

Overview of the Financial Condition and Business Results in the First Quarter of the Fiscal Year Ending March 31, 2005 (Consolidated)

(From October 1 to December 31, 2004)

February 7, 2005

Name of the listed company: **France Bed Holdings Co., Ltd.**

(Code number: 7840, 1st Section on Tokyo and Osaka Stock Exchange)

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

Representative: Shigeru Ikeda, President and Representative Director

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1. Matters relating to the preparation of the quarterly financial information

(1) Use of simplified methods in accounting procedure: Yes

Description: The Company uses simplified methods in part of its accounting procedure such as in calculation of tax expenses, to an extent that does not have a significant impact on the judgment of investors and other interested parties.

(2) Change in accounting procedure from the most recent consolidated fiscal year: None

(3) Change in scope of consolidation and application of equity method: Yes

Consolidated subsidiaries (excluded): 1

Description: The change resulted from the merger of consolidated subsidiaries.

2. Overview of the financial condition and business results in the first quarter of the fiscal year ending March 31, 2005 (October 1 - December 31, 2004)

France Bed second fiscal term is from October 1, 2004 to March 31, 2005. This report of financial results in the first quarter covers the period from October 1, 2004 to December 31, 2004.

(1) Status of Business Performance (Consolidated)

	Net Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
First quarter ended December 31, 2004	17,485	-	931	-	948	-
Fiscal year ended September 30, 2004	34,788		1,757		1,860	

	Net income		Net income per share	Net income per share, diluted
	Million yen	%	Yen	Yen
First quarter ended December 31, 2004	500	-	2.17	-
Fiscal year ended September 30, 2004	1,019		4.35	-

(Notes)

1. The figures shown above have been rounded off to the nearest unit displayed.

2. This report does not include data from the first quarter of fiscal year ended September 2004 (March 30–June 30, 2004). No comparisons with data from the first quarter are made.
3. The consolidated fiscal year ended September 2004 is the period from March 30 to September 30, 2004.

[Qualitative information on the status of business performance (consolidated)]

Upon entering fiscal 2005, the France Bed Group implemented a range of measures to enhance the effects of business integration. As a result of those efforts, in the first quarter ended December 31, 2004 the France Bed Group reported consolidated net sales of 17,485 million yen, operating income of 931 million yen, ordinary income of 948 million yen, and net income of 500 million yen.

Results of individual business segments are described below.

(Home furnishing business)

The home furnishing business environment was marked by prolonged stagnation in personal consumption. In addition, major home furnishing retailers are increasingly adopting a business model that calls for shifting procurement to overseas manufacturers in order to establish a dominant competitive position. Consequently, business conditions remain difficult for domestic manufacturers.

Under these circumstances, within the home furnishing business, the France Bed Group is aggressively promoting sales of high value added products such as functional mattresses. At the same time, we are placing priority on the development and sale of products that can compete effectively against overseas manufacturers by responding to structural changes in the procurement and distribution of products by leading home furnishings retailers. In addition, we made improvements to the “France Bed Net Business Club,” the Internet sales support system centered on locally-based home furnishing retailers that we introduced last fiscal year, to improve its effectiveness. We also reinforced sales based on cooperative structures with home furnishing retailers by creating the “Presentation (PR) Studios,” display sites that gather in one space high added value functional products and high-priced items, enabling Internet customers the opportunity to examine in person products for which there are few opportunities to see in retail establishments. Five “Presentation (PR) Studios” have been established (in Hokkaido, Gunma, Tokyo, Hyogo, and Kyushu) and are being used for a variety of events, generating steady results.

As a result of the above efforts, net sales in the home furnishing business were 9,329 million yen and operating income was 272 million yen.

(Acute and long term care business)

An overview of the new Long-Term Care Insurance System that will come into effect in April 2006 was announced in December of last year, and related bills are scheduled to be submitted to the ordinary session of the Diet in 2005. This new system focuses on continuity and calls for a shift to a system that emphasizes prevention in order to control benefit expenses. In preparation for implementation of this new system, the Ministry of Health, Labour and Welfare distributed standards on the selection of nursing and medical equipment covered by long-term care insurance to prefectural governments in the summer of 2004 and has provided guidance concerning application of the system to persons covered by the system who need assistance or low levels of nursing care.

In order to respond to changes in the business environment in conjunction with modifications to the Long-Term Care Insurance System, during the first quarter the acute and long-term care business made various efforts including: (1) starting construction of an integrated base for nursing-care services that includes the “Suke-San Takusan” health and welfare plaza and other facilities in Nagano City in October 2004 as a first step to entering the day-care service business; (2) creation of our own certified home support business and hiring of additional care managers; and (3) the introduction in October 2004 of new products to the rental and sales business such as single-motor adjustable beds for persons requiring low levels of nursing care as well as electric nursing beds in infant and super-short sizes and additional efforts to secure nursing and medical equipment lease contracts. We are also focusing on the rental business for products other than nursing and medical equipment such as bed rentals for healthcare facilities to achieve continuous growth in this business segment.

As a result of the above, the acute and long-term care business reported net sales of 6,390 million yen and operating income of 574 million yen.

(Other businesses)

France Bed Trading Co., Ltd., a consolidated subsidiary that sells sundries, and France Bed Sales Co., Ltd., a seller of accessories and healthcare equipment, merged on November 1, 2004. The merger of these two companies, which had both been engaged in retail sales within the group, is designed to achieve the effective utilization of management resources and to raise efficiency. The merger will enhance the profit structures of the resulting company and improve the foundations and profit potential of the entire France Bed Group. Since the merger, the new company has been focusing its efforts in three core business areas: (1) door-to-door sales and development of sales bases through the creation of Oasis Salons, shops for health-related products; (2) sales of sundries through tenant shops; and (3) the net and shop (N&S) business developed through shops, exhibits, and Internet shopping.

In the first quarter, a new business plan was implemented to realize the benefits of merger, but synergy effects were not created, and consequently, net sales from other businesses were 1,765 million yen and operating losses were 31 million yen.

(2)Changes in financial position (Consolidated)

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	Million yen	Million yen	%	Yen
First quarter ended December 31, 2004	66,762	39,862	59.7	172.77
Fiscal year ended September 30, 2004	70,292	39,888	56.7	172.72

Status of consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
First quarter ended December 31, 2004	(540)	(807)	(3,430)	15,105
Fiscal year ended September 30, 2004	936	(885)	1,251	19,883

(Notes)

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2. This report does not include data from the first quarter of fiscal year ended September 2004 (March 30–June 30, 2004). No comparisons with data from the first quarter are made.
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[Qualitative information on the changes in financial condition (Consolidated)]

Total assets at the end of the first quarter were down 3,529 million yen from the end of the previous consolidated fiscal year. The decrease was primarily the result of a 4,778 million yen drop in cash and cash equivalents, which was caused mainly by repayment of 2,954 million yen in liabilities.

During this fiscal year, the France Bed Group introduced a cash management system that covers six subsidiaries in order to use effectively capital procured by the group. This made it possible to decrease operating capital, which in turn enabled us to reduce interest-bearing liabilities. At the same time, a syndicate commitment line contract for a total of 5,000 million yen was concluded with our banks of account, improving liquidity.

These developments resulted in a 2.9 point improvement in the shareholders' equity ratio.

(Cash flows from operating activities)

Cash flows used in operating activities amounted to 540 million yen. This was mainly the result of payment of income and other taxes of 1,121 million yen and other expenditures though the Company reported income before income taxes and minority interest of 944 million yen.

(Cash flows from investing activities)

Cash flows used in investing activities amounted to 807 million yen as a result of the acquisition of property, plant and equipment.

(Cash flows from financing activities)

Cash flows used in financing activities amounted to 3,430 million yen as a result of repayment of long- and short-term debt and payment of dividends.

As a result of these developments, cash and cash equivalents at the end of the first quarter were 15,105 million yen, down 4,778 million yen from the end of the prior consolidated fiscal year.

[Reference]

**Forecast of consolidated results for the fiscal year ending March 31, 2005
(October 1 March 31, 2005)**

There have been no changes from the forecasted business results that were announced on September 21, 2004.

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Fiscal year ending March 31, 2005	37,300	2,300	1,300

[Reference] Estimated net income per share for the current fiscal year: 5.63 yen

It should be noted that the forecasted consolidated business results for the fiscal year ending March 31, 2005 have been prepared on the basis of information that was available as of the date of the announcement. Therefore, actual results may be different from these forecasts due to various factors that may take place in the future.

Consolidated balance sheets for the first quarter ended December 31, 2004 (Condensed)

(In millions of yen)

Account	Current quarter (As of December 31, 2004)	Previous fiscal year (As of September 30, 2004)
Assets		
Current assets		
Cash and deposits	15,105	19,883
Notes and accounts receivable, trade	13,497	12,935
Inventories	10,489	10,301
Other current assets	3,187	3,060
Total current assets	42,279	46,181
Fixed assets		
Property, plant and equipment	12,852	12,518
Intangible fixed assets	582	601
Investments and other assets	11,048	10,990
Total fixed assets	24,482	24,110
Total assets	66,762	70,292
Liabilities		
Current liabilities		
Notes and accounts payable, trade	8,228	7,756
Short-term borrowings (including the current portion of long-term debt)	5,366	8,163
Other current liabilities	8,441	9,261
Total current liabilities	22,035	25,182
Long-term liabilities		
Long-term debt	492	650
Other long-term liabilities	4,371	4,570
Total long-term liabilities	4,864	5,221
Total liabilities	26,899	30,403
Minority interest		
Minority interest	-	-
Shareholders' equity		
Common stock	3,000	3,000
Capital surplus	4,940	4,940
Retained earnings	33,613	33,724
Difference in valuation of other securities	298	211
Treasury stock	(1,989)	(1,987)
Total shareholders' equity	39,862	39,888
Total liabilities, minority interest and shareholders' equity	66,762	70,292

(Notes)

1. The figures that are shown above have been rounded off to the nearest unit displayed. (The same applies to the pages that follow hereinafter.)

2. This report does not include data from the first quarter of fiscal year ended September 2004 (March 30–June 30, 2004). No comparisons with data from the first quarter are made.

3. The consolidated fiscal year ended September 2004 is the period from March 30 to September 30, 2004.

Consolidated statements of income for the first quarter ended December 31, 2004
(Condensed)

(In millions of yen)

Account	Current quarter (October 1 December 31, 2004)	Previous fiscal year (March 30 September 30, 2004)
Net sales	17,485	34,788
Cost of sales	9,422	18,958
Gross profit	8,062	15,830
Selling, general and administrative expenses	7,131	14,073
Operating income	931	1,757
Other income	93	302
Other expenses	77	198
Ordinary income	948	1,860
Extraordinary income	42	27
Extraordinary loss	45	75
Income before income taxes and minority interest	944	1,812
Tax expenses	443	793
Net income for the quarter	500	1,019

Consolidated statements of cash flows for the first quarter ended December 31, 2004

(Condensed)

(In millions of yen)

Account	Current quarter (October 1 December 31, 2004)	Previous fiscal year (March 30 September 30, 2004)
Cash flows from operating activities		
Income before income taxes and minority interest	944	1,812
Decrease in notes and accounts receivable, trade	(561)	2,283
Payments of income and other taxes	(1,121)	(1,763)
Other	198	(1,396)
Cash flows from operating activities	(540)	936
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(806)	(882)
Other	(1)	(3)
Cash flows from investing activities	(807)	(885)
Cash flows from financing activities		
Decrease in short-term borrowings, net	(2,597)	(868)
Repayment of long-term debt	(357)	(365)
Other	(475)	2,484
Cash flows from financing activities	(3,430)	1,251
Effect of exchange rate changes on cash and cash equivalents	(0)	-
Increase in cash and cash equivalents	(4,778)	1,302
Cash and cash equivalents at beginning of the fiscal year	19,883	18,581
Cash and cash equivalents at end of the quarter	15,105	19,883

Segment information

1. Information by operating segment

(1) The current quarter (October 1 December 31, 2004)

(In millions of yen)

	Home furnishing business	Acute and long term care business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
(1)Net sales to external customers	9,329	6,390	1,765	17,485	-	17,485
(2)Inter-segment sales or transfers	131	2	-	134	(134)	-
Total	9,460	6,392	1,765	17,619	(134)	17,485
Operating expenses	9,187	5,818	1,796	16,803	(250)	16,553
Operating income (loss)	272	574	(31)	815	115	931

(Notes)

1. Method for classifying operation types

The Company classifies its operating segments in accordance with similarities that are based on type, nature, sales market, and form of sales.

2. Main products and a description of each classified operating segment

1) Home furnishing business: Manufacture, purchase, and wholesale of regular beds, home furnishing products and bedding products.

2) Acute and long term care business: Manufacture, purchase, rental, retail and wholesale of medical and nursing care beds, welfare equipment, linen, etc.

3) Other businesses: Purchase and retail of miscellaneous bedding products, daily goods and health appliances.

(2) The previous fiscal year (March 30 September 30, 2004)

(In millions of yen)

	Home furnishing business	Acute and long term care business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales						
(1)Net sales to external customers	18,437	12,763	3,588	34,788	-	34,788
(2)Inter-segment sales or transfers	234	9	20	264	(264)	-
Total	18,671	12,772	3,608	35,053	(264)	34,788
Operating expenses	18,668	11,233	3,560	33,463	(431)	33,031
Operating income	2	1,538	48	1,590	166	1,757

(Notes)

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- 3) Other businesses: Purchase and retail of miscellaneous bedding products, daily goods and health appliances.

2. Segment information by geographical location

- (1) The current quarter (October 1 December 31, 2004)

No information is presented in this report as the Company has no subsidiaries or branches which are operating overseas.

- (2) The previous fiscal year (March 30 September 30, 2004)

No information is presented in this report as the Company has no subsidiaries or branches which are operating overseas.

3. Overseas sales

- (1) The current quarter (October 1 December 31, 2004)

No information is presented in this report as overseas sales account for less than 10% of the consolidated net sales.

- (2) The previous fiscal year (March 30 September 30, 2004)

No information is presented in this report as overseas sales account for less than 10% of the consolidated net sales.