



February 7th, 2012

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Notification Regarding the Disposal of Treasury Stock **by Third-Party Allotment**

At the meeting of the Board of Directors held on February 7th, 2012, Fukuda Denshi Co., Ltd., (hereinafter “the Company”) resolved to dispose of treasury stock by means of third-party allotment.

1. Overview of the disposal

| | |
|----------------------------------------|-----------------------------------------------------|
| (1) Date of disposal | March 2 nd , 2012 |
| (2) Number of shares being disposed of | 50,000 common shares |
| (3) Price per share | ¥2,274 per share |
| (4) Total funds being procured | ¥113,700,000 |
| (5) Subscription/disposal method | Third-party allotment |
| (6) Allottee | Trust & Custody Services Bank, Ltd. (Trust Account) |
| (7) Other | Not applicable |

2. Purpose and reasons for the disposal

At Board of Directors’ meeting on November 14th, 2011, a resolution was made to introduce an employee stock ownership plan (J-ESOP) (hereinafter “the Plan”). At Board of Directors’ meeting on February 7th, 2011, the Board of Directors resolved the schedule and the details of the Plan. (Please refer to the “Notification Regarding Introduction of “Stock Benefit Trust (J-ESOP)”” (February 7th, 2012))

This disposal of treasury stock is to be executed through third-party allotment to the Trust & Custody Services Bank, Ltd. (Trust Account) (a re-entrustee that is re-entrusted by Mizuho Trust & Banking Co., Ltd.)

3. Amount, use, and anticipated timing of use of funds procured

(1) Amount of funds being procured (estimated net amount after expenses, etc.)

Total amount of disposal: ¥113,700,000

Estimated issue expenses: -

Estimated net amount after expenses: ¥113,700,000

(2) Specific use of the funds

While the funds acquired through the disposal of treasury stock will be used for purposes including investment in R&D for the development of future new businesses, the specific targets, amounts, and timing of investments are presently undecided.

The funds will be managed in the Company's bank account until they are used for the above purpose.

4. View on reasonableness of use of funds.

The Company believes that the planned use of the funds procured is reasonable, as it will contribute to the operation of the company's business.

5. Reasonableness of disposal terms and conditions

(1) Basis for and details of calculation of amount to be paid

Regarding calculation of the disposal price, the Company thought that objectivity should be emphasized so that the considerations were made on the basis of the market price for the Company's common stock, while taking into account the fact that the Company's common stock is listed and that acquisition of treasury stock by listed companies is generally conducted by purchasing shares on a financial instruments exchange.

As a result, the amount to be paid per share is set at ¥2,274, which is the average closing price, rounded down to the nearest yen, of the Company's shares on the Osaka Securities Exchange in the one-month leading up to the business day immediately preceding the board meeting at which the resolution for this disposal was made (from January 10th, 2012 to February 6th, 2012)

The reason for using the average share price for the one-month leading up to the business day immediately preceding the board meeting is because the Company believes that choosing the average share price over a given period rather than the share price at a particular point in time removes extraordinary factors such as the impact of temporary share price fluctuations, and is therefore a highly objective and reasonable basis for calculating the amount to be paid.

The price per share ¥2,274 represents a 2.3% discount rate on the closing price (¥2,328) of the Company's shares on the business day (February 6th, 2012) immediately preceding the board meeting resolution (February 7th, 2012), a premium of 2.1% to the average closing price (¥2,227) rounded down to the nearest yen over the three month period (November 7th, 2011 to February 6th, 2012) preceding the business day immediately before the board meeting resolution, and a premium of 0.7% to the average closing price (¥2,258) rounded down to the nearest yen for the six-month period (August 8th, 2011 to February 6th, 2012) preceding the business day before the board meeting. The Company therefore believes that the price is reasonable and is not especially favorable to the company.

The board auditors (of the four auditors, two are outside auditors) expressed their consensus opinion that the above amount to be paid per share was not especially favorable to the company.

(2) Basis of assessing that the number of shares being disposed of and level of share dilution are reasonable

The amount of treasury stock for disposal will correspond to the total number of shares scheduled to be provided as benefits in a year, which is calculated based on the number of shares granted under the equity benefits regulations and the number of scheduled beneficiaries on the date of entrustment. The number of shares to be disposed of equates to 0.26% of outstanding shares (19,588,000) (0.29% of the 171,837 shares carrying voting rights as of September 30th, 2011) which is minimal.

Additionally, shares are provided as benefits under this system upon retirement of employees of the Company and its Group companies that have business offices in Japan (“the Employees” and “the Group”) slowly over a long period of time, which are unlikely to flow into the market in large quantities and have much impact on the market. Moreover, this disposal of treasury stock is intended to further motivate the Employees to work and encourage their interest in the Company’s share value by providing them with a new benefit service and to help retain high-quality human resources. This will increase the Group’s corporate value, and the degree of dilution is considered reasonable.

6. Reason for selection of allottee

(1) Overview of the allottee

1) Name: Trust & Custody Services Bank, Ltd. (Trust Account)

2) Content of the trust agreement (stock benefit trust agreement)

Trustor: Fukuda Denshi Co., Ltd.

Trustee: Mizuho Trust & Banking Co., Ltd.

Mizuho Trust & Banking Co., Ltd. will enter into a comprehensive trust agreement with the Trust & Custody Services Bank, Ltd. on March 2nd, 2012, and will become the re-entrustee.

Beneficiaries: A person who has acquired the rights according to the equity benefits regulation

Type of trust: Money entrust other than money trust

Trust agreement date: March 2nd, 2012 (Scheduled)

Trust period: from March 2nd, 2012 (Scheduled) to the end of the Plan

Purpose of trust: Delivery of profits gained from property such as the Company’s shares to the beneficiary based on the equity benefits regulations.

Trust property: The Company’s shares and money

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| (1) Name | Trust & Custody Service Bank, Ltd. (Trust Account) |
| (2) Address | Tower Z, Harumi Triton Square Harumi 1-8-12, Chuo-ku, Tokyo |
| (3) Name and position of representative | Hitoshi Maeda, President & CEO |
| (4) Business description | Master trust business, administration of securities assets, management of assets of defined contribution pension plans |
| (5) Capital | 50,000 million yen |

| | | | |
|---------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|-------------------------------|
| (6) Date established | January 22 nd , 2001 | | |
| (7) Number of shares issued | 1,000,000 shares | | |
| (8) Fiscal year | March 31 st | | |
| (9) Number of employees | 500 (As of March 31 st , 2011) | | |
| (10) Main business partners | Business corporations, financial institutions | | |
| (11) Main banks | - | | |
| (12) Major shareholders and shareholding ratio | Mizuho Financial Group, Inc. | 54% | |
| | The Dai-ichi Life Insurance Company, Limited | 23% | |
| | ASAHI MUTUAL LIFE INSURANCE CO. | 10% | |
| (13) Relationship of the parties | Capital relationship: N.A. | | |
| | Personnel relationship: N.A. | | |
| | Business relationship: N.A. | | |
| | Ties to related parties: N.A. | | |
| (14) Business results and financial conditions over the last three fiscal years | | | |
| Fiscal year ended | March 31 st , 2009 | March 31 st , 2010 | March 31 st , 2011 |
| Net assets | 55,627 million yen | 56,031 million yen | 56,392 million yen |
| Total assets | 734,193 million yen | 643,625 million yen | 666,356 million yen |
| Net assets per share | 55,627 yen | 56,031 yen | 56,392 yen |
| Ordinary revenue | 25,755 million yen | 22,351 million yen | 21,939 million yen |
| Ordinary income | 3,251 million yen | 1,281 million yen | 984 million yen |
| Net income | 1,915 million yen | 749 million yen | 557 million yen |
| Net income per share | 1915.92 yen | 749.63 yen | 557.14 yen |
| Dividends per share | 380.00 yen | 150.00 yen | 110.00 yen |

*The Company has confirmed that the allottee, its executives and major shareholders (investors) do not have any relationship with anti-social powers, and has submitted written confirmation of this to Osaka Securities Exchange Co., Ltd.

3) Relationships between the listed company and the allottee

The Company has no capital ties, personal ties or business relations with the allottee. Neither is the allottee a related party of the Company.

(2) Reason for selecting the allottee

In line with the introduction of the Plan, the Company will dispose of treasury stock to a trust account established by the Plan's re-entrustee, the Trust & Custody Services Bank, Ltd., based on the trust agreement mentioned above.

(3) Allottee's policy on holding shares

The allottee, the Trust & Custody Services Bank, Ltd. (Trust Account), pursuant to the agreement concerning re-entrustment, will hold assets for the duration of the trust period to provide them to the beneficiaries under the equity benefits regulations.

If the allottee transfers all or part of the disposed of shares in a two-year period from the payment date (March 2nd, 2012), the allottee informally consents to concluding a pledge agreement with the Company, under which the allottee shall immediately report to the Company in writing the purchaser's name and address, the number of shares transferred the transfer date, price, reason, methods and so forth, the Company shall report the details of that report to the Osaka Securities Exchange Co., Ltd., and the details of the report shall be made available for public inspection.

(4) Confirmation that the allottee has the funds necessary for payment

The moneys corresponding to the funds that must be paid to the disposed stock recipient are confirmed in the trust agreement, which states that the moneys will exist in the trust assets as of the allocation date from the original trust money provided by the Company as stated in "Notification Regarding Introduction of Stock Benefit Trust (J-ESOP)."

7. Major shareholders and shareholding ratio following the disposal

| Before disposal (as of September 30 th , 2011) | | After disposal | |
|-----------------------------------------------------------|--------|--------------------------------|--------|
| Atomic Sangyo | 12.69% | Atomic Sangyo | 12.69% |
| Tokyo Enterprise | 7.99% | Tokyo Enterprise | 7.99% |
| TCSB (Tokyo Tomin Bank) | 4.37% | TCSB (Tokyo Tomin Bank) | 4.37% |
| Mizuho Bank | 3.97% | Mizuho Bank | 3.97% |
| Nippon Life Ins. | 3.84% | Nippon Life Ins. | 3.84% |
| Bank of New York Treaty Jasdec | 3.79% | Bank of New York Treaty Jasdec | 3.79% |
| Bank of Tokyo-Mitsubishi UFJ | 3.70% | Bank of Tokyo-Mitsubishi UFJ | 3.70% |
| Junko Fukuda | 2.80% | Junko Fukuda | 2.80% |
| Kotaro Fukuda | 2.71% | Kotaro Fukuda | 2.71% |
| Hokuriku Bank | 2.55% | Hokuriku Bank | 2.55% |

*1 Ownership ratio is calculated from percentage of number of shares owned to number of shares outstanding. (Decimals rounded to the second decimal place)

*2 Major shareholders and ownership ratio after disposal are based on the register of shareholders as of September 30th, 2011.

*3 The Company acquired treasury stock (1,400,000 shares) on December 14th, 2011, please refer to press release "Notice for acquisition of treasury stock and tender offer" (November 14th, 2011) and "Notification regarding result and completion of acquisition of treasury stock and tender offer of treasury stock" (December 14th, 2011).

*4 Treasury stock (3,791,455 shares as of January 31st, 2012) following the disposal will be 3,741,455 shares.

8. Outlook for the future

The impact on the earnings forecast for the fiscal year ending March 31st, 2012 is expected to be minimal.

(Matters concerning procedures under the Code of Corporate Conduct)

Since the stock dilution resulting from this transaction is less than 25% and this disposal does not cause a change in a controlling shareholder, it is not required to obtain an opinion from an independent third party and to confirm the intent of shareholders as prescribed in Article 2 of the Code of Corporate Conduct prescribed by Osaka Securities Exchange Co., Ltd.

9. Business results and equity finance position for the past three fiscal years

(1) Results for the past three years (Consolidated)

| Fiscal year ended | March 31 st , 2009 | March 31 st , 2010 | March 31 st , 2011 |
|----------------------|-------------------------------|-------------------------------|-------------------------------|
| Net Sales | 89,551 million yen | 88,147 million yen | 90,169 million yen |
| Operating income | 6,719 million yen | 6,999 million yen | 8,022 million yen |
| Ordinary income | 6,711 million yen | 7,006 million yen | 8,039 million yen |
| Net income | 3,770 million yen | 3,498 million yen | 4,111 million yen |
| Net income per share | 195.88 yen | 186.40 yen | 228.66 yen |
| Dividends per share | 80.00 yen | 80.00 yen | 80.00 yen |
| Net assets per share | 3,885.41 yen | 4,117.89 yen | 4,397.55 yen |

(2) Number of issued shares and number of potential shares

| | Number of shares | Percentage of issued shares |
|---------------------------------------------------------------------------|------------------|-----------------------------|
| Number of issued shares | 19,588,000 | 100% |
| Number of potential shares at current convention price (strike price) | - | - |
| Number of potential shares at lower limit conversion price (strike price) | - | - |
| Number of potential shares at upper limit conversion price (strike price) | - | - |

(3) Recent stock price

1) Recent three years

| Fiscal year ended | March 31 st , 2009 | March 31 st , 2010 | March 31 st , 2011 |
|-------------------|-------------------------------|-------------------------------|-------------------------------|
| Opening price | 2,480 yen | 1,904 yen | 2,160 yen |
| High | 2,765 yen | 2,880 yen | 2,790 yen |
| Low | 1,735 yen | 1,798 yen | 1,985 yen |
| Closing price | 1,915 yen | 2,160 yen | 2,565 yen |

2) Recent six month

| | August | September | October | November | December | January |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening price | 2,409 yen | 2,345 yen | 2,305 yen | 2,320 yen | 2,166 yen | 2,199 yen |
| High | 2,430 yen | 2,355 yen | 2,378 yen | 2,327 yen | 2,240 yen | 2,329 yen |
| Low | 2,221 yen | 2,202 yen | 2,235 yen | 2,111 yen | 2,166 yen | 2,175 yen |
| Closing price | 2,298 yen | 2,350 yen | 2,320 yen | 2,190 yen | 2,183 yen | 2,327 yen |

3) Stock price on the business day preceding the disposal resolution

| | February 6 th , 2012 |
|---------------|---------------------------------|
| Opening price | 2,309 yen |
| High | 2,328 yen |
| Low | 2,309 yen |
| Closing price | 2,328 yen |

(4) Equity finance position during the recent three years

Not applicable.

10. Overview of the disposal

- (1) Disposal date: March 2nd, 2012 (Scheduled)
- (2) Application date: March 2nd, 2012 (Scheduled)
- (3) Number of shares being disposed of: 50,000 shares
- (4) Price per share: ¥2,274
- (5) Total funds being procured: ¥113,700,000
- (6) Disposal method: Third-party allotment
- (7) Treasury stock following the disposal: 3,741,455 shares