

Overview of the Financial Condition and Business Results in the First Quarter of the fiscal Year Ending March 31 2006 (Consolidated)

(From April 1 to June 30, 2005)

August 8, 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: Yes

Description:1.The accounting method for real estate rental income and expenses that were recorded in other income and expense was changed to a method to record them in net sales and cost of goods sold beginning this first quarter, reflecting an expected increase in real estate rental income in the future and a change in the object of business set out in the Articles of Incorporation. As a result, net sales increased by 53 million yen, the cost of goods sold rose by 14 million yen, and gross income and operating income were up by 39 million yen, respectively, as compared with the previous method. However, this had no impact on ordinary income or on quarterly net income before adjustment of tax, etc.

Effects on segments are stated in the part concerned.

2. Accounting standards for the asset impairment of fixed assets

Starting this first quarter, the Company has applied the accounting standards for the asset impairment of fixed assets (the opinion on the establishment of the accounting standards for the asset impairment of fixed assets (by the Business Accounting Council on August 9, 2002) and the guidelines for the application of the accounting standards for the asset impairment of fixed assets (No. 6 guideline for the application of accounting standards dated October 31, 2003). As a result, quarterly net profit before adjustment of tax, etc. declined 834 million yen.

(3)Change in scope of consolidation and application of equity method: None

2. Overview of the financial condition and business results in the first quarter of the fiscal year ending March 31, 2006 (April 1 - June 30, 2005)

(1) Status of Business Performance (Consolidated)

	Net Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
First quarter ended June 30, 2005	16,816	-	920	-	977	-
First quarter ended June 30, 2004	17,428		974		1,065	
Fiscal term ended September 30, 2004 (6 months)	34,788		1,757		1,860	
Fiscal term ended March 31, 2005 (6 months)	35,167		2,107		2,124	

	Net income		Net income per share		Net income per share, diluted	
	Million yen	%	yen		yen	
First quarter ended June 30, 2005	52	-	0.22		-	
First quarter ended June 30, 2004	468		2.12		-	
Fiscal term ended September 30, 2004 (6 months)	1,019		4.35		-	
Fiscal term ended March 31, 2005 (6 months)	1,505		6.05		-	

(Notes)

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

2. The accounting terms of the Company for the term ended September 2004 (first accounting term from March 30, 2004 to September 30, 2004) and the term ended March 2005 (second accounting term from October 1, 2004 to March 31, 2005) are irregular accounting terms for six months. The accounting term for the term ending March 2006 (third accounting term from April 1, 2005 to March 31, 2006) will become a regular accounting term for one year. The quarter from March 30, 2004 to June 30, 2004 is deemed as the first quarter of the term ended September 2004.

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

The consolidated net sales of the Company group stood at 16,816 million yen, and operating income and ordinary income amounted to 920 million yen and 977 million yen, respectively, for the first quarter (from April 1, 2005 to June 30, 2005). Quarterly net income amounted to 52 million yen because the asset impairment loss of 834 million yen on fixed assets was recorded as an extraordinary loss. The results for this first quarter remained almost steady as compared with the initial outlook for the results for the interim period and full year.

The business overview of each business segment is as shown below.

(Home furnishing business)

In the home furnishing business, the presentation studio, a permanent exhibition site set up in the factory of France Bed Holdings Co., Ltd., is producing results through cooperation with stores specializing in furniture. This presentation studio was established so that general consumers could purchase high added-value

products and very high-end products that are rarely exhibited at stores specializing in furniture, after being convinced to purchase them by actually looking at and touching them. The Company opened a showroom in three locations, Sapporo City, Osaka City and Fukuoka City, based on the same plan and purpose as those for the presentation studio during this first quarter. Consequently, sales in these large urban areas increased.

Meanwhile, the Company has begun to export to overseas furniture manufacturers with the aim of making inroads into the overseas home furnishing market. Focusing on the fact that the Japan's traditional mode has currently become the object of attention in Europe and America, the Company started to carry out transactions with furniture manufacturers in Italy and Germany from June 2005 to sell TOKI, a series of strategic products for overseas sales, which has a modernistic design achieved by retaining harmony between European furniture such as beds and sofas and Japan's traditional mode. Sales were made using the sales agency network of overseas furniture manufacturers, which had produced satisfactory results with imported goods in the past. The Company also established an overseas subsidiary in Thailand in May. This affiliate began to export products produced through contracted production by manufacturers in Thailand and other Asian countries to Europe and Japan. Sales overseas did not contribute to sales for this first quarter, but are expected to contribute to future sales.

As a result, sales stood at 8,639 million yen and operating income reached 91 million yen in the home furnishing business segment.

(Acute and long-term care business)

A bill related to the reform of the nursing care insurance system was passed in June at the ordinary session of the Diet for 2005. The bill has a stated aim of "conversion to a system placing emphasis on prevention" to reduce benefit costs, with a main focus on the persistence of the nursing care insurance system. The bill shall come into force in April 2006.

In the acute and long-term care business, to deal with changes in the industry environment associated with the change in the nursing care insurance system, the Company expanded its transactional base for the lease business of nursing care equipment, entered the day service business and built up the support business for nursing care at home and renovations.

In the day service business, the Company opened a day service center called the Nagano Health and Welfare Plaza in Nagano City in May 2005. This day service center is a community-based composite nursing and welfare facility which was established together with an office for the lease of nursing and welfare equipment, an office for support business to nursing care at home and a shop of goods related to health and welfare. The day service center began providing services for the prevention of nursing care such as muscle building training, but cannot be operated at full capacity. Therefore, the day service center business did not contribute to the results for this first quarter. The day service center will be able to operate at almost full capacity from the second quarter and is expected to make a contribution to results then. The Company also launched the construction of a day service center to which an office for the lease of welfare equipment is annexed in Toyota City from June 2005.

In the renovation business, the Company will focus more on the renovation of houses, something that is not covered by nursing care insurance. The Company also started to sell materials for renovation such as materials for handrails, making use of the technologies of the woodworking plants of the Group. This renovation business did not contribute to results for the first quarter, but is expected to make a contribution from the second half.

As a result, sales stood at 6,332 million yen and operating income amounted to 616 million yen in the acute and long-term care business.

(Other businesses)

In other businesses, the Company merged two consolidated subsidiaries in November 2004, and sought to step up development by making effective use of management resources. As a result, sales and operating income remained steady.

For the door-to-door sales business, the Company opened a retail-type door-to-door sales base at five locations in Sendai City, Matsumoto City, Fukuyama City, Hikari City and Ushibuka City, which were undeveloped areas. Health care goods were exhibited and sold at a retail-type door-to-door sales base called Oasis Salon. The Company also started to open Pillow Shops from April 2005, using them for multiple purposes.

Meanwhile, with respect to the daily necessities and miscellaneous goods sales business, the Company placed greatest emphasis on improving profit and continued to apply a scrap-and-build process to tenant shops. During this first quarter, the Company withdrew from the NS Kokura store (in Kita-Kyushu City) and closed the Maesawa store (in Maesawa-cho Iwate Prefecture).

As stated in the "change in accounting procedure," the accounting method for real estate rental income and expense changed to one that records them as net sales and cost of goods sold, and real estate rental income and expenses are included in other businesses.

As a result, sales stood at 1,844 million yen, and operating income amounted to 140 million yen for other businesses.

(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 June 30, 2005	66,233□	39,488□	59.6□	172.08
First quarter ended June 30, 2004	69,837□	37,722□	54.0□	170.12
Fiscal term ended September 30, 2004 (6 months)	70,292□	39,888□	56.7□	172.72
Fiscal term ended March 31, 2005 (6 months)	66,239□	40,136□	60.5□	174.47

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 June 30, 2005	□2,363□	1,827□	568□	14,231
First quarter ended June 30, 2004	□1,466□	613□	373□	19,061
Fiscal term ended September 30, 2004 (6 months)	□ 936□	885□	1,251□	19,883
Fiscal term ended March 31, 2005 (6 months)	□ 361□	1,371□	4,610□	14,263

(Notes)

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

2. The accounting terms of the Company for the term ended September 2004 (first accounting term from March 30, 2004 to September 30, 2004) and the term ended March 2005 (second accounting term from October 1, 2004 to March 31, 2005) are irregular accounting terms for six months. The accounting term for the term ending March 2006 (third accounting term from April 1, 2005 to March 31, 2006) will become a regular accounting term for one year. The quarter from March 30, 2004 to June 30, 2004 is deemed as the first quarter of the term ended September 2004.

[Qualitative information on change in financial conditions (consolidated basis)]

Total assets at the end of this first quarter were 66,233 million yen, virtually unchanged from the end of the term ended March 2005, as an increase in other assets offset the application of asset impairment accounting to fixed assets. Shareholders' equity declined by 647 million yen, to 39,488 million yen, because of the payment of dividends to shareholders. As a result, the equity ratio became 59.6%.

(Cash flow)

Cash flow from operating activities rose 2,363 million yen because of an increase in funds as a result of quarterly net income before adjustment of tax, etc. of 162 million yen, and asset impairment losses and depreciation which do not require the outflow of funds.

Cash flow from investing activities declined 1,827 million yen with the acquisition of tangible fixed assets and the deposit of time deposits.

Cash flow from financing activities decreased 568 million yen with the payment of dividends, etc.

As a result, cash and cash equivalents at the end of this first quarter declined 32 million yen from the end of the previous accounting term, to 14,321 million yen.

[Reference]

Projection of consolidated business results for the term ending March 2006 (from April 1, 2005 to March 31, 2006)

There is no change in the projection of business results announced on May 19, 2005.

The projection of business results was prepared based on information available as of the date of the announcement of these materials. Actual business results may differ from the projection .

Consolidated balance sheets for the first quarter ended June 30, 2005 (Condensed)

(In millions of yen)

Account	First quarter ended March 2006 (As of June 30, 2005)	First quarter ended Sept. 2004 (As of June 30, 2004)	Fiscal term ended Sept. 2004 (As of Sept.30, 2004)	Fiscal term ended March 2005 (As of March 31, 2005)
Assets				
Current assets				
Cash and deposits	□ 14,231 □	19,091 □	19,883 □	14,263
Notes and accounts receivable, trade	□ 12,925 □	13,917 □	12,935 □	13,878
Inventories	□ 10,346 □	10,465 □	10,301 □	10,108
Other current assets	□ 2,953 □	2,787 □	3,060 □	2,653
Total current assets	□ 40,457 □	46,260 □	46,181 □	40,903
Fixed assets				
Property, plant and equipment	□ 13,108 □	12,536 □	12,518 □	12,908
Intangible fixed assets	□ 486 □	632 □	601 □	518
Investments and other assets	□ 12,181 □	10,407 □	10,990 □	11,909
Total fixed assets	□ 25,776 □	23,576 □	24,110 □	25,336
Total assets	□ 66,233 □	69,837 □	70,292 □	66,239
Liabilities				
Current liabilities				
Notes and accounts payable, trade	□ 7,437 □	8,821 □	7,756 □	7,624
Short-term borrowings (including the current portion of long-term debt)	□ 5,000 □	8,926 □	8,163 □	4,991
Other current liabilities	□ 9,656 □	8,973 □	9,261 □	8,918
Total current liabilities	□ 22,095 □	26,721 □	25,182 □	21,534
Long-term liabilities				
Long-term debt	□ 377 □	908 □	650 □	434
Other long-term liabilities	□ 4,271 □	4,485 □	4,570 □	4,133
Total long-term liabilities	□ 4,649 □	5,394 □	5,221 □	4,567
Total liabilities	□ 26,744 □	32,115 □	30,403 □	26,102
Minority interest				
Minority interest	□ - □	- □	- □	-
Shareholders' equity				
Common stock	□ 3,000 □	3,000 □	3,000 □	3,000
Capital surplus	□ 5,117 □	3,527 □	4,940 □	5,117
Retained earnings	□ 33,976 □	33,147 □	33,724 □	34,617
Difference in valuation of other securities	□ 341 □	320 □	211 □	348
Treasury stock	□ 2,946 □	2,273 □	1,987 □	2,946
Total shareholders' equity	□ 39,488 □	37,722 □	39,888 □	40,136
Total liabilities, minority interest and shareholders' equity	□ 66,233 □	69,837 □	70,292 □	66,239

(Notes)

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

2. The accounting terms of the Company for the term ended September 2004 (first accounting term from March 30, 2004 to September 30, 2004) and the term ended March 2005 (second accounting term from October 1, 2004 to March 31, 2005) are an irregular accounting term for six months. The accounting term for the term ending March 2006 (third accounting term from April 1, 2005 to March 31, 2006) will become a regular accounting term for one year. The quarter from March 30, 2004 to June 30, 2004 is deemed the first quarter of the term ended September 2004. (This will apply starting the following page.)

Consolidated statements of income for the first quarter ended June 30, 2005 (Condensed)

(In millions of yen)

Account	First quarter ended March 2006 (As of June 30, 2005)	First quarter ended Sept. 2004 (As of June 30, 2004)	Fiscal term ended Sept. 2004 (As of Sept. 30, 2004)	Fiscal term ended March 2005 (As of March 31, 2005)
Net sales	□ 16,816□	17,482□	34,788□	35,167
Cost of sales	□ 9,120□	9,634□	18,958□	19,152
Gross profit	□ 7,695□	7,794□	15,830□	16,015
Selling, general and administrative expenses	□ 6,775□	6,819□	14,073□	13,908
Operating income	□ 920□	974□	1,757□	2,107
Other income	□ 118□	191□	302□	199
Other expenses	□ 61□	100□	198□	182
Ordinary income	□ 977□	1,065□	1,860□	2,124
Extraordinary income	□ 31□	22□	27□	457
Extraordinary loss	□ 846□	61□	75□	149
Income before income taxes and minority interest	□ 162□	1,026□	1,812□	2,432
Tax expenses	□ 109□	558□	793□	927
Net income for the quarter	□ 52□	468□	1,019□	1,505

Consolidated statements of cash flows for the first quarter ended June 30, 2005

(Condensed)

(In millions of yen)

Account	First quarter ended March 2006 (As of June 30, 2005)	First quarter ended Sept. 2004 (As of June 30, 2004)	Fiscal term ended Sept. 2004 (As of Sept. 30, 2004)	Fiscal term ended March 2005 (As of March 31, 2005)
Cash flows from operating activities				
Income before income taxes and minority interest	□ 162□	1,026□	1,812□	2,432
Impairment loss	□ 834□	- □	- □	-
Decrease in notes and accounts receivable, trade	□ 952□	1,302□	2,283□	942
Payments of income and other taxes	□ 865□	1,466□	1,763□	961
Other	□ 1,280□	604□	1,396□	167
Cash flows from operating activities	□ 2,636□	1,466□	936□	361
Cash flows from investing activities				
Payment of time deposit	□ 1,200□	- □	- □	-
Payments for acquisition of property, plant and equipment	□ 593□	453□	882□	1,339
Other	□ 33□	160□	3□	32
Cash flows from investing activities	□ 1,827□	613□	885□	1,371
Cash flows from financing activities				
Decrease in short-term borrowings, net	□ 10□	30□	868□	2,922
Repayment of long-term debt	□ 57□	182□	365□	465
Other	□ 520□	160□	2,484□	1,222
Cash flows from financing activities	□ 568□	373□	1,251□	4,610
Effect of exchange rate changes on cash and cash equivalents	□ - □	- □	- □	-
Increase in cash and cash equivalents	□ 32□	480□	1,302□	5,620
Cash and cash equivalents at beginning of the fiscal year	□ 14,263□	18,581□	18,581□	19,883
Cash and cash equivalents at end of the quarter	□ 14,231□	19,061□	19,883□	14,263

Segment information

1. Information by operating segment

(1) The current quarter (April 1 June 30, 2005)

(In millions of yen)

	Home furnishing business	Acute and long term care business	Other businesses	Total	Elimination or corpotate	Consolidated
Net sales						
(1)Net sales to external customers	□ 8,639□	6,332□	1,844□	16,816□	-	16,816
(2)Inter-segment sales or transfers	□ 139□	6□	30□	176□	(176)□	-
Total	□ 8,778□	6,339□	1,875□	16,993□	(176)□	16,816
Operating expenses	□ 8,687□	5,723□	1,734□	16,145□	(248)□	15,896
Operating income	□ 91□	616□	140□	848□	72□	920

(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 equipments, linen, etc.

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

3. As stated in the "change in accounting procedure," the accounting method for the real estate rental income and expense was changed into the accounting method to record them as net sales and the cost of goods sold. With the creation of a real estate rental business, the real estate real business is included in other businesses for the purpose of the financial statements beginning this first quarter. This change had an impact on each business segment as summarized in the following table in comparison with the figures based on the previous method.

(In millions of yen)

	Home furnishing business	Acute and long term care business	Other businesses	Total	Elimination or corpotate	Consolidated
Net sales						
(1)Net sales to external customers	□ - □	- □	53□	53□	-	53
(2)Inter-segment sales or transfers	□ - □	- □	30□	30□	(30)□	-
Total	□ - □	- □	84□	84□	(30)□	53
Operating expenses	□ 15□	0□	30□	14□	- □	14
Operating income	□ 15□	0□	53□	70□	(30)□	39

(2) Preference

□ 1. First quarter ended September 30, 2004 (March 30 June 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	□ 9,361□	□ 6,336□	□ 1,730□	□ 17,428□	-	□ 17,428
(2) Inter-segment sales or transfers	□ 109□	□ 5□	□ 20□	□ 135□	□ (135)□	-
Total	□ 9,471□	□ 6,342□	□ 1,751□	□ 17,564□	□ (135)□	□ 17,428
Operating expenses	□ 9,246□	□ 5,634□	□ 1,704□	□ 16,585□	□ (132)□	□ 16,453
Operating income	□ 224□	□ 707□	□ 46□	□ 978□	□ (3)□	□ 974

(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 equipments, linen, etc.

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

□ 2. Fiscal term ended September 30, 2004 (March 30 September 30, 2004) 6 months

(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)

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 equipments, linen, etc.

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

3. Fiscal term ended March 31, 2005 (October 1, 2004 – March 31, 2005) 6 months

(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	□ 18,309 □	□ 13,242 □	□ 3,616 □	□ 35,167 □	□ - □	□ 35,167 □
(2) Inter-segment sales or transfers	□ 289 □	□ 19 □	□ 0 □	□ 309 □	□ (309) □	□ - □
Total	□ 18,599 □	□ 13,261 □	□ 3,616 □	□ 35,477 □	□ (309) □	□ 35,167 □
Operating expenses	□ 18,275 □	□ 11,707 □	□ 3,522 □	□ 33,505 □	□ (445) □	□ 33,060 □
Operating income	□ 323 □	□ 1,554 □	□ 93 □	□ 1,971 □	□ 135 □	□ 2,107 □

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

2. Segment information by geographical location

(1) First quarter ended March 2006 (April 1, 2005 to June 30, 2005)

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

(2) Preference

1. First quarter ended September 2004 (March 30, to June 30, 2004)

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

2. Fiscal term ended September 2004 (March 30, 2004 to September 30, 2004) (6 months)

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

3. Fiscal term ended March 2005 (October 1, 2004 to March 31, 2005) (6 months)

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

3. Overseas sales

(1) First quarter ended March 2006 (April 1, 2005 to June 30, 2005)

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

(2) Preference

1. First quarter ended September 2004 (March 30, to June 30, 2004)

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

2. Fiscal term ended September 2004 (March 30, 2004 to September 30, 2004) (6 months)

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

3. Fiscal term ended March 2005 (October 1, 2004 to March 31, 2005) (6 months)

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