

Results for the Third Quarter of the Fiscal Year Ending March 31, 2009

(April 1, 2008 ~ December 31, 2008)

February 6, 2009

Company name : **France Bed Holdings Co., Ltd.**

Listing Exchanges : Tokyo, Osaka

Code number : 7840

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Representative : Shigeru Ikeda, President and Representative Director

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Scheduled date to file quarterly report : February 12, 2009

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

1. Consolidated results for the third quarter of the fiscal year ending March 2009 (April 1, 2008 ~ December 31, 2008)

(1) Consolidated Operating Results

(Percentage figures for the first quarter are changes from the same period of 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, 2008	41,083	—	224	—	47	—	Δ528	—
Third quarter ended Dec. 31, 2007	44,848	Δ9.9	1,054	Δ62.4	1,029	Δ63.3	401	Δ71.5

	Earnings per share	Earnings per share, diluted
	yen	yen
Third quarter ended Dec. 31, 2008	Δ2.30	—
Third quarter ended Dec. 31, 2007	1.74	—

(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, 2008	59,869	38,877	64.9	170.57
Fiscal year ended March 31, 2008	61,992	40,877	65.9	178.15

(Reference) Shareholder's equity : As of Dec. 31, 2008 : ¥38,877million As of March 31, 2008 : ¥40,877million

2. Dividends

Base date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
Fiscal year ended March 31, 2008	—	2.50	—	2.50	5.00
Fiscal year ended March 31, 2009	—	2.50	—	—	—
Fiscal year ended March 31, 2009 (Outlook)	—	—	—	2.50	5.00

Note : Whether the dividend forecast under review has been revised : No

3.Forecasts of results for the Fiscal Year Ending March 2009 (April 1, 2008 ~ March 31, 2009)

(Percentage figures for the full fiscal year are changes from the previous year.)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Full Year	54,900	Δ9.0	230	Δ86.4	20	Δ98.8	Δ910	-	Δ3.99

Note : Whether the forecasts for consolidated figures under review have been revised : Yes

4.Others

- (1) Changes in the state of material subsidiaries during the period
(Changes regarding specific companies accompanying changes in the scope of consolidation) : No
- (2) Whether the Company has adopted simplified accounting methods and special accounting treatment for the quarterly consolidated financial statements : Yes
(Note) For details information, please refer to "4.Other " on page 5 in the section of "Commentary Information and Financial Statements. "
- (3) Changes in principles, procedures, methods of presentation, etc., related to the quarterly consolidated financial statements (Changes in material items that form the basis for the preparation and presentation of the quarterly consolidated financial statements)
[1] Changes accompanying revisions in accounting principles: Yes
[2] Changes other than those in [1] above: No
Note : For details information, please refer to " 4.Others" on page 5 in the section of "Commentary Information and Financial Statements."
- (4) Number of shares issued (common shares)
[1] Number of shares issued at the end of the period (including treasury stock)
Third quarter ended Dec. 31, 2008 : 239,487,500 shares Fiscal year ended March 31, 2008 : 239,487,500 shares
[2] Number of treasury stock at the end of the period
Third quarter ended Dec. 31, 2008 : 11,564,740 shares Fiscal year ended March 31, 2008 : 10,041,875 shares
[3] Average number of shares issued during the period (quarterly accumulation period)
Third quarter ended Dec. 31, 2008 : 229,185,997 shares Third quarter ended Dec. 31, 2007 : 229,449,344 shares

※ Request for appropriate use of the business outlook and other special remarks:

1. The Group revised the consolidated business forecasts announced on November 7, 2008.

The above forecast was prepared based on information available as of the date of announcement of this material. Actual results may differ materially from the forecast figures due to various factors in the future. As to matters about the above forecast, refer to 3. Qualitative information concerning the forecast of consolidated financial results on page 5: "Outlook for Consolidated Operating Results."

2. In the current financial year, the Company began applying the "Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard Implementation Guidance No. 14). The quarterly financial statements were also prepared in accordance with the "Regulations on Quarterly Consolidated Financial Statements".

Commentary Information and Financial Statements

1. Consolidated Management Performance

In the third quarter of the term under review (hereinafter referred to as “the Current Term”), the Japanese economy experienced very harsh conditions as the economic slowdown gathered momentum and consumer confidence sharply declined in the face of a weakening global economy, reflecting worldwide financial unrest and the deterioration in domestic corporate results it caused.

Recognizing this environment, the two core companies of the Group will merge in April this year. Given the rapid deterioration in the external environment, the Group will seek to transfer personnel into the area of the nursing-care welfare equipment business, a growth area, beginning this term before the merger to position itself to benefit from the merger as soon as possible and strengthen the earnings power of the Group. In addition, the Group initiated structural reforms, including a change in the production system to restore the earnings power of the home furnishing and health business.

As a result, the consolidated financial results for the Current Term showed sales of 41,083 million yen, operating profit of 224 million yen and ordinary profit of 47 million yen.

The quarterly net profit and loss showed a net loss of 528 million yen because a loss on valuation of investment securities was recorded as extraordinary loss.

From the first quarter of the fiscal year under review, we are changing the name of home furnishing business to home furnishing and health business.

(Home furnishing and health business)

In the home furnishing and health business, the Group focused on expanding sales of the Life Treatment Mattress Series, a household-use bed and mainstay product, which was launched to offer the feel of a bed satisfying to customers.

The Group also started to sell the Air Foot PRO, a health product that is easy to attach and remove and that does not require a large storage space, and the Folding Spring Mattress, which can be folded into a small size and is convenient for carriage and storage. We also took steps to develop new sales channels and customers.

Given the effects of the recession, however, sales to existing customers declined. In particular, sales of our mainstay bed products suffered from a sharp decline in sales of high-grade beds. As a consequence, profitability remained challenging.

As a result of the above, in the home furnishing and health business, sales stood at 20,028 million yen and operating losses amounted to 754 million yen.

(Acute and long-term care business)

In the nursing-care welfare equipment business, the Group focused on expanding rental sales centering on new products, such as a new type of high performance of wheelchair and a low floor-type bed equipped with an emergency release function motor and function for maintaining a sitting position.

The Group also continued activities to raise awareness about the safe use of special beds, including the risk of entrapment related to handrails, as part of its commitment to safety, conducted training to raise the level of monitoring of sales staff, and sought to improve the quality of services by improving the ability of employees, for example by encouraging qualifications as nursing equipment planner.

In product sales, as in the second quarter of the term under review the Group concentrated on its home medical equipment business, including aspirators and the sale of new products such as low floor-type bed to distributors. However, the effect of revisions to capital investments began to appear in sales of equipment and facilities to companies beginning the second half of the term under review.

In the home improvement area, we sought to expand general renovation not covered by nursing care insurance and made efforts to improve profitability. However, the number of large deals declined because of spending cutbacks, as seen in the product sales.

The Group also reviewed its facilities, with the aim of increasing business in urban markets. We opened the Setagaya business office last September, and closed and integrated two business offices: the Tsukuba business office (Ibaraki Prefecture) and the Iga business office (Mie Prefecture). In addition, the Group has strengthened its business and distribution bases, setting up the Nishinomiya business office (Hyogo prefecture) and its Hanshin Service Center annex in April.

As a result of the above, the nursing-care welfare business registered sales of 17,029 million yen and operating income of 849 million yen.

(Real estate lease businesses)

The Group makes effective use of the real estate held by group companies in line with the business development of each company, and in the period under review, this business segment's internal sales, which are revenues from the lease of real estate among group companies, amounted to 194 million yen. The Group also leased certain real estate to external customers, and such sales to external customers totaled 111 million yen.

As a result of these initiatives, in the real estate lease business, operating income amounted to 191 million yen.

(Other businesses)

In other businesses, sales of the door-to-door sales business declined sharply, with the economic slowdown the major culprit.

Personnel and other expenses were reduced. However, the Group continued to experience adverse impacts on its profitability.

Consequently, in other businesses, sales stood 3,913 million yen and operating losses amounted to 151 million yen.

2. Consolidated Financial Position**(1) Status of balance sheet**

Total assets at the end of the third quarter of the fiscal year under review decreased 2,123 million yen from the end of the previous fiscal year (hereinafter "end of the previous period") to 59,868 million yen.

Current assets decreased 2,627 million yen from the end of the previous period to 31,386 million yen, reflecting the increase associated with inventory of 415 million and the increase associated with cash and cash deposits of 125 million yen decline and securities of 998 million, trade notes and accounts receivable of 1,626 million yen. Fixed assets increased 503 million yen from the end of the previous period to 28,482 million yen. This increase is mainly attributable to the acquisition of plant, property and equipment.

Liabilities amounted to 20,991 million yen, down 124 million yen compared with the end of the previous period. This decrease is mainly attributable to a decline in accounts payable and accrued expenses.

Net assets declined 1,999 million yen compared with the end of the previous period to 38,877 million yen. The decrease is mainly attributable to a distribution of surplus of 1,147 million yen, acquisition of treasury Stock of 200 million yen and a net loss of 528 million yen.

As a result, shareholders' equity ratio fell from 65.9% at the end of the previous period to 64.9%.

(2) Status of cash flow

Cash flow for the third quarter period under review showed a decrease in cash and cash equivalents of 1,426 million yen from the end of the previous fiscal year, to 8,218 million yen. Details of each cash flow item are given below.

There was a net cash inflow from operating activities of 1,442 million yen. Major breakdowns were a cash inflow associated with a decline in trade accounts receivable by 1,616 million yen, and a cash outflow linked to a quarterly net loss before adjustment of taxes, etc. of 119 million yen.

There was a net cash outflow from investing activities of 2,459 million yen. This reflects expenditure on the acquisition of investment securities of 274 million yen and expenditure on the acquisition of plant, property and equipment of 2,198 million yen.

There was a net cash outflow from financing activities of 398 million yen. Major breakdowns were a cash inflow associated with income of 1,088 million yen from sale and leaseback, and outflows associated with the payment of 1,139 million yen dividends and the acquisition of 200 million yen treasury stocks.

3.Outlook for Consolidated Operating Results

Regarding full-year consolidated business forecasts for the fiscal year ending March 2009, the Group revised the consolidated business forecasts announced on November 7, 2008. Please refer to the "Notice of Revision of Full-Year Consolidated Business Forecasts for the Fiscal Year ending March 2009" released separately for further details.

These forecasts are based on information that was available as of the date of this announcement. Actual performance may differ from the forecasts due to a variety of factors.

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 and accounting methods particular to the preparation of quarterly financial statements.
 - 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
With respect to the calculation of the amount of inventory as of the end of the third quarter of the term under review, we did not conduct an onsite stocktaking, but adopted a method of reasonable calculation based on the results of the onsite stocktaking conducted at the end of the second quarter of the term under review.
As for the devaluating the book value of inventory assets, the devaluation is applied only to those inventories whose profitability clearly decreased. The devaluation is based on the estimated net sale value of such inventories.
 - [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) Changes in principles, procedures, and methods of presentation, etc., in the preparation of the quarterly consolidated financial statements.
 1. Application of accounting standard for quarterly financial reporting.
Effective from fiscal 2008, ending March 31, 2009, the Company has adopted the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12) and the Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14) issued by the Accounting Standards Board of Japan (ASBJ). The Company prepares quarterly financial reports in line with regulations governing statutory quarterly reporting.
 2. Changes in inventory assets valuation standards and methods
Previously inventories held for the purpose of ordinary sales were stated at cost, which was principally determined by the first-in-first-out method, but effective as of the first quarter of the fiscal year under review, we have applied "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9; July 5, 2006) and, therefore, inventories are stated at cost, which is principally determined by the first-in first-out method (the amounts stated in the balance sheet were calculated by the method of devaluating book value based on reduction in profitability). As a result of this change, net income before income taxes and minority interest decreased 31 million yen. This change does not affect segment information.

Consolidated Financial Statements

(1) Consolidated balance sheets for the Third quarter ended December 31, 2008

(In millions of yen)

	Third quarter of FY2009 (As of December 31, 2008)	FY2008 (As of March 31, 2008)
ASSET		
Current assets		
Cash and deposits	6,055	6,181
Notes and accounts receivable, trade	10,151	11,777
Short-term investment securities	2,499	3,498
Merchandise	3,623	3,267
Finished goods	4,915	4,961
Raw materials	2,048	1,898
Work in process	188	232
Other	1,947	2,246
Allowance for doubtful accounts	△43	△50
Total current assets	31,386	34,013
Fixed assets		
Property, plant and equipment		
Land	6,538	6,522
Other (net)	9,230	8,459
Total property, plant and equipment	15,769	14,982
Intangible fixed assets		
Investments and other assets	12,315	12,579
Total fixed assets	28,482	27,978
Total assets	59,869	61,992
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	6,367	6,709
Factoring of accrued liability	1,450	1,305
Short-term borrowings	5,302	5,277
Long-term loans due within one year	7	48
Income taxes payable	99	362
Reserve for bonuses	600	1,278
Reserve for other	144	179
Other	3,364	2,698
Total current liabilities	17,336	17,860
Noncurrent liabilities		
Provision for retirement benefits	2,302	2,550
Reserve for Directors Retirement Bonuses	402	465
Other	949	238
Total noncurrent liabilities	3,654	3,255
Total liabilities	20,991	21,115
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	5,116	5,117
Retained earnings	33,910	35,585
Treasury stock	△3,151	△2,952
Total shareholders' equity	38,876	40,751
Valuation and translation adjustments		
Valuation gain and loss on other securities	△10	95
Deferred gains or losses on hedges	△31	15
Foreign currency translation adjustment	44	15
Total valuation and translation adjustments	1	126
Total net assets	38,877	40,877
Total liabilities and net assets	59,869	61,992

(2) Consolidated Statements of Income

(In millions of yen)

Third quarter of FY2009
(From April 1, 2008 to December 31, 2008)

Net Sales	41,083
Cost of Sales	23,024
Gross profit	18,058
Selling, General and Administrative Expense	17,833
Operating Income	224
Non-operating income	
Interest Income	32
Dividend Income	23
Other	119
Total non-operating income	175
Non-operating expenses	
Interest Expense	83
Foreign Exchange Loss	143
Other	125
Total non-operating expenses	352
Ordinary Income	47
Extraordinary Income	
Gains on Prior Year Adjustment	47
Gains from Sale of Fixed Assets	96
Compensation income	111
Total Extraordinary Income	256
Extraordinary Losses	
Loss from Prior Year Adjustment	15
Loss from Sale of Fixed Assets	1
Loss from Removal of Fixed Assets	31
Loss on revaluation of investment securities	331
Loss on revaluation of inventory	31
Other	10
Total Extraordinary Losses	423
Income before income taxes	Δ119
Corporate Income Tax, Resident Tax and Enterprise Tax	426
Adjustment for income taxes	Δ17
Total income taxes	408
Net Loss	Δ528

(3) Consolidated Statements of Cash Flows

(In millions of yen)

Third quarter of FY2009
(From April 1, 2008 to December 31, 2008)

Cash flows from operating activities	
Income before income taxes	Δ119
Depreciation and amortization	1,500
Gain on sale of fixed assets	Δ94
Loss from disposal of fixed assets	29
Net gain on valuation of investment securities	331
Change in allowance for doubtful accounts	Δ13
Changes in reserve for bonuses	Δ677
Changes in reserve for retirement benefits	Δ247
Change in reserve for directors retirement bonuses	Δ63
Change in reserve for others	Δ35
Interest income and dividend income	Δ55
Interest expense	83
Change in account receivables	1,616
Change in inventory	Δ464
Change in procurement obligations	Δ319
Change in accrued factoring liabilities	145
Change in accrued expenses	Δ29
Other	527
Sub-Total	2,113
Interest and dividends received	57
Interest paid	Δ80
Corporate taxes paid	Δ647
Cash flows from operating activities	1,442
Cash flows from investing activities	
Investments in time deposits	Δ39
Decrease in term deposits	36
Expenditures for acquisition of tangible fixed assets	Δ2,198
Proceeds from sale of tangible fixed assets	121
Expenditures for acquisition of investment securities	Δ274
Expenditure for loans	Δ8
Proceeds from recovery of loans	9
Other	Δ105
Cash flows from investing activities	Δ2,459
Cash flows from financing activities	
Proceeds from Increase in short term borrowings	113
Expenditure for repayment of short term borrowings	Δ100
Expenditure for repayment of long term borrowings	Δ41
Proceeds from sale and leaseback transactions	1,088
Payment of lease obligations	Δ120
Proceeds from the sale of treasury shares	0
Expenditure for acquisition of treasury shares	Δ200
Payment of dividends	Δ1,139
Other	Δ0
Cash flows from financing activities	Δ398
Effect of exchange rate changes on cash and cash equivalents	Δ11
Net increase in cash and cash equivalents	Δ1,426
Cash and cash equivalents at beginning of period	9,645
Cash and cash equivalents at end of period	8,218

In the current financial year, the Company began applying the "Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard Implementation Guidance No. 14). The quarterly financial statements were also prepared in accordance with the "Regulations on Quarterly Consolidated Financial Statements" .

(4) Notes concerning conditions of "going concern"

Not applicable

(5) Segment information

[Business segments]

Third quarter of FY2009 (From April 1, 2008 to December 31, 2008)

(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	20,028	17,029	111	3,913	41,083	--	41,083
(2) Internal Sales among Segments or Transfers	622	18	194	512	1,348	(1,348)	--
Total	20,651	17,048	306	4,425	42,431	(1,348)	41,083
Operating Income / Loss	Δ754	849	191	Δ151	135	89	224

(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. Change in segment name

From the first quarter of the fiscal year under review, we are changing the name of home furnishing business to home furnishing and health business. This change does not affect segment information, as it is a change of name only.

[Segment information by location]

Third quarter of FY2009 (From April 1, 2008 to December 31, 2008)

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 of FY2009 (From April 1, 2008 to December 31, 2008)

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

(6) Special changes to shareholders equity

Not applicable

(Supplementary Information)**Summary of Consolidated Statements of Operations****(1) Consolidated Income Statement**

(In millions of yen)

Account	Third quarter ended December. 31, 2007
1.Net Sales	44,848
2.Cost of Sales	25,196
Gross Income	19,652
3.Selling, General and Administrative Expense	18,597
Operating Income	1,054
4.Other Income	197
5.Other Expenses	223
Ordinary Income	1,029
6.Extraordinary Income	867
7.Extraordinary Losses	557
Net Income before Tax	1,338
Tax cost	937
Net Income	401

(2) Consolidated Statement of Cash Flow

(In millions of yen)

Account	Third quarter ended December. 31, 2007
1. Cash flows from operating activities	
Net income before tax and minority interests	1,338
Change in account receivables	1,932
Change in inventory	△316
Change in procurement obligations	△1,021
Change in accrued factoring liabilities	△105
Other	△293
Sub-Total	1,534
Corporate taxes paid	△1,380
Other	△16
Cash flows from operating activities	137
2. Cash flows from investing activities	
Investments in time deposits	△315
Decrease in term deposits	△2,295
Other	459
Cash flows from investing activities	△2,150
3. Cash flows from financing activities	
Net increase(decrease) in short term borrowings	26
Expenditure for repayment of long term borrowings	△141
Payment of dividends	△1,134
Other	△1
Cash flows from financing activities	△1,251
4. Effect of exchange rate changes on cash and cash equivalents	2
5. Net increase(decrease) in cash and cash equivalents	△3,262
6. Beginning balance of cash and cash equivalents	12,605
7. Ending balance of cash and cash equivalents	9,343

(3)Segment information

[Information by operating segment]

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 corporate	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	△208	988	209	990	63	1,054

[Segment information by location]

Third quarter of FY2008 (From April 1, 2007 to 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.

[Overseas sales]

Third quarter of FY2008 (From April 1, 2007 to December 31, 2007)

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