

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

August 7, 2007

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 First quarter of the fiscal year ending March 31, 2008 (April 1 ~ June 30, 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	%
First quarter ended June 30, 2007	15,002	Δ8.7	363	Δ64.0	379	Δ64.3	479	Δ15.4
First quarter ended June 30, 2006	16,435	Δ2.2	1,012	10.0	1,065	9.0	567	984.4
Fiscal year ended March 31, 2007	66,205	—	3,590	—	3,636	—	1,994	—

	Earnings per share	Earnings per share, diluted
	yen	yen
First quarter ended June 30, 2007	2.09	—
First quarter ended June 30, 2006	2.47	—
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
First quarter ended June 30, 2007	66,023	41,593	62.9	181.27
First quarter ended June 30, 2006	65,517	40,806	62.2	177.83
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
First quarter ended June 30, 2007	1,406	Δ1,035	Δ530	12,447
First quarter ended June 30, 2006	1,369	Δ815	Δ491	13,996
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)

Our current projections for both the interim term and the full year are the same as those announced on May 15, 2007.

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: No

Note: For more information, see "Qualitative Information and Financial Statements 4.Others" on page 4.

※ Note to ensure the appropriate use of forecasts, other information

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.

For more information on these forecasts, please refer to "Qualitative Information and Financial Statements 3.

Outlook for Consolidated Operating Results" on page 4.

[Qualitative Information and Financial Statements]

1. Results of Operations for the first quarter of fiscal 2007 (the three months ended June 30, 2007)

Consolidated results for the first quarter (from April 1, 2007 to June 30, 2007) showed sales of 15,002 million yen (down 8.7% from the same quarter of the previous year), operating profit of 363 million yen (down 64.0%), ordinary profit of 379 million yen (down 64.3%) and quarterly net profit of 479 million yen (down 15.4%).

Since we made France bed Korea Co., Ltd., France bed International (Thailand) Co., Ltd. and AD Center Co., Ltd. consolidated subsidiaries from October 1, 2006, the results of these subsidiaries are not included in results for the same quarter of the previous year.

The results of each business segment are as shown below.

(Home furnishing business)

In the furniture and interior business, in the light of the recent contraction of the domestic furniture market, we worked to strengthen relations with existing customers, while at the same time deploying marketing strategies with emphasis on expansion of other sales routes besides the specialty furniture retailer route.

France Bed Co., Ltd., the core company in home furnishing business, expanded marketing activities towards house manufacturers, condominium developers and other customers with which it has had virtually no prior dealings through the establishment of a new department specializing in marketing to new customers and promotion of the showroom policy of allowing furniture retailers to use France Bed's showrooms as a furniture sales outlet.

In the first quarter, besides opening new showrooms in Hiroshima and Asahikawa, we also expanded, refurbished and reopened our showroom in Tosu, Saga Prefecture in a bid to expand sales opportunities.

In the case of the showroom opened in Hiroshima, we sought the effects of integration by opting for a combined facility including a showroom for the nursing-care welfare equipment business and offices for other businesses. Also in terms of our product policy, with a view to expanding sales channels, we developed earthquake-resistant furniture and the snore reduction pillow.

Meanwhile, on the profit front, we sought, among other things, to improve the gross profit margin by increasing the unit price of mattresses, to increase logistic efficiency, and to reduce labor expenses.

As a result of the above, the furniture and interior business recorded sales of 7,753 million yen (down 6.4% from the same quarter of the previous year) and operating profit of 72 million yen (up 109.0%).

(Acute and long-term care business)

Given that, due to the revision of the nursing care insurance system in April 2006, the lease of welfare equipment such as special beds to people whose required level of care is low (Level 1) has become exempt from insurance payment, with some exceptions, rental revenues decreased significantly and their recovery has become a burning issue. Against this backdrop, we endeavored to acquire new users who require a medium or high level of care by, for example, strengthening ties with medical organizations, and we also sought to expand dealings with people who require a low level of care by reinforcing the pipeline with regional comprehensive support centers and promoting the lease of equipment such as best position bars and walkers.

We also worked to expand business that is not dependent on nursing care insurance by striving to increase sales of nursing care supplies and other products and general renovation business through the launch of new products like the utsubuse-ne bed and utilization of the Hiroshima sales office showroom completed in May. In the area of sales of interior goods to large customers such as group homes and care houses using a lease purchase arrangement, we have also begun preparations for sales expansion from the second quarter.

Meanwhile, we have worked to reduce expenses through the revision of sales bases, the control of selling, general and administrative expenses, and the tightening of supervision.

As a result of the above, the nursing-care welfare business registered sales of 5,649 million yen (down 12.2% from the same quarter of the previous year) and operating profit of 180 million yen (down 76.5%).

(Other businesses)

In door-to-door sales business, to halt the decline in sales, we began selling new health-related goods and also closed four unprofitable sales bases.

Meanwhile, in the products and sundries sales business, we opened a total of three new stores, the Yume Town Gakuen Store in Higashi-Hiroshima City and the Myoden Store in Ichikawa City in April and the Marinpia Store in Chiba City in June. We also worked to expand sales at existing stores, including refurbishing and reopening the Kokura Store in Kitakyushu City and the Aomori Store in Aomori City, and trying to shift to a format focusing on clothing and accessories for women aged between 20 and 50, rather than girls aged between 10 and 30, which had long been the target at some stores.

As a result of the above, other businesses registered sales of 1,600 million yen (down 6.4% from the same quarter of the previous year) and operating profit of 75 million yen (down 44.2%).

2. Financial Position and Cash Flows

(Status of balance sheet)

Total assets at the end of the first quarter stood at 66,023 million yen, up 521 million yen compared with the end of the previous consolidated fiscal year ("end of the previous year"). This is mainly attributable to the fact that in current assets notes receivable and accounts receivable decreased 1,116 million yen and inventory assets increased 619 million yen, while in fixed assets property, plant and equipment increased 257 million yen and investments and other assets grew 890 million yen due to the acquisition of security investments and other factors.

Liabilities amounted to 24,429 million yen, up 597 million yen compared with the end of the previous year reflecting factors such as an increase in accrued expenses, which are classed as other current liabilities.

Net assets came to 41,593 million yen, down 76 million yen from the end of the previous year because, although we booked quarterly net profit of 479 million yen, there were factors such as a surplus distribution of 573 million yen.

As a result, the net worth ratio decreased from 63.6% at the end of the previous year to 62.9%.

(Status of cash flow)

There was a net cash inflow from operating activities of 1,406 million yen, virtually unchanged from the same quarter of the previous year. This is largely attributable to the fact that, although net profit before adjustment for income tax and minority interests was 956 million yen, 140 million yen less than the same quarter of the previous year, tax payments decreased.

There was a net cash outflow from investment activities of 1,035 million yen, 220 million yen more than the net cash outflow of the same quarter in the previous year. This is mainly attributable to the fact that although there was income of 611 million yen from the sale of property, plant and equipment, there was also expenditure such as expenses of 710 million yen on the acquisition of property, plant and equipment and expenses of 586 million yen on the acquisition of security investments.

There was a net cash outflow of 530 million yen, virtually unchanged from the same quarter of the previous year, reflecting factors such as dividend payments of 505 million yen.

As a result of the above, cash and cash equivalents at the end of the first quarter were 12,447 million yen, down 158 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)

(Percentage figures for full fiscal years are changes from the previous fiscal year, and those for the interim period are changes from the previous interim period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Interim	33,140	Δ0.6	1,370	Δ33.1	1,350	Δ35.1	940	Δ18.9	4.09
Annual	66,600	0.5	3,100	Δ13.6	3,100	Δ14.7	1,800	Δ9.7	7.84

4. Others

(1) Significant changes in subsidiaries during the period under review (changes in specific subsidiaries 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 : None

Consolidated Financial Statements

(1) Consolidated balance sheets for the first quarter ended June 30, 2007 (Condensed)

(In millions of yen)

Account	For the first quarter ended June 30, 2006	For the first quarter ended June 30, 2007	Fiscal year ended March 31, 2007	Increases and decreases
ASSET				
Current assets				
Cash and deposits	14,156	6,468	9,123	Δ2,654
Notes and accounts receivable, trade	12,660	12,087	13,204	Δ1,116
Marketable securities	2	5,997	3,497	2,499
Inventories	10,279	11,004	10,385	619
Other current assets	2,554	2,480	2,402	77
Total current assets	39,653	38,038	38,613	Δ575
Fixed assets				
Property, plant and equipment	13,584	14,490	14,233	257
Intangible fixed assets	526	522	573	Δ50
Investments and other assets	11,752	12,971	12,080	890
Total fixed assets	25,864	27,984	26,887	1,096
Total assets	65,517	66,023	65,501	521
LIABILITIES				
Current liabilities				
Notes and accounts payable, trade	7,130	7,942	8,052	Δ110
Factoring of accrued liability	1,663	1,366	1,333	33
Short-term borrowings (including the current portion of long-term debt)	5,163	5,291	5,288	2
Other current liabilities	6,672	6,152	5,348	804
Total current liabilities	20,630	20,753	20,023	729
Long-term liabilities				
Long-term debt	179	25	48	Δ23
Other long-term liabilities	3,902	3,651	3,760	Δ108
Total long-term liabilities	4,081	3,676	3,808	Δ132
Total liabilities	24,711	24,429	23,832	597
NET ASSETS				
Shareholders' equity				
Capital stock	3,000	3,000	3,000	–
Capital surplus	5,117	5,117	5,117	–
Retained earnings	35,360	36,199	36,293	Δ93
Treasury stock	Δ2,949	Δ2,951	Δ2,950	Δ0
Total shareholders' equity	40,528	41,366	41,460	Δ94
Valuation and translation gain and loss				
Valuation gain and loss on other securities	274	172	198	Δ25
Gain and loss on deferred hedge	2	29	Δ2	32
Foreign currency translation adjustment	–	24	12	12
Total valuation and translation gain and loss	277	226	208	18
Total Net assets	40,806	41,593	41,669	Δ76
Total liabilities and shareholders' equity	65,517	66,023	65,501	521

(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. 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 First quarter ended June 30, 2007 (Condensed)

(In millions of yen)

Account	For the first quarter ended June 30, 2006	For the first quarter ended June 30, 2007	Increases and decreases		Fiscal year ended March 31, 2007
			(yen)	(%)	
Net sales	16,435	15,002	Δ1,432	Δ8.7	66,205
Cost of sales	8,907	8,364	Δ543		36,397
Gross profit	7,527	6,638	Δ889	Δ11.8	29,808
Selling, general and administrative expenses	6,514	6,274	Δ239		26,218
Operating income	1,012	363	Δ649	Δ64.0	3,590
Other income	120	84	Δ35		349
Other expenses	67	68	1		303
Ordinary income	1,065	379	Δ686	Δ64.3	3,636
Extraordinary income	45	605	560		163
Extraordinary loss	13	29	15		102
Income before income taxes and minority interest	1,096	956	Δ140	Δ12.8	3,697
Tax expenses	529	476	Δ53		1,708
Minority Interests	–	–	–		Δ4
Net income for the quarter	567	479	Δ87	Δ15.4	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 First quarter ended June 30, 2007 (Condensed)

(In millions of yen)

Account	For the first quarter ended June 30, 2006	For the first quarter ended June 30, 2007	Fiscal year ended March 31, 2007
Cash flows from operating activities			
Income before income taxes and minority interest	1,096	956	3,697
Decrease(Increase) in trade notes and accounts receivable	1,103	1,120	623
Decrease(Increase) in inventories	Δ443	Δ604	Δ329
Decrease(Increase) in trade notes and accounts payable	Δ262	Δ112	476
Decrease(Increase) in factoring of accrued liability	Δ309	33	Δ640
Other	1,603	715	1,115
Sub total	2,786	2,107	4,944
Income taxes paid	Δ1,412	Δ693	Δ2,172
Other	Δ5	Δ7	Δ35
Cash flows from operating activities	1,369	1,406	2,736
Cash flows from investing activities			
Payment of time deposit	–	Δ303	Δ0
Payments for acquisition of property, plant and equipment	Δ744	Δ710	Δ2,584
Other	Δ70	Δ22	Δ184
Cash flows from investing activities	Δ815	Δ1,035	Δ2,768
Cash flows from financing activities			
Net increase(Decrease) in short-term borrowings	60	24	Δ17
Repayment of long-term debt	Δ57	Δ49	Δ205
Cash dividends paid	Δ494	Δ505	Δ1,146
Other	Δ0	Δ0	Δ1
Cash flows from financing activities	Δ491	Δ530	Δ1,371
Effect of exchange rate changes on cash and cash equivalents	1	0	Δ6
Increase in cash and cash equivalents	64	Δ158	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	–	–	83
Cash and cash equivalents at end of the quarter	13,996	12,447	12,605

(4)Segment information

[Information by operating segment]

First quarter ended June 2006 (April 1 — June 30, 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	8,284	6,439	1,710	16,435	—	16,435
(2)Inter-segment sales or transfers	94	21	41	158	(158)	—
Total	8,379	6,461	1,752	16,593	(158)	16,435
Operating expenses	8,344	5,688	1,616	15,649	(227)	15,422
Operating income	34	773	136	943	69	1,012

(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.

First quarter ended June 2007 (April 1 — June 30, 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	7,753	5,649	1,600	15,002	—	15,002
(2)Inter-segment sales or transfers	176	5	318	500	(500)	—
Total	7,929	5,654	1,918	15,503	(500)	15,002
Operating expenses	7,857	5,473	1,842	15,174	(534)	14,639
Operating income	72	180	75	329	34	363

(Notes)

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

(Preference) 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 corporate	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)

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

[Segment information by geographical location]

First quarter ended June 2006 (April 1 — June 30, 2006)

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

First quarter ended June 2007 (April 1 — June 30, 2007)

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

(Preference) 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]

First quarter ended June 2006 (April 1 — June 30, 2006)

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

First quarter ended June 2007 (April 1 — June 30, 2007)

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

(Preference) 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.