FRANCEBED HOLDINGS

Results for the First Quarter of the Fiscal Year Ending March 31, 2011 (J-GAAP)

(April 1 ,2010 ~ June 30, 2010)

August 6, 2010

Company name : **France Bed Holdings Co., Ltd.**
Listing Exchanges : Tokyo
Code number : 7840
URL : http://www.francebed-hd.co.jp
Representative : Shigeru Ikeda, President and Representative Director
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Scheduled date to file quarterly report : August 11, 2010
Scheduled date of the start of dividend payments: −
Preparation of quarterly earnings presentation material: No
Holding of quarterly earnings announcement : No

(Figures of less than ¥1million have been omitted)

1. Consolidated results for the First quarter of the fiscal year ending March 2011 (April 1,2010 ~ June 30, 2010)

(1)Consolidated Operating Results

(% of change from the corresponding period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended June 30, 2010	11,737	Δ4.3	170	39.7	162	78.0	81	53.6
First quarter ended June 30, 2009	12,272	Δ10.2	121	100.0	91	16.8	53	20.8

	Earnings per share	Earnings per share, diluted
	yen	yen
First quarter ended June 30, 2010	0.35	—
First quarter ended June 30, 2009	0.23	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	yen
First quarter ended June 30, 2010	60,208	37,111	61.6	162.83
Fiscal year ended March 31, 2010	59,602	37,451	62.8	164.32

(Reference) Shareholder's equity : As of June 30, 2010: ¥37,111million As of March 31, 2010: ¥37,451million

2. Dividends

	Dividends per share				
Base date	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2010	—	1.25	—	1.25	2.50
Fiscal year ended March 31, 2011	—				
Fiscal year ended March 31, 2011 (Outlook)		1.25	—	1.25	2.50

Note : Revisions to the quarter's dividend forecast : None

3.Forecasts of results for the Fiscal Year Ending March 2011 (April 1, 2010 ~ March 31, 2011)

(% of change from the corresponding period of previous year)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
second quarter	25,000	0.3	640	50.2	540	47.7	240	20.7	1.05
Full Year	50,600	1.6	1,800	149.7	1,600	148.1	800	203.8	3.51

Note : Revisions to the quarter's dividend forecast : None

4.Others

(1) Changes in significant consolidated subsidiaries: No

(Note) This refers to changes in specified subsidiaries resulting in change of scope of consolidation during the quarter.

(2) Application of simplified accounting treatment and special accounting treatment: Yes

(Note) This refers to simplified accounting treatment and accounting treatment peculiar to quarterly consolidated financial statement preparation.

(3) Changes in accounting treatment principles, procedures and expressions

[1] Changes accompanied by reform of accounting standards: Yes

[2] Changes other than those in [1] above: No

Note : This refers to changes in accounting treatment principles, procedures and expressions related to quarterly consolidated financial statement preparation (entries of changes in material matters that are basic to preparation of quarterly consolidated financial statements)

(4) Number of shares issued (common shares)

[1] Number of shares issued at the end of the period (including treasury stock)	June 30, 2010 239,487,500 shares	March 31, 2010 239,487,500 shares
[2] Number of treasury stock at the end of the period	June 30, 2010 11,576,764 shares	March 31, 2010 11,574,923 shares
[3] Average number of shares issued during the period (quarterly accumulation period)	Apr. ~ Jun. 2010 227,911,164 shares	Apr. ~ Jun. 2009 227,918,754 shares

※ Presentation of implementation status for quarterly review procedures

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have been reviewed in accordance with the Financial Instruments and Exchange Act at the time of announcement of this summary.

※ Explanation related to appropriate use of results forecasts and other items warranting special mention

The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and certain assumptions considered reasonable. Actual results could differ materially, depending on a range of factors.

Contents

1.Qualitative Information on first Quarter Results

(1) Consolidated Management Performance

The Japanese economy remained challenging in the first quarter of the current fiscal year (hereinafter “the period under review”). Concern over the global economic downturn in Europe and elsewhere exacerbated the tendency towards falling stock prices and a strong yen, employment and income conditions remained difficult, and personal consumption continued to stagnate amidst deflationary pressure.

In this economic environment, the Group pursued a number of initiatives to realize the effects of the merger of its core subsidiary Francebed Co., Ltd. Amongst other measures, the Group focused its management resources on the growth area of nursing care, while building an efficient business structure in home furnishing business where market conditions remained difficult, in a bid to improve the Group’s overall earning capacity.

Under the circumstances described above, consolidated sales for the period under review reached 11,737 million yen (down 4.3% from the first quarter of the previous year). Consolidated operating income came to 170 million yen (up 39.7% from the first quarter of the previous year). Consolidated ordinary income amounted to 162 million yen (rising 78.0% from the first quarter of the previous year), and consolidated net income for the period was 81 million yen (an increase of 53.6% from the first quarter of the previous year).

(Medical services business)

In the medical services business, the Group continued its promotional activities for electric nursing care beds compliant with new Japanese Industrial Standards (JIS) standards, which it began selling in June 2009, organizing training sessions and product briefings for agents and care managers, and focusing its efforts on increasing rentals and sales of these products.

The Group also worked to increase the number of users of the Yu Yu Iki Iki Club, an ambulatory nursing care facility specializing in providing care for people requiring low levels of nursing care. The facility, opened in Chofu City, Tokyo in February 2010, mainly provides motor function training.

The Group has also continued with its efforts to enhance the quality of its services by improving the skills of its employees and expanding its sales force and maintenance and distribution capabilities. To improve the skills of its employees, the Group continued to provide training programs initiated the previous year which enable all sales staff to enhance their monitoring skills and train them to share information on the purpose of using welfare equipment and suchlike with users of rented equipment and carers, as well as programs which allow employees to gain welfare equipment planner qualifications.

In terms of its sales structure, in Hokkaido, the Group integrated the home furnishing and health business to form the Hokkaido Sales Division as the organization in charge of medical services business in the region, in a bid to realize the effects of the merger of consolidated subsidiary Francebed Co., Ltd. and Francebed Medical Service Co., Ltd. in April 2009. The Group also increased the number of sales staff in medical services business by continuing with the reassignment of personnel from other divisions initiated the previous year. In terms of its sales and distribution network, the Group opened the Tanashi Sales Office in Nishitokyo City, Tokyo, relocated its Shinagawa Office in Shinagawa Ward, Tokyo, and expanded its Niigata Service Center in Niigata City, Niigata Prefecture.

As a result of the initiatives described above, sales in the medical services business were 5,213 million yen, while operating income was 433 million yen.

(Home furnishing and health business)

In the home furnishing and health business, conditions on the market for mid-to-high end beds for home use, which are the main products in this segment, remained difficult, as housing starts continued to decline and the rise of the yen brought a flood of cheap imports onto the market, causing selling prices to fall.

In this environment, the home furnishing and health business headquarters of consolidated subsidiary Francebed Co, Ltd., which heads this division, introduced a regional business division system integrating the entire process from production through to sales in April this year, thereby shortening the time from development to sales and creating a structure that adapts flexibly to market change. The Group also took a number of other initiatives to improve the profitability of this business, including streamlining its sales structure and reviewing plans for loss-making events.

With the Japanese economy back in deflation last year, the Group built upon efforts made the previous year to expand sales of the Lifit Series of personal sofabeds tailored to consumer requirements, and also worked to expand sales in new business, such as renting furniture and selling furniture to condominium developers.

As a result of the development described above, sales of the home furnishing and health business were 4,051 million yen and the Group recorded an operating loss of 240 million yen.

(Corporate facilities businesses)

In the medical and welfare facilities sub-segment of the corporate facilities business, sales of electric beds, fixtures and other products to new fee-paying homes for the elderly and other medical and welfare facilities were solid. Also in linen supply operations, which consist in washing and leasing bed linen, hospital gowns, towels and other linen to hospitals, the Group signed new contracts with national hospitals and other new clients. Moving forward, the Group will continue to make proposals to nursing care facilities involving subsidies such as the model subsidy for the provision of equipment for care workers, in a bid to expand sales of electric beds and other products.

Meanwhile, in the hotel sub-segment of the corporate facilities business, falling room rates led to decline in the selling prices of equipment and fixtures, making it difficult to make a profit, but the Group worked to expand sales of new products from UK bed manufacturer Slumberland and rentals of extra beds for hotel rooms in response to the rise in foreign tourists visiting Japan.

As a result of these initiatives, sales in the corporate facilities business reached 1,512 million yen and the Group reported an operating loss of 46 million yen.

(Other businesses)

In the door-to-door sales sub-segment of other businesses, faced with continued sharp decline in sales largely due to tighter regulation under the Act on Specified Commercial Transactions and the Instalment Sales Law, the Group streamlined its business sales offices and reduced labor costs, and also reviewed its selling methods, increasing the percentage of instore sales using showrooms and suchlike.

In the sundries sales business, the Group continued to apply a scrap-and-build approach and, as a result, sales of existing stores almost recovered to their year-ago level.

As a result of the initiatives described above, sales of other businesses totaled 960 million yen and the operating loss for the business was 30 million yen.

(2) Consolidated Financial Position

[1] Status of balance sheet

Total assets at the end of the first quarter of the current fiscal year rose 605 million yen from the end of the previous fiscal year, to 60,208 million yen. Current assets decreased 301 million yen from the end of the previous fiscal year, to 32,367 million yen. Major factors underlying this result were an increase of 229 million yen in cash and cash deposits, and a decrease of 299 million yen in trade notes and accounts receivable as a result of falling sales, and a decline of 500 million yen in securities. Fixed assets expanded 909 million yen from the end of the previous fiscal year, to 27,828 million yen. Major contributors to the result included the acquisition of tangible and intangible fixed assets and the transfer of time deposits.

Liabilities rose 946 million yen, to 23,097 million yen, primarily due to increases in long-term and short-term lease obligations, as well as accrued expenses, which are included in other current liabilities.

Net assets declined 340 million yen from the end of the previous fiscal year, to 37,111 million yen. The main contributor to this result was dividends paid of 284 million yen.

As a result of the changes stated above, shareholders' equity ratio fell from 62.8% at the end of the previous fiscal year, to 61.6%.

[2] Status of cash flow

Cash flows for the first quarter of the current fiscal year produced an increase in cash and cash equivalents of 926 million yen from the end of the previous fiscal year, to 11,956 million yen. Details of individual cash flow items are as follows.

Net cash provided by operating activities came to 1,686 million yen (compared with 1,742 million yen in the first quarter of the previous fiscal year). Major contributors were net income before income taxes and minority interests of 152 million yen, depreciation cost of 779 million yen (which is a non-cash item), and a decrease in accounts receivable of 298 million yen.

Net cash used for investing activities totaled 686 million yen (compared with 511 million yen in the first quarter of the previous fiscal year). Major causes included a disbursement of 928 million yen to acquire tangible fixed assets, an outlay of 355 million yen to acquire intangible fixed assets, and a payment of 603 billion into a time deposit, offsetting inflows such as the repayment of a time deposit of 1,200 million yen.

Net cash used for financing activities was 67 million yen (compared with 71 million yen in the first quarter of the previous fiscal year). The main factors behind the outflow were the repayment of finance lease liabilities of 273 million yen, dividends paid of 253 million yen, and gains on leasebacks of 459 million yen.

(3)Outlook for Consolidated Operating Results

The business forecast announced in “Results for the Fiscal Year Ended March 2010” dated May 14, 2010 remains unchanged at present.

2. Others information

(1) Changes in significant subsidiaries during the period

None applicable

(2) Application of simplified accounting treatment and special accounting treatment

1.Simplified accounting methods

[1] Calculation method for estimating amount of losses from general debt

The actual percentage of credit losses recorded at the end of the current quarter was not proved to be significantly different from the percentage estimated at the previous fiscal year end. Therefore, the estimated bad debt is computed based on the actual percentage of credit losses at the previous fiscal year end.

[2] Method for assessing the value of inventories

For the valuation of inventories at the end of the first quarter of the current fiscal year, the Company did not undertake a physical stocktaking but used a rational method for assessing inventories based on the amount of physical inventory at the end of the previous fiscal year. We estimate net sale prices and adopt the book value reduction method only when profitability clearly declines.

[3] Method for calculating income taxes and the deferred tax assets and liabilities

As for judging the ability to collect deferred taxes, we confirmed that there has been no significant change in the business environments or in the generation of temporary difference since the previous fiscal year end. Therefore, we are applying the method that is based on the business forecasts and tax planning used in the previous fiscal year.

2. Special accounting treatment used in preparation of the quarterly consolidated financial statements: None

(3) Overview of changes in accounting treatment principles and procedures, and methods of presentation

The Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) were applied from the first quarter under review. The change had no impact on earnings.

Consolidated Financial Statements

(1) Consolidated balance sheets for the First quarter ended June 30,2010

(In millions of yen)

	First quarter of FY2011 (As of June 30, 2010)	FY2010 (As of March 31,2010)
ASSET		
Current assets		
Cash and deposits	9,509	9,280
Notes and accounts receivable, trade	8,857	9,156
Short-term investment securities	2,498	2,999
Merchandise and Finished goods	6,819	6,733
Work in process	210	148
Raw materials and supplies	1,716	1,793
Other	2,808	2,617
Allowance for doubtful accounts	△53	△59
Total current assets	32,367	32,669
Fixed assets		
Property, plant and equipment		
Land	6,454	6,454
Other (net)	10,094	9,925
Total property, plant and equipment	16,548	16,379
Intangible fixed assets	1,141	902
Investments and other assets	10,138	9,636
Total fixed assets	27,828	26,918
Deferred assets	12	14
Total assets	60,208	59,602
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	4,662	5,202
Factoring of accrued liability	1,618	1,169
Short-term borrowings	5,275	5,275
Current portion of bonds	775	775
Current portion of long-term loans payable	225	225
Accrued income taxes	64	114
Reserves	550	1,064
Other	4,723	3,346
Total current liabilities	17,895	17,173
Noncurrent liabilities		
Bonds payable	775	775
Long-term loans payable	225	225
Provision for retirement benefits	2,300	2,212
Reserve for Other	394	447
Other	1,506	1,317
Total noncurrent liabilities	5,201	4,977
Total liabilities	23,097	22,150
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	5,116	5,116
Retained earnings	32,313	32,516
Treasury stock	△3,152	△3,151
Total shareholders' equity	37,278	37,481
Valuation and translation adjustments		
Valuation gain and loss on other securities	△83	△3
Deferred gains or losses on hedges	△43	6
Foreign currency translation adjustment	△39	△32
Total valuation and translation adjustments	△167	△29
Total net assets	37,111	37,451
Total liabilities and net assets	60,208	59,602

(2) Consolidated Statements of Income

(In millions of yen)

	First quarter of FY2010 (From April 1, 2009 to June 30, 2009)	First quarter of FY2011 (From April 1, 2010 to June 30, 2010)
Net Sales	12,272	11,737
Cost of Sales	6,815	6,416
Gross profit	5,457	5,320
Selling, general and administrative expense	5,335	5,150
Operating income	121	170
Non-operating income		
Interest income	2	1
Foreign exchange gains	10	8
Dividend Income	21	−
Profit of share allotment	−	22
Other	22	21
Total non-operating income	56	53
Non-operating expenses		
Interest expense	32	33
Other	55	28
Total non-operating expenses	87	61
Ordinary income	91	162
Extraordinary income		
Gain on prior period adjustment	3	−
Gain on sales of fixed assets	9	0
Total extraordinary income	12	0
Extraordinary losses		
Loss on prior period adjustment	0	0
Loss on sales of fixed assets	0	−
Loss on retirement of fixed assets	4	10
Total extraordinary losses	4	10
Income before income taxes	98	152
Income taxes-current	25	31
Income taxes-deferred	19	39
Total income taxes	45	70
Income before minority interests	−	81
Minority interests in income	−	−
Net Income	53	81

(3) Consolidated Statements of Cash Flows

(In millions of yen)

	First quarter of FY2010 (April 1, 2009 ~ June 30, 2009)	First quarter of FY2011 (April 1, 2010 ~ June 30, 2010)
Cash flows from operating activities		
Income before income taxes	98	152
Depreciation and amortization	622	779
Loss (gain) on sale of fixed assets	Δ9	Δ0
Loss on retirement of fixed assets	4	9
Increase (decrease) in allowance for doubtful accounts	Δ0	Δ15
Increase (decrease) in reserve for bonuses	Δ584	Δ513
Increase (decrease) in reserve for retirement benefits	Δ15	88
Decrease (increase) in prepaid pension costs	65	24
Increase (decrease) in reserve for directors' retirement benefits	4	Δ52
Increase (decrease) in other reserves	Δ81	Δ1
Interest income and dividend income	Δ13	Δ9
Interest expense	32	33
Change in account receivables	771	298
Change in inventory	330	Δ70
Change in procurement obligations	144	Δ539
Change in accrued factoring liabilities	Δ85	448
Increase (decrease) in accrued expenses	872	1,027
Other	30	199
Sub-Total	2,185	1,859
Interest and dividends received	14	9
Interest paid	Δ27	Δ27
Corporate taxes paid	Δ429	Δ155
Cash flows from operating activities	1,742	1,686
Cash flows from investing activities		
Investments in time deposits	Δ12	Δ603
Decrease in term deposits	309	1,200
Expenditures for acquisition of tangible fixed assets	Δ792	Δ928
Proceeds form sale of tangible fixed assets	21	1
Expenditures for acquisition of investment securities	Δ0	Δ0
Expenditure for loans	Δ0	Δ4
Proceeds from recovery of loans	1	3
Purchase of intangible fixed assets	–	Δ355
Other	Δ37	0
Cash flows from investing activities	Δ511	Δ686
Cash flows from financing activities		
Proceeds from sale and lease back	317	459
Repayments of lease obligations	Δ138	Δ273
Purchase of treasury stock	Δ0	Δ0
Cash dividends paid	Δ249	Δ253
Other	Δ0	–
Cash flows from financing activities	Δ71	Δ67
Effect of exchange rate changes on cash and cash equivalents	1	Δ6
Net increase in cash and cash equivalents	1,161	926
Cash and cash equivalents at beginning of period	10,142	11,030
Cash and cash equivalents at end of period	11,304	11,956

(4) Notes concerning conditions of “going concern”

Not applicable

(5) Segment information

[Business segments]

First quarter of FY2010 (From April 1, 2009 to June 30, 2009)

(In millions of yen)

	Home Furnishing and health	Acute and Long Term Care	Real estate lease	Other	Total	Elimination of Corporate Wide	Consolidated
Sales							
(1) Sales to External Customers	5,384	5,793	35	1,059	12,272	--	12,272
(2) Internal Sales among Segments or Transfers	135	4	6	138	285	(285)	--
Total	5,519	5,797	42	1,197	12,557	(285)	12,272
Operating Income / Loss	∆330	389	31	∆9	80	41	121

(Note)

1. Method of business classification
   Businesses are classified giving consideration to the similarity in the type and nature of products and the selling markets and selling mode.
2. Principal products and business in each segment.
   (1) Home Furnishing and Health ---------- manufacture, procurement and sale of beds, furniture and beddings
   (2) Acute and Long Term Care ------- manufacture, procurement, sales and rental of medical treatment beds, care products, hospital bed linens
   (3) Real Estate Lease -------real estate lease
   (4) Other ------- procurement and retailing of accessories, daily sundry goods, health equipment, advertisement and exhibition equipment.
3. As stated in “Changes in Principles,
   Procedures and Presentation Methods for Accounting Treatment in Connection with the Production of Quarterly

   As stated in 2. of “Changes in Basic Important Matters for the Preparation of Quarterly Consolidated Financial Statements,” the Group changed its method of posting estimation errors, such as the difference between the bonus allowance recorded in the previous year and the actual amount paid in the current year, switching from their posting as a gain or loss from the prior year’s adjustment under the category of extraordinary items, to processing through calculations of ordinary gains and losses, starting in the first quarter of the current fiscal year.

   The change caused operating loss for the home furnishing and health business to decrease 61 million yen, operating income for the nursing care and welfare equipment business to increase 69 million yen, operating loss for other businesses to decline 10 million yen, and the elimination or corporate operating income to rise 4 million yen, respectively, compared with the figures calculated using the previous method.

[Segment information by location]

From April 1, 2009 to June 30, 2009

The entry of “sales in Japan” is omitted, as it accounts for more than 90% of the total sales of all business segments.

[Overseas sales]

From April 1, 2009 to June 30, 2009

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

[Segment Information]

1.Overview of reporting segments

The reported segments of the Group are those units for which separate financial information can be obtained among the constituent units of the Group and for which the Board of Directors assesses the business performance and regularly examines the allocation of management resources.

The Group sets up business headquarters that are organized according to products and services, and each business headquarters develops comprehensive strategies for its operations in Japan and overseas. Therefore, the Group comprises segments by product and service with the business headquarters as the basis. It has three reported segments: Medical Services, Home Furnishing and Health, and Corporate Facilities.

The main products and services of each reporting segment are as follows:

Medical Services : manufacture, procurement, sales and rental of medical treatment beds, care products
Home Furnishing and Health : manufacture, procurement and sale of beds, furniture and beddings
Corporate Facilities : Sale for institutions such as a hospital and hotel, linen supply such as a hospital and the hotel

2.Information related to sales and profit and loss amounts by reporting segment

First quarter of FY2011 (From April 1, 2010 to June 30, 2010)

(In millions of yen)

	Reporting Segment				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated income statement (Note 3)
	Medical Services	Home Furnishing and Health	Corporate Facilities	Total				
Sales								
Sales to External Customers	5,213	4,051	1,512	10,777	960	11,737	−	11,737
Internal Sales among Segments or Transfers	4	137	1	143	102	245	Δ245	−
Total	5,217	4,188	1,514	10,920	1,062	11,983	Δ245	11,737
Segment Income / Loss	433	Δ240	Δ46	147	Δ30	116	54	170

(Note)

1. The Other Businesses segment is a business segment that is not included in the reported segments and includes businesses such as door-to-door sales business, sundries sales business, advertising and exhibition business and real estate lease business.
2. Adjustments of segment profit and loss of 54 million yen include intersegment eliminations of 203 million yen and undistributed operating expenses of 149 million yen that are not distributed to any reported segment. Undistributed operating expenses are expenses relating to the General Affairs Group and other administrative divisions of the Group which do not belong to reported segments.
3. Segment profit and loss is adjusted with operating income reported in the quarterly consolidated financial statements.

(Additional information) The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (Accounting Standards Board of Japan Statement No.17; March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information (Accounting Standards Board of Japan Guidance No.20; March 21, 2008) are being applied from the first quarter.

(6) Special changes to shareholders equity

Not applicable