Summary Report on Financial Results for Fiscal Year Ended March 2009

May 15, 2009

Listing: JASDAQ

Company name: Fukuda Denshi Co., Ltd.

Code No.: 6960

(http://www.fukuda.co.jp)

Representative: Kotaro Fukuda, President & CEO

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Scheduled date for the ordinary general meeting of shareholders: June 26, 2009

Scheduled date for commencement of dividend payment: June 29, 2009

Scheduled date for filing the securities report: June 26, 2009

(Amounts less than one million yen are discarded)

1. Consolidated financial results for fiscal 2008 (April 1, 2008 through March 31, 2009)

(1) Consolidated operating results (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 | % |
| Year ended March 2009 | 89,551 | 1.1 | 6,719 | 25.1 | 6,711 | 18.1 | 3,770 | 18.8 |
| Year ended March 2008 | 88,568 | 0.3 | 5,370 | (9.6) | 5,684 | (9.8) | 3,174 | (5.3) |

| | Net income per share | Fully diluted net income per share | Ratio of net income to shareholders' equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| Year ended March 2009 | 195.88 | - | 5.1 | 6.7 | 7.5 |
| Year ended March 2008 | 164.98 | - | 4.3 | 5.6 | 6.1 |

(Reference) Profit or loss on equity method investments:

Year ended March 2009: - million yen

Year ended March 2008: - million yen

(2) Consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| Year ended March 2009 | 101,200 | 74,795 | 73.9 | 3,885.41 |
| Year ended March 2008 | 99,585 | 73,833 | 74.1 | 3,835.32 |

(Reference) Shareholders' equity:

Year ended March 2009: 74,786 million yen

Year ended March 2008: 73,821 million yen

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|---|---|---|---|---|
| | million yen | million yen | million yen | million yen |
| Year ended March 2009 | 14,663 | (6,478) | (2,342) | 27,634 |
| Year ended March 2008 | 5,855 | (7,006) | (1,117) | 21,958 |

2. Dividends

| | Dividends per share | | | | | Total dividends (for the year) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| Record date | End of the first quarter | End of the second quarter | End of the third quarter | End of the term | Annual | | | |
| | yen | | | yen | yen | million yen | % | % |
| Year ended March 2008 | - | 40.00 | - | 40.00 | 80.00 | 1,539 | 48.5 | 2.1 |
| Year ended March 2009 | - | 40.00 | - | 40.00 | 80.00 | 1,539 | 40.8 | 2.1 |
| Year ending March 2010 (estimate) | - | 40.00 | - | 40.00 | 80.00 | | 49.7 | |

3. Forecast of consolidated financial results for fiscal 2009 (April 1, 2009 through March 31, 2010)

(percentages represent increases or decreases from the previous year for the full-year figures, and from the second quarter of the previous year for the consolidated second quarter figures.)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Consolidated second quarter | 42,200 | (1.4) | 2,800 | (9.7) | 2,800 | (11.6) | 1,200 | (27.6) | 62.34 |
| Full-year | 89,500 | (0.1) | 6,000 | (10.7) | 6,000 | (10.6) | 2,800 | (25.7) | 145.47 |

4. Others

(1) Change in significant subsidiaries during the year under review: None

(2) Changes in accounting principles and procedures, and presentation related to the preparation of consolidated financial statements (described in changes in basis of preparation for the consolidated financial statements):

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

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

Note: For more details, please see "Basic significant matters regarding the preparation of consolidated financial statements" on page 24 and "Changes in basic significant matters regarding the preparation of consolidated financial statements" on page 31.

(3) Number of outstanding issues (common stock)

(i) Number of outstanding shares at the year-end (including treasury stock)

Year ended March 2009: 19,588,000 shares

Year ended March 2008: 19,588,000 shares

(ii) Number of shares of treasury stock at the year-end:

Year ended March 2009: 339,945 shares

Year ended March 2008: 340,139 shares

Note: For details of the number of shares, the basis of calculation of net income per share (consolidated), please refer to "Per share information" on page 40.

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal 2008 (April 1, 2008 through March 31, 2009)

(1) Non-consolidated operating results

(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 | % |
| Year ended March 2009 | 56,440 | 0.6 | 3,397 | 65.5 | 4,932 | 34.7 | 2,996 | 11.8 |
| Year ended March 2008 | 56,100 | 3.8 | 2,053 | 70.4 | 3,661 | 46.1 | 2,679 | 145.8 |

| | Net income per share | Fully diluted net income per share |
|---|---|---|
| | yen | yen |
| Year ended March 2009 | 155.68 | - |
| Year ended March 2008 | 139.27 | - |

(2) Non-consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| Year ended March 2009 | 83,368 | 58,764 | 70.5 | 3,053.02 |
| Year ended March 2008 | 80,129 | 58,350 | 72.8 | 3,031.52 |

(Reference) Shareholders' equity:

Year ended March 2009: 58,764 million yen

Year ended March 2008: 58,350 million yen

2. Forecast of non-consolidated financial results for fiscal 2009 (April 1, 2009 through March 31, 2010)

The Company omitted the description of the forecast of non-consolidated financial results based on its conclusion that such non-consolidated information is not important as investment information.

*Explanation about appropriate use of the forecasts of financial results, and other noteworthy matters

The forecasted financial results and other future projections in this material are based on information available at present, and entail potential risks and uncertainties.

Accordingly, readers should be aware that actual results may differ from the forecast figures depending on the future business environment.

With respect to the assumption for the forecast of financial results and points to note in using such forecast, please refer to page 4 of the appendix.

## 1. Operating results

(1) Analysis of operation results

(i) Overview of performance for the consolidated fiscal year under review

| | Year ended March 2008 | Year ended March 2009 | Comparison with the previous year | |
|---|---|---|---|---|
| | Amount | Amount | Change | Rate of change (%) |
| Net sales (million yen) | 88,568 | 89,551 | 983 | 1.1 |
| Operating income (million yen) | 5,370 | 6,719 | 1,349 | 25.1 |
| Ordinary income (million yen) | 5,684 | 6,711 | 1,026 | 18.1 |
| Net income (million yen) | 3,174 | 3,770 | 595 | 18.8 |
| Net income per share (yen) | 164.98 | 195.88 | 30.90 | 18.7 |

There was a worldwide recession during the fiscal year under review. Corporate earnings continued to lag due to soaring prices of oil and raw materials and sharp fluctuations in foreign exchange rates in the first half of the fiscal year under review, while the financial crisis stemming from the United States became more serious and affected the real economy in the latter half of the fiscal year.

In the medical equipment industry, medical system reforms continued to be pushed forward to curtail medical treatment expenses. Such reforms included the expansion of prospective payment of hospitalization expenses, called diagnosis procedure combination (DPC), at medical institutions. In addition a further division of functions between hospitals and clinics and an expansion of the fields of home medical treatment have been seen.

Under such economic circumstances, the Group posted consolidated net sales of 89,551 million yen (up 1.1% year-on-year) for the fiscal year under review.

Operating income amounted to 6,719 million yen (up 25.1% year-on-year) due to reviews of purchase costs and exchange gains from the stronger yen when importing products (pacemakers and ventilators).

Ordinary income was 6,711 million yen (up 18.1% year-on-year), and net income totaled 3,770 million yen (up 18.8% year-on-year) despite losses from valuation of investment securities.

(ii) Overview of performance for the consolidated fiscal year under review by segment

| Business segment | Year ended March 2008 | | Year ended March 2009 | | Comparison with the previous year | |
|---|---|---|---|---|---|---|
| | Amount (million yen) | Ratio (%) | Amount (million yen) | Ratio (%) | Change (million yen) | Rate of change (%) |
| Physiological diagnostic equipment | 23,907 | 27.0 | 24,486 | 27.4 | 579 | 2.4 |
| Patient monitoring equipment | 7,301 | 8.2 | 6,189 | 6.9 | (1,112) | (15.2) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Medical treatment equipment | 35,083 | 39.6 | 36,560 | 40.8 | 1,477 | 4.2 |
| Other products and accessories | 22,274 | 25.2 | 22,314 | 24.9 | 40 | 0.2 |
| Total | 88,568 | 100.0 | 89,551 | 100.0 | 983 | 1.1 |

(1) In the Physiological Diagnostic Equipment segment, sales of electrocardiographs and blood cell counters increased, while those of respiratory function testing equipment and fundus cameras continued to grow, supported by the increased awareness about adult diseases and mandatory specific health checkups. However, overseas sales declined.

Accordingly, consolidated net sales reached 24,486 million yen (up 2.4% year-on-year).

(2) In the Patient Monitoring Equipment segment, sales fell both in Japan and overseas. As a result, consolidated net sales were 6,189 million yen (down 15.2% year-on-year).

(3) In the Medical Treatment Equipment segment, sales of the business of renting medical equipment for home treatment (including oxygen-concentrator devices, equipment used to treat sleep apnea syndrome and homecare ventilators) and Automated External Defibrillators (AEDs) continued to increase. Sales of ventilators also expanded and accelerated due to the new types of influenza break out in the supplementary budget for fiscal 2008. The sales volume of pacemakers increased, though their sales value decreased, affected by the official reimbursement prices.

As a result, consolidated net sales amounted to 36,560 million yen (up 4.2% year-on-year).

(4) 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.

Sales for this segment were 22,314 million yen (up 0.2% year-on-year).

(iii) Outlook for fiscal 2009

| | Year ending March 2009 | Year ending March 2010 | Comparison with the previous year | |
|---|---|---|---|---|
| | Amount | Amount | Change | Rate of change (%) |
| Net sales (million yen) | 89,551 | 89,500 | (51) | (0.1) |
| Operating income (million yen) | 6,719 | 6,000 | (719) | (10.7) |
| Ordinary income (million yen) | 6,711 | 6,000 | (711) | (10.6) |
| Net income (million yen) | 3,770 | 2,800 | (970) | (25.7) |
| Net income per share (yen) | 195.88 | 145.47 | (50.41) | (25.7) |

The worldwide economic recession resulting from the financial crisis is expected to hit Japan as well, in the forms of falls in production and exports, deterioration of corporate earnings, declines in consumer spending and rapid fluctuations in foreign exchange rates. Thus, the economic situation will likely remain stagnant in the foreseeable future.

In the medical equipment industry, the business environment is likely to remain sluggish, as there are concerns about the consolidation or the reduction of the number of public hospitals and patients' refraining from visiting hospitals for medical advice because of the recession.

In consideration of such circumstances, the Group expects consolidated net sales of 89,500 million yen, operating income of 6,000 million yen, ordinary income of 6,000 million yen, and net income of 2,800 million yen for fiscal 2009.

(2) Analysis of financial situation

(i) Assets, liabilities and net assets

Total assets increased 1,614 million yen from the end of the previous fiscal year to 101,200 million yen. This was mainly attributed to a rise in cash and deposits despite falls in sales of Merchandise and products and investment securities.

Total liabilities grew 651 million yen from the end of the previous fiscal year to 26,404 million yen, owing mostly to a rise in accrued income taxes despite a decrease in short-term borrowings.

Total net assets advanced 962 million yen from the end of the previous fiscal year to 74,795 million yen, due primarily to an increase in retained earnings despite a fall in net unrealized gains in other securities.

(ii) Consolidated cash flows

| | Year ended March 2008 | Year ended March 2009 | Change |
|---|---|---|---|
| Cash flows from operating activities (million yen) | 5,855 | 14,663 | 8,808 |
| Cash flows from investing activities (million yen) | (7,006) | (6,478) | 527 |
| Cash flows from financing activities (million yen) | (1,117) | (2,342) | (1,224) |
| Effect of exchange rate changes (million yen) | (7) | (166) | (159) |
| Increase (decrease) in cash and cash equivalents (million yen) | (2,276) | 5,676 | 7,952 |
| Cash and cash equivalents at the end of the fiscal years (million yen) | 21,985 | 27,634 | 5,676 |

Cash flows from operating activities

In the consolidated fiscal year under review, net cash provided by operating activities was 14,663 million yen, up 8,808 million yen from the previous year. Included are net income before taxes of 6,277 million yen, depreciation costs of 5,397 million yen and income taxes paid of 1,504 million yen.

Cash flows from investing activities

Net cash used in investing activities was 6,478 million yen, down 527 million yen from the previous year.

Payments for the acquisition of tangible fixed assets amounted to 5,520 million yen and securities and investment securities were 1,302 million yen.

Cash flows from financing activities

Net cash used in financing activities was 2,342 million yen, up 1,224 million yen, mainly because of the payment of dividends of 1,540 million yen.

As a result, the outstanding balance of cash and cash equivalents was 27,634 million yen at the end of the fiscal year, up 5,676 million yen compared to the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

| | Year ended March 2005 | Year ended March 2006 | Year ended March 2007 | Year ended March 2008 | Year ended March 2009 |
|---|---|---|---|---|---|
| Shareholders' equity ratio (%) | 72.7 | 70.1 | 71.9 | 74.1 | 73.9 |
| Market value-based shareholders' equity ratio (%) | 87.4 | 77.8 | 76.8 | 47.2 | 36.4 |
| Years needed to repay debts | 0.6 | 0.5 | 0.4 | 0.6 | 0.2 |
| Interest coverage ratio | 117.6 | 173.2 | 124.3 | 69.1 | 275.5 |

Note: Shareholders' equity ratio = Shareholders' equity ÷ Total assets

Market value-based shareholders' equity ratio = Market capitalization ÷ Total assets

Years needed to repay debts = Interest-bearing debts ÷ Operating cash flows

Interest coverage ratio = Operating cash flows ÷ Interest payments

*Each indicator is calculated using consolidated financial data.

*Market capitalization is calculated by multiplying stock closing prices at the end of the fiscal year by the number of outstanding shares (excluding treasury shares) at the end of the fiscal year.

Interest-bearing debts represent total debts recorded in the consolidated balance sheets on which interest is paid.

For interest payments, data on interest expenses in the consolidated cash flow statement are used.

(3) Basic policies for profit distribution, and dividends for fiscal 2008 and 2009

The Company regards the returning of profits to shareholders as one of its key managerial measures, and makes it a basic policy to continuously provide shareholders with stable returns, by improving and reinforcing its corporate structure and expanding competitive businesses while securing the necessary internal reserves.

The Company has set the minimum trading unit at 100 shares, aiming to have its shares spread further among investors and to have its shares more widely circulated on the market.

We will continue to provide an environment where investors can easily invest in our stock, and implement and work out measures for enhancing the liquidity of our shares on the market.

(4) Business risks

(i) High dependence on certain business partners with which continuation of transactions is unsure

The Company imports and sells ventilators, pacemakers, defibrillators, heart catheters and other devices and equipment. We strive to ensure we can stably continue making transactions while taking sufficient care to avoid excessive reliance on such transactions.

(ii) Legal regulations

In Japan, the Company is subject to regulations under the Pharmaceutical Affairs Law, which require us to establish a department that takes care of the safety of the equipment after sales and appoint a safety manager, as well as compiling manuals for investigation operations conducted after sales.

The Company has established a department specializing in the central management of safety-related information, through which we will further strengthen our safety management systems so that customers can use our equipment without anxiety.

In addition, the Company's domestic sales activities are governed by the Fair Competition Regulations according to the Law for the Prevention of Unreasonable Premiums and Misrepresentation Concerning Products and Services.

Furthermore, the Company owns customer information and confidential sales-related data in relation to the implementation of its businesses. The Company carefully handles that information to ensure that it is well protected. To this end, we are striving to step up the surveillance of in-house networks while limiting access to such information.

(iii) Time required to commercialize new products and technologies

The manufacture and sales of medical equipment are subject to regulations prescribed in the Pharmaceutical Affairs Law. Consequently, there are cases where a certain period of time is required before approval is granted by the relevant independent administrative corporation.

In addition, some medical equipment requires clinical trials, and significant time is needed to bring it to market.

(iv) Effect of medical administration

The government is proceeding to improve the quality of medical care and curtail medical treatment expenses. Hence, the medical equipment industry must adapt to changes in the operating environment brought about by major shifts in the policies of medical authorities.

Moreover, once nearly every two years, the government implements official revisions affecting treatment payments, pharmaceutical prices, and the official prices of specific medical materials covered by insurance. Such revisions may lead to intensified price competition, causing a reduction in sales prices.

(v) Risks accompanying overseas businesses

The Company not only supplies products to distributors overseas, but also has its own overseas sales, development and production bases. Hence, it is possible that unforeseen changes to laws and regulations in foreign countries, as well as terrorist acts, natural disasters, or other incidents could adversely affect the Company's business performance and financial position.

(vi) Important business relationships between the Company and its executives or shareholders with voting rights

Basic policy on relations with related parties

Relationship with Atomic Sangyo Co., Ltd.

Fukuda Denshi's shareholder Atomic Sangyo Co., Ltd. holds 12.93% of the Company's voting rights (as of March 31, 2009). Kotaro Fukuda, President and CEO of the Company, and his close relatives own 100% of the shares in Atomic Sangyo.

Atomic Sangyo produces and sells electrocardiogram recording paper, and also engages in the business of renting real estate. The Company purchases recording paper and accounting slips and rents offices from Atomic Sangyo.

Decisions on the prices of recording paper and accounting slips are based on negotiations and consideration of market prices, and payment terms are the same as those generally adopted in the marketplace.

Office rental contracts are based on actual transactions in nearby locations.

## 2. The Fukuda Denshi Group

The Company consists of 57 subsidiaries and 1 affiliate; the Fukuda Denshi Group is engaged mainly in manufacturing, purchasing and sales of medical electronic equipment, and conducts related logistics and services operations.

The relationship between Group companies and business segments are as follows:

- Physiological diagnostic equipment segment

Production, purchase and sales of electrocardiographs; phonocardiographs; polygraphs; ultrasound diagnostic imaging systems; and other items which convert physical phenomena generated by physiological functions, such as electric potentials caused by heart action, cardiac sound, pulse waves, blood pressure, respiration, and organic movement, into electric signals which are then measured and recorded.

**Major companies involved**

Production: Fukuda Denshi Co., Ltd; Fukuda Denshi Tagajo Co., Ltd.; Fukuda Denshi USA, Inc.; and Beijing Fukuda Denshi Medical Instruments Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd

Sales: Fukuda Denshi Co., Ltd; Fukuda Life Tech Co., Ltd.; Fukuda Cardiac Laboratory Co., Ltd.; Fukuda Denshi Hokkaido and other sales subsidiaries; and Beijing Fukuda Denshi Medical Instruments Co., Ltd.

- Patient monitoring equipment segment

Production, purchase, and sales of patient monitors that monitor various physiological parameters over a long period of time. They are used for serious cases after patients' have undergone operations and for patients with acute cardiac disease.

**Major companies involved**

Production: Fukuda Denshi Co., Ltd; Fukuda Denshi Tagajo Co., Ltd.; Fukuda Denshi USA, Inc.; and Beijing Fukuda Denshi Medical Instruments Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd

Sales: Fukuda Denshi Co., Ltd; Fukuda Denshi Hokkaido and other sales subsidiaries; and Beijing Fukuda Denshi Medical Instruments Co., Ltd.

- Medical treatment equipment segment

Production, purchase and sales of defibrillators, which are used to resuscitate patients with cardiac arrest and which treat abnormal heart rhythm by delivering electric impulses to the heart; pacemakers; ventilators, which help patients with respiratory insufficiency breathe easier; and other equipment.

**Major companies involved**

Production: Fukuda Denshi Co., Ltd; Fukuda Denshi Tagajo Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd

Sales: Fukuda Denshi Co., Ltd; Fukuda Life Tech Co., Ltd.; Fukuda Cardiac Laboratory Co., Ltd.; Fukuda Denshi Hokkaido and other sales subsidiaries

- Other products and accessories segment

Production, purchase and sales of recording paper, accessories and parts for medical electronic equipment

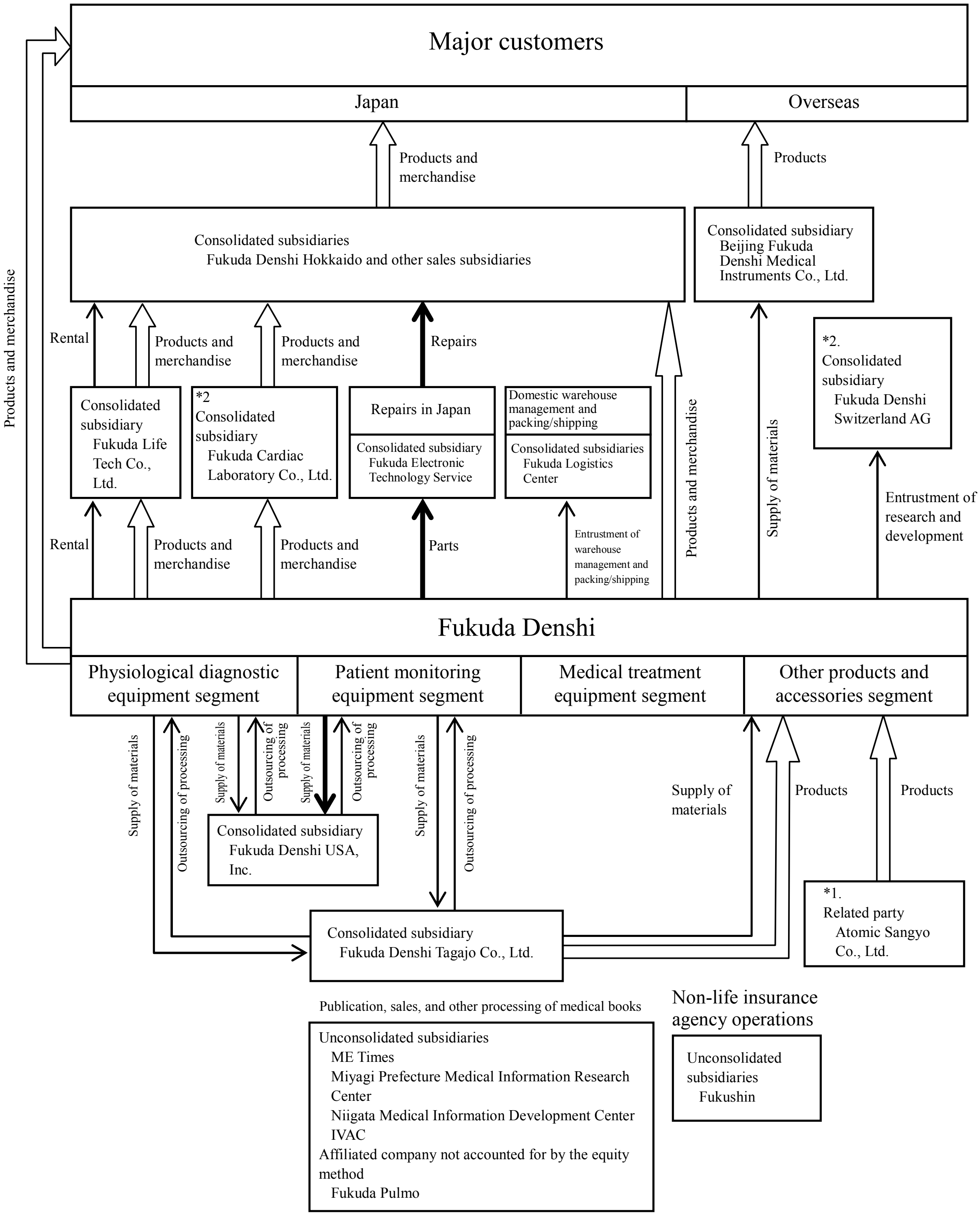
**Major companies involved**

Production: Fukuda Denshi Co., Ltd; Fukuda Denshi Tagajo Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd

Sales: Fukuda Denshi Co., Ltd; Fukuda Life Tech Co., Ltd.; Fukuda Cardiac Laboratory Co., Ltd.; Fukuda Denshi Hokkaido and other sales subsidiaries

Diagram of the Group's business structure




*1. Related party Atomic Sangyo Co., Ltd. manufactures recording paper for medical electronic equipment and supplies it to Fukuda Denshi's Other products and accessories segment.

*2 Fukuda Cardiac Laboratories, Co., Ltd., a consolidated subsidiary, transferred its business assets to Fukuda Denshi, Co., Ltd. effective from April 1, 2009.

## 3. Management policy

(1) Basic policies for corporate management

Since its foundation in 1935, the Company has contributed significantly to the advancement of people's health through the production and sale of a wide range of medical equipment, centering on respiratory and circulatory systems such as electrocardiographs, under our corporate philosophy to "Contribute to medical advances by fulfilling our social mission and developing medical equipment."

Responding to significant changes in the social environment, medical equipment has increasingly been expected to play roles not only in the conventional diagnostics and treatment of diseases but also in the maintenance and improvement of health and the enhancement of quality of life (QOL).

Against this backdrop, under the slogan of "safety, reliability and comfort," the Company will make every effort to raise the quality of products to offer to customers, develop products that provide differentiation from our competitors, and carry out product strategies that meet varying medical needs, aiming to become a company that is trusted by customers.

(2) Targeted management indices

The Company basically aims for continued growth and securing certain profitability, targeting an ordinary income margin of 10% or more and a payout ratio of 30% or more in fiscal 2012.

(3) Medium- to long-term management strategies

As its medium-term goal, the Company continuously formulates a three-year medium-term business plan, under which it examines group-wide issues when necessary, and implements solutions to the issues.

The basic management strategies for the new three-year medium term business plan starting from the year ending March 2009 are as follows:

(i) Policies of the medium-term business plan

To establish a further solid management structure based on the customer-first principle, responding to the progress of an aging society with fewer children and changes in the medical environment following medical system reforms, in Japan.

(ii) Business strategies

To proactively make investments while focusing on efficient management;

To promote the expansion of businesses by domain;

To strengthen the corporate structure in order to improve the efficiency of development processes; and

To increase productivity by pursuing overall optimum solutions from development to production.

(iii) Sales strategies

To capture the acute care market;

To enhance operations in the homecare market; and

To expand the maintenance service business.

(iv) Improvement of the management system

To strengthen the corporate governance and compliance structure;

To revitalize the overall organization through personnel training and education for employees; and

To enhance the group management system.

(v) Increase of corporate value

To establish a stable earnings structure and return profits to shareholders;

To actively tackle environmental issues; and

To contribute to society through medical equipment.

(4) Issues to be addressed

In Japan, various medical system reforms have been carried out, including: the revision of official reimbursement prices for medical treatment fees, drug prices and specific medical materials covered by insurance; an increasing adoption of the comprehensive medical fee payment system, called diagnosis procedure combination (DPC); and the implementation of a new medical insurance system for elderly persons aged 75 or over.

Given the above and possible future reforms, we expect our market environment to remain severe. Against this backdrop, the Company will continue to strive to raise its corporate value, develop products that provide differentiation from our rivals, strengthen the maintenance service and supplies sales businesses to secure profits, make investments for enhancing the sales system, and reduce costs to become more price competitive than our rival manufacturers at home and abroad.

Furthermore, the Company will continuously strengthen and maintain its quality control and safety management systems so that customers can use our products without anxiety, and improve the internal control system to ensure managerial soundness and transparency.

(5) Other important managerial matters of the Company

(i) Acquisition of treasury stock

The Company may purchase its own shares by resolution of the Board of Directors, in accordance with the provisions of Article 165, Paragraph 2 of the Company Law. This was determined upon the approval of amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held in June 2006. However, the Company did not acquire any treasury stock during the fiscal year under review, except for the purchase of shares less than a trading unit, comprehensively taking into account the economic situation, trends in the Company’s stock price and its financial conditions.

The Company owns 339,945 shares of treasury stock as of the end of March 2009.

(ii) Important contracts concerning management

There are no applicable matters.

## 4. Consolidated financial statements

(1) Consolidated balance sheets

(Million yen)

| | Previous fiscal year (as of March 31, 2008) | Fiscal year under review (as of March 31, 2009) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,540 | 28,224 |
| Trade notes and accounts receivable | 23,710 | 23,319 |
| Securities | 999 | 999 |
| Inventories | 13,386 | - |
| Merchandise and products | - | 8,483 |
| Work in process | - | 44 |
| Raw materials and supplies | - | 1,642 |
| Deferred tax assets | 1,928 | 1,956 |
| Other | 1,240 | 994 |
| Allowance for doubtful accounts | (308) | (243) |
| Total current assets | 63,497 | 65,421 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 8,610 | 8,736 |
| Accumulated depreciation and impairment losses | (4,360) | (4,413) |
| Buildings and structures (net) | 4,250 | 4,322 |
| Machinery and delivery equipment | 655 | 649 |
| Accumulated depreciation and impairment losses | (417) | (388) |
| Machinery and delivery equipment (net) | 238 | 260 |
| Tools, instruments and fixtures | 21,433 | 23,767 |
| Accumulated depreciation and impairment losses | (13,439) | (14,316) |
| Tools, instruments and fixtures (net) | 7,993 | 9,451 |
| Land | 5,997 | 5,792 |
| Lease assets | - | 176 |
| Accumulated depreciation and impairment losses | - | (28) |
| Lease assets (net) | - | 147 |
| Construction in progress | 17 | 0 |
| Total tangible fixed assets | 18,496 | 19,975 |
| Intangible fixed assets | 3,295 | 2,668 |
| Investments and other assets | | |
| Investment securities | *1 7,891 | *1 5,837 |
| Deferred tax assets | 3,351 | 3,685 |
| Other | 3,102 | 3,628 |
| Allowance for doubtful accounts | (49) | (16) |
| Total investments and other assets | 14,296 | 13,134 |
| Total fixed assets | 36,088 | 35,778 |
| Total assets | 99,585 | 101,200 |

(Million yen)

| | Previous fiscal year (as of March 31, 2008) | Fiscal year under review (as of March 31, 2009) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 12,465 | 12,401 |
| Short-term borrowings | 3,500 | 2,866 |
| Lease obligations | - | 54 |
| Income tax payable, etc. | 884 | 1,697 |
| Allowance for bonuses to employees | 1,666 | 1,739 |
| Allowance for bonuses to officers | 98 | 113 |
| Allowance for losses on restructuring | 112 | 3 |
| Other | 2,620 | 2,989 |
| Total current liabilities | 21,347 | 21,865 |
| Long-term liabilities | | |
| Long-term borrowings | 183 | 50 |
| Lease obligations | - | 156 |
| Allowance for retirement benefits | 3,097 | 3,230 |
| Allowance for retirement benefits to officers | 197 | 192 |
| Negative goodwill | 1 | 0 |
| Other | 925 | 909 |
| Total long-term liabilities | 4,404 | 4,538 |
| Total liabilities | 25,752 | 26,404 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 4,621 | 4,621 |
| Capital surplus | 9,982 | 9,982 |
| Retained earnings | 59,473 | 61,693 |
| Treasury stock | (766) | (766) |
| Total shareholders' equity | 73,311 | 75,531 |
| Valuation and translation adjustments | | |
| Evaluation difference on other securities | 447 | (595) |
| Foreign currency translation adjustment account | 63 | (149) |
| Total valuation and translation adjustments | 510 | (745) |
| Minority interests | 11 | 9 |
| Total net assets | 73,833 | 74,795 |
| Total liabilities and net assets | 99,585 | 101,200 |

(2) Consolidated statements of income

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Net sales | 88,568 | 89,551 |
| Cost of sales | *2 51,260 | *2 50,549 |
| Gross profit | 37,308 | 39,002 |
| Selling, general and administrative expenses | *1 *2 31,937 | *1 *2 32,282 |
| Operating income | 5,370 | 6,719 |
| Non-operating income | | |
| Interest income | 18 | 23 |
| Dividend income | 128 | 162 |
| Foreign exchange gains | 1 | - |
| Other | 296 | 224 |
| Total non-operating income | 445 | 410 |
| Non-operating expenses | | |
| Interest expenses | 82 | 56 |
| Translation adjustments | - | 298 |
| Other | 48 | 63 |
| Total non-operating expenses | 131 | 418 |
| Ordinary income | 5,684 | 6,711 |
| Extraordinary gains | | |
| Gains on sale of investment securities | 427 | - |
| Gains on sale of fixed assets | *3 10 | *3 7 |
| Gains on insurance surrender | 285 | 614 |
| Gains on reversal of allowance for losses on restructuring | 5 | 68 |
| Gains on reversal of allowance for doubtful accounts | 20 | - |
| Total extraordinary gains | 749 | 691 |
| Extraordinary losses | | |
| Losses on sale of fixed assets | *4 0 | *4 16 |
| Losses on disposal of fixed assets | *5 75 | *5 133 |
| Loss on valuation of golf club membership | - | 2 |
| Impairment losses | *6 31 | *6 14 |
| Loss on valuation of investment securities | - | 959 |
| Losses on sale of investment securities | 182 | - |
| Total extraordinary losses | 290 | 1,125 |
| Net income before taxes | 6,143 | 6,277 |
| Corporate, inhabitants' and enterprise taxes | 1,482 | 2,566 |
| Corporate tax adjustments | 1,483 | (61) |
| Total income taxes | 2,966 | 2,505 |
| Minority interests in earnings of consolidated subsidiaries | 1 | 1 |
| Net income | 3,174 | 3,770 |

(3) Statements of changes in shareholders' equity

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Shareholders' equity | | |
| Common stock | | |
| Balance at the end of the previous fiscal year | 4,621 | 4,621 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 4,621 | 4,621 |
| Capital surplus | | |
| Balance at the end of the previous fiscal year | 9,851 | 9,982 |
| Changes during the fiscal year | | |
| Disposal of treasury stock | 131 | (0) |
| Total changes during the fiscal year | 131 | (0) |
| Balance at the end of the fiscal year | 9,982 | 9,982 |
| Retained earnings | | |
| Balance at the end of the previous fiscal year | 57,843 | 59,473 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Bounties and welfare funds for employee | (8) | (10) |
| Net income | 3,174 | 3,770 |
| Total changes during the fiscal year | 1,629 | 2,220 |
| Balance at the end of the fiscal year | 59,473 | 61,693 |
| Treasury stock | | |
| Balance at the end of the previous fiscal year | (932) | (766) |
| Changes during the fiscal year | | |
| Acquisition of treasury stock | (2) | (0) |
| Disposal of treasury stock | 168 | 1 |
| Total changes during the fiscal year | 165 | 0 |
| Balance at the end of the fiscal year | (766) | (766) |
| Total shareholders' equity | | |
| Balance at the end of the previous fiscal year | 71,383 | 73,311 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Bounties and welfare funds for employee | (8) | (10) |
| Net income | 3,174 | 3,770 |
| Acquisition of treasury stock | (2) | (0) |
| Disposal of treasury stock | 300 | 1 |
| Total changes during the fiscal year | 1,927 | 2,220 |
| Balance at the end of the fiscal year | 73,311 | 75,531 |
| Valuation and translation adjustments | | |
| Evaluation difference on other securities | | |
| Balance at the end of the previous fiscal year | 3,197 | 447 |
| Changes during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | (2,750) | (1,042) |
| Total changes during the fiscal year | (2,750) | (1,042) |
| Balance at the end of the fiscal year | 447 | (595) |
| Foreign currency translation adjustment account | | |
| Balance at the end of the previous fiscal | (11) | 63 |

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| year | | |
| Changes during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | 74 | (213) |
| Total changes during the fiscal year | 74 | (213) |
| Balance at the end of the fiscal year | 63 | (149) |
| Total valuation and translation adjustments | | |
| Balance at the end of the previous fiscal year | 3,186 | 510 |
| Changes during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | (2,676) | (1,255) |
| Total changes during the fiscal year | (2,676) | (1,255) |
| Balance at the end of the fiscal year | 510 | (745) |
| Minority interests | | |
| Balance at the end of the previous fiscal year | 11 | 11 |
| Changes during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | 0 | (2) |
| Total changes during the fiscal year | 0 | (2) |
| Balance at the end of the fiscal year | 11 | 9 |
| Total net assets | | |
| Balance at the end of the previous fiscal year | 74,581 | 73,833 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Bounties and welfare funds for employee | (8) | (10) |
| Net income | 3,174 | 3,770 |
| Acquisition of treasury stock | (2) | (0) |
| Disposal of treasury stock | 300 | 1 |
| Changes in items other than shareholders' equity during the fiscal year (net) | (2,675) | (1,258) |
| Total changes during the fiscal year | (748) | 962 |
| Balance at the end of the fiscal year | 73,833 | 74,795 |

Note for statements of changes in shareholders' equity

Bounties and welfare funds for employees were provided by a subsidiary in China in accordance with local laws and regulations.

(4) Consolidated statements of cash flows

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Cash flows from operating activities | | |
| Net income before taxes | 6,143 | 6,277 |
| Depreciation and amortization | 5,139 | 5,397 |
| Increase (decrease) in allowance for losses on restructuring | (541) | (108) |
| Impairment losses | 31 | 14 |
| Increase (decrease) in allowance for doubtful accounts | (43) | (97) |
| Increase (decrease) in allowance for bonuses to employees | (25) | 73 |
| Increase (decrease) in allowance for bonuses to officers | 38 | 14 |
| Increase (decrease) in allowance for retirement benefits to employees | (64) | 133 |
| Increase (decrease) in allowance for retirement benefits to officers | (1,015) | (5) |
| Interest and dividend income | (146) | (186) |
| Interest expenses | 82 | 56 |
| Gains on sale of fixed assets | (10) | (7) |
| Losses on sale of fixed assets | 0 | 16 |
| Losses on disposal of fixed assets | 75 | 133 |
| Losses (gains) on sale of investment securities | (245) | - |
| Losses (gains) on valuation of investment securities | - | 959 |
| Losses (gains) on insurance surrender | (285) | (614) |
| Decrease (increase) in accounts receivable | 453 | 344 |
| Decrease (increase) in inventories | (281) | 3,122 |
| Increase (decrease) in accounts payable | (2,609) | (544) |
| Increase (decrease) in consumption tax payable, etc. | (222) | 158 |
| Other | 447 | 881 |
| Subtotal | 6,920 | 16,019 |
| Interest and dividends received | 95 | 171 |
| Interest paid | (84) | (53) |
| Insurance received | 99 | 30 |
| Corporate tax, etc. paid | (1,175) | (1,504) |
| Net cash provided by operating activities | 5,855 | 14,663 |
| Cash flows from investing activities | | |
| Net decrease (increase) in time deposits | (423) | (8) |
| Acquisition of tangible fixed assets | (4,576) | (5,520) |
| Acquisition of intangible fixed assets | (521) | (220) |
| Purchase of securities and investment securities | (2,713) | (1,302) |
| Proceeds from sale of securities and investment securities | 1,428 | 1,000 |
| Payments for short-term loans | (2) | (200) |
| Payments for insurance reserve | (644) | (1,120) |
| Proceeds from reversal of insurance reserve | 235 | 1,121 |
| Other | 212 | (227) |
| Net cash used in investing activities | (7,006) | (6,478) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | - | (700) |
| Proceeds from long-term borrowings | 200 | - |
| Repayment of long-term borrowings | (83) | (66) |
| Purchase of treasury stock | (2) | (0) |
| Sale of treasury stock | 300 | 1 |

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Dividends paid | (1,530) | (1,540) |
| Repayments of lease obligations | - | (33) |
| Dividends paid to minority shareholders | (1) | (1) |
| Net cash used in financing activities | (1,117) | (2,342) |
| Effect of exchange rate changes on cash and cash equivalents | (7) | (166) |
| Increase or decrease in cash and cash equivalents | (2,276) | 5,676 |
| Cash and cash equivalents at the beginning of the fiscal year | 24,297 | 21,958 |
| Increase (decrease) in cash and deposits owing to changes in the scope of consolidation | (62) | - |
| Cash and cash equivalents at the end of the fiscal year | *1 21,958 | *1 27,634 |

Events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern

Not applicable

Basic significant matters regarding the preparation of consolidated financial statements

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| 1. Scope of consolidation | (1) Number of consolidated subsidiaries: 52<br>Major consolidated subsidiaries are as follows:<br>Fukuda Life Tech Co., Ltd.<br>Fukuda Cardiac Laboratory Co., Ltd.<br>Fukuda Denshi Hokkaido<br>Kontron Medical SAS was excluded from the scope of consolidation, because the company was sold to Esaote France SARL, a subsidiary of the Esaote Group (Italy), on April 30, 2007.<br>Kontron Medical AG was renamed Fukuda Denshi Switzerland AG on May 15, 2007.<br>(2) Names and other details of major unconsolidated subsidiaries<br>Of the subsidiaries, ME Times, Fukushin and three other companies were not included in the scope of consolidation, because their business sizes are small, and their total assets, net sales, net income and loss (amount corresponding to the owned interest), retained earnings (amount corresponding to the owned interest) had no material effect on the consolidated financial statements. | (1) Number of consolidated subsidiaries: 52<br>Major consolidated subsidiaries are as follows:<br>Fukuda Life Tech Co., Ltd.<br>Fukuda Cardiac Laboratory Co., Ltd.<br>Fukuda Denshi Hokkaido<br>(2) Names and other details of major unconsolidated subsidiaries<br>Same as on the left |
| 2. Application of equity method | (1) Number of affiliated companies accounted for by equity method<br>- | (1) Number of affiliated companies accounted for by equity method<br>- |

| | Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|---|
| | (2) Names and other details of unconsolidated subsidiaries and affiliates that are not accounted for by equity method<br>The five unconsolidated subsidiaries and the affiliate company Fukuda Pulmo had no material effect on consolidated income and loss and retained earnings, and they were not important as a whole in terms of material influence on the consolidated interim financial statements. Accordingly, we did not apply equity method accounting to them. | (2) Names and other details of unconsolidated subsidiaries and affiliates that are not accounted for by equity method<br>Same as on the left |
| 3. Accounting period, etc. of consolidated subsidiaries | The accounts of consolidated subsidiaries Fukuda Denshi USA, Inc.; and Fukuda Denshi Switzerland AG close on December 31 of each year. In the preparation of consolidated financial statements, consolidated subsidiaries' financial statements as of the said date were used, and with respect to significant transactions that occurred between the said date and the consolidated book-closing, adjustments necessary for consolidation were made. | Same as on the left |
| 4. Accounting standards<br>(1) Valuation standards and methods for principle assets | (i) Securities<br>Held-to-maturity securities<br>- Amortized cost method<br>Other securities<br>Marketable securities<br>- Stated at fair value based on the market price as of the end of this fiscal year.<br>(Unrealized holding gains or losses are reported in a component of net assets, while the cost of securities sold is calculated by the moving average method.) | (i) Securities<br>Held-to-maturity securities<br>Same as on the left<br>Other securities<br>Marketable securities<br>Same as on the left |

| | Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|---|
| | Non-marketable securities<br>- Stated at cost based on the moving average method.<br>For investments in the investment enterprise limited Liability association and similar associations (deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), the net amount corresponding to the ownership percentage is used, based on the most recent financial statements available as of the reporting date and other material stipulated in the partnership contract.<br>(ii) Inventories | Non-marketable securities<br>Same as on the left<br><br>(ii) Inventories<br>The cost method (the amounts stated in the balance sheets are calculated by writing down the book values based on lower profitability) is used as a valuation standard. |
| | Merchandise and products<br>- Mainly stated at cost determined by the first-in, first-out method.<br>Raw materials<br>- Mainly stated at cost determined by the gross average method.<br>Work in progress<br>- Mainly stated at cost based on the specific cost method.<br>Supplies<br>- Stated based on the last purchase price method.<br><br>- | Merchandise and products<br>-Mainly stated at cost determined by the first-in, first-out method.<br><br>Work in progress<br>-Mainly stated at cost based on the specific cost method.<br><br>Raw materials<br>-Mainly stated at cost based on the gross average method.<br><br>Supplies<br>-Stated at cost based on the last purchase price method.<br>(Changes in accounting policies)<br>Starting with the fiscal year under review, the Company applies the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9, announced on July 5, 2006).<br>The effect of this change on consolidated operating income, ordinary income and net income before taxes for the fiscal year under review is insignificant. |

| | Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|---|
| (2) Depreciation method for significant depreciable assets | (i) Tangible fixed assets<br>Depreciated primarily by the declining balance method. However, buildings (except for building attachments) acquired on or after April 1, 1998 were depreciated using the straight-line method.<br>Major useful life:<br>Buildings and structures: 3–60 years<br>Machinery and delivery equipment: 4–12 years<br>Tools, instruments and fixture: 2–20 years<br>Assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen were evenly amortized over a three-year period.<br>Of the tools, instruments and fixtures, the oxygen concentrator devices (assets for rental) were depreciated using the straight-line method with the estimated rental period (four years) used as the number of depreciation years. | (i) Tangible fixed assets (excluding lease assets)<br>Same as on the left |
| | (Changes in accounting policies)<br>In accordance with the revision of the Corporate Tax Law, from this fiscal year, the Company has changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to the method stipulated in the revised Corporate Tax Law.<br>This change had little effect on our consolidated earnings for this fiscal year. | - |
| | (Additional information)<br>In accordance with the revision of the Corporate Tax Law, as for assets acquired on or before March 31, 2007 that were fully depreciated to the maximum allowable amount using the depreciation method stipulated in the Corporate Tax Law before its revision, the Company evenly depreciated the residual book value up to the reminder value over five years, from the next consolidated fiscal year to the consolidated fiscal year in which those assets were depreciated to the maximum allowable amount.<br>This practice had little effect on our consolidated earnings for this fiscal year. | - |

| | Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|---|
| | (ii) Intangible fixed assets<br>Depreciated by the straight-line method.<br>Software for internal use is amortized by the straight-line method over its useful life of five years.<br>As for software for sale in the market, the Company records the larger of an amortization based on projected sales volume for the effective sales period (no longer than three years) or a uniform amortization over the effective remaining sales period. | (ii) Intangible fixed assets (excluding lease assets)<br>Same as on the left |
| | (iii) - | (iii) Lease assets<br>Lease assets in finance lease transactions that do not transfer ownership<br>The straight-line method is used, based on the assumption that the useful life is the lease term and the residual value is zero.<br>Finance lease transactions that do not transfer ownership and for which the inception of the lease predates the beginning of the initial year of application of the standard continue to be accounted for in a similar manner with the ordinary rental transactions. |
| (3) Basis for provision of allowances | (i) Allowance for doubtful accounts<br>To prepare for losses incurred by bad debts, the amount of potential loss is calculated by using the historical loss ratio in the case of general loans or receivables. Potential loss for specific loans or receivables, for which we have concerns regarding their collectability, is calculated by assessing the possibility of collection for each individual account. | (i) Allowance for doubtful accounts<br>Same as on the left |
| | (ii) Allowance for bonuses to employees<br>To prepare for the payment of bonuses to employees, an amount corresponding to this fiscal year's portion of estimated bonus payments was reserved. | (ii) Allowance for bonuses to employees<br>Same as on the left |

| | Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|---|
| | (iii) Allowance for bonuses to officers<br>To prepare for the payment of bonuses to directors and corporate auditors, an amount corresponding to this fiscal year's portion of estimated bonus payments was reserved.<br>(iv) Allowance for losses on restructuring<br>To prepare for losses on restructuring, the amount of the estimated losses was reserved.<br>(v) Allowance for retirement benefits to employees<br>To prepare for the payment of retirement benefits to employees, the amount recognized as accruing at the end of this fiscal year was reserved, based on the estimated retirement benefit obligation and pension assets at the end of this fiscal year.<br>Prior service costs are amortized, using the straight-line method over a certain number of years (10 years), which are less than the average remaining years of service of the employees when they incurred.<br>Actuarial differences are amortized, using the straight-line basis over a certain number of years (10 years), which are less than the average remaining years of service of the employees when they incurred, from the fiscal year after the one in which they arise.<br>(vi) Allowance for retirement benefits to officers<br>To prepare for the payment of retirement benefits to directors and corporate auditors, some consolidated subsidiaries reserve the estimated amount to be paid at the end of the fiscal year, in accordance with the internal regulations. | (iii) Allowance for bonuses to officers<br>Same as on the left<br>(iv) Allowance for losses on restructuring<br>Same as on the left<br>(v) Allowance for retirement benefits to employees<br>Same as on the left<br>(vi) Allowance for retirement benefits to officers<br>Same as on the left |

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| (4) Standards for translation of important foreign currency-based assets or liabilities into Japanese yen | Monetary credits and debts denominated in foreign currencies are translated into yen based on the current exchange rates at the end of each fiscal year. Differences arising from such translation are stated as profits or losses. Assets, liabilities, revenue and expenses of overseas subsidiaries, and other financial items are translated into yen based on the current exchange rates at the end of each fiscal year. The resulting differences are recorded as Foreign currency translation adjustment account and Minority interests, under Net assets. | Same as on the left |
| (5) Lease transactions accounting method | Finance lease transactions other than those in which the ownership of the leased property is recognized as having transferred to the lessee, are based on the accounting method for ordinary lease transactions. | - |
| (6) Other important matters for preparation of consolidated financial statements | Accounting treatment of consumption tax and other taxes<br>Consumption tax and other taxes are excluded from profits and losses. | Accounting treatment of consumption tax and other taxes<br>Same as on the left |
| 5. Valuation of assets and liabilities of consolidated subsidiaries | Assets and liabilities of consolidated subsidiaries are valued using the full-fair-value method. | Same as on the left |
| 6. Depreciation of negative goodwill | Negative goodwill is amortized over a five-year period. | Same as on the left |
| 7. Cash in consolidated cash flow statements | Cash (cash and cash equivalents) in the consolidated statements of cash flows consists of cash on hand, readily-available deposits, and short-term investments with a maturity not exceeding three months at the time of purchase that are readily convertible to cash and not exposed to significant risk in value fluctuations. | Same as on the left |

Changes in basic significant matters regarding the preparation of consolidated financial statements

| Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|
| - | (Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)<br>Beginning the fiscal year under review, the Company applies the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and made revisions necessary for consolidated settlement of accounts.<br>The effect of this change on consolidated operating income, ordinary income and net income before taxes for the fiscal year under review is insignificant. |
| - | (Accounting standards for lease transactions)<br>Finance lease transactions that do not transfer ownership were traditionally accounted for in a manner similar to accounting treatment for ordinary rental transactions. From the fiscal year under review, however, the Company applies the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, (June 17, 1993 (First Committee of Business Accounting Council), revised March 30, 2007)) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (Accounting System Committee at the Japanese Institute of Certified Public Accountants), revised March 30, 2007)) and accounts for finance lease transactions in a similar manner with ordinary sales and purchase transactions.<br>Finance lease transactions that do not transfer ownership and of which the inception of the lease predates the beginning of the initial year of application of the standard are continued to be accounted for in a similar manner with the ordinary rental transactions.<br>The effect of this change on consolidated operating income, ordinary income and net income before taxes for fiscal year under review is insignificant. |

Changes in the presentation

| Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|
| (Consolidated balance sheets)<br>Allowance for retirement benefits to officers, which was separately reported in the previous fiscal year, was presented as Other under Long-term liabilities from this fiscal year. This change was made because the First Audit Committee Report No. 42, “Audit Treatment for Reserves of Special Taxation Measures Law, Allowances or Reserves of Special Law, and Allowances for Retirement Benefits to Officers,” was announced on April 13, 2007.<br>The amount of retirement benefits to officers included in Other for this fiscal year was 854 million yen. | - |
| (Consolidated statements of cash flows)<br>Increase (decrease) in allowance for losses on restructuring, which was included in Losses on restructuring in the previous fiscal year, was separately presented from this fiscal year.<br>In the previous fiscal year, Increase (decrease) in allowance for losses on restructuring was minus 2,126 million yen. | - |
| | (Consolidated balance sheets)<br>Since the “Cabinet Office Ordinance Partially Revising Regulations for Terminology, Forms and Preparation of Financial Statements” (August 7, 2008, Cabinet Office Ordinance No. 50) became applicable, Inventories recognized for the previous fiscal year are presented as a separate item as Merchandise and products, Work in Progress and Raw Materials and Supplies from the fiscal year under review. The Merchandise and products, Work in Progress and Raw Materials and Supplies included in Inventories for the previous fiscal year were 10,655 million yen, 84 million yen and 2,646 million yen, respectively. |

Notes

(Consolidated balance sheets)

| Previous fiscal year (as of March 31, 2008) | Fiscal year under review (as of March 31, 2009) |
|---|---|
| *1. Notes to unconsolidated subsidiaries and affiliated companies<br>Unconsolidated subsidiaries and affiliated companies:<br>Investment securities: 48 million yen<br>(Stocks)<br>2. Discount on bills: 448 million yen<br>(Discount on export bills) | *1. Notes to unconsolidated subsidiaries and affiliated companies<br>Unconsolidated subsidiaries and affiliated companies:<br>Investment securities: 48 million yen<br>(Stocks)<br>2. Discount on bills: 397 million yen<br>(Discount on export bills) |

(Consolidated statements of income)

| Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|
| *1. Major items and amounts of Selling, general and administrative expenses are as follows:<br>Salaries, benefits, and other monies to officers and employees: 11,103 million yen<br>Bonuses and provision of allowance for bonuses: 2,677 million yen<br>Provision of allowance for retirement benefits to officers: 37 million yen<br>Retirement benefit expenses: 544 million yen<br>Depreciation: 1,359 million yen<br>Provision of allowance for bonuses to officers: 98 million yen | *1. Major items and amounts of Selling, general and administrative expenses are as follows:<br>Provision of allowance for doubtful accounts: 14 million yen<br>Salaries, benefits, and other monies to officers and employees: 11,408 million yen<br>Bonuses and provision of allowance for bonuses: 2,758 million yen<br>Provision of allowance for retirement benefits to officers: 39 million yen<br>Retirement benefit expenses: 702 million yen<br>Depreciation: 1,536 million yen<br>Provision of allowance for bonuses to officers: 113 million yen |
| *2. Research and development expenses included in the General and administrative expenses and Manufacturing expenses for this fiscal year are 2,093 million yen.<br>*3 Breakdown of Gains on sale of fixed assets<br>Machinery and delivery equipment: 0 million yen<br>Tools, instruments and fixtures: 10 million yen<br>Total 10 million yen<br>*4. Breakdown of Losses on sale of fixed assets<br>Machinery and delivery equipment: 0 million yen<br>*5 Breakdown of Losses on disposal of fixed assets<br>Buildings and structures: 3 million yen<br>Machinery and delivery equipment: 1 million yen<br>Tools, instruments and fixtures: 11 million yen<br>Intangible fixed assets: 60 million yen<br>Total 75 million yen | *2. Research and development expenses included in the General and administrative expenses and Manufacturing expenses for this fiscal year are 2,005 million yen.<br>*3 Breakdown of Gains on sale of fixed assets<br>Buildings and structures: 0 million yen<br>Machinery and delivery equipment: 4 million yen<br>Tools, instruments and fixtures: 2 million yen<br>Total 7 million yen<br>*4. Breakdown of Losses on sale of fixed assets<br>Buildings and structures: 3 million yen<br>Machinery and delivery equipment: 4 million yen<br>Land: 7 million yen<br>Intangible fixed assets: 0 million yen<br>Total 16 million yen<br>*5 Breakdown of Losses on disposal of fixed assets<br>Buildings and structures: 14 million yen<br>Machinery and delivery equipment: 3 million yen<br>Tools, instruments and fixtures: 9 million yen<br>Intangible fixed assets: 105 million yen<br>Total 133 million yen |

| Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|
| *6. Impairment losses<br>The Company groups its operations by business segment, and consolidated subsidiaries form their grouping with each company or office as one unit. Impairment losses on leased real estate and idle assets are recognized separately.<br>Because of a decrease in cash flows caused by a declined operating income, we have written down the book values of the following assets to recoverable values. These write-offs have resulted in impairment losses (of 31 million yen), which were booked as extraordinary losses.<br>These impairment losses consist of the losses on tools, instruments and fixtures of 15 million yen; and on other assets of 16 million yen.<br>The recoverable value was assessed according to the net sale value, and the market prices were evaluated according to roadside land prices or the assessed value of fixed asset tax, with reasonable adjustments. | *6. Impairment losses<br>The Company groups its operations by business segment, and consolidated subsidiaries form their grouping with each company or office as one unit. Impairment losses on leased real estate and idle assets are recognized separately.<br>Because of a decrease in cash flows caused by a declined operating income, we have written down the book values of the following assets to recoverable values. These write-offs have resulted in impairment losses (of 14 million yen), which were booked as extraordinary losses.<br>These impairment losses consist of the losses on tools, instruments and fixtures of 12 million yen; and on other assets of 1 million yen.<br>The recoverable value was assessed according to the net sale value, and the market prices were evaluated according to roadside land prices or the assessed value of fixed asset tax, with reasonable adjustments. |

Previous fiscal year:

| Use of assets | Location of assets | Type of assets | Amount (million yen) |
|---|---|---|---|
| Operational assets | Matsuyama City, Ehime Prefecture and another location | Tools, instruments and fixtures | 31 |

Fiscal year under review:

| Use of assets | Location of assets | Type of assets | Amount (million yen) |
|---|---|---|---|
| Operational assets | Matsuyama City, Ehime Prefecture and another location | Tools, instruments and fixtures | 14 |

(Statements of changes in shareholders' equity)

Previous fiscal year (from April 1, 2007 to March 31, 2008)

1. Type and total number of issued shares and type and number of shares of treasury stock

| | Number of shares at the end of previous fiscal year (1,000 shares) | Increased number of shares for fiscal year under review (1,000 shares) | Decreased number of shares for fiscal year under review (1,000 shares) | Number of shares at the end of the fiscal year under review (1,000 shares) |
|---|---|---|---|---|
| Number of issued shares | | | | |
| Common stock | 19,588 | - | - | 19,588 |
| Total | 19,588 | - | - | 19,588 |
| Treasury stock | | | | |
| Common stock (Note) | 411 | 0 | 72 | 340 |
| Total | 411 | 0 | 72 | 340 |

Note: The increase of 0 shares in treasury stock of common stock reflects the increase owing to the repurchase of shares less than the trading unit.

The decrease of 72,000 shares in treasury stock of common stock reflects the decrease owing to the disposal.

2. Stock acquisition rights and treasury stock acquisition rights

Not applicable.

3. Dividends

(1) Dividend payment amount

| (Resolution) | Type of shares | Total dividend amount (million yen) | Dividends per share (in yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 28, 2007 | Common stock | 767 | 40 | March 31, 2007 | June 29, 2007 |
| Board of Directors' meeting held on November 16, 2007 | Common stock | 769 | 40 | September 30, 2007 | December 7, 2007 |

(2) Of the dividends whose record date belongs to the fiscal year under review, and those whose effective date of the dividends will be in the current fiscal year

| (Resolution) | Type of shares | Total dividend amount (million yen) | Source for dividends | Dividends per share (in yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 26, 2008 | Common stock | 769 | Retained earnings | 40 | March 31, 2008 | June 27, 2008 |

Fiscal year under review (from April 1, 2008 to March 31, 2009)

1. Type and total number of issued shares and type and number of shares of treasury stock

| | Number of shares at the end of previous fiscal year (1,000 shares) | Increase in number of shares for fiscal year under review (1,000 shares) | Decrease in number of shares for fiscal year under review (1,000 shares) | Number of shares at the end of the fiscal year under review (1,000 shares) |
|---|---|---|---|---|
| Number of issued shares | | | | |
| Common stock | 19,588 | - | - | 19,588 |
| Total | 19,588 | - | - | 19,588 |
| Treasury stock | | | | |
| Common stock (Note) | 340 | 0 | 0 | 339 |
| Total | 340 | 0 | 0 | 339 |

Note: The increase of 0 in treasury stock of common stock reflects the increase owing to the repurchase of shares less than the trading unit.
The decrease of 0 in treasury stock of common stock reflects the decrease owing to the disposal of shares less than the trading unit.

2. Stock acquisition rights and treasury stock acquisition rights
Not applicable.

3. Dividends
(1) Dividend payment amount

| (Resolution) | Type of shares | Total dividend amount (million yen) | Dividends per share (in yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 26, 2008 | Common stock | 769 | 40 | March 31, 2008 | June 27, 2008 |
| Board of Directors' meeting held on October 30, 2008 | Common stock | 769 | 40 | September 30, 2008 | December 5, 2008 |

(2) Of the dividends whose record date belongs to the fiscal year under review, and those whose effective date of the dividends will be in the current fiscal year

| (Resolution) | Type of shares | Total dividend amount (million yen) | Source for dividends | Dividends per share (in yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 26, 2009 | Common stock | 769 | Retained earnings | 40 | March 31, 2009 | June 29, 2009 |

(Consolidated statements of cash flows)

| Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|
| 1. Relationship between the balance of cash and cash equivalents at the end of the fiscal year and amounts stated in the consolidated balance sheets<br>(as of March 31, 2008)<br>Cash and deposits: 24,540 million yen<br>Time deposits with a deposit period of over three months: (581 million yen)<br>Cash and cash equivalents: 21,958 million yen | 1. Relationship between the balance of cash and cash equivalents at the end of the fiscal year and amounts stated in the consolidated balance sheets<br>(as of March 31, 2009)<br>Cash and deposits: 28,224 million yen<br>Time deposits with a deposit period of over three months: (590 million yen)<br>Cash and cash equivalents: 27,634 million yen |
| *2 - | 2. Details of important nonfund transactions<br>The amounts of assets and liabilities in finance lease transactions which are newly recognized for the fiscal year under review are 232 million yen each. |

(Lease transactions)

Disclosure of lease transactions is omitted, as there is no significant necessity of such disclosure in the summary report on financial results.

(Securities)

Disclosure of securities is omitted, as there is no significant necessity of such disclosure in the summary report on financial results.

(Derivative transactions)

Previous fiscal year (from April 1, 2007 to March 31, 2008) and fiscal year under review (from April 1, 2008 to March 31, 2009):

There are no applicable items, as the Group did not use derivative transactions.

(Retirement benefits)

Disclosure of retirement benefits is omitted, as there is no significant necessity of such disclosure in the summary report on financial results.

(Stock options, etc.)

Previous fiscal year (from April 1, 2007 to March 31, 2008):

Not applicable.

Fiscal year under review (from April 1, 2008 to March 31, 2009):

Not applicable.

(Tax effect accounting)

Disclosure of tax effect accounting is omitted, as there is no significant necessity of such disclosure in the summary report on financial results.

(Segment information)

a. Segment information by business type

Previous fiscal year (from April 1, 2007 to March 31, 2008) and fiscal year under review (from April 1, 2008 to March 31, 2009):

Segment information by business type is omitted because the amounts of sales, operating income and assets of the medical electronic equipment business account for over 90 percent of the total sales, total operating income and total assets of all segments.

b. Segment information by geographical area

Previous fiscal year (from April 1, 2007 to March 31, 2008) and fiscal year under review (from

April 1, 2008 to March 31, 2009):

Segment information by geographical area is omitted because the amounts of sales and assets in Japan account for over 90 percent of the total sales and total assets of all segments.

c. Overseas sales

Previous fiscal year (from April 1, 2007 to March 31, 2008) and fiscal year under review (from April 1, 2008 to March 31, 2009):

Overseas sales are omitted because such sales accounted for less than 10 percent of consolidated sales.

(Transactions with related parties)

Disclosure of transactions with related parties is omitted, as there is no significant necessity of such disclosure in the summary report on financial results.

(Business combinations, etc.)

Previous fiscal year (from April 1, 2007 to March 31, 2008):

Not applicable.

Fiscal year under review (from April 1, 2008 to March 31, 2009):

Not applicable.

(Per share information)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Net assets per share | 3,835.32 yen | 3,885.41 yen |
| Net income per share | 164.98 yen | 195.88 yen |
| Fully diluted net income per share | Not stated, as there is no potential dilution. | Not stated, as there is no potential dilution. |

Note: The following is the basis for calculation of net income per share:

| Item | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Net income per share | | |
| Net income (million yen) | 3,174 | 3,770 |
| Amount not belonging to ordinary shareholders (million yen) | - | - |
| Net income in relation to common stock (million yen) | 3,174 | 3,770 |
| Average number of shares during the fiscal year (1,000 shares) | 19,242 | 19,247 |

(Significant subsequent events)

Not applicable.

## 5. Non-consolidated financial statements

### (1) Balance sheets

(Million yen)

| | Previous fiscal year (as of March 31, 2008) | Fiscal year under review (as of March 31, 2009) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,838 | 15,741 |
| Trade notes receivable | 89 | 53 |
| Accounts receivable | 19,699 | 21,279 |
| Securities | 999 | 999 |
| Merchandise | 2,260 | - |
| Products | 1,984 | - |
| Merchandise and products | - | 2,937 |
| Raw materials | 2,154 | - |
| Work in progress | 39 | 12 |
| Supplies | 166 | - |
| Raw materials and supplies | - | 1,388 |
| Advance payments | 149 | 50 |
| Prepaid expenses | 290 | 267 |
| Deferred tax assets | 680 | 661 |
| Short-term loans to affiliates | 4,913 | 4,275 |
| Other accounts receivable | 857 | 686 |
| Other | 130 | 266 |
| Allowance for doubtful accounts | (1,111) | (980) |
| Total current assets | 43,144 | 47,638 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings | 5,991 | 6,195 |
| Accumulated depreciation | (3,047) | (3,064) |
| Buildings (net) | 2,944 | 3,131 |
| Structures | 291 | 309 |
| Accumulated depreciation | (226) | (235) |
| Structures (net) | 65 | 73 |
| Machinery and equipment | 117 | 77 |
| Accumulated depreciation | (62) | (47) |
| Machinery and equipment (net) | 55 | 29 |
| Vehicles | 61 | 63 |
| Accumulated depreciation | (56) | (45) |
| Vehicles (net) | 5 | 17 |
| Tools, instruments and fixtures | 18,568 | 20,196 |
| Accumulated depreciation | (11,449) | (11,951) |
| Equipment (net) | 7,118 | 8,245 |
| Land | 5,009 | 4,814 |
| Lease assets | - | 68 |
| Accumulated depreciation | - | (10) |
| Lease assets (net) | - | 57 |
| Construction in progress | 17 | 0 |
| Total tangible fixed assets | 15,215 | 16,369 |
| Intangible fixes assets | | |
| Leasehold rights | 5 | 5 |
| Software | 3,098 | 2,438 |
| Other | 15 | 14 |
| Total intangible fixed assets | 3,118 | 2,458 |
| Investments and other assets | | |
| Investment securities | 7,843 | 5,789 |
| Stocks of affiliates | 4,289 | 3,639 |
| Investments in capital | 1 | 1 |
| Investments in affiliates | 403 | 403 |
| Long-term loans to employees | 14 | 8 |
| Long-term loans to affiliates | 1,215 | 1,115 |

(Million yen)

| | Previous fiscal year (as of March 31, 2008) | Fiscal year under review (as of March 31, 2009) |
|---|---|---|
| Long-term prepaid expenses | 44 | - |
| Deferred tax assets | 3,083 | 2,864 |
| Insurance reserves | 2,185 | 2,839 |
| Other | 244 | 243 |
| Allowance for doubtful accounts | (3) | (4) |
| Allowance for valuation of investments | (672) | - |
| Total investments and other assets | 18,650 | 16,901 |
| Total fixed assets | 36,984 | 35,730 |
| Total assets | 80,129 | 83,368 |
| Liabilities | | |
| Current liabilities | | |
| Trade notes payable | 5,002 | 1,405 |
| Accounts payable | 4,308 | 8,220 |
| Short-term borrowings | 3,500 | 2,800 |
| Lease obligations | - | 14 |
| Other accounts payable | 1,539 | 1,692 |
| Income tax payable, etc. | 75 | 829 |
| Advances received | 107 | 19 |
| Deposits received | 4,607 | 6,771 |
| Allowance for bonuses to employees | 500 | 570 |
| Allowance for bonuses to officers | 43 | 45 |
| Allowance for losses on liquidation of affiliates | 112 | 3 |
| Other | 71 | 243 |
| Total current liabilities | 19,867 | 22,616 |
| Long-term liabilities | | |
| Lease obligations | - | 46 |
| Allowance for retirement benefits to employees | 1,056 | 1,098 |
| Long-term other accounts payable | 854 | 841 |
| Total long-term liabilities | 1,911 | 1,987 |
| Total liabilities | 21,779 | 24,604 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 4,621 | 4,621 |
| Capital surplus | | |
| Capital reserves | 8,946 | 8,946 |
| Other capital surplus | 1,036 | 1,036 |
| Total capital surplus | 9,982 | 9,982 |
| Retained earnings | | |
| Legal income reserves | 1,171 | 1,171 |
| Other retained earnings | | |
| Reserve for business expansion | 300 | 300 |
| Reserve for advanced depreciation of fixed assets | 49 | 49 |
| Special reserves | 37,500 | 37,500 |
| Retained earnings brought forward | 5,045 | 6,501 |
| Total retained earnings | 44,066 | 45,523 |
| Treasury stock | (766) | (766) |
| Total shareholders' equity | 57,903 | 59,361 |
| Valuation and translation adjustments | | |
| Evaluation difference on other securities | 446 | (596) |
| Total valuation and translation adjustments | 446 | (596) |
| Total net assets | 58,350 | 58,764 |
| Total liabilities and net assets | 80,129 | 83,368 |

(2) Statements of income

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Net sales | | |
| Sales of products | 15,451 | 14,420 |
| Sales of merchandise | 32,528 | 33,904 |
| Other sales | 8,121 | 8,115 |
| Total net sales | 56,100 | 56,440 |
| Cost of sales | | |
| Product inventories at the beginning of the fiscal year | 2,201 | 1,984 |
| Product manufacturing costs | 12,096 | 10,443 |
| Total | 14,297 | 12,428 |
| Products transfer to/from other account | 1,615 | 2,212 |
| Finished product inventories at the end of the fiscal year | 1,984 | 1,336 |
| Cost of sales of products | 10,697 | 8,879 |
| Merchandise inventories at the beginning of the fiscal year | 1,535 | 2,260 |
| Purchases of merchandise | 28,093 | 27,705 |
| Total | 29,628 | 29,966 |
| Merchandise transfer to/from other account | 41 | 116 |
| Merchandise inventories at the end of the fiscal year | 2,260 | 1,600 |
| Cost of sales of merchandise | 27,327 | 28,248 |
| Other cost of sales | 3,348 | 3,738 |
| Total cost of sales | 41,372 | 40,866 |
| Gross profit | 14,728 | 15,574 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 662 | 627 |
| Packing and freight charges | 695 | 607 |
| Service and repair expenses | 465 | 523 |
| Salaries and benefits | 1,860 | 1,930 |
| Bonuses | 258 | 283 |
| Provision of allowance for bonuses | 270 | 330 |
| Retirement benefit expenses | 85 | 157 |
| Provision of allowance for bonuses to officers | 43 | 45 |
| Commission expenses | 1,756 | 986 |
| Premiums | 773 | 818 |
| Lease expenses | 255 | 241 |
| Research and development expenditures | 1,940 | 1,965 |
| Depreciation | 1,032 | 1,107 |
| Other | 2,576 | 2,552 |
| Total selling, general and administrative expenses | 12,675 | 12,177 |
| Operating income | 2,053 | 3,397 |
| Non-operating income | | |
| Interest income | 88 | 106 |
| Dividend income | 1,234 | 1,443 |
| Real estate rent | 283 | 293 |
| Foreign exchange gains | 7 | - |
| Other | 105 | 105 |
| Total non-operating income | 1,719 | 1,949 |
| Non-operating expenses | | |
| Interest income | 99 | 68 |
| Foreign exchange losses | - | 293 |
| Loss on investment in partnership | 11 | 51 |
| Other | 0 | 0 |

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Total non-operating expenses | 111 | 413 |
| Ordinary income | 3,661 | 4,932 |
| Extraordinary gains | | |
| Gains on insurance surrender | 285 | 602 |
| Gains on sale of investment securities | 427 | - |
| Reversal of reserve for valuation of investments | 38 | 22 |
| Reversal of allowance for doubtful accounts | 34 | 54 |
| Reversal of reserve for loss on liquidation of affiliates | 5 | 68 |
| Gain on sales of fixed assets | - | 4 |
| Total extraordinary gains | 790 | 752 |
| Extraordinary losses | | |
| Losses on disposal of fixed assets | 39 | 118 |
| Losses on sale of fixed assets | - | 15 |
| Loss on valuation of investment securities | - | 959 |
| Total extraordinary losses | 39 | 1,093 |
| Net income before taxes | 4,412 | 4,591 |
| Corporate, inhabitants' and enterprise taxes | 90 | 1,050 |
| Corporate tax adjustments | 1,642 | 544 |
| Total income taxes | 1,732 | 1,594 |
| Net income | 2,679 | 2,996 |

Manufacturing statement

| Item | Note No. | Previous fiscal year (April 1, 2007 to March 31, 2008) Amount (million yen) | | Ratio (%) | Fiscal year under review (April 1, 2008 to March 31, 2009) Amount (million yen) | | Ratio (%) |
|---|---|---|---|---|---|---|---|
| I. Materials expenses | | | 8,495 | 61.8 | | 7,649 | 61.6 |
| II. Labor expenses | | | 2,415 | 17.5 | | 2,173 | 17.5 |
| III. Other expenses | | | | | | | |
| Subcontracted designing expenses and trial manufacture expenses | | 1,387 | | | 1,394 | | |
| Others | | 1,442 | 2,830 | 20.7 | 1,206 | 2,600 | 20.9 |
| Total manufacturing expenses | | | 13,741 | 100.0 | | 12,423 | 100.0 |
| Work in progress inventories at the beginning of the fiscal year | | | 132 | | | 39 | |
| Transfer from other accounts | *2 | | 46 | | | 40 | |
| Total | | | 13,920 | | | 12,503 | |
| Work-in-progress inventories at the end of the fiscal year | | | 39 | | | 12 | |
| Transfer to other accounts | *3 | | 1,785 | | | 2,047 | |
| Product manufacturing costs | | | 12,096 | | | 10,443 | |

(Footnotes)

| Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|
| 1. Cost calculation method<br>The Company calculates cost of products by way of job-order cost system (projection). Cost variances are allocated to cost of sales, products and work in progress at the end of the fiscal year.<br>*2 Breakdown of transfer from other accounts<br>Current assets and others (Trial manufacture and research in progress) 43 million yen<br>Others 3 million yen<br>Total 46 million yen | 1. Cost calculation method<br>Same as on the left<br>*2 Breakdown of transfer from other accounts<br>Current assets and others (Trial manufacture and research in progress) 40 million yen<br>Others 0 million yen<br>Total 40 million yen |
| *3 Breakdown of transfer to other accounts<br>Research and development expenses 1,383 million yen<br>Current assets and others (Trial manufacture and research in progress) 39 million yen<br>Others 362 million yen<br>Total 1,785 million yen | *3 Breakdown of transfer to other accounts<br>Research and development expenses 1,488 million yen<br>Current assets and others (Trial manufacture and research in progress) 97 million yen<br>Others 461 million yen<br>Total 2,047 million yen |

(3) Statements of changes in shareholders' equity

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Shareholders' equity | | |
| Common stock | | |
| Balance at the end of the previous fiscal year | 4,621 | 4,621 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 4,621 | 4,621 |
| Capital surplus | | |
| Capital reserve | | |
| Balance at the end of the previous fiscal year | 8,946 | 8,946 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 8,946 | 8,946 |
| Other capital surplus | | |
| Balance at the end of the previous fiscal year | 904 | 1,036 |
| Changes during the fiscal year | | |
| Disposal of treasury stock | 131 | (0) |
| Total changes during the fiscal year | 131 | (0) |
| Balance at the end of the fiscal year | 1,036 | 1,036 |
| Total capital surplus | | |
| Balance at the end of the previous fiscal year | 9,851 | 9,982 |
| Balance at the end of the fiscal year | | |
| Disposal of treasury stock | 131 | (0) |
| Total changes during the fiscal year | 131 | (0) |
| Balance at the end of the fiscal year | 9,982 | 9,982 |
| Retained earnings | | |
| Legal reserve | | |
| Balance at the end of the previous fiscal year | 1,171 | 1,171 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 1,171 | 1,171 |
| Other retained earnings | | |
| Reserve for business expansion | | |
| Balance at the end of the previous fiscal year | 300 | 300 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 300 | 300 |
| Reserve for advanced depreciation of fixed assets | | |
| Balance at the end of the previous fiscal year | 49 | 49 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 49 | 49 |

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Special reserves | | |
| Balance at the end of the previous fiscal year | 37,500 | 37,500 |
| Changes during the fiscal year | | |
| Total changes during the fiscal year | - | - |
| Balance at the end of the fiscal year | 37,500 | 37,500 |
| Retained earnings brought forward | | |
| Balance at the end of the previous fiscal year | 3,902 | 5,045 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Net income | 2,679 | 2,996 |
| Total changes during the fiscal year | 1,142 | 1,456 |
| Balance at the end of the fiscal year | 5,045 | 6,501 |
| Total retained earnings | | |
| Balance at the end of the previous fiscal year | 42,923 | 44,066 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Net income | 2,679 | 2,996 |
| Total changes during the fiscal year | 1,142 | 1,456 |
| Balance at the end of the fiscal year | 44,066 | 45,523 |
| Treasury stock | | |
| Balance at the end of the previous fiscal year | (932) | (766) |
| Changes during the fiscal year | | |
| Acquisition of treasury stock | (2) | (0) |
| Disposal of treasury stock | 168 | 1 |
| Total changes during the fiscal year | 165 | 0 |
| Balance at the end of the fiscal year | (766) | (766) |
| Total shareholders' equity | | |
| Balance at the end of the previous fiscal year | 56,463 | 57,903 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Net income | 2,679 | 2,996 |
| Acquisition of treasury stock | (2) | (0) |
| Disposal of treasury stock | 300 | 1 |
| Total changes during the fiscal year | 1,440 | 1,457 |
| Balance at the end of the fiscal year | 57,903 | 59,361 |
| Valuation and translation adjustments | | |
| Evaluation difference on other securities | | |
| Balance at the end of the previous fiscal year | 3,197 | 446 |
| Changes during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | (2,750) | (1,042) |
| Total changes during the fiscal year | (2,750) | (1,042) |
| Balance at the end of the fiscal year | 446 | (596) |
| Total valuation and translation adjustments | | |
| Balance at the end of the previous fiscal year | 3,197 | 446 |
| Changes during the fiscal year | | |

(Million yen)

| | Previous fiscal year (April 1, 2007 to March 31, 2008) | Fiscal year under review (April 1, 2008 to March 31, 2009) |
|---|---|---|
| Changes in items other than shareholders' equity during the fiscal year (net) | (2,750) | (1,042) |
| Total changes during the fiscal year | (2,750) | (1,042) |
| Balance at the end of the fiscal year | 446 | (596) |
| Total net assets | | |
| Balance at the end of the previous fiscal year | 59,660 | 58,350 |
| Changes during the fiscal year | | |
| Dividends paid | (1,536) | (1,539) |
| Net income | 2,679 | 2,996 |
| Acquisition of treasury stock | (2) | (0) |
| Disposal of treasury stock | 300 | 1 |
| Changes in items other than shareholders' equity during the fiscal year (net) | (2,750) | (1,042) |
| Total changes during the fiscal year | (1,310) | 414 |
| Balance at the end of the fiscal year | 58,350 | 58,764 |

Events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern

Not applicable

Significant accounting policies

| Item | Previous fiscal year (from April 1, 2007 to March 31, 2008) | Fiscal year under review (from April 1, 2008 to March 31, 2009) |
|---|---|---|
| 1. Valuation standards and methods for securities | (1) Held-to-maturity bonds<br>- Amortized cost method<br>(2) Shares of subsidiaries and affiliates<br>- Stated at cost based on the moving average method.<br>(3) Other securities<br>Marketable securities<br>- Stated at fair value based on the market price as of the end of the fiscal year. (Unrealized holding gains or losses are reported in a component of net assets, with the cost of securities sold is calculated by the moving average method.)<br>Non-marketable securities<br>- Stated at cost based on the moving average method.<br>For investments in the investment enterprise limited Liability association and similar associations (deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), the net amount corresponding to the ownership percentage is used, based on the most recent financial statements available as of the reporting date and other materials stipulated in the partnership contract. | (1) Held-to-maturity bonds<br>Same as on the left<br>(2) Shares of subsidiaries and affiliates<br>Same as on the left<br>(3) Other securities<br>Marketable securities<br>Same as on the left<br>Non-marketable securities<br>Same as on the left |
| 2. Valuation standards and methods for inventories | | The cost method (the amounts stated in the balance sheets are calculated by writing down the book values based on lower profitability) is used as a valuation standard. |

| Item | Previous fiscal year (from April 1, 2007 to March 31, 2008) | Fiscal year under review (from April 1, 2008 to March 31, 2009) |
|---|---|---|
| | Merchandise and products<br>- Stated at cost determined by the first-in, first-out method.<br>Raw materials<br>- Stated at cost determined by the gross average method.<br>Work in progress<br>- Stated at cost based on the specific cost method.<br>Supplies<br>- Stated based on the last purchase price method.<br><br>- | Merchandise and products<br>- Mainly stated at cost determined by the first-in, first-out method.<br>Work in progress<br>- Stated at cost based on the specific cost method.<br>Raw materials<br>- Stated at cost based on the gross average method.<br>Supplies<br>- Stated based on the last purchase price method.<br><br>(Changes in accounting policies)<br>Starting with the fiscal year under review, the Company applies the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9, announced on July 5, 2006).<br>The effect of this change on consolidated operating income, ordinary income and net income before taxes for the fiscal year under review is insignificant. |
| 3. Depreciation method for fixed assets | (1) Tangible fixed assets<br>Depreciated by the declining balance method. However, buildings (except for building attachments) acquired on or after April 1, 1998 were depreciated using the straight-line method.<br>Major useful life:<br>Buildings: 3–50 years<br>Structures: 10–60 years<br>Machinery and equipment: 8–12 years<br>Vehicles and delivery equipment: 4–6 years<br>Tools, instruments and fixtures: 2–20 years<br>Assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen were evenly amortized over a three-year period.<br>Of the tools, instruments and fixtures, the oxygen concentrator devices (assets for rental) were depreciated by the straight-line method with the estimated rental period (four years) as a depreciation year. | (1) Tangible fixed assets (excluding lease aseets)<br>Same as on the left |

| Item | Previous fiscal year (from April 1, 2007 to March 31, 2008) | Fiscal year under review (from April 1, 2008 to March 31, 2009) |
|---|---|---|
| | (Changes in accounting policies)<br>In accordance with the revision of the Corporate Tax Law, from this fiscal year, the Company has changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to the method stipulated in the revised Financial Instruments and Exchange Law.<br>This change had little effect on earnings for this fiscal year. | - |
| | (Additional information)<br>In accordance with the revision of the Corporate Tax Law, from this fiscal year the Company has changed the depreciation method for tangible fixed assets acquired on or before March 31, 2007 that are fully depreciated to the maximum allowable amount using the depreciation method stipulated in the pre-revision Corporate Tax Law. From this fiscal year, the depreciation method used by the Company is the one in which it evenly depreciates the residual book value up to the reminder value over five years, from the next fiscal year of the fiscal year in which these assets are depreciated to the maximum allowable amount.<br>This practice had little effect on earnings for this fiscal year. | - |
| | (2) Intangible fixed assets<br>Depreciated by the straight-line method.<br>Software for internal use is amortized by the straight-line method over its useful life of five years.<br>As for software for sale in the market, the Company records the larger of an amortization based on projected sales volume for the effective sales period (no longer than three years) or a uniform amortization over the effective remaining sales period. | (2) Intangible fixed assets (excluding lease assets)<br>Same as on the left |

| Item | Previous fiscal year (from April 1, 2007 to March 31, 2008) | Fiscal year under review (from April 1, 2008 to March 31, 2009) |
|---|---|---|
| | (3) - | (3) Lease assets<br>Lease assets in finance lease transactions that do not transfer ownership<br>The straight-line method is used, based on the assumption that the useful life is the lease term and the residual value is zero.<br>Finance lease transactions that do not transfer ownership and for which the inception of the lease predates the beginning of the initial year of application of the standard continue to be accounted for in a similar manner with the ordinary rental transactions. |
| 4. Basis for provision of allowances | (1) Allowance for doubtful accounts<br>To prepare for losses incurred by bad debts, the amount of potential loss is calculated by using the historical loss ratio in the case of general loans or receivables. Potential losses for specific loans or receivables, for which we have concerns regarding their collectability, are calculated by assessing the possibility of collection for each individual account. | (1) Allowance for doubtful accounts<br>Same as on the left |
| | (2) Allowance for valuation of investments<br>To prepare for losses on investments in subsidiaries and similar organizations, we reserve the necessary amount while taking into account financial conditions of subsidiaries and other factors. | - |
| | (3) Allowance for bonuses to employees<br>To prepare for the payment of bonuses to employees, we reserve an amount corresponding to this fiscal year's portion of estimated bonus payments to employees. | (2) Allowance for bonuses to employees<br>Same as on the left |

| Item | Previous fiscal year (from April 1, 2007 to March 31, 2008) | Fiscal year under review (from April 1, 2008 to March 31, 2009) |
|---|---|---|
| | (4) Allowance for bonuses to officers<br>To prepare for the payment of bonuses to directors and corporate auditors, we reserve an amount corresponding to this fiscal year's portion of estimated bonus payments to directors and corporate auditors.<br>(5) Allowance for losses on liquidation of affiliates<br>To prepare for losses on liquidation of affiliates, the amount of the estimated losses was reserved.<br>(6) Allowance for retirement benefits to employees<br>To prepare for the payment of retirement benefits to employees, the amount recognized as accruing at the end of this fiscal year was reserved, based on estimated retirement benefit obligation and pension assets at the end of this fiscal year.<br>Actuarial differences are amortized, using the straight-line basis over a certain number of years (10 years), which are less than the average remaining years of service of the employees when they incurred, from the fiscal year after the one in which they arise. | (3) Allowance for bonuses to officers<br>Same as on the left<br>(4) Allowance for losses on liquidation of affiliates<br>Same as on the left<br>(5) Allowance for retirement benefits to employees<br>Same as on the left |
| 5. Lease transactions accounting method | Finance lease transactions, other than those, in which the ownership of the leased property is recognized as having been transferred to the lessee, are based on the accounting method for ordinary lease transactions. | - |
| 6. Other important matters for preparation of financial statements | Accounting treatment of consumption tax, etc. and other taxes<br>The Consumption tax and other taxes, etc. are excluded from profits and losses. | Accounting treatment of consumption tax and other taxes, etc.<br>Same as on the left |

Changes in accounting method

| Previous fiscal year<br>(April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(April 1, 2008 to March 31, 2009) |
|---|---|
| - | (Accounting standards for lease transactions)<br>Finance lease transactions that do not transfer ownership were traditionally accounted for in a manner similar to accounting treatment for ordinary rental transactions. From the fiscal year under review, however, the Company applies the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, (June 17, 1993 (First Committee of Business Accounting Council), revised March 30, 2007)) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (Accounting System Committee at the Japanese Institute of Certified Public Accountants), revised March 30, 2007)) and accounts for finance lease transactions in a similar manner with ordinary sales and purchase transactions.<br>Finance lease transactions that do not transfer ownership and of which the inception of the lease predates the beginning of the initial year of application of the standard are continued to be accounted for in a similar manner with the ordinary rental transactions.<br>The effect of this change on consolidated operating income, ordinary income and net income before taxes for fiscal year under review is insignificant. |

Changes in the presentation

| Previous fiscal year<br>(from April 1, 2007 to March 31, 2008) | Fiscal year under review<br>(from April 1, 2008 to March 31, 2009) |
|---|---|
| (Balance sheets)<br>Allowance for retirement benefits to officers, which was separately reported in the previous fiscal year, was presented as Long-term other accounts payable under Long-term liabilities from this fiscal year. We made this change because the First Audit Committee Report No. 42, "Audit Treatment for Reserves of Special Taxation Measures Law, Allowances or Reserves of Special Law, and Allowances for Retirement Benefits to Officers," was announced on April 13, 2007. | - |
| (Statements of income)<br>Investment partnership losses, which was included in Other under Non-operating expenses in the previous fiscal year, was separately presented from this fiscal year as the amount of such losses exceeded 10/100th of non-operating expenses.<br>In the previous fiscal year, Investment partnership losses were 14 million yen. | - |

## 6. Others

(1) Changes of officers

(i) Representative Director

Not applicable.

(ii) Other officers

- Candidate for Director to be newly appointed

Director: Koji Takahashi (current position is Operating Officer, Deputy General Manager of Sales Head Office and Senior Manager of Cardiovascular Office)

- Director to retire

Director: Susumu Segawa (current position is Director and Senior Manager of Purchasing Department) *Slated to be appointed as Advisor

(iii) Scheduled appointment date

June 26, 2009