

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

November 2, 2009

Listing: JASDAQ

Company name: Fukuda Denshi Co., Ltd.

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Scheduled date for filing the quarterly report: November 9, 2009

Scheduled date for commencement of dividend payment: December 4, 2009

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the Second quarter of the year ending March 2010 (April 1, 2009 through September 30, 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	%
Second quarter of the year ending March 31, 2010	41,578	(2.9)	2,803	(9.6)	2,901	(8.4)	1,114	(32.8)
Second quarter of the year ended March 31, 2009	42,813	—	3,101	—	3,166	—	1,658	—

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending March 31, 2010	58.56	—
Second quarter of the year ended March 2009	86.19	—

(2). Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Second quarter of the year ending March 2010	98,030	74,466	76.0	4,032.17
Year ended March 2009	101,200	74,795	73.9	3,885.41

(Reference) Shareholders' equity:

Second quarter of the year ending March 2010: 74,466 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
	yen	yen	yen	yen	yen
Year ended March 2009	—	40.00	—	40.00	80.00
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)	147.17

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): None

(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 in 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 in 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)

Second 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:

Second quarter of the year ending March 2010: 1,119,911 shares

Year ended March 2009: 339,945 shares

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

Second quarter of the year ending March 2010: 19,025,133 shares

Second quarter of the year ended March 2009: 19,247,875 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 November 2, 2009. 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" in the "Qualitative Information and Financial Statements" section on page 5.

Qualitative Information and Financial Statements

1. Qualitative Information about consolidated operating results

During the second quarter under review, the Japanese economy remained mired in a deep slump as the unemployment rate worsened thus reducing employment and household incomes, though the signs of a mild recovery could be seen in some industries.

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 41,578 million yen (down 2.9% year-on-year), operating income of 2,803 million (down 9.6%), ordinary income of 2,901 million yen (down 8.4%) and a net income of 1,114 million yen (down 32.8 %) in the second quarter to date.

(i) Physiological diagnostic equipment segment

Sales of vascular screening systems, blood cell counters, and air sterilization and deodorization equipment (partly driven by an increased demand due to the new types of influenza) continued to increase, but sales of electrocardiographs and ultrasound diagnostic imaging systems declined. As a result, consolidated net sales were 10,783 million yen (down 7.2% year-on-year).

(ii) Patient monitoring equipment segment

Sales increased both domestically and abroad. As a result, consolidated net sales were 2,412 million yen (up 3.4% year-on-year).

(iii) Medical treatment equipment segment

The business of renting medical equipment for home treatment and the sales of pacemakers remained sturdy. Sales of Automated External Defibrillators (AEDs) declined, affected by the business downturn.

Sales of ventilators declined as the anticipated increase due to the new types of influenza was not realized in the second quarter under review, and the demand for them on rental rather than for purchase grew for both new and replaced equipment.

As a result, consolidated net sales were 17,479 million yen (down 4.7% 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 10,903 million yen (up 3.6% year-on-year).

2. Qualitative information about consolidated financial situation

Total assets were 98,030 million yen at the end of the second quarter under review, down 3,169

million yen from the end of the previous fiscal year.

The main factors are a decline of 3,622 million yen in trade notes and accounts receivable and a decrease of 699 million yen in merchandise and products despite an increase of 302 million yen in tangible fixed assets and an increase of 987 million yen in investments and other assets.

Liabilities amounted to 23,564 million yen, down 2,840 million yen from the end of the previous fiscal year.

This is primarily because of a decrease of 825 million yen in trade notes and accounts payable, a decrease of 700 million yen in short-term borrowings, and a decrease of 660 million yen in income tax payable, etc. despite an increase of 182 million yen in allowance for retirement benefits.

Net assets were 74,466 million yen, down 329 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 335 million yen in retained earnings and an increase of 1,044 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 or reduction in the number 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):

Not applicable.

(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 694 million yen and gross profit increased by the same amount for the second quarter under review compared with the figures under the previous method, while operating income and ordinary income each declined 23 million yen due to an increase of 717 million yen in selling, general and administrative expenses.

Quarterly net income before taxes decreased 152 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 second quarter, is recorded as an independent item in the second 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 second quarter was 28 million yen.

5. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Million yen)

	End of the consolidated second quarter under review (as of September 30, 2009)	Summarized balance sheets related to the previous fiscal year (as of March 31, 2009)
Assets		
Current assets		
Cash and deposits	28,152	28,224
Trade notes and accounts receivable	19,696	23,319
Securities	998	999
Merchandise and products	7,783	8,483
Work in progress	50	44
Raw materials and supplies	1,637	1,642
Other	3,086	2,951
Allowance for doubtful accounts	(199)	(243)
Total current assets	61,205	65,421
Fixed assets		
Tangible fixed assets	20,277	19,975
Intangible fixed assets	2,424	2,668
Investments and other assets		
Other	14,139	13,151
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	14,122	13,134
Total fixed assets	36,824	35,778
Total assets	98,030	101,200
Liabilities		
Current liabilities		
Trade notes and accounts payable	11,575	12,401
Short-term borrowings	2,166	2,866
Income tax payable, etc.	1,036	1,697
Allowance for bonuses to employees	1,653	1,739
Other allowances	56	116
Other	2,382	3,043
Total current liabilities	18,871	21,865
Long-term liabilities		
Long-term borrowings	19	50
Allowance for retirement benefits	3,412	3,230
Other allowances	166	192
Negative goodwill	—	0
Other	1,093	1,065
Total long-term liabilities	4,692	4,538
Total liabilities	23,564	26,404

	End of the consolidated second quarter under review (as of September 30, 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	62,029	61,693
Treasury stock	(2,501)	(766)
Total shareholders' equity	<u>74,131</u>	<u>75,531</u>
Valuation and translation adjustments		
Evaluation difference on other securities	448	(595)
Foreign currency translation adjustment account	(113)	(149)
Total valuation and translation adjustments	<u>334</u>	<u>(745)</u>
Minority interests	—	9
Total net assets	<u>74,466</u>	<u>74,795</u>
Total liabilities and net assets	<u>98,030</u>	<u>101,200</u>

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

(Million yen)

	Second quarter of the previous consolidated term (from April 1, 2008 to September 30, 2008)	Second quarter of the consolidated term (from April 1, 2009 to September 30, 2009)
Net sales	42,813	41,578
Cost of sales	24,121	22,305
Gross profit	18,691	19,272
Selling, general and administrative expenses	15,590	16,469
Operating income	3,101	2,803
Non-operating income		
Interest income	11	8
Dividend income	91	85
Foreign exchange profit	—	13
Other	149	68
Total non-operating income	251	175
Non-operating expenses		
Interest expenses	31	15
Foreign exchange losses	120	—
Loss on investment in partnership	—	54
Other	35	7
Total non-operating expenses	187	77
Ordinary income	3,166	2,901
Extraordinary gains		
Gains on sale of fixed assets	5	3
Gain on insurance adjustment	—	33
Gains on insurance surrender	100	170
Gains on reversal of allowance for doubtful accounts	21	43
Other	1	2
Total extraordinary gains	128	253
Extraordinary losses		
Losses on sale of fixed assets	3	0
Losses on disposal of fixed assets	111	12
Loss on valuation of investment securities	139	680
Impairment losses	13	4
Loss on prior period adjustment	—	129
Other	1	7
Total extraordinary losses	270	834
Quarterly net income before taxes	3,024	2,320
Corporate, inhabitants' and enterprise taxes	1,448	1,228
Corporate tax adjustments	(83)	(22)
Total income taxes	1,364	1,205
Minority interests in earnings of consolidated subsidiaries	1	0
Net income	1,658	1,114

(3) Note concerning premise of going concern

Not applicable.

(4) Segment information

(Segment information by business type)

Second quarter of the consolidated term under review (from April 1, 2009 to September 30, 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)

Second quarter of the consolidated term under review (from April 1, 2009 to September 30, 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)

Second quarter of the consolidated term under review (from April 1, 2009 to September 30, 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 the resolution on the acquisition of Fukuda Denshi's own shares under the Article 156 of the Corporation Law of Japan applied as mutatis mutandis pursuant to 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.