FRANCEBED HOLDINGS

Overview of the Financial Condition and Business Results in the Third Quarter of the fiscal Year Ending March 31 2007 (Consolidated)

February 8, 2007

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: Method to Record Proceeds from the Sale of Assets Used for Leases.
In the nursing-care welfare equipment business, proceeds from the sale of assets used for leases such as nursing-care beds were recorded as non-operating income in the past. However, proceeds from the sale of assets used for leases rose, and their importance increased, the result of a rise in the number of cancelled lease agreements caused by the revision of the nursing-care insurance system. We therefore changed the method and now record the proceeds as sales from the third quarter (April 1 - December 31, 2006) under review.
As a result, sales, gross profit on sales and operating income are each 859 million yen higher, and non-operating income is 859 million yen lower compared with the figures under the previous method.
Effects on segments are stated in the part concerned.

(3)Change in scope of consolidation and applicantion of equity method: Yes
Description: Consolidation (de novo) 3, (exclusion) -, Equity Method (de novo) -, (exclusion) -
The breakdown of the three newly consolidated subsidiaries is as follows.
France bed Korea Co., Ltd. France bed International(Thailand)Co., Ltd.
AD Center Co., Ltd.

2. Overwiew of the financial condition and business results in the Third quarter of the fiscal year ending March 31, 2007 (April 1 — December 31, 2006)

(1)Status of Business Performance (Consolidated)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended March 2007	49,787	Δ4.5	2,808	Δ3.2	2,808	Δ4.9	1,409	4.7
Third quarter ended March 2006	52,182	—	2,901	—	2,956	—	1,346	—
Fiscal term ended March 2006	70,248		4,011		4,140		2,091	

	Net income per share	Net income per share, diluted
	yen	yen
Third quarter ended March 2007	6.14	—
Third quarter ended March 2006	5.86	—
Fiscal term ended March 2006	8.70	—

(Notes)

Percentages shown for net sales, operating income, Ordinary income and net income, denote the rate of year-on-year increase or decrease from the previous third quarter. The accounting term became one year beginning the term ended March 2006 (from April 1, 2005 to March 31, 2006). Consequently, the rate of year-on-year increase or decrease from the previous third quarter is not indicated for the third quarter of the term ended March 2006.

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

During the third quarter under review (from April 1, 2006 to December 31, 2006), the Japanese economy continued to enjoy a moderate recovery, thanks to improved corporate earnings and increased capital spending, although consumer spending generally remained flat.

In this environment, the Group strived to increase income through a number of initiatives in each business segment. As a result, the Group's sales in the third quarter under review reached 49,787 million yen, down 4.5% from the corresponding period of the previous fiscal year. Recurring income was 2,808 million yen, a decline of 4.9%, and net income was 1,409 million yen, rising 4.7%.

One of the major factors for the higher net income was a decline in fixed asset impairment losses in contrast to the third quarter of the previous year, when fixed asset impairment losses were registered under extraordinary losses.

In the third quarter under review, we also made three non-consolidated subsidiaries—France bed Korea Co., Ltd., France bed International (Thailand) Co., Ltd., and AD Center Co., Ltd.—our consolidated subsidiaries on October 1, 2006, as their importance to the Group's strategies increased.

Results by business segment are as shown below.

(Home furnishing business)

In the furniture and interior business, we pursued strategies involving the sale of high-end, high value-added products as the core. Given that these types of products do not have a high sales turnover and are difficult for furniture retailers to purchase, France Bed Co., Ltd. has adopted an initiative in which it displays these products in its showrooms so that furniture retailers can use these facilities as their sales outlets.

We have also been striving to expand sales channels beyond specialty furniture retailers by making our showrooms available for house manufacturers and interior coordinators. To this end, we aim at establishing 20 showrooms throughout Japan and have constructed four showrooms in Minato-ku, Tokyo (Roppongi and Akasaka) and Echizen-shi in Fukui Prefecture during the current fiscal year, to run 14 showrooms nationwide at present.

While sales of beds and furniture increased at France Bed Co., Ltd. as a result of these initiatives, sales of beddings, rugs and health maintenance equipment decreased. As a result, sales of the furniture and interior business totaled 25,233 million yen, down 6.1% from the same period of the previous year. However, operating income rose 22.4% year on year, to 412 million yen, mainly attributable to a reduction in selling, general and administrative expenses.

(Acute and long-term care business)

In the nursing-care welfare equipment business, the number of users of welfare equipment declined, since the rental service of welfare equipment such as special beds for users of minor nursing-care services terminated at the end of September 2006, so they could no longer employ the rental service using the benefits of the nursing-care insurance system. As a result, this business inevitably experienced a decline in rental revenues.

As initiatives to complement the fall in rental revenues, we stepped up leasing and sales of the new product Life Support Bed, which we developed for users of minor nursing-care services. We have also been working on other initiatives. These include sales of welfare equipment to rental service users of welfare equipment such as special beds, who wish to keep using the equipment by purchasing them after the termination of the rental service, the expansion of rental service users through the introduction of the new wheeled walker product Noppo to minor nursing-care service users, and the strengthening of the reform business, which is outside the scope of application of nursing-care insurance.

We have also been stepping up cooperation with medical organizations by using the Home Medical Care Support Showroom set up in the Medical Center of Japanese Red Cross Society in October 2006, with the aim of expanding the welfare and medical equipment business.

In addition, we reviewed selling, general and administrative expenses, including advertising expenses, and took steps to reduce costs as a means of bolstering profits.

In overseas businesses, we began operating the nursing-care shop Gounson in Seoul, Korea and participated in the welfare equipment rental model business, which was launched in preparation for the introduction of a nursing-care insurance system.

As a result of the above, sales in the nursing-care welfare equipment business came to 19,177 million yen, down 2.9% year on year, while operating income was 1,996 million yen, a fall of 6.3%.

(Other businesses)

In the door-to-door sales business, although we added more sales offices and staff, sales remained sluggish because of the weaker performance in existing offices.

In the commodities and sundries sales business, we continued to take steps to improve profitability by reducing selling, general and administrative expenses as well as by scrapping and building stores. We have closed six stores and opened nine new stores during the current fiscal year, so that we currently operate 69 outlets.

As a result, sales of other businesses were 5,376 million yen, down 2.9% year on year, while operating income increased 3.2% to 291 million yen.

(2)Changes in financial position (Consolidated)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	yen
Third quarter ended March 2007	63,939	41,082	64.2	179.00
Third quarter ended March 2006	65,503	40,277	61.4	175.52
Fiscal term ended March 2006	66,373	41,011	61.7	178.31

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
Third quarter ended March 2007	1,348	Δ1,836	Δ1,097	12,431
Third quarter ended March 2006	2,921	Δ2,307	Δ1,164	13,712
Fiscal term ended March 2006	3,945	Δ3,043	Δ1,232	13,932

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

Total assets at the end of the third quarter under review declined 2,433 million yen from the end of the previous fiscal year, to 63,939 million yen. This was mainly the result of a fall in cash and deposits of 8,142 million yen, which was in turn attributable to the payment of corporate taxes. Other factors included a 6,496 million yen increase in securities, a decline in trades receivable such as notes and accounts receivable of 1,500 million yen on reduced sales, and an increase in inventory of 694 million yen.

Total liabilities decreased 2,505 million yen, to 22,856 million yen, mainly because of an 832 million yen fall in purchasing liabilities such as notes and accounts payable and accrued factoring liabilities.

Net assets were 41,082 million yen, almost in line with the level of the end of the previous fiscal year. As a result, shareholders' equity ratio rose to 64.2%, up from 61.7% at the end of the previous fiscal year.

(Cash flow)
Net cash provided from operating activities totaled 1,348 million yen during the third quarter under review, representing a decrease of 1,572 million yen compared with the third quarter of the previous fiscal year, mainly reflecting an increase in payments for income taxes.
Net cash used in investing activities was 1,836 million yen, a decline in net expenditure of 471 million yen compared with the same period of the previous fiscal year. Major factors were an increase in payments for the acquisition of fixed assets and the disappearance of investments in time deposits.
Net cash used in financing activities was 1,097 million yen, almost in line with the level of a year ago, primarily owning to the payment of dividends.
In addition, as a result of adding an amount of increased 79 million yen of cash and cash equivalents of three subsidiaries that were consolidated on October 1, 2006, cash and cash equivalents at the end of this third quarter amounted to 12,431 million yen, down 1,500 million yen compared with the level at the end of the previous fiscal year.

[Reference]
Projection of consolidated business results for the term ending March 2007
(from April 1, 2006 to March 31, 2007)

	Sales	Ordinary Income	Net Income
Full Year	Million yen 72,600	Million yen 4,290	Million yen 2,400

Note : Consolidated net income per share forecast for the fiscal year ending March 31,2007 : ¥10.45
There is no change in the projection of business results announced on May 15, 2006.
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 Third quarter ended December 31, 2006 (Condensed) (In millions of yen)

Account	Third quarter ended March 2006 (As of Decemer 31, 2005)	Third quarter ended March 2007 (As of Decemer 31, 2006)	Fiscal term ended March 2006	Increases and decreases
ASSET				
Current assets				
Cash and deposits	13,872	5,949	14,092	∆8,142
Notes and accounts receivable, trade	13,336	12,263	13,763	∆1,500
Marketable securities	2	6,498	2	6,496
Inventories	9,983	10,530	9,835	694
Other current assets	2,761	2,794	2,635	158
Total current assets	39,956	38,035	40,328	∆2,293
Fixed assets				
Property, plant and equipment	13,124	13,867	13,560	306
Intangible fixed assets	512	549	567	∆18
Investments and other assets	11,909	11,486	11,915	∆429
Total fixed assets	25,547	25,903	26,044	∆140
Total assets	65,503	63,939	66,373	∆2,433
LIABILITIES				
Current liabilities				
Notes and accounts payable, trade	8,356	7,164	7,393	∆229
Factoring of accrued liability	1,796	1,370	1,973	∆603
Short-term borrowings (including the current portion of long-term debt)	5,119	5,479	5,110	369
Other current liabilities	5,625	4,977	6,684	∆1,706
Total current liabilities	20,897	18,992	21,161	∆2,169
Long-term liabilities				
Long-term debt	278	87	228	∆141
Other long-term liabilities	4,050	3,775	3,971	∆195
Total long-term liabilities	4,328	3,863	4,200	∆336
Total liabilities	25,226	22,856	25,362	∆2,505
MINORITY INTEREST				
Minority interest	—	—	—	—
SHAREHOLDERS' EQUITY				
Capital stock	3,000	—	3,000	—
Capital surplus	5,117	—	5,117	—
Retained earnings	34,715	—	35,461	—
Difference in valuation of other securities	392	—	381	—
Treasury stock	∆2,948	—	∆2,949	—
Total shareholders' equity	40,277	—	41,011	—
Total liabilities, minority interest and shareholders' equity	65,503	—	66,373	—
NET ASSETS				
Shareholders' equity				
Capital stock	—	3,000	—	—
Capital surplus	—	5,117	—	—
Retained earnings	—	35,717	—	—
Treasury stock	—	∆2,950	—	—
Total shareholders' equity	—	40,884	—	—
Valuation and translation gain and loss				
Valuation gain and loss on other securities	—	170	—	—
Gain and loss on deferred hedge	—	14	—	—
Foreign currency translation adjustment	—	5	—	—
Total valuation and translation gain and loss	—	190	—	—
Minority Interests	—	8	—	—
Total Net assets	—	41,082	—	—
Total liabilities and shareholders' equity	—	63,939	—	—

(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 (for assets and liabilities only) are indicated based on a comparison between the first quarter under review and the previous term.

Consolidated statements of income for the First quarter ended December 31, 2006 (Condensed)

(In millions of yen)

Account	Third quarter ended March 2006 (As of Decemer 31, 2005)	Third quarter ended March 2007 (As of Decemer 31, 2006)	Increases and decreases (yen)	Increases and decreases (%)	Fiscal term ended March 2006
Net sales	52,182	49,787	Δ2,394	Δ4.5	70,248
Cost of sales	28,513	27,046	Δ1,466		38,652
Gross profit	23,668	22,741	Δ927	Δ3.9	31,595
Selling, general and administrative expenses	20,767	19,933	Δ833		27,583
Operating income	2,901	2,808	Δ93	Δ3.2	4,011
Other income	248	231	Δ16		401
Other expenses	192	230	37		272
Ordinary income	2,956	2,808	Δ147	Δ4.9	4,140
Extraordinary income	445	66	Δ378		509
Extraordinary loss	871	81	Δ789		925
Income before income taxes and minority interest	2,530	2,793	263	10.4	3,725
Tax expenses	1,184	1,387	203		1,633
Minority Interests	—	3	3		—
Net income for the quarter	1,346	1,409	63	4.7	2,091

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

Consolidated statements of cash flows for the First quarter ended December 31, 2006 (Condensed)

(In millions of yen)

Account	Third quarter ended March 2006 (As of Decemer 31, 2005)	Third quarter ended March 2007 (As of Decemer 31, 2006)	Fiscal term ended March 2006
Cash flows from operating activities			
Income before income taxes and minority interest	2,530	2,793	3,725
Decrease(Increase) in trade notes and accounts receivable	541	1,560	114
Decrease(Increase) in inventories	125	Δ490	273
Decrease(Increase) in trade notes and accounts payable	731	Δ409	Δ231
Decrease(Increase) in factoring of accrued liability	Δ1,124	Δ603	Δ947
Other	1,444	675	2,310
Sub total	4,249	3,525	5,244
Incom taxes paid	Δ1,317	Δ2,149	Δ1,289
Other	Δ10	Δ27	Δ9
Cash flows from operating activities	2,921	1,348	3,945
Cash flows from investing activities			
Payment of time deposit	Δ1,360	Δ0	Δ1,360
Payments for acquisition of property, plant and equipment	Δ1,481	Δ1,864	Δ2,077
Other	534	28	393
Cash flows from investing activities	Δ2,307	Δ1,836	Δ3,043
Cash flows from financing activities			
Net increase(Decrease) in short-term borrowings	395	195	395
Repayment of long-term debt	Δ423	Δ156	Δ481
Cash dividends paid	Δ1,133	Δ1,135	Δ1,143
Other	Δ2	Δ1	Δ3
Cash flows from financing activities	Δ1,164	Δ1,097	Δ1,232
Effect of exchange rate changes on cash and cash equivalents	—	5	—
Increase in cash and cash equivalents	Δ550	Δ1,579	Δ330
Cash and cash equivalents at beginning of the fiscal year	14,263	13,932	14,263
Cash and cash equivalents of newly consolidated subsidiaries	—	79	—
Cash and cash equivalents at end of the quarter	13,712	12,431	13,932

Segment information

1. Information by operating segment

(1) Third quarter ended March 2006 (April 1 — December 31, 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	26,882	19,760	5,539	52,182	—	52,182
(2)Inter-segment sales or transfers	416	33	78	528	(528)	—
Total	27,298	19,794	5,617	52,710	(528)	52,182
Operating expenses	26,961	17,662	5,334	49,959	(678)	49,280
Operating income	336	2,131	282	2,750	150	2,901

(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,and Real estate rental.

(2) Third quarter ended March 2007 (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.
3. As stated in “changes in accounting method,” the method of recording proceeds from the sale of assets used for leases changed from the method of recording the proceeds in non-operating income to the method of recording them as sales. Sales revenues from lease assets are included and recorded in the nursing-care welfare equipment business. Because of this change, the sales and operating income of the nursing-care welfare equipment business increased 859 million yen from the figures based on the previous method.

(3) Peference Fiscal term ended March 31, 2006 (April 1, 2005 — March 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	36,039	26,922	7,286	70,248	—	70,248
(2)Inter-segment sales or transfers	534	93	105	733	(733)	—
Total	36,573	27,016	7,392	70,982	(733)	70,248
Operating expenses	36,173	23,981	7,000	67,155	(919)	66,236
Operating income	400	3,034	391	3,826	185	4,011

(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,and Real estate rental.

2. Segment information by geographical location

(1) Third quarter ended March 2006 (April 1 — December 31, 2005)

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

(2) Third quarter ended March 2007 (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.

(3) (Peference) Fiscal term ended March 31, 2006 (April 1, 2005 — March 31, 2006)

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) Third quarter ended March 2006 (April 1 — December 31, 2005)

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

(2) Third quarter ended March 2007 (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.

(3) (Peference) Fiscal term ended March 31, 2006 (April 1, 2005 — March 31, 2006)

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