



February 28th, 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 28th, 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 15 th , 2012
(2) Number of shares being disposed of	200,000 common shares
(3) Price per share	¥2,333 per share
(4) Total funds being procured	¥466,600,000
(5) Subscription/disposal method	Third-party allotment
(6) Allottee	The 77 bank, Ltd.
(7) Other	Not applicable

2. Purpose and reasons for the disposal

Since its establishment Fukuda Denshi has had a philosophy of contributing to medical progress through the development of medical electronic equipment to fulfill our social mission. We have greatly contributed to the advancement of people’s health through the production and sales of a wide range of medical equipment centering on cardiovascular and respiratory systems.

We consider that increasing the number of stable shareholders who hold shares of the Company in the medium to long term is an important task for the Company to continue its corporate management.

At the Board of Directors’ meeting on September 28th, 2011, a resolution to build a new factory in Taiwa-cho, Miyagi Prefecture, as a production site in preparation for the expansion of the Company’s business in the future and to relocate all functions of Fukuda Denshi Tagajo Laboratory, a member of the Fukuda Denshi Group, to the new site was passed. Long-term ownership of the Company’s shares by The 77 Bank, Ltd., that already has business with our Group companies would serve the above objective of retaining stable shareholders and strengthening the Company’s relationships with financial business partners. For this reason, the Company has passed the resolution on the disposal of treasury stock.

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: ¥466,600,000

Estimated issue expenses: -

Estimated net amount after expenses: ¥466,600,000

(2) Specific use of the funds

The disposal aims to strengthening the Company's relationships with the allottee and strengthening the Company's financial basis based on the management strategy. The funds acquired through the disposal of treasury stock will be used for a variety of purposes that contribute to business operations after March 2012.

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 ¥2,333, 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 30th, 2012 to February 27th, 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 ¥2,333 represents a 3.2% discount rate on the closing price (¥2,410) rounded down to the nearest yen of the Company's shares on the business day (February 27th, 2012) immediately preceding the board meeting resolution (February 28th, 2012), a premium of 3.6% to the average closing price (¥2,252) rounded down to the nearest yen over the three month period (November 28th, 2011 to February 27th, 2012) preceding the business day immediately before the board meeting resolution, and a

premium of 2.8% to the average closing price (¥2,270) rounded down to the nearest yen for the six-month period (August 29th, 2011 to February 27th, 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 number of shares to be disposed of equates to 1.02% of outstanding shares (19,588,000) (1.16% of the 171,837 shares carrying voting rights as of September 30th, 2011) which is minimal.

Additionally, by retaining stable shareholders and strengthening the Company's relationships with financial business partners, it 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	The 77 bank, Ltd.	
(2) Address	3-20, Chuo 3-chome, Aoba-ku Sendai, Miyagi	
(3) Name and position of representative	Teruhiko Ujiie, President	
(4) Business description	Deposit, lending, domestic exchange, foreign exchange, securities investment, financial futures transactions, etc.	
(5) Capital	24,658 million yen (As of September 30 th , 2011)	
(6) Date established	December 9 th , 1878	
(7) Number of shares issued	383,278,734 shares (As of September 30 th , 2011)	
(8) Fiscal year	March 31 st	
(9) Number of employees	2,882 (As of September 30 th , 2011)	
(10) Main business partners	Business corporations, financial institutions	
(11) Main banks	-	
(12) Major shareholders and shareholding ratio (As of September 30 th , 2011)	Meiji Yasuda Life Insurance Company	4.93%
	The Bank of Tokyo-Mitsubishi UFJ, LTD	4.23%
	Nippon Life Insurance Company	4.02%
	Sumitomo Life Insurance Company	4.02%
(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	292,124 million yen	346,513 million yen	296,495 million yen
Total assets	5,609,290 million yen	5,874,285 million yen	6,188,974 million yen
Net assets per share	770.13 yen	913.29 yen	790.06 yen
Ordinary revenue	130,399 million yen	103,200 million yen	99,142 million yen
Ordinary income	12,632 million yen	18,409 million yen	16,062 million yen
Net income	7,745 million yen	11,668 million yen	(30,634 million yen)
Net income per share	20.41yen	30.76yen	(80.81 yen)
Dividends per share	7.00 yen	7.00 yen	6.00 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.

1) 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

We consider that increasing the number of stable shareholders who hold shares of the Company in the long term is an important task for the Company to continue its corporate management.

Long-term ownership of the Company's shares by The 77 Bank, Ltd., that already has business with our Group companies would serve the above objective of retaining stable shareholders and strengthening the Company's relationships with financial business partners. For this reason, the Company has passed the resolution on the disposal of treasury stock.

(3) Allottee's policy on holding shares

The Company has confirmed that The 77 Bank, Ltd., that plans to purchase the Company's treasury stock intends to hold the shares continuously over a long term based on its policy of holding the Company's shares acquired through third-party allocation with a view to building a cooperative relationship with the Company.

If the allottee transfers all or part of the disposed of shares in a two-year period from the payment date, 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 Company has received a report from The 77 Bank., Ltd., the scheduled recipient of the treasury stock, that the Bank plans to use its own funds to pay for this third-party allocation of shares. Based on the

quarterly Balance Sheets and Statements of Income submitted by the Bank on February 9th, 2012, the Company considers that the outlook for the Bank's management performance is satisfactory and a stable financial position is evidently maintained. The Company has also confirmed that the Bank's cash and cash equivalent balance on the scheduled payment date (March 15th, 2012) is expected to exceed the amount required for the payment for the third-party allocation of shares and, therefore, considers that there will be no problem with the funds required for the payment.

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 The Company announced the disposal of treasury stock by third-party allotment along with the introduction of an employee stock ownership plan (J-ESOP) on February 7th, 2012, and announced the disposal of 50,000 shares from the treasury stock.

*5 Treasury stock (3,791,515 shares as of February 22nd, 2012) following the disposal will be 3,541,515 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	100.00%
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

	2011					2012
	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 27 th , 2012
Opening price	2,392 yen
High	2,420 yen
Low	2,392 yen
Closing price	2,410 yen

(4) Equity finance position during the recent three years.

(1) Date of disposal	March 2 nd , 2012
(2) Number of shares disposed	50,000 common shares
(3) Price per share	¥2,274 per share
(4) Total funds being procured	¥113,700,000
(5) Allottee	Trust & Custody Services Bank, Ltd.(Trust Account)
(6) Treasury stock before the disposal	3,791,515 shares
(7) Treasury stock following the disposal	3,741,515 shares

10. Overview of the disposal

- (1) Disposal date: March 15th, 2012 (Scheduled)
- (2) Application date: March 15th, 2012 (Scheduled)
- (3) Number of shares being disposed of: 200,000 shares
- (4) Price per share: ¥2,333
- (5) Total funds being procured: ¥466,600,000
- (6) Disposal method: Allotment to The 77 Bank., Ltd.
- (7) Treasury stock following the disposal: 3,541,515 shares