

Summary Report on Financial Results for the Third Quarter of the Year Ending March 2011  
(Japan GAAP)

January 31<sup>st</sup>, 2011

Listing: Osaka Securities Exchange

Company name: Fukuda Denshi Co., Ltd.  
 Code No.: 6960 (<http://www.fukuda.co.jp>)  
 Representative: Kotaro Fukuda, President & CEO  
 Inquiries: Shuichi Fukuda, Executive Director/ Senior Manager of Accounting & Finance Department  
 – Senior Manager of Information Technology Department  
 Tel: +81-3-3815-2121  
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 Supplementary material development: None  
 Financial results meeting: None

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the third quarter of the year ending March 2011 (April 1<sup>st</sup>, 2010 through December 31<sup>st</sup>, 2010)

(1) Consolidated operating results (cumulative)

(% represents 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 2011	64,070	5.0	5,892	46.2	5,969	41.4	3,565	69.3
Third quarter of the year ended March 2010	61,030	(2.4)	4,030	(8.4)	4,222	(3.2)	2,105	(13.8)

	Net income per share	Fully diluted net income per share
	yen	yen
Third quarter of the year ending March 2011	195.74	—
Third quarter of the year ended March 2010	111.67	—

(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 2011	98,820	75,150	76.0	4,370.04
Year ended March 2010	102,909	76,049	73.9	4,117.89

(Reference) Shareholders' equity:

Third quarter of the year ending March 2011: 75,150 million yen

Year ended March 2010: 76,049 million yen

## 2. Dividends

Record date	Yearly Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	Annual
	yen	yen	yen	yen	yen
Year ended March 2010	—	40.00	—	40.00	80.00
Year ending March 2011	—	40.00	—		
Year ending March 2011 (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 2011 (April 1<sup>st</sup>, 2010 through March 31<sup>st</sup>, 2011)

(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	88,000	(0.2)	7,500	7.1	7,500	7.0	4,300	22.9	236.08

Note: There have been revisions of consolidated earnings projections' numerical values in the current quarter.

## 4. Others (For details, please refer to "2. Other information" on page 6)

### (1) Change in significant subsidiary companies during the quarter under review: None

Note: Possible changes in a specified subsidiary company with a changes of scope of consolidation for the accounting period of this quarter.

### (2) Application of a simplified and specified accounting procedure: Yes

Note: Possible application of a simplified and a specified accounting procedure to the preparation of consolidated quarterly financial statements

### (3) Change in accounting principles, procedures, and presentation

#### (i) Changes owing to the adoption of revised accounting standards or such like: Yes

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

Note: Possible changes in accounting principles, procedures, presentation, etc related to the preparation of consolidated quarterly financial statements (described in changes in basis of preparation for the consolidated quarterly financial statements)

### (4) Number of outstanding issues (common stock)

#### (i) Number of outstanding shares at the end of the period (including treasury stock)

Third quarter of the year ending March 2011: 19,588,000 shares

Year ended March 2010: 19,588,000 shares

#### (ii) Number of shares of treasury stock at the end of the period:

Third quarter of the year ending March 2011: 2,391,304 shares

Year ended March 2010: 1,119,910 shares

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

Third quarter of the year ending March 2011: 18,213,826 shares

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

### \* Implementation status of quarterly review procedures

At the time of disclosure of this report, review procedures for the quarterly financial statements pursuant to

the Financial Instruments and Exchange Law had not been completed.

- \* 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 July 30<sup>th</sup>, 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” under the “1. Qualitative Information about consolidated earnings results for the quarter under review” section on page 6.

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## 1. Qualitative Information about consolidated earnings results for the quarter under review

### (1) Qualitative Information about consolidated operating results

Although the profits of the company shows signs of recovery during this third quarter of the consolidated period due to an increase in exports and production resulting from the high demand from emerging economies, the situation remained severe as the deflation trend continued, employment conditions continued to stagnate, and the rapid appreciation of the yen became a cause for concern.

In the medical environment industry, the remuneration for medical services was positively changed for the first time in ten years, and the business environment surrounding medical institutions is expected to improve. However, concern that patients may become less likely to seek medical treatment posed by the self-pay ratio increased, the future of the industry still remains uncertain.

Under such circumstances, the Group posted consolidated net sales of 64,070 million yen (up 5.0% on a year-to-year basis), operating income of 5,892 million yen (up 46.2% on a year-to-year basis), ordinary income of 5,969 million yen (up 41.4% on a year-to-year basis) and a net income of 3,565 million yen (up 69.3 % on a year-to-year basis) in the third quarter.

#### A. Physiological diagnostic equipment segment

Sales of electrocardiographs and vascular screening systems continued to increase.

Sales of database system products increased due to the recovery of capital investment of the hospitals caused by the revision of the official reimbursement prices.

As a result, consolidated net sales were 17,194 million yen (up 7.4% on a year-to-year basis).

#### B. Patient monitoring equipment segment

Sales continued to increase due to the release of new products.

As a result, consolidated net sales were 5,072 million yen (up 24.3% on a year-to-year basis).

#### C. Medical treatment equipment segment

The business of renting medical equipment for home treatment continued to increase. But the sales of ventilators decreased due to the backlash of demand for the new type of influenza during last fiscal year.

The sales of pacemakers decreased though the number of sales remained roughly constant due to the revisions of the official reimbursement prices.

Sales of Automated External Defibrillators (AEDs) showed a slight recovery during the third quarter.

As a result, consolidated net sales were 27,378 million yen (up 0.5% on a year-to-year basis).

#### D. Consumables and other products segment

In this segment, we mainly handle recording paper, disposable electrodes, and consumables used for devices handled by the above segments, as well as maintenance and repair services.

Consolidated net sales for this segment were 14,425 million yen (up 5.3% on a year-to-year basis).

### (2) Qualitative information about consolidated financial situation

Total assets were 98,820 million yen at the end of the third quarter under review, down 4,088 million yen from the end of the previous fiscal year.

The main factors are a decrease of 5,458 million yen in “cash and deposits” and a decrease of 4,744 million yen in “trade notes and account receivable” despite an increase of 4,922 million yen in “investment and other assets”.

Liabilities amounted to 23,670 million yen, down 3,189 million yen from the end of the previous fiscal year.

This is primarily because of a decrease of 2,283 million yen in “trade notes and account payable” and a decrease of 681 million yen in “allowance for bonuses to employees” despite an increase of 372 million yen in “long-term borrowings”

Net assets were 75,150 million yen, down 899 million yen from the end of the previous fiscal year.

The decrease is primarily because of an increase of 2,546 million yen in “treasury stock” and a decrease of 403 million yen in “evaluation difference on other securities” despite an increase of 2,082 million yen in “retained earnings”.

(3) Qualitative information about consolidated earnings forecast

We have amended the forecast of the net income for the full fiscal year ending March 2011 released on October 22<sup>nd</sup>, 2010 from 3,750 million yen to 4,300 million yen due to the steady sales achievement till the third quarter.

The forecasted financial results described in this material are based on information available as of January 31<sup>st</sup>, 2011. Actual results may differ from the results projected and presented hereby for a variety of reasons.

2. Other information

(1) Change in significant subsidiaries during the year under review

Not applicable.

(2) Application of a simplified and specified accounting procedure

(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) Specific accounting procedure

Not applicable.

(3) Change in accounting principles, procedures, and presentation

(i) Application of accounting standards - Accounting standards related to asset retirement obligations

From this first quarter of the consolidated accounting period, we have applied the "Accounting standards related to asset retirement obligations" (Accounting Standards Board of Japan (ASBJ) Statement No. 18, March 31<sup>st</sup>, 2008) and the "Guidelines for the application of accounting standards related to asset retirement obligations" (ASBJ Guidance No. 21, March 31<sup>st</sup>, 2008).

The influence on the operating income, ordinary income and quarterly net income before taxes according to this revision is negligible.

(ii) Changes in accounting policies - Allowance for product warranty

Previously, the expenses for the free repair were booked as they arose. Following the implementation of the ERP system, it has been made possible to make a reasonable estimation of the expenses to be incurred in the future on the basis of the previous records of such expenses. To optimize the period of profit/loss and make the financial structure healthier, the estimated amount of expenses to be incurred in the future was reserved as allowance starting from the consolidated fiscal year under review.

The influence on the gross profit, operating income, ordinary income and quarterly net income before taxes according to this revision is negligible.

As a reasonable estimation of the above expenses was made possible at the end of the previous consolidated fiscal year, allowance for product warranty was not calculated for the previous third quarter of the consolidated fiscal year.

### 3. Consolidated quarterly financial statements

#### (1) Consolidated quarterly balance sheets

(Million yen)

	End of the consolidated third quarter under review (as of December 31 <sup>st</sup> , 2010)	Summarized balance sheets related to the previous fiscal year (as of March 31 <sup>st</sup> , 2010)
<b>Assets</b>		
Current assets		
Cash and deposits	23,171	28,630
Trade notes and account receivable	19,338	24,082
Securities	1,199	1,099
Merchandise and products	7,540	6,920
Work in progress	139	86
Raw materials and supplies	1,729	1,664
Other	3,847	3,015
Allowance for doubtful accounts	(54)	(212)
<b>Total current assets</b>	<b>56,911</b>	<b>65,285</b>
Fixed assets		
Tangible fixed assets	19,935	20,144
Intangible fixed assets	1,915	2,344
Investments and other assets		
Other	20,373	15,405
Allowance for doubtful accounts	(15)	(18)
Allowance for investment loss	(300)	(251)
<b>Total investments and other assets</b>	<b>20,057</b>	<b>15,134</b>
<b>Total fixed assets</b>	<b>41,908</b>	<b>37,623</b>
<b>Total assets</b>	<b>98,820</b>	<b>102,909</b>
<b>Liabilities</b>		
Current liabilities		
Trade notes and account payable	11,553	13,836
Short-term borrowings	1,600	1,950
Income tax payable, etc.	1,454	1,497
Allowance for bonuses to employees	972	1,654
Allowance for product warranty	271	303
Other allowances	88	117
Other	2,839	2,834
<b>Total current liabilities</b>	<b>18,779</b>	<b>22,195</b>
Long-term liabilities		
Long-term borrowings	372	—
Allowance for retirement benefits	3,225	3,397
Other allowances	173	173
Other	1,119	1,094
<b>Total long-term liabilities</b>	<b>4,890</b>	<b>4,664</b>
<b>Total liabilities</b>	<b>23,670</b>	<b>26,859</b>

	End of the consolidated third quarter under review (as of December 31 <sup>st</sup> , 2010)	Summarized balance sheets related to the previous fiscal year (as of March 31 <sup>st</sup> , 2010)
Net assets		
Shareholders' equity		
Common stock	4,621	4,621
Capital surplus	9,982	9,982
Retained earnings	65,757	63,674
Treasury stock	(5,047)	(2,501)
Total shareholders' equity	75,313	75,777
Valuation and translation adjustments		
Evaluation difference on other securities	8	411
Foreign currency translation adjustment account	(171)	(139)
Total valuation and translation adjustments	(163)	272
Total net assets	75,150	76,049
Total liabilities and net assets	98,820	102,909



## (2) Consolidated quarterly statements of income (Third quarter of the consolidated term)

(Million yen)

	Third quarter of the previous consolidated term (from April 1 <sup>st</sup> , 2009 to December 31 <sup>st</sup> , 2009)	Third quarter of the consolidated term (from April 1 <sup>st</sup> , 2010 to December 31 <sup>st</sup> , 2010)
Net sales	61,030	64,070
Cost of sales	32,397	33,707
Gross profit	28,632	30,362
Selling, general and administrative expenses	24,602	24,470
Operating income	4,030	5,892
Non-operating income		
Interest income	15	29
Dividend income	151	121
Foreign exchange profit	17	—
Other	95	160
Total non-operating income	279	311
Non-operating expenses		
Interest expenses	22	15
Foreign exchange losses	—	58
Provision of allowance for investment loss	—	48
Loss of investment in partnership	54	88
Other	10	23
Total non-operating expenses	87	234
Ordinary income	4,222	5,969
Extraordinary gains		
Gains on sale of fixed assets	4	1
Gains on sale of investment securities	—	63
Gains on reversal of allowance for doubtful accounts	56	155
Gains on insurance surrender	270	195
Gain on insurance adjustment	33	—
Other	2	13
Total extraordinary gains	367	429
Extraordinary losses		
Loss on prior period adjustment	129	—
Losses on sale of fixed assets	0	6
Losses on disposal of fixed assets	14	10
Impairment losses	5	2
Loss on valuation of investment securities	665	8
Losses on application of accounting standards related to asset retirement obligations	—	21
Other	51	2
Total extraordinary losses	866	52
Quarterly net income before taxes	3,723	6,347
Corporate, inhabitants' and enterprise taxes	1,598	2,866
Corporate tax adjustments	18	(84)
Total income taxes	1,617	2,781
Quarterly net income before minority interests in earnings of consolidated subsidiaries	—	3,565
Minority interests in earnings of consolidated subsidiaries	0	—
Net income	2,105	3,565

- (3) Note concerning premise of going concern  
Not applicable.

- (4) 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 Companies Act of Japan applied as mutatis mutandis stipulated under the Article 165(3) of the same Law during its meeting held on November 4<sup>th</sup>, 2010, and as of November 5<sup>th</sup>, 2010, 1,271,300 common shares have been acquired through a fixed price trading at J-NET Market of Osaka Securities Exchange which amounted to 2,546 million yen.

As a result, the treasury stocks were 5,047 million yen in the third quarter.