



November 30<sup>th</sup>, 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 November 30<sup>th</sup>, 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	December 17 <sup>th</sup> , 2012
(2) Number of shares being disposed of	80,000 common shares
(3) Price per share	¥2,394 per share
(4) Total funds being procured	¥191,520,000
(5) Subscription/disposal method	Third-party allotment
(6) Allottee	The Chiba Kogyo 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.

Long-term ownership of the Company’s shares by The Chiba Kogyo 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 at the Board of Directors’ meeting on November 30<sup>th</sup>, 2012.

### 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: ¥191,520,000

Estimated issue expenses: -

Estimated net amount after expenses: ¥191,520,000

(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 December 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 ¥2,394, 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 October 30<sup>th</sup>, 2012 to November 29<sup>th</sup>, 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 ¥2,394 represents a premium of 1.0% to the closing price (¥2,370) rounded down to the nearest yen of the Company's shares on the business day (November 29<sup>th</sup>, 2012) immediately preceding the board meeting resolution (November 30<sup>th</sup>, 2012), 1.3% discount rate on the average closing price (¥2,426) rounded down to the nearest yen over the three month period (August 30<sup>th</sup>, 2012 to November 29<sup>th</sup>, 2012) preceding the business day immediately before the board meeting resolution, and 2.1% discount rate on the average closing price (¥2,445) rounded down to the nearest yen for the six-month period (May 30<sup>th</sup>, 2012 to November 29<sup>th</sup>, 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 three auditors, one is outside auditor) 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 0.41% of outstanding shares (19,588,000) (0.52% of the 153,760\* shares carrying voting rights as of September 30<sup>th</sup>, 2012) 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.

\*except the voting rights of "Stock Benefit Trust (J-ESOP)"

## 6. Reason for selection of allottee

### (1) Overview of the allottee

(1) Name	The Chiba Kogyo Bank, Ltd.	
(2) Address	1-2, Saiwaicho 2-chome, Mihama-ku, Chiba	
(3) Name and position of representative	Shunichi Aoyagi, President(CEO)	
(4) Business description	Deposit, lending, sales and purchase of securities, securities investment, domestic exchange, foreign exchange, entrusted operation of company bonds and registration or related operations.	
(5) Capital	57,941 million yen	
(6) Date established	January 18 <sup>th</sup> , 1952	
(7) Number of shares issued	50,722,045 shares (As of September 30 <sup>th</sup> , 2012)	
(8) Fiscal year	March 31 <sup>st</sup>	
(9) Number of employees	1,413 (As of September 30 <sup>th</sup> , 2012)	
(10) Main business partners	Business corporations, financial institutions	
(11) Main banks	-	
(12) Major shareholders and shareholding ratio (As of September 30 <sup>th</sup> , 2012)	The Resolution and Collection Corporation	23.13%
	Mizuho Corporate Bank, LTD.	10.68%
	Mizuho Bank, LTD.	10.68%
	Meiji Yasuda Life Insurance Company	2.91%
(13) Relationship of the parties	Capital relationship: N.A.	
	Personnel relationship: N.A.	
	Business relationship: Transactions on deposit	
	Ties to related parties: N.A.	

(14) Business results and financial conditions over the last three fiscal years			
Fiscal year ended	March 31 <sup>st</sup> , 2010	March 31 <sup>st</sup> , 2011	March 31 <sup>st</sup> , 2012
Net assets	124,750 million yen	127,554 million yen	134,678 million yen
Total assets	2,215,010 million yen	2,256,208 million yen	2,312,063 million yen
Net assets per share	727.94 yen	783.56 yen	920.33 yen
Ordinary revenue	53,810 million yen	52,424 million yen	52,416 million yen
Ordinary income	6,301 million yen	6,736 million yen	9,859 million yen
Net income	5,432 million yen	7,436 million yen	8,066 million yen
Net income per share	79.20yen	118.76yen	131.19 yen
Dividends per share	-	-	-

\*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 Chiba Kogyo 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 Chiba Kogyo 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 Chiba Kogyo 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 November

22<sup>nd</sup>, 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 (December 17<sup>th</sup>, 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 <sup>th</sup> , 2012)		After disposal	
Atomic Sangyo	11.46%	Atomic Sangyo	11.46%
Tokyo Enterprise	8.00%	Tokyo Enterprise	8.00%
Nippon Life Ins.	3.84%	Nippon Life Ins.	3.84%
TCSB (Tokyo Tomin Bank)	3.83%	TCSB (Tokyo Tomin Bank)	3.83%
Mizuho Bank	3.83%	Mizuho Bank	3.83%
Bank of Tokyo-Mitsubishi UFJ	3.71%	Bank of Tokyo-Mitsubishi UFJ	3.71%
Kotaro Fukuda	2.71%	Kotaro Fukuda	2.71%
Hokuriku Bank	2.55%	Hokuriku Bank	2.55%
Mellon Bank Treaty Clients Omnibus	2.50%	Mellon Bank Treaty Clients Omnibus	2.50%
Employees' stock ownership association	1.90%	Employees' stock ownership association	1.90%

\*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 30<sup>th</sup>, 2012.

\*3 Treasury stock (4,199,095 shares as of October 30<sup>th</sup>, 2012, before deduction of 50,000 shares of "Stock Benefit Trust (J-ESOP)", the same hereinafter) following the disposal will be 4,119,095 shares.

#### 8. Outlook for the future

The impact on the earnings forecast for the fiscal year ending March 31<sup>st</sup>, 2013 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 <sup>st</sup> , 2010	March 31 <sup>st</sup> , 2011	March 31 <sup>st</sup> , 2012
Net Sales	88,147 million yen	90,169 million yen	92,524 million yen
Operating income	6,999 million yen	8,022 million yen	9,192 million yen
Ordinary income	7,006 million yen	8,039 million yen	9,423 million yen
Net income	3,498 million yen	4,111 million yen	5,266 million yen
Net income per share	186.40 yen	228.66 yen	311.84 yen
Dividends per share	80.00 yen	80.00 yen	95.00 yen
Net assets per share	4,117.89 yen	4,397.55 yen	4,886.46 yen

(2) Number of issued shares and number of potential shares (as of September 30<sup>th</sup>, 2012)

	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 <sup>st</sup> , 2010	March 31 <sup>st</sup> , 2011	March 31 <sup>st</sup> , 2012
Opening price	1,904 yen	2,160 yen	2,550 yen
High	2,880 yen	2,790 yen	2,742 yen
Low	1,798 yen	1,985 yen	2,111 yen
Closing price	2,160 yen	2,565 yen	2,479 yen

2) Recent six month

	2012					
	May	June	July	August	September	October
Opening price	2,413 yen	2,400 yen	2,524 yen	2,480 yen	2,480 yen	2,460 yen
High	2,508 yen	2,511 yen	2,550 yen	2,515 yen	2,538 yen	2,507 yen
Low	2,325 yen	2,321 yen	2,420 yen	2,432 yen	2,328 yen	2,175 yen
Closing price	2,367 yen	2,562 yen	2,465 yen	2,480 yen	2,500 yen	2,327 yen

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

	November 29 <sup>th</sup> , 2012
Opening price	2,355 yen
High	2,370 yen
Low	2,355 yen
Closing price	2,370 yen

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

(1) Date of disposal	March 2 <sup>nd</sup> , 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	3,791,455 shares
(7) Treasury stock following the disposal	3,741,455 shares (after deduction of "Stock Benefit Trust (J-ESOP)")

(1) Date of disposal	March 15 <sup>th</sup> , 2012
(2) Number of shares disposed	200,000 common shares
(3) Price per share	¥2,333 per share
(4) Total funds being procured	¥466,600,000
(5) Allottee	The 77 bank, Ltd.
(6) Treasury stock before the disposal	3,791,455 shares
(7) Treasury stock following the disposal	3,591,455 shares

10. Overview of the disposal

- (1) Disposal date: December 17<sup>th</sup>, 2012 (Scheduled)
- (2) Application date: December 17<sup>th</sup>, 2012 (Scheduled)
- (3) Number of shares being disposed of: 80,000 shares
- (4) Price per share: ¥2,394
- (5) Total funds being procured: ¥191,520,000
- (6) Disposal method: Allotment to The Chiba Kogyo Bank, Ltd.
- (7) Treasury stock following the disposal: 4,119,095 shares

\*This English translation is for reference purposes only. The original Japanese version will prevail as the official authoritative version.