FRANCEBED HOLDINGS

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

(April 1 ,2010 ~ December 31, 2010)

February 4, 2011

Company name : **France Bed Holdings Co., Ltd.**
Code number : 7840 Listing Exchanges : Tokyo
URL : http://www.francebed-hd.co.jp Tel : +81-3-5338-1081
Representative : Shigeru Ikeda, President and Representative Director
Contact person : Kotaro Hoshikawa, Senior Managing Director in Charge of Accounting Group
Scheduled date to file quarterly report : February 10, 2011
Scheduled date of the start of dividend payments: −
Preparation of quarterly earnings presentation material: No
Holding of quarterly earnings announcement : No

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

1. Consolidated results for the third quarter of the fiscal year ending March 2011 (April 1,2010 ~ December 31, 2010)

(1)Consolidated Operating Results (% of change from the corresponding period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended Dec. 31, 2010	35,784	Δ4.2	637	Δ11.0	573	Δ11.5	263	Δ33.5
Third quarter ended Dec. 31, 2009	37,391	Δ8.9	715	218.4	648	—	396	—

	Earnings per share	Earnings per share, diluted
	yen	yen
Third quarter ended Dec. 31, 2010	1.15	—
Third quarter ended Dec. 31, 2009	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, 2010	60,692	37,064	61.0	162.63
Fiscal year ended March 31, 2010	59,602	37,451	62.8	164.32

(Reference) Shareholder's equity : As of December 31, 2010: ¥37,064million As of March 31, 2010: ¥37,451million

2. Dividends

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

Note : Whether the dividend forecast under review has been revised : None

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

(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	48,600	Δ2.3	970	34.6	800	24.0	300	13.9	1.31

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

4.Others

(1) Changes in significant consolidated subsidiaries : No

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

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

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

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

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

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

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

(4) Number of shares issued (common shares)

[1] Number of shares issued at the end of the period (including treasury stock)	December 31, 2010 239,487,500 shares	March 31, 2010 239,487,500 shares
[2] Number of treasury stock at the end of the period	December 31, 2010 11,580,221 shares	March 31, 2010 11,574,923 shares
[3] Average number of shares issued during the period (quarterly accumulation period)	December 31, 2010 227,909,570 shares	December 31, 2009 227,916,737 shares

※ Presentation of implementation status for quarterly review procedures

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

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

The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and certain assumptions considered reasonable. Actual results could differ materially, depending on a range of factors.Please refer to "1. Qualitative information on Third Quarter Results" of [Outlook for Consolidated Operating Result] on Page 6 for matters relating to the above forecast.

Contents

1.Qualitative Information on first Quarter Results

(1) Consolidated Management Performance

During the first nine months of the consolidated fiscal year under review, the Japanese economy remained on a modest recovery course, mainly reflecting growth in emerging economies and the effects of the government's stimulus packages. Given the difficult employment environment and deflationary conditions, however, uncertainty over the economic outlook lingered, and private consumption also remained anemic, as penny-pinching consumers focused on low prices.

In this economic environment, the Francebed Holdings Group concentrated its resources on the medical service business, which consists mainly in the rental and sale of nursing care and welfare equipment by core subsidiary Francebed Co., Ltd., and also pursued a number of initiatives to strengthen its overall profitability in the period under review, including restructuring to merge the medical service business and home furnishing and health business.

Under the circumstances described above, consolidated sales for the first nine months of the fiscal year under review reached 35,784 million yen (down 4.2% from the first nine months of the previous year). Consolidated operating income came to 637 million yen (falling 11.0%). Consolidated ordinary income was 573 million yen (declining 11.5%), and consolidated net income for the period was 263 million yen (down 33.5%).

(Medical services business)

In the medical services business, the Francebed Holdings Group continued to focus on expanding rental transactions and sales of electric nursing beds compliant with new Japanese industrial Standards (JIS). It also continued to take actions to prevent accidents by holding training sessions and product briefings for agents and care managers.

Meanwhile, the Group also maintained efforts to win contracts for property transactions with hospitals and other facilities that are stepping up capital spending. It also put effort into the home improvement area, focusing on contracts such as the installation of handrails using care insurance.

While seeking to increase the number of users of the ambulatory nursing care facility (day service center) specializing in providing care for people requiring low levels of nursing care that was launched as a new business in Chofu City, Tokyo, in February 2010, the Group also opened similar facilities in Nagoya City and Hirakata City, Osaka, as well as a franchise facility in Matsumoto, Nagoya.

In terms of the sales network, the Group established seven new sales offices, mainly in Tokyo, Nagoya and Osaka, as a means of expanding its sales and logistic networks to improve services and help boost net sales.

As a result of these initiatives, sales in the medical services business were 15,784 million yen, while operating income amounted to 1,136 million yen.

(Home furnishing and health business)

In the home furnishing and health business, operating conditions remained severe, with private consumption failing to achieve a full-fledged recovery despite improvement in the housing starts indicator.

In this environment, the Group concentrated on expanding sales of high value-added products that emphasize safety or are made in Japan, such as products for the Slumberland series, a leading global brand of beds, and EcoMark-certified RecoPlus mattresses.

Moreover, as a measure to improve earnings that continued from the previous year, the Group took initiatives that included the integration of its sales offices and the reallocation of staff to the medical services business. In this way, the Group focused on adopting a more efficient operating structure that can create synergies between its two businesses.

As a result of these efforts, sales of the home furnishing and health business were 12,282 million yen and the Group recorded an operating loss of 537 million yen.

(Corporate facilities businesses)

In the medical and welfare facilities sub-segment of the corporate facilities business, the Group concentrated on selling new products and existing products such as electric nursing care beds to medical institutions and new fee-paying homes for the elderly, which are stepping up capital spending.

In the hotel subsegment, the Group focused on bolstering sales of high value-added commercial mattresses and rentals of extra beds for hotel rooms, by proposing products that meet the needs of the hotel industry.

As a result of these initiatives, sales in the corporate facilities business reached 4,791 million yen, and the Group reported operating income of 33 million yen.

(Other businesses)

In the door-to-door sales sub-segment of other businesses, the Group streamlined its sales offices and reduced labor costs in face of continued decline in sales, largely because of tighter regulations under the Act on Specified Commercial Transactions and the Instalment Sales Law. Also in the sundries sales business, the Group reviewed its product line-up and continued to apply a scrap-and-build approach to improve earnings.

As a result of the initiatives described above, sales of other businesses totaled 2,926 million yen and the operating loss for the business was 73 million yen.

(2) Consolidated Financial Position

[1] Status of balance sheet

Total assets at the end of the first nine months of the current fiscal year rose 1,089 million yen from the end of the previous fiscal year to 60,692 million yen. Current assets decreased 117 million yen to 32,552 million yen. Major factors underlying the result were a decrease of 1,205 million yen in cash and deposits, a decline of 203 million yen in trade notes and accounts receivable, and a decrease of 416 million yen in inventories, which offset an increase of 1,999 million yen in securities. Fixed assets expanded 1,168 million yen from the end of the previous fiscal year to 28,086 million yen. Major contributors to the result included the acquisition of tangible and intangible fixed assets and the transfer of time deposits.

Liabilities climbed 1,476 million yen from the end of the previous fiscal year, to 23,627 million yen. This increase mainly reflected expansion of 4,936 million yen in noncurrent liabilities (including a rise of 2,762 million yen in bonds payable and 1,887 million yen in long-term loans payable), offsetting a decline of 3,459 million yen in current liabilities (including a fall of 3,150 million yen in short-term borrowings).

Net assets declined 387 million yen from the end of the previous year, to 37,064 million yen. The main contributor to this result was dividends paid of 569 million yen, which offset net income of 263 million yen. As a result of the changes stated above, shareholders' equity ratio fell from 62.8% at the end of the previous fiscal year, to 61.0%.

[2] Status of cash flow

Cash flows for the first nine months of the current fiscal year produced an increase in cash and cash equivalents of 1,986 million yen from the end of the previous fiscal year, to 13,016 million yen. Details of individual cash flow items are as follows.

Net cash provided by operating activities was 3,432 million yen (compared with 3,588 million yen in the first nine months of the previous fiscal year). Major contributors were net income before income taxes and minority interests of 548 million yen, a depreciation cost of 2,516 million yen (which is a non-cash item), and a decrease in inventories of 416 million yen.

Net cash used for investing activities totaled 2,704 million yen (compared with 2,823 in the first nine months of the previous fiscal year). Major causes included a disbursement of 2,661 million yen to acquire tangible fixed assets, an outlay of 642 million yen to acquire intangible fixed assets, and a payment of 608 million yen into a time deposit, offsetting inflows such as the repayment of a time deposit of 1,200 million yen.

Net cash provided by financing activities was 1,265 million yen (compared with 1 million yen in the first nine months of the previous fiscal year). During the first nine months of the current fiscal year, the Group abolished commitment lines that had never been used on their expiry in December 2010 to cut financial expenses and to achieve steady funding conditions, and also (i) shifted some short-term borrowings to long–term debts (by repaying short-term borrowings of 3,150 million yen, and issuing bonds that resulted in inflows of 3,101 million yen), and (ii) raised funds (inflows of 2,000 million yen from long-term loans payable) through the Bank of Japan's Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth. The other factors behinds the inflows were gains on sale and leasebacks of 1,325 million yen, offsetting the repayment of long-term loans payable of 112 million yen, the redemption of bonds of 387 million yen, the repayment of finance lease liabilities of 945 million yen, and dividends paid of 565 million yen.

(3)Outlook for Consolidated Operating Results

The Company's consolidated full-year results forecasts for the fiscal year ending March 31, 2011 are unchanged from the forecasts announced on October 22, 2010.

2. Others information

(1) Changes in significant subsidiaries during the period

None applicable

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

1.Simplified accounting methods

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

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

[2] Method for assessing the value of inventories

We eliminated the process of taking physical stock inventory at the end of the current quarter, and instead adopted a rational computation method which uses actual ending inventory of the second quarter as a base.

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.

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

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

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

Consolidated Financial Statements

(1) Consolidated balance sheets for the Third quarter ended December 31,2010

(In millions of yen)

	Third quarter of FY2011 (As of December 31, 2010)	FY2010 (As of March 31,2010)
ASSET		
Current assets		
Cash and deposits	8,075	9,280
Notes and accounts receivable, trade	8,953	9,156
Short-term investment securities	4,998	2,999
Merchandise and Finished goods	6,224	6,733
Work in process	241	148
Raw materials and supplies	1,792	1,793
Other	2,319	2,617
Allowance for doubtful accounts	Δ53	Δ59
Total current assets	32,552	32,669
Fixed assets		
Property, plant and equipment		
Land	6,453	6,454
Other (net)	10,228	9,925
Total property, plant and equipment	16,682	16,379
Intangible fixed assets	1,360	902
Investments and other assets	10,044	9,636
Total fixed assets	28,086	26,918
Deferred assets	53	14
Total assets	60,692	59,602
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	4,081	5,202
Factoring of accrued liability	1,708	1,169
Short-term borrowings	2,125	5,275
Current portion of bonds	775	775
Current portion of long-term loans payable	225	225
Accrued income taxes	97	114
Reserves	564	1,064
Other	4,136	3,346
Total current liabilities	13,713	17,173
Noncurrent liabilities		
Bonds payable	3,537	775
Long-term loans payable	2,112	225
Provision for retirement benefits	2,322	2,212
Reserve for Other	416	447
Other	1,524	1,317
Total noncurrent liabilities	9,913	4,977
Total liabilities	23,627	22,150
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	5,116	5,116
Retained earnings	32,210	32,516
Treasury stock	Δ3,152	Δ3,151
Total shareholders' equity	37,174	37,481
Valuation and translation adjustments		
Valuation gain and loss on other securities	Δ52	Δ3
Deferred gains or losses on hedges	Δ16	6
Foreign currency translation adjustment	Δ40	Δ32
Total valuation and translation adjustments	Δ110	Δ29
Total net assets	37,064	37,451
Total liabilities and net assets	60,692	59,602

(2) Consolidated Statements of Income

(In millions of yen)

	Third quarter of FY2010 (From Apr. 1, 2009 to Dec. 31, 2009)	Third quarter of FY2011 (From Apr. 1, 2010 to Dec. 31, 2010)
Net Sales	37,391	35,784
Cost of Sales	20,633	19,648
Gross profit	16,758	16,136
Selling, general and administrative expense	16,042	15,499
Operating income	715	637
Non-operating income		
Interest income	8	9
Foreign exchange gains	21	19
Dividend Income	38	–
Other	107	113
Total non-operating income	175	142
Non-operating expenses		
Interest expense	99	96
Other	144	109
Total non-operating expenses	243	206
Ordinary income	648	573
Extraordinary income		
Gain on prior period adjustment	0	–
Gain on sales of fixed assets	9	1
Gain on sales of investment securities	–	12
Reversal of reserve for loss on Component replacement	100	–
Total extraordinary income	110	13
Extraordinary losses		
Loss on prior period adjustment	4	0
Loss on sales of fixed assets	0	–
Loss on retirement of fixed assets	50	38
Early extra retirement payments	208	–
Total extraordinary losses	263	38
Income before income taxes	495	548
Income taxes-current	110	85
Income taxes-deferred	△12	199
Total income taxes	98	284
Income before minority interests	–	263
Minority interests in income	–	–
Net Income	396	263

(3) Consolidated Statements of Cash Flows

(In millions of yen)

	Third quarter of FY2010 (From Apr. 1, 2009 to Dec. 31, 2009)	Third quarter of FY2011 (From Apr. 1, 2010 to Dec. 31, 2010)
Cash flows from operating activities		
Income before income taxes	495	548
Depreciation and amortization	1,932	2,516
Loss (gain) on sale of fixed assets	Δ9	Δ1
Loss on retirement of fixed assets	48	31
Loss (gain) on sales of investment securities	–	Δ12
Increase (decrease) in allowance for doubtful accounts	Δ5	Δ30
Increase (decrease) in reserve for bonuses	Δ631	Δ499
Increase (decrease) in reserve for retirement benefits	Δ87	110
Decrease (increase) in prepaid pension costs	223	108
Increase (decrease) in reserve for directors' retirement benefits	22	Δ30
Increase (decrease) in other reserves	Δ226	Δ0
Interest income and dividend income	Δ29	Δ28
Interest expense	99	96
Change in account receivables	813	202
Change in inventory	466	416
Change in procurement obligations	1,132	Δ1,120
Change in accrued factoring liabilities	20	538
Increase (decrease) in accrued expenses	48	26
Other	50	379
Sub-Total	4,363	3,251
Interest and dividends received	31	28
Interest paid	Δ93	Δ79
Income tax (paid) refund	Δ711	232
Cash flows from operating activities	3,588	3,432
Cash flows from investing activities		
Investments in time deposits	Δ18	Δ608
Decrease in term deposits	312	1,200
Expenditures for acquisition of tangible fixed assets	Δ2,693	Δ2,661
Proceeds form sale of tangible fixed assets	22	2
Purchase of investment securities	Δ0	Δ298
Proceeds from sales of investment securities	–	312
Payments of loans receivable	Δ34	Δ17
Collection of loans receivable	12	7
Purchase of intangible fixed assets	Δ427	Δ642
Other	3	0
Cash flows from investing activities	Δ2,823	Δ2,704
Cash flows from financing activities		
Decrease in short-term loans payable	Δ11	Δ3,150
Proceeds from long-term loans payable	–	2,000
Repayment of long-term loans payable	–	Δ112
Proceeds from issuance of bonds	–	3,101
Redemption of bonds	–	Δ387
Proceeds from sale and lease back	1,087	1,325
Repayments of lease obligations	Δ505	Δ945
Purchase of treasury stock	Δ0	Δ0
Cash dividends paid	Δ568	Δ565
Other	Δ0	–
Cash flows from financing activities	1	1,265
Effect of exchange rate changes on cash and cash equivalents	1	Δ6
Net increase in cash and cash equivalents	768	1,986
Cash and cash equivalents at beginning of period	10,142	11,030
Cash and cash equivalents at end of period	10,910	13,016

(4) Notes concerning conditions of "going concern"

Not applicable

(5) Segment information

[Business segments]

Third quarter of FY2010 (From April 1, 2009 to December 31, 2009)

(In millions of yen)

	Home Furnishing and health	Acute and Long Term Care	Real estate lease	Other	Total	Elimination of Corporate Wide	Consolidated
Sales							
(1) Sales to External Customers	16,422	17,685	104	3,179	37,391	−	37,391
(2) Internal Sales among Segments or Transfers	493	16	21	365	897	(897)	−
Total	16,915	17,701	126	3,545	38,288	(897)	37,391
Operating Income / Loss	△768	1,412	89	△106	627	88	715

(Note)

1. Method of business classification
   Businesses are classified giving consideration to the similarity in the type and nature of products and the selling markets and selling mode.

2. Principal products and business in each segment.
   (1) Home Furnishing and Health -------- manufacture, procurement and sale of beds, furniture and beddings
   (2) Acute and Long Term Care ---------- manufacture, procurement, sales and rental of medical treatment beds, care products, hospital bed linens
   (3) Real Estate Lease -------------------- real estate lease
   (4) Other ----------------------------------- procurement and retailing of accessories, daily sundry goods, health equipment, advertisement and exhibition equipment.

3. As stated in "Changes in Principles,
   Procedures and Presentation Methods for Accounting Treatment in Connection with the Production of Quarterly
   As stated in "Changes in Principles, Procedures and Presentation Methods for Accounting Treatment in Connection with the Production of Quarterly Consolidated Financial Statements," the Group changed its method of posting estimation errors, such as the difference between the bonus allowance recorded in the previous year and the actual bonus amount paid in the current year, switching from their posting as a gain or loss from the prior year's adjustment under the category of extraordinary items, to processing through calculations of ordinary gains and losses, starting in the first quarter of the current fiscal year.
   The change caused operating loss for the home furnishing and heath business to decrease 70 million yen, operating income for the nursing care and welfare equipment business to increase 70 million yen, operating loss for other business to decline 14 million yen, and the elimination or corporate operating income to rise 4 million yen, respectively, compared with the figures calculated using the previous method.

[Segment information by location]
From April 1, 2009 to December 31, 2009
The entry of "sales in Japan" is omitted, as it accounts for more than 90% of the total sales of all business segments.

[Overseas sales]
From April 1, 2009 to December 31, 2009
No information is presented in this report as overseas sales account for less than 10% of the consolidated net sales.

[Segment Information]

1.Overview of reporting segments

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

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

In the Western Japan region (Chugoku and Kyushu), from the period under review, the Company adopted a regional division system, merging the medical services business headquarters and home furnishing and health business headquarters into home furnishing and health business headquarters. This does not change the reportable segments, however, as when evaluating consolidated financial results, the Board of Directors separates/reclassifies results into “medical services” and “home furnishing and health.”

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

Medical Services : manufacture, procurement, sales and rental of medical treatment beds, care products

Home Furnishing and Health : manufacture, procurement and sale of beds, furniture and beddings

Corporate Facilities : Sale for institutions such as a hospital and hotel, linen supply such as a hospital and the hotel

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

Third quarter of FY2011 (From April 1, 2010 to December 31, 2010)

(In millions of yen)

	Reporting Segment				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated income statement (Note 3)
	Medical Services	Home Furnishing and Health	Corporate Facilities	Total				
Sales								
Sales to External Customers	15,784	12,282	4,791	32,857	2,926	35,784	–	35,784
Internal Sales among Segments or Transfers	26	386	3	416	310	726	Δ726	–
Total	15,810	12,668	4,794	33,274	3,237	36,511	Δ726	35,784
Segment Income / Loss	1,136	Δ537	33	631	Δ73	558	78	637

(Note)

1. The Other Businesses segment is a business segment that is not included in the reported segments and includes businesses such as door-to-door sales business, sundries sales business, advertising and exhibition business and real estate lease business.
2. Adjustments of segment profit and loss of 78 million yen include intersegment eliminations of 560 million yen and enterprise expenses of 481 million yen that are not distributed to any reported segment. Enterprise expenses are mostly expenses relating to the General Affairs Group and other administrative divisions of the Group which do not belong to reported segments.
3. Segment profit and loss is adjusted with operating income reported in the quarterly consolidated financial statements.

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

(6) Special changes to shareholders equity

Not applicable