(6,408)
Machinery, equipment and vehicles, net	1,233	1,122
Land	8,692	8,688
Leased assets	251	169
Accumulated depreciation	(174)	(115)
Leased assets, net	76	54
Assets for rent	16,354	16,946
Accumulated depreciation	(6,323)	(6,878)
Assets for rent, net	10,031	10,067
Construction in progress	100	65
Other	8,812	8,982
Accumulated depreciation	(7,276)	(7,498)
Other, net	1,536	1,484
Total property, plant and equipment	<u>31,120</u>	<u>30,915</u>
Intangible assets		
Goodwill	111	84
Other	2,223	2,139
Total intangible assets	<u>2,334</u>	<u>2,224</u>
Investments and other assets		
Investment securities	16,698	17,512
Other	4,223	5,134
Allowance for doubtful accounts	(60)	(59)
Allowance for investment loss	(485)	(485)
Total investments and other assets	<u>20,377</u>	<u>22,102</u>
Total non-current assets	<u>53,832</u>	<u>55,242</u>
Total assets	<u>122,302</u>	<u>116,606</u>

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	10,148	7,099
Short-term loans payable	463	492
Lease obligations	2,147	1,950
Income taxes payable	2,376	1,633
Provision for bonuses	1,207	1,187
Provision for directors' bonuses	123	–
Other	4,371	3,561
Total current liabilities	<u>20,838</u>	<u>15,924</u>
Non-current liabilities		
Bonds with subscription rights to shares	10,042	10,037
Long-term loans payable	444	359
Lease obligations	3,597	3,328
Provision for environmental measures	46	46
Net defined benefit liability	4,083	4,283
Other	677	1,321
Total non-current liabilities	<u>18,892</u>	<u>19,376</u>
Total liabilities	<u>39,731</u>	<u>35,300</u>
Net assets		
Shareholders' equity		
Capital stock	4,166	4,207
Capital surplus	49,835	49,877
Retained earnings	27,484	29,960
Treasury shares	(383)	(4,391)
Total shareholders' equity	<u>81,103</u>	<u>79,653</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	621	778
Foreign currency translation adjustment	1,023	1,022
Remeasurements of defined benefit plans	(195)	(148)
Total accumulated other comprehensive income	<u>1,449</u>	<u>1,651</u>
Subscription rights to shares	18	–
Minority interests	0	0
Total net assets	<u>82,571</u>	<u>81,305</u>
Total liabilities and net assets	<u>122,302</u>	<u>116,606</u>

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	30,749	33,869
Cost of sales	16,359	18,408
Gross profit	14,389	15,461
Selling, general and administrative expenses	9,954	10,799
Operating income	4,435	4,661
Non-operating income		
Interest income	71	65
Dividend income	104	157
Foreign exchange gains	–	173
Gain on investments in partnership	43	–
Gain on investments in silent partnership	63	–
Other	78	83
Total non-operating income	362	480
Non-operating expenses		
Interest expenses	47	35
Foreign exchange losses	98	–
Loss on investments in partnership	–	39
Loss on investments in silent partnership	–	3
Other	35	9
Total non-operating expenses	181	87
Ordinary income	4,616	5,054
Extraordinary income		
Gain on sales of investment securities	155	23
Gain on redemption of investment securities	54	15
Gain on reversal of subscription rights to shares	–	3
Total extraordinary income	210	43
Extraordinary losses		
Loss on redemption of investment securities	0	–
Total extraordinary losses	0	–
Income before income taxes and minority interests	4,827	5,097
Income taxes - current	1,934	1,747
Income taxes - deferred	55	48
Total income taxes	1,989	1,796
Income before minority interests	2,837	3,301
Minority interests in income	10	0
Net income	2,826	3,301

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	2,837	3,301
Other comprehensive income		
Valuation difference on available-for-sale securities	38	157
Foreign currency translation adjustment	364	(1)
Remeasurements of defined benefit plans, net of tax	–	46
Total other comprehensive income	402	202
Comprehensive income	3,240	3,503
Comprehensive income attributable to:		
Owners of parent	3,196	3,503
Minority interests	43	0

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report.

Notes on substantial changes in the amount of shareholders' equity

No items to report.