

Summary Report on Financial Results for the Third Quarter of the Year Ending March 2010

February 2, 2010

Listing: JASDAQ

Company name: Fukuda Denshi Co., Ltd.

Code No.: 6960 (<http://www.fukuda.co.jp>)

Representative: Kotaro Fukuda, President & CEO

Inquiries: Shuichi Fukuda, Executive Director and Senior Manager of Accounting & Finance
Department

Tel: +81-3-3815-2121 (main)

Scheduled date for filing the quarterly report: February 9, 2010

Scheduled date for commencement of dividend payment: —

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the Third quarter of the year ending March 2010 (April 1, 2009 through December 31, 2009)

(1) Consolidated operating results (cumulative)

(Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Third quarter of the year ending March 2010	61,030	(2.4)	4,030	(8.4)	4,222	(3.2)	2,105	(13.8)
Third quarter of the year ended March 2009	62,507	—	4,401	—	4,364	—	2,443	—

	Net income per share	Fully diluted net income per share
	yen	yen
Third quarter of the year ending March 2010	111.67	—
Third quarter of the year ended March 2009	126.93	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Third quarter of the year ending March 2010	96,781	74,490	77.0	4,033.46
Year ended March 2009	101,200	74,795	73.9	3,885.41

(Reference) Shareholders' equity:

Third quarter of the year ending March 2010: 74,490 million yen

Year ended March 2009: 74,786 million yen

2 Dividends

Record date	Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	Annual
Year ended March 2009	— yen	40.00 yen	— yen	40.00 yen	80.00 yen
Year ending March 2010	—	40.00	—		
Year ending March 2010 (estimate)				40.00	80.00

Note: There have been no revisions of dividend projections in the current quarter.

3 Forecast of consolidated financial results for the year ending March 2010 (April 1, 2009 through March 31, 2010)

(Percentages represent increases or decreases 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	89,500	(0.1)	6,000	(10.7)	6,000	(10.6)	2,800	(25.7)	148.48

Note: There have been no revisions of consolidated earnings projections' numerical values in the current quarter.

4. Others

- (1) Change in significant subsidiaries during the year under review (change in specific subsidiaries involving change in the scope of consolidation): Yes

New: None

Exclusion: 1 (Fukuda Cardiac Laboratory Co., Ltd)

Note: For details, please refer to 4. Others, under the “Qualitative Information and Financial Statements” section on pages 5 through 6.

- (2) Application of a simplified accounting method and accounting principles specific to the preparation of consolidated quarterly financial statements: Yes

Note: For details, please refer to 4. Others, under the “Qualitative Information and Financial Statements” section on pages 5 through 6.

- (3) Changes in accounting principles and procedures, and presentation related to the preparation of consolidated quarterly financial statements (described in changes in basis of preparation for the consolidated quarterly financial statements):

(i) Changes owing to the adoption of revised accounting standards or such like: None

(ii) Changes other than (i) above: Yes

Note: For details, please refer to 4. Others, under the “Qualitative Information and Financial Statements” section on pages 5 through 6.

(4) Number of outstanding issues (common stock)

(i) Number of outstanding shares at the year-end (including treasury stock)

Third quarter of the year ending March 2010: 19,588,000 shares

Year ended March 2009: 19,588,000 shares

(ii) Number of shares of treasury stock at the year-end:

Third quarter of the year ending March 2010: 1,119,965 shares

Year ended March 2009: 339,945 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)

Third quarter of the year ending March 2010: 18,858,007 shares

Third quarter of the year ended March 2009: 19,247,894 shares

* Explanation about appropriate use of the forecasts of financial results, and other noteworthy matters

1. The forecasted financial results described above are based on information available as of February 2, 2010. Actual results may differ from the results projected and presented hereby for a variety of reasons.
2. With respect to the preconditions for the forecast of financial results, please refer to "3. Qualitative information about earnings forecast for the fiscal year ending March 2010" under the "Qualitative Information and Financial Statements" section on page 5.

Qualitative Information and Financial Statements

1. Qualitative Information about consolidated operating results

During the third quarter of the consolidated term, although there is a sense of expectations in the Japanese economy towards recovery due to a change in the government; the on going rise of the Japanese Yen, deterioration of the employment conditions and income environment, and also the deflationary trend has been increasing.

In the medical environment, medical system reforms continued to be pushed forward, including the expansion of the adoption of the comprehensive medical fee payment system, called DPC (Diagnosis Procedure Combination), aimed to restrain medical expenses. In addition a further division of functions between hospitals and clinics such as the consolidation of acute phase hospitals and an increase in the number of clinics assisting home medical treatment has been seen.

Under such circumstances, the Group posted a consolidated net sales of 61,030 million yen (down 2.4% year-on-year), operating income of 4,030 million (down 8.4%), ordinary income of 4,222 million yen (down 3.2%) and a net income of 2,105 million yen (down 13.8 %) in the third quarter to date.

(i) Physiological diagnostic equipment segment

Sales of vascular screening systems, blood cell counters, and air sterilization and deodorization equipment continued to increase, but sales of electrocardiographs and ultrasound diagnostic imaging systems declined.

As a result, consolidated net sales were 15,234 million yen (down 6.7% year-on-year).

(ii) Patient monitoring equipment segment

Sales declined both domestically and abroad.

As a result, consolidated net sales were 3,455 million yen (down 10.1% year-on-year).

(iii) Medical treatment equipment segment

The business of renting medical equipment for home treatment and the sales of pacemakers remained sturdy. The ventilators during the third quarter of consolidated term have recovered due to the demand caused by the new types of influenza, but did not compensate for the decrease in demand up to the second quarter of the consolidated term. Sales of Automated External Defibrillators (AEDs) declined, affected by the business downturn.

As a result, consolidated net sales were 26,179 million yen (down 3.2% year-on-year).

(iv) Other products and accessories segment

In the Other products and accessories segment, we mainly handle recording paper, disposable electrodes and accessories, as well as consumables used for devices handled by the other segments.

Consolidated net sales for this segment were 16,160 million yen (up 5.6% year-on-year).

2. Qualitative information about consolidated financial situation

Total assets were 96,781 million yen at the end of the third quarter under review, down 4,418 million

yen from the end of the previous fiscal year.

The main factors are a decrease of 1,436 million yen in cash and deposits and a decrease of 4,940 million yen in trade notes and account receivable despite an increase of 1,167 million yen in investments and other assets.

Liabilities amounted to 22,291 million yen, down 4,112 million yen from the end of the previous fiscal year.

This is primarily because of a decrease of 892 million yen in trade notes and account payable, a decrease of 799 million yen in short-term borrowings, a decrease of 1,176 million yen in income tax payable etc., and a decrease of 870 million yen in allowance for bonuses to employees despite an increase of 176 million yen in allowance for retirement benefits.

Net assets were 74,490 million yen, down 305 million yen from the end of the previous fiscal year.

The decrease is primarily because of an increase of 1,735 million yen in treasury stock despite an increase of 588 million yen in retained earnings and an increase of 853 million yen in evaluation difference on other securities.

3. Qualitative information about consolidated earnings forecast for the fiscal year ending March 2010

The economic situation will likely remain stagnant in the foreseeable future as there are deterioration of corporate earnings and declines in consumer spending because of the worldwide economic recession, rapid fluctuations in foreign exchange rates and the rising cost of raw materials. In the medical equipment industry, the business environment is expected to remain harsh, as there are concerns about a consolidation of public hospitals and refraining patients from visiting hospitals for medical advice because of the recession.

However, there is no change at this moment in the forecast of the financial results for the full fiscal year.

4. Others

(1) Change in significant subsidiaries during the year under review (change in specific subsidiaries involving change in the scope of consolidation):

During the Board of Director's meeting on August 31, 2009, it was decided that Fukuda Denshi would liquidate one of its subsidiaries, Fukuda Cardiac Laboratory Co., Ltd., and since the liquidation was completed on November 2, 2009, it has been excluded from the scope of consolidation.

(2) Application of simplified accounting method and accounting principles specific to the preparation of consolidated quarterly financial statements

(i) Simplified accounting treatment

Tax expenses of consolidated subsidiaries are calculated by multiplying the quarterly net income

before taxes by the effective income tax rate after tax effect accounting application in the statement of income of the previous fiscal year.

Corporate tax adjustments are included in corporate, inhabitants' and enterprise taxes.

- (ii) Accounting principles specific to the preparation of consolidated quarterly financial statements
Not applicable.

- (3) Change in accounting principles and procedures, presentation related to the preparation of consolidated quarterly financial statements:

- (i) Previously, expenses for the development of new products in research and development activities were posted as cost of sales. However, effective from the first quarter under review, such expenses are treated as general and administrative expenses, with a view to appropriately grasping the costs corresponding to sales and more properly indicating profit/loss for the period, more properly taking advantage of the building of a system to manage expenses incurred in developing new products, since the development of new products has come to be regarded less as cost, and more as research and development as it involves the development of new technologies and new mechanisms.

As a result of this change, cost of sales decreased 1,038 million yen and gross profit increased by the same amount for the third quarter under review compared with the figures under the previous method, while operating income and ordinary income each declined 33 million yen due to an increase of 1,072 million yen in selling, general and administrative expenses.

Quarterly net income before taxes decreased 163 million yen, since 129 million yen, equivalent to research and development expenses in indirect manufacturing cost, which were included in beginning inventories, was posted as extraordinary losses.

- (ii) Loss on investment in partnership, which was included in other under non-operating expenses in the previous third quarter, is recorded as an independent item in the third quarter under review since the amount of such loss exceeded 20% of the total non-operating expenses. In addition, the amount of loss on investment in partnership included in other under non-operating expenses in the previous third quarter was 33 million yen.

- (iii) (Additional information)

Fukuda Denshi revised the retirement pension system on October 1, 2009, and moved from the approved retirement annuity system to the defined benefit corporate pension system (contract-type) based on the relevant act.

The company applied the "Accounting methods related to shift between retirement pension schemes" (ASBJ Guidance No.1 for applying corporate standards) for the accounting operations associated with this move.

In addition, the influence according to this revision is negligible.

5. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Million yen)

	End of the consolidated second third under review (as of December 31, 2009)	Summarized balance sheets related to the previous fiscal year (as of March 31, 2009)
Assets		
Current assets		
Cash and deposits	26,788	28,224
Trade notes and account receivable	18,379	23,319
Securities	999	999
Merchandise and products	8,542	8,483
Work in progress	59	44
Raw materials and supplies	1,774	1,642
Other	3,456	2,951
Allowance for doubtful accounts	(185)	(243)
Total current assets	59,814	65,421
Fixed assets		
Tangible fixed assets	20,192	19,975
Intangible fixed assets	2,473	2,668
Investments and other assets		
Other	14,318	13,151
Allowance for doubtful accounts	(17)	(16)
Total investments and other assets	14,301	13,134
Total fixed assets	36,967	35,778
Total assets	96,781	101,200
Liabilities		
Current liabilities		
Trade notes and account payable	11,509	12,401
Short-term borrowings	2,066	2,866
Income tax payable, etc.	521	1,697
Allowance for bonuses to employees	869	1,739
Other allowances	84	116
Other	2,578	3,043
Total current liabilities	17,629	21,865
Long-term liabilities		
Long-term borrowings	-	50
Allowance for retirement benefits	3,407	3,230
Other allowances	176	192
Negative goodwill	-	0
Other	1,077	1,065
Total long-term liabilities	4,662	4,538
Total liabilities	22,291	26,404

	End of the consolidated third quarter under review (as of December 31, 2009)	Summarized balance sheets related to the previous fiscal year (as of March 31, 2009)
Net assets		
Shareholders' equity		
Common stock	4,621	4,621
Capital surplus	9,982	9,982
Retained earnings	62,282	61,693
Treasury stock	(2,501)	(766)
Total shareholders' equity	<u>74,384</u>	<u>75,531</u>
Valuation and translation adjustments		
Evaluation difference on other securities	258	(595)
Foreign currency translation adjustment account	(152)	(149)
Total valuation and translation adjustments	<u>105</u>	<u>(745)</u>
Minority interests	—	9
Total net assets	<u>74,490</u>	<u>74,795</u>
Total liabilities and net assets	<u>96,781</u>	<u>101,200</u>

(2) Consolidated quarterly statements of income

(Third quarter of the consolidated term)

(Million yen)

	Third quarter of the previous consolidated term (from April 1, 2008 to December 31, 2008)	Third quarter of the consolidated term (from April 1, 2009 to December 31, 2009)
Net sales	62,507	61,030
Cost of sales	34,358	32,397
Gross profit	28,149	28,632
Selling, general and administrative expenses	23,747	24,602
Operating income	4,401	4,030
Non-operating income		
Interest income	15	15
Dividend income	155	151
Foreign exchange profit	—	17
Other	161	95
Total non-operating income	332	279
Non-operating expenses		
Interest expenses	45	22
Foreign exchange losses	282	—
Loss on investment in partnership	—	54
Other	42	10
Total non-operating expenses	369	87
Ordinary income	4,364	4,222
Extraordinary gains		
Gains on sale of fixed assets	7	4
Gain on insurance adjustment	—	33
Gains on insurance surrender	590	270
Gains on reversal of allowance for doubtful accounts	27	56
Gains on reversal of allowance for losses on restructuring	59	—
Other	1	2
Total extraordinary gains	685	367
Extraordinary losses		
Losses on sale of fixed assets	16	0
Losses on disposal of fixed assets	114	14
Loss on valuation of investment securities	767	665
Impairment losses	14	5
Loss on prior period adjustment	—	129
Other	1	51
Total extraordinary losses	913	866
Quarterly net income before taxes	4,136	3,723
Corporate, inhabitants' and enterprise taxes	1,678	1,598
Corporate tax adjustments	13	18
Total income taxes	1,691	1,617
Minority interests in earnings of consolidated subsidiaries	1	0
Net income	2,443	2,105

(3) Note concerning premise of going concern

Not applicable.

(4) Segment information

(Segment information by business type)

Third quarter of the consolidated term under review (from April 1, 2009 to December 31, 2009)

Segment information by business type is omitted because the amounts of sales and operating income of the medical electronic equipment business account for over 90 percent of the total sales and total operating income of all segments.

(Segment information by geographical area)

Third quarter of the consolidated term under review (from April 1, 2009 to December 31, 2009)

Segment information by geographical area is omitted because the amount of sales in Japan accounts for over 90 percent of the total sales of all segments.

(Overseas sales)

Third quarter of the consolidated term under review (from April 1, 2009 to December 31, 2009)

Overseas sales are omitted because such sales accounted for less than 10 percent of consolidated sales.

(5) Note when there is a significant fluctuation in the amount of shareholders' equity

The Board of Directors approved on the acquisition of Fukuda Denshi's own shares under the Article 156 of the Corporation Law of Japan applied as mutatis mutandis stipulated under the Article 165 (3) of the same Law during its meeting held on August 19, 2009, and as of August 25, 2009, 779,700 common shares have been acquired through a fixed price trading, which amounted to 1,734 million yen.

6. Other information

Not applicable.