FRANCEBED HOLDINGS

Overview of the Financial Condition and Business Results in the Third Quarter of the Fiscal Year Ending March 31, 2008 (Consolidated)

February 6, 2008

Name of the listed company : **France Bed Holdings Co., Ltd.**
Listing Exchanges : Tokyo, Osaka
Code No : 7840
URL : http://www.francebed-hd.co.jp
Representative : Shigeru Ikeda, President and Representative Director
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(Figures presented have been rounded down to the nearest unit presented)

1. Consolidated results for the Third quarter of the fiscal year ending March 31, 2008 (April 1 ~ December 31, 2007)

(1)Consolidated Management Performance (% change from the previous fiscal year)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended Dec. 31, 2007	44,848	Δ9.9	1,054	Δ62.4	1,029	Δ63.3	401	Δ71.5
Third quarter ended Dec. 31, 2006	49,787	Δ4.5	2,808	Δ3.2	2,808	Δ4.9	1,409	4.7
Fiscal year ended March 31, 2007	66,205	—	3,590	—	3,636	—	1,994	—

	Earnings per share	Earnings per share, diluted
	yen	yen
Third quarter ended Dec. 31, 2007	1.74	—
Third quarter ended Dec. 31, 2006	6.14	—
Fiscal year ended March 31, 2007	8.69	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	yen
Third quarter ended Dec. 31, 2007	61,785	40,864	66.1	178.10
Third quarter ended Dec. 31, 2006	63,939	41,082	64.2	179.00
Fiscal year ended March 31, 2007	65,501	41,669	63.6	181.60

(3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash & cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Third quarter ended Dec. 31, 2007	137	Δ2,150	Δ1,251	9,343
Third quarter ended Dec. 31, 2006	1,348	Δ1,836	Δ1,097	12,431
Fiscal year ended March 31, 2007	2,736	Δ2,768	Δ1,371	12,605

2.Forecasts of results for the Fiscal Year Ending March 2008 (April 1, 2007 ~ March 31, 2008)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Full Year	60,000	Δ9.3	1,470	Δ59.0	1,470	Δ59.5	490	Δ75.4	2.13

3.Other matters

(1) Changes in the state of material subsidiaries during the period
(Changes regarding specific companies accompanying changes in the scope of consolidation) : No
(2)Adoption of simplified accounting methods: Yes
(3)Changes in accounting methods since the last consolidated fiscal year: Yes
For more information, see "Qualitative Information and Financial Statements 4.Others" on page 5.

※ Note to ensure the appropriate use of forecasts, other information
The business forecasts for the term ending March 2008 have been revised.
For items related to the consolidated business forecast, please refer to the “Notice of Revision of Consolidated Business Forecasts for the Term Ending March 2008” published on February 6, 2008.
These projections have been prepared based on available information as of the day of publication of this document and due to various factors the actual performance may vary from the projections.

[Qualitative Information and Financial Statements]

1. Results of Operations for the Third quarter of fiscal 2007 (the three months ended Dec. 31, 2007)

Consolidated results for the third quarter (from April 1, 2007 to December 31, 2007) showed sales of 44,848 million yen (down 9.9% from the same quarter of the previous year), operating profit of 1,054 million yen (down 62.4%), ordinary profit of 1,029 million yen (down 63.3%) and quarterly net profit of 401 million yen (down 71,5%).
Extraordinary items for the term include extraordinary income of 797 million yen from gains from the sale of fixed assets, and extraordinary losses of 444 million yen from a loss on the revaluation of investment securities.
Since we made France bed Korea Co., Ltd., France bed International (Thailand) Co., Ltd. and ADCENTER Inc. consolidated subsidiaries, only the results of these subsidiaries for the three months between October 1, 2006 and December 31, 2006 are included in consolidated results for the same period of the previous year.
The results of each business segment are as shown below.

(Home furnishing business)
In the home furnishing business, given an increase in imports of low-priced furniture from Asian countries, mainly from China, Japanese manufacturers have been facing extremely difficult conditions over the last several years.
In addition, the management environment surrounding the home furnishing business has become even more severe, as new housing starts fell significantly with the introduction of the revised Building Standards Law in June 20, 2007.
In this environment, the Group has sought to maintain and bolster sales by adopting initiatives to develop high-value added, high grade products. As venues to promote these products, we have set up France Bed showrooms nationwide, and we have made these showrooms available for customers as their selling space.
In the third quarter, in addition to existing showrooms, we opened new facilities in the cities of Hiroshima, Asahikawa, Mito, and Takamatsu. In addition, we refurbished and reopened showrooms in Tosu city and Roppongi, Minato-ku, Tokyo.
Moreover, to offset a decline in sales of beds and furniture, the core products in the home furnishing business, we have focused on sales of health-related products and duvet covers.
Meanwhile, on the profit front, although we took steps to increase logistics efficiency and reduce labor expenses to counter higher material costs as a result of the surge in crude oil prices, we were unable to achieve a turnaround.
As a result of the above, the furniture and interior business recorded sales of 23,109 million yen (down 8.4% from the same quarter of the previous year) and operating loss of 208 million yen (Same period of the preceding year : operating profit of 412 million yen).

(Acute and long-term care business)
As one year has passed since the end of September 2006, the end of a period of transitional measures for people who require a low level of care, following the revision of the nursing care insurance system, demand in the lease market of welfare equipment appears to have bottomed out. However, the scale of the market itself has significantly declined as a result of the introduction of the restrictions on people who require a low level of care in leasing special beds under the nursing care insurance system. In addition, given the new entry of major group companies to the rental wholesale business, competition in the industry is likely to intensify.
In this environment, we sought to bolster lease sales by capturing demand from users who require a medium or high level of care by strengthening ties with medical organizations, and by introducing products for people who require a low level of care. In addition, as we are required to play a significant role as a specialist of welfare equipment in monitoring and service staff meetings, and to improve services, such as achieving the comfort and safety of lease equipment, we aspired to further improve the quality and capabilities of employees to achieve the above requirements.
Meanwhile, as a measure to increase product sales, we opened the health, sleep and medical shop in Roppongi in December. Products sold in this shop include health related products, such as home massage equipment and elastic stockings to prevent swelling, products that facilitate a pleasant sleep, such as the utsubuse bed (a bed for lying with face down), and products that support home care through home medical equipment, such as evacuators and inhalers.
In addition, we continued to employ cost-cutting measures by reviewing selling, general and administrative expenses, principally advertising expenses.
As a result of the above, the nursing-care welfare business registered sales of 16,966 million yen (down 11.5% from the same quarter of the previous year) and operating profit of 988 million yen (down 50.4%).

(Other businesses)
In the door-to-door sales business, as excessive sales of some retailers by using shopping loans became social problems, the business environment has been increasingly severe. As a result, despite efforts to maintain sales by introducing new products and increasing the lineup of products, we could not bolster sales, resulting in lower sales and profits.
In commodities and sundries sales business, to achieve higher sales, we withdrew from non-profitable businesses by maintaining a scrap-and-build approach with our shops, and adopted measures to develop products that meet customer needs.
As a result of the above, other businesses registered sales of 4,773 million yen (down 11.2% from the same quarter of the previous year) and operating profit of 209 million yen (down 28.0%).

2. Financial Position and Cash Flows

(Status of balance sheet)

Total assets at the end of the third quarter stood at 61,785 million yen, down 3,715 million yen compared with the end of the previous consolidated fiscal year (“end of the previous year”). This result is mainly attributable to the fact that, in current assets, cash on hand and deposits decreased 3,252 million yen, and trade notes and accounts receivable fell 1,930 million yen, while in fixed assets property, plant and equipment increased 852 million yen.

Liabilities amounted to 20,921 million yen, down 2,911 million yen compared with the end of the previous year. This decline is mainly attributable to the fact that, in current liabilities, trade notes and accounts payable declined 1,019 million yen, and accrued income taxes and allowance for bonuses declined, while fixed liabilities declined 543 million yen.

Net assets came to 40,864 million yen, down 804 million yen from the end of the previous year as retained earnings declined 745 million yen, mainly attributable to the distribution of a surplus.

As a result, the net worth ratio increased from 63.6% at the end of the previous year to 66.1%.

(Status of cash flow)

In the third quarter under review, there was a net cash inflow from operating activities of 137 million yen, down 1,210 million yen from the same quarter of the previous year. This is largely attributable to the fact that quarterly income before income taxes declined 1,455 million yen from the same quarter of the previous year.

There was a net cash outflow from investment activities of 2,150 million yen, 314 million yen more than the net cash outflow of the same quarter in the previous year. This is principally reflects the fact that although there was income from the sale of land, there was expenditure on the acquisition of property, plant and equipment and expenses on the acquisition of security investments.

There was a net cash outflow from financing activities of 1,251 million yen, reflecting factors such as dividend payments.

As a result of the above, cash and cash equivalents at the end of the third quarter were 9,343 million yen, down 3,262 million yen compared with the end of the previous year.

3.Forecasts of results for the Fiscal Year Ending March 2008 (April 1, 2007 ~ March 31, 2008)

The business forecasts for the term ending March 2008 have been revised. Please refer to the “Notice Regarding the Revision of Consolidated Business Forecasts for the Term Ending March 2008” published today on February 6, 2008.

4. Others

(1) Significant changes in subsidiaries during the period under review (changes in specificsubsidiaries involving changes in the scope of consolidation) : None

(2) Adoption of simplified accounting methods:
In some areas such as the calculation of tax expenses, we adopt certain simplified accounting procedures to the extent that this will not seriously mislead investors and other stakeholders.

(3) Changes in accounting methods since the last consolidated fiscal year
(Methods of depreciation of tangible fixed assets)

The declining-balance method was previously adopted as a method for depreciating tangible fixed assets for companies that submit consolidated financial statements and domestic consolidated subsidiaries. (The straight-line method was adopted for the depreciation of buildings (excluding building fixtures) acquired after April 1, 1998. Immaterial lease assets the acquisition costs of which were less than 200,000 yen were depreciated evenly for three years as lump-sum depreciation assets.) From the consolidated fiscal year under review, the depreciation method for all tangible fixed assets, excluding the immaterial lease assets described above, has been changed to the straight-line method.
The Group has examined its recent aggressive capital spending on showrooms and nursing care stores to change its business to one that focuses on markets, in an effort to achieve the medium-term management plan developed during the consolidated fiscal year under review. The Group has also examined the use of other tangible fixed assets.
The above examination showed that, generally speaking, the rate of use was likely to remain steady for a long period, and the impact of capital spending and its contribution to earnings were likely to remain similarly unchanged over the long term. As the result of these examinations, the depreciation methods have changed as described above to achieve a more appropriate balance between expenses and income and to reflect the management status more accurately, by evenly depreciating acquisition costs over the estimated useful life.
In line with the above changes, from the consolidated fiscal year under review, the depreciation method for all tangible fixed assets, excluding immaterial lease assets acquired after April 1, 2007 has changed to a depreciation method (the straight-line method) based on the revised Corporation Tax Law.
As a result, depreciation declined 197 million yen compared with that based on the previous methods, and gross profit on sales rose 118 million yen. Operating income climbed 186 million yen, and ordinary income and quarterly income before income taxes rose 187 million yen each.
The impact of changes on the segment information is given in the relevant items.

（**Additional information**）

In line with the revision of the Corporation Tax Law, companies that submit consolidated financial statements and domestic consolidated subsidiaries report depreciation, including assets acquired before March 31, 2007, by evenly depreciating the difference between the amount equivalent to 5% of acquisition costs and memorandum value over five years, from the consolidated fiscal year following the consolidated fiscal year in which depreciation reached 5% of acquisition costs, in accordance with a depreciation method based on the Corporation Tax Law prior to the revision.
As a result, depreciation increased 49 million yen, compared with that based on the previous depreciation methods, and gross profit on sales rose 30 million yen. Operating income, ordinary income, and quarterly income before income taxes each fell 41 million yen.
The impact of changes on segment information is given in the relevant items.

Consolidated Financial Statements

(1) Consolidated balance sheets for the Third quarter ended Dec.31,2007

(In millions of yen)

Account	For the Third quarter ended Dec.31, 2006	For the Third quarter ended Dec.31, 2007	Fiscal year ended March 31,2007	Increases and decreases
ASSET				
Current assets				
Cash and deposits	5,949	5,871	9,123	Δ3,252
Notes and accounts receivable, trade	12,263	11,274	13,204	Δ1,930
Marketable securities	6,498	3,498	3,497	0
Inventories	10,530	10,707	10,385	321
Other current assets	2,794	2,693	2,402	291
Total current assets	38,035	34,045	38,613	Δ4,568
Fixed assets				
Property, plant and equipment	13,867	14,833	14,233	600
Intangible fixed assets	549	447	573	Δ126
Investments and other assets	11,486	12,459	12,080	378
Total fixed assets	25,903	27,740	26,887	852
Total assets	63,939	61,785	65,501	Δ3,715
LIABILITIES				
Current liabilities				
Notes and accounts payable, trade	7,164	7,033	8,052	Δ1,019
Factoring of accrued liability	1,370	1,227	1,333	Δ105
Short-term borrowings (including the current portion of long-term debt)	5,479	5,218	5,288	Δ70
Other current liabilities	4,977	4,175	5,348	Δ1,173
Total current liabilities	18,992	17,655	20,023	Δ2,367
Long-term liabilities				
Long-term debt	87	7	48	Δ41
Other long-term liabilities	3,775	3,258	3,760	Δ501
Total long-term liabilities	3,863	3,265	3,808	Δ543
Total liabilities	22,856	20,921	23,832	Δ2,911
NET ASSETS				
Shareholders' equity				
Capital stock	3,000	3,000	3,000	–
Capital surplus	5,117	5,117	5,117	Δ0
Retained earnings	35,717	35,547	36,293	Δ745
Treasury stock	Δ2,950	Δ2,952	Δ2,950	Δ1
Total shareholders' equity	40,884	40,713	41,460	Δ747
Valuation and translation gain and loss				
Valuation gain and loss on other securities	170	117	198	Δ80
Gain and loss on deferred hedge	14	9	Δ2	11
Foreign currency translation adjustment	5	24	12	11
Total valuation and translation gain and loss	190	151	208	Δ57
Minority Interests	8	–	–	–
Total Net assets	41,082	40,864	41,669	Δ804
Total liabilities and shareholders' equity	63,939	61,785	65,501	Δ3,715

(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. Increases and decreases are indicated based on a comparison between the end of the quarter and the end of the previous consolidated fiscal year.

(2)Consolidated statements of income for the Third quarter ended December 31,2007

(In millions of yen)

Account	For the Third quarter ended Dec.31, 2006	For the Third quarter ended Dec.31, 2007	Increases and decreases (yen)	(%)	Fiscal year ended March 31,2007
Net sales	49,787	44,848	Δ4,939	Δ9.9	66,205
Cost of sales	27,046	25,196			36,397
Gross profit	22,741	19,652	Δ3,089	Δ13.5	29,808
Selling, general and administrative expenses	19,933	18,597			26,218
Operating income	2,808	1,054	Δ1,753	Δ62.4	3,590
Other income	231	197			349
Other expenses	230	223			303
Ordinary income	2,808	1,029	Δ1,779	Δ63.3	3,636
Extraordinary income	66	867			163
Extraordinary loss	81	557			102
Income before income taxes and minority interest	2,793	1,338	Δ1,455	Δ52.0	3,697
Tax expenses	1,387	937			1,708
Minority Interests	Δ3	–			Δ4
Net income for the quarter	1,409	401	Δ1,008	Δ71.5	1,994

(Notes) Increases and decreases are indicated based on a comparison between the first quarter under review and the previous first quarter.

(3)Consolidated statements of cash flows for the Third quarter ended December 31,2007

(In millions of yen)

Account	For the Third quarter ended Dec.31, 2006	For the Third quarter ended Dec.31, 2007	Fiscal year ended March 31,2007
Cash flows from operating activities			
Income before income taxes and minority interest	2,793	1,338	3,697
Decrease(Increase) in trade notes and accounts receivable	1,560	1,932	623
Decrease(Increase) in inventories	Δ490	Δ316	Δ329
Decrease(Increase) in trade notes and accounts payable	Δ409	Δ1,021	476
Decrease(Increase) in factoring of accrued liability	Δ603	Δ105	Δ640
Other	675	Δ293	1,115
Sub total	3,525	1,534	4,944
Incom taxes paid	Δ2,149	Δ1,380	Δ2,172
Other	Δ27	Δ16	Δ35
Cash flows from operating activities	1,348	137	2,736
Cash flows from investing activities			
Payment of time deposit	Δ0	Δ315	Δ0
Payments for acquisition of property, plant and equipment	Δ1,864	Δ2,295	Δ2,584
Other	28	459	Δ184
Cash flows from investing activities	Δ1,836	Δ2,150	Δ2,768
Cash flows from financing activities			
Net increase(Decrease) in short-term borrowings	195	26	Δ17
Repayment of long-term debt	Δ156	Δ141	Δ205
Cash dividends paid	Δ1,135	Δ1,134	Δ1,146
Other	Δ1	Δ1	Δ1
Cash flows from financing activities	Δ1,097	Δ1,251	Δ1,371
Effect of exchange rate changes on cash and cash equivalents	5	2	Δ6
Increase in cash and cash equivalents	Δ1,579	Δ3,262	Δ1,410
Cash and cash equivalents at beginning of the fiscal year	13,932	12,605	13,932
Cash and cash equivalents of newly consolidated subsidiaries	79	–	83
Cash and cash equivalents at end of the quarter	12,431	9,343	12,605

(4)Segment information

[Information by operating segment]

Third quarter ended December 2006 (April 1 — December 31, 2006)

(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	25,233	19,177	5,376	49,787	—	49,787
(2)Inter-segment sales or transfers	421	12	286	720	(720)	—
Total	25,654	19,190	5,663	50,508	(720)	49,787
Operating expenses	25,242	17,193	5,371	47,807	(827)	46,979
Operating income	412	1,996	291	2,701	106	2,808

(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 productsand bedding products.
   2) Acute and long term are business: Manufacture, purchase, rental, retail and wholesale of medical and nursingcare beds, welfare equipments, linen, etc.
   3) Other businesses: Purchase and retail of miscellaneous bedding products, daily goods and healthappliances,Real estate rental, Advertisement and Exhibition equipment.

Third quarter ended December 2007 (April 1 — December 31, 2007)

(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	23,109	16,966	4,773	44,848	—	44,848
(2)Inter-segment sales or transfers	621	45	891	1,558	(1,558)	—
Total	23,731	17,011	5,665	46,407	(1,558)	44,848
Operating expenses	23,939	16,022	5,455	45,417	(1,622)	43,794
Operating income or loss	Δ208	988	209	990	63	1,054

(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 productsand bedding products.
   2) Acute and long term are business: Manufacture, purchase, rental, retail and wholesale of medical and nursingcare beds, welfare equipments, linen, etc.
   3) Other businesses: Purchase and retail of miscellaneous bedding products, daily goods and healthappliances, Real estate rental, Advertisement and Exhibition equipment.

(**Changes in accounting methods**)

Companies that submit consolidated financial statements and domestic consolidated subsidiaries have changed the depreciation method for tangible assets from the declining-balance method to the straight-line method.
As a result, operating expenses and operating losses of the home furnishing business each declined 72 million yen, compared with the figures based on previous depreciation methods. In the nursing-care welfare equipment business, operating expenses declined 84 million yen and operating income rose by the same amount. In other businesses, operating expenses declined 28 million yen and operating income rose by the same amount. Operating expenses of the elimination of corporate wide declined one million yen and operating income rose by the same amount.

(**Additional information**)

Depreciation is reported, including assets acquired before March 31, 2007 by evenly depreciating the difference between the amount equivalent to 5% of the acquisition costs and memorandum value over five years, from the consolidated fiscal year following the consolidated fiscal year in which depreciation reached 5% of acquisition costs, in accordance with the depreciation method based on the Corporation Tax Law prior to the revision.
As a result, the operating expenses and operating losses of the home furnishing business increased 3 million yen each, compared with those based on the previous depreciation methods. In the nursing-care welfare equipment business, operating expenses increased 10 million yen and operating income declined by the same amount. In other businesses, operating expenses rose one million yen and operating income declined by the same amount.

(Peference) Fiscal year ended March 31, 2007 (April 1, 2006 — March 31, 2007)

(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	33,846	25,428	6,930	66,205	—	66,205
(2)Inter-segment sales or transfers	616	22	613	1,253	(1,253)	—
Total	34,462	25,451	7,544	67,459	(1,253)	66,205
Operating expenses	33,828	22,924	7,212	63,965	(1,350)	62,615
Operating income	634	2,526	332	3,493	96	3,590

(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 productsand bedding products.
   2) Acute and long term are business: Manufacture, purchase, rental, retail and wholesale of medical and nursingcare beds, welfare equipments, linen, etc.
   3) Other businesses: Purchase and retail of miscellaneous bedding products, daily goods and healthappliances, Real estate rental and Advertisement and Exhibition equipment.

[Segment information by geographical location]

Third quarter ended June 2006 (April 1 — December 31, 2006)

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

Third quarter ended June 2007 (April 1 — December 31, 2007)

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

(Peference) Fiscal year ended March 31, 2007 (April 1, 2006 — March 31, 2007)

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]

Third quarter ended June 2006 (April 1 — December 31, 2006)

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

Third quarter ended June 2007 (April 1 — December 31, 2007)

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

(Peference) Fiscal year ended March 31, 2007 (April 1, 2006 — March 31, 2007)

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