

Summary Report on Financial Results for the Third Quarter of the Year Ending March 2015
(Japan GAAP)

January 30th, 2015
Listing: TSE-JASDAQ

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Scheduled date for commencement of dividend payment: -
Supplementary material development: None
Financial results meeting: None

(Amounts less than one million yen are rounded down)
(The number with parenthesis shows negative figure)

1. Consolidated financial results for the third quarter of the year ending March 2015 (April 1st, 2014 through December 31st, 2014)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Third quarter of the year ending March 2015	71,889	2.3	6,120	(16.9)	6,881	(6.3)	4,077	(17.0)
Third quarter of the year ended March 2014	70,246	6.0	7,368	16.2	7,347	15.1	4,909	34.4

(Note) Comprehensive income

Third quarter of the year ending March 2015: 4,856 million yen / (2.2)%

Third quarter of the year ended March 2014: 4,964 million yen / 60.3%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third quarter of the year ending March 2015	293.28	—
Third quarter of the year ended March 2014	330.81	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net Assets per Share
	million yen	million yen	%	Yen
Third quarter of the year ending March 2015	113,822	85,081	74.7	6,119.85
Year ended March 2014	120,730	81,736	67.7	5,879.25

(Reference) Shareholders' equity:

Third quarter of the year ending March 2015: 85,081 million yen

Year ended March 2014: 81,736 million yen

2. Dividends

	Yearly Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	Annual
	yen	yen	yen	yen	yen
Year ended March 2014	—	45.00	—	100.00	145.00
Year ending March 2015	—	50.00	—		
Year ending March 2015 (forecast)				100.00	150.00

(Note) Revisions to recent dividend forecast: None

The detail of second quarter dividend of Year ended March 2014; ordinary dividend 40.00 yen, extra dividend 5.00 yen

The detail of year-end dividend of Year ended March 2014; ordinary dividend 40.00 yen, extra dividend 60.00 yen

The detail of second quarter dividend of Year ending March 2015; ordinary dividend 40.00 yen, extra dividend 5.00 yen, commemorative dividend 5.00 yen

The detail of year-end dividend of Year ending March 2015 (Forecast); ordinary dividend 40.00 yen, extra dividend 60.00 yen

3. Forecast of consolidated financial results for the year ending March 2015 (April 1st, 2014 through March 31st, 2015)

(% represents increase or decrease from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	108,000	0.4	12,000	1.6	12,000	(0.2)	7,600	0.5	546.66

(Note) Revisions to recent business forecast: None

Since the Group's operating results tend to take a peak at the fourth quarter and it is difficult to give a forecast every six months based on rational calculation, the consolidated forecast at the second quarter is not disclosed.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries involving changes in the scope of consolidation): None

(2) Application of special accounting methods for the preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting projections and restatement

(i) Changes in accounting policies associated with revision of accounting standards: Yes

(ii) Changes other than (i) above: None

(iii) Changes in accounting projections: None

(iv) Restatement: None

(Note)

For details, please refer to “(3) Change in accounting policies, accounting projections, and restatement” under the section “2. Summary information” on page 6.

- (4) Number of outstanding shares (common stock)
- (i) Number of outstanding shares at the end of the period (including treasury stock)
 - Third quarter of the year ending March 2015: 19,588,000 shares
 - Year ended March 2014: 19,588,000 shares
 - (ii) Number of shares of treasury stock at the end of the period:
 - Third quarter of the year ending March 2015: 5,685,398 shares
 - Year ended March 2014: 5,685,382 shares
 - (iii) Average number of shares during the period (accumulated consolidated quarter)
 - Third quarter of the year ending March 2015: 13,902,652 shares
 - Third quarter of the year ended March 2014: 14,842,393 shares

* Statement concerning the Status of Quarterly Financial Review Procedures

These Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2015 are not subject to quarterly financial review under the Financial Instruments and Exchange Act. At the time of disclosing these Consolidated Financial Statements, financial review procedures specified in the Financial Instruments and Exchange Act have not been completed with respect to the quarterly consolidated financial statements.

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

1. The forecasted financial results described above are based on information available at the time of announcement. Actual results may differ from the results projected and presented hereby for a variety of reasons.
2. With respect to the preconditions for the forecast of financial results, please refer to “(3) Explanation about consolidated earnings forecast” under the “1. Qualitative information about consolidated earnings results for the quarter under review” section on page 6.

Contents of the Attached Materials

- 1. Qualitative information about consolidated earnings results for the quarter under review ----- 5
 - (1) Explanation about consolidated operating results ----- 5
 - (2) Explanation about consolidated financial situation ----- 5
 - (3) Explanation about consolidated earnings forecast ----- 6
- 2. Summary information ----- 6
 - (1) Change in significant subsidiaries during the period ----- 6
 - (2) Application of special accounting methods for the preparation of the consolidated quarterly financial statements ----- 6
 - (3) Change in accounting policies, accounting projections, and restatement ----- 6
- 3. Material events related to going concern assumptions ----- 6
- 4. Consolidated quarterly financial statements ----- 7
 - (1) Consolidated quarterly balance sheets ----- 7
 - (2) Consolidated quarterly income statements and consolidated quarterly comprehensive income statements 9
 - Consolidated quarterly income statements
 - Third quarter of the consolidated term ----- 9
 - Consolidated quarterly comprehensive income statements
 - Third quarter of the consolidated term ----- 10
 - (3) Notes to consolidated quarterly financial statement ----- 10
 - (Notes regarding the premise for going concern) ----- 10
 - (Notes when there is a significant fluctuation in the amount of shareholders' equity) ----- 10

1. Qualitative information about consolidated earnings results for the quarter under review

(1) Explanation about consolidated operating results

In the third quarter cumulative period, the Japanese economy continued to face uncertainties such as reverse effect of last-minute surge in demand caused by the raising of the consumption tax rate and rising of raw material prices due to depreciation of the yen, but recovery were seen in corporate earnings and indicators reflecting the employment conditions thanks to the government's economic and monetary policy.

In the medical equipment industry, the remuneration for medical treatment in FY2014 seeks to establish a framework to provide healthcare services that meet the needs of Japan's aging society by focusing on challenges such as the differentiation and strengthening of medical institutions' functions, encouraging teamwork throughout Japan's medical network, and expanding home treatment. Medical institutions face ever greater demands for efficient, high-quality healthcare.

As a result, the Group posted a consolidated net sales of 71,889 million yen (up 2.3% on a year-to-year basis), operating income of 6,120 million yen (down 16.9% on a year-to-year basis), ordinary income of 6,881 million yen (down 6.3% on a year-to-year basis), and a net income of 4,077 million yen (down 17.0% on a year-to-year basis) in the third quarter.

A. Physiological diagnostic equipment segment

The sales of electrocardiographs, vascular screening systems and blood cell counters decreased.

As a result, consolidated net sales were 18,498 million yen (down 7.3% on a year-to-year basis).

B. Patient monitoring equipment segment

Sales of patient monitoring equipment increased.

As a result, consolidated net sales were 5,638 million yen (up 6.1% on a year-to-year basis).

C. Medical treatment equipment segment

While the business of renting medical equipment for home treatment and sales of pacemakers and Automated External Defibrillators (AEDs) increased.

As a result, consolidated net sales were 31,041 million yen (up 6.6% on a year-to-year basis).

D. Consumables and other products segment

In this segment, we mainly handle recording paper, disposable electrodes, and consumables used for devices handled in the above segments, as well as maintenance and repair services.

Consolidated net sales for this segment were 16,710 million yen (up 5.3% on a year-to-year basis).

(2) Explanation about consolidated financial situation

Total assets were 113,822 million yen at the end of the third quarter under review, down 6,908 million yen from the end of the previous fiscal year.

The main factors are increase of 2,130 million yen in "Merchandise and finished goods" and 1,714 million yen in "Investment securities" despite a decrease of 10,853 million yen in "Notes and accounts receivable - trade" and 3,015 million yen in "Cash and deposits".

Liabilities amounted to 28,740 million yen, down 10,253 million yen from the end of the previous fiscal year.

This is primarily because of a decrease of 5,201 million yen in "Notes and accounts payable-trade" and decrease of 2,877 million yen in "Income taxes payable".

Net assets were 85,081 million yen, up 3,344 million yen from the end of the previous fiscal year.

The main factors are an increase of 2,566 million yen in "Retained earnings" and 822 million yen in "Valuation difference on available-for-sale securities".

(3) Explanation about consolidated earnings forecast

As a forecast, gradual economic recovery is expected to continue, but some influence to the business environment such as the wake of the raising of the consumption tax rate and increasing resource prices are concerned.

Under these circumstances, we at the Fukuda Denshi Group, remain dedicated to contribute to medical progress and healthcare in general in accordance with our social mission in order to accommodate the needs of medical institutions that support regional medical services.

There is no change at this moment in the forecast of the financial results for the full fiscal year which we announced on May 15th, 2014.

The forecasted financial results described in this material are based on information available at the time of announcement. Actual results may differ from the results projected and presented hereby for a variety of reasons.

2. Summary information

(1) Change in significant subsidiaries during the period

Not applicable.

(2) Application of special accounting methods for the preparation of the consolidated quarterly financial statements

Not applicable.

(3) Change in accounting policies, accounting projections, and restatement

(Application of Accounting Standards for Retirement Benefits)

Fukuda Denshi has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan(ASBJ) Statement No. 26 issued on May 17, 2012, hereinafter, the “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter, the “Retirement Benefits Guidance”) from the first quarter of the current fiscal year with regard to the provisions stipulated in the text from Item 35 of the Accounting Standard for Retirement Benefits and the text from Item 67 of the Retirement Benefits Guidance. Accordingly, the Company reviewed the calculation method of retirement benefit liabilities and service costs, changed the method of attribution period for estimated amount of retirement benefits from the fix-amount to the benefit formula, and changed the method of determining the discount rate from a method using the discount rate based on the average remaining service period of employees to a method using the weighted average discount rate which are reflected the approximate number of years of payment and its amount of each year.

The company is complying with the transitional measures prescribed under Clause 37 of the Accounting Standards for Retirement Benefits regarding its application, and has adjusted the amount “Retained earnings” at the start of this consolidated fiscal year to reflect the effects of that change.

Consequently, 892 million yen in “Retirement benefit liabilities” decreased at the start of this consolidated fiscal year and “Retained earnings” increased 591 million yen.

The impact on profit and loss is minor.

(Application of Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts)

Fukuda Denshi has adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (PITF No. 30 issued by the Accounting Standards Board of Japan on December 25, 2013) at the start of this consolidated fiscal year ending March 31, 2015. Accordingly, the company recognizes, at the time the company’s own stock is disposed to trust, the difference on disposal, and posts gain/loss on sales associated with the shares sold by the trust to an employee stock ownership plan, dividends from the company for the shares held by the trust, and miscellaneous expenses concerning the trust to liabilities on a net basis. This change in the accounting policy was applied retroactively, and consequently, the consolidated financial statements for the third quarter of the previous fiscal year and for the full previous fiscal year present the results after the retroactive application.

The impact of retroactive application is minor.

3. Material events related to going concern assumptions

Not applicable.

4. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

(Million yen)

	Previous fiscal year (as of March 31 st , 2014)	End of the third quarter under review (as of December 31 st , 2014)
Assets		
Current assets		
Cash and deposits	22,408	19,393
Notes and accounts receivable - trade	33,924	23,070
Securities	273	173
Merchandise and finished goods	7,382	9,512
Work in process	149	204
Raw materials and supplies	2,294	2,462
Other	4,252	4,359
Allowance for doubtful accounts	(172)	(170)
Total current assets	70,512	59,006
Non-current assets		
Property, plant and equipment	22,526	23,978
Intangible assets	3,826	3,322
Investments and other assets		
Investment securities	9,506	11,221
Other	14,409	16,345
Allowance for doubtful accounts	(50)	(52)
Total investments and other assets	23,865	27,514
Total non-current assets	50,218	54,815
Total assets	120,730	113,822
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,851	16,650
Short-term loans payable	1,850	1,900
Income taxes payable	3,211	333
Provision for bonuses	2,488	1,033
Provision for product warranties	354	381
Other provision	200	140
Other	4,017	4,350
Total current liabilities	33,973	24,789
Non-current liabilities		
Long-term loans payable	1,098	1,101
Other provision	167	175
Net defined benefit liability	2,547	1,441
Other	1,206	1,232
Total non-current liabilities	5,019	3,950
Total liabilities	38,993	28,740

	Previous fiscal year (as of March 31 st , 2014)	End of the third quarter under review (as of December 31 st , 2014)
Net assets		
Shareholders' equity		
Capital stock	4,621	4,621
Capital surplus	10,055	10,055
Retained earnings	80,760	83,326
Treasury shares	(14,729)	(14,730)
Total shareholders' equity	80,707	83,273
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,057	1,879
Foreign currency translation adjustment	(47)	(87)
Remeasurements of defined benefit plans	19	16
Total accumulated other comprehensive income	1,029	1,808
Total net assets	81,736	85,081
Total liabilities and net assets	120,730	113,822

(2) Consolidated quarterly income statements and consolidated quarterly comprehensive income statements

Consolidated quarterly income statements
(Third quarter of the consolidated term)

(Million yen)

	Third quarter of the previous consolidated term (from April 1 st , 2013 to December 31 st , 2013)	Third quarter of the consolidated term (from April 1 st , 2014 to December 31 st , 2014)
Net sales	70,246	71,889
Cost of sales	36,791	37,930
Gross profit	33,455	33,958
Selling, general and administrative expenses	26,086	27,838
Operating income	7,368	6,120
Non-operating income		
Interest income	58	50
Dividend income	114	129
Foreign exchange gains	179	395
Other	140	213
Total non-operating income	493	788
Non-operating expenses		
Interest expenses	18	18
Share of loss of entities accounted for using equity method	448	-
Loss on investments in partnership	3	2
Other	43	6
Total non-operating expenses	515	27
Ordinary income	7,347	6,881
Extraordinary income		
Gain on step acquisitions	186	-
Gain on sales of non-current assets	109	6
Gain on sales of investment securities	355	5
Subsidy income	67	27
Surrender value of insurance	55	102
Total extraordinary income	774	141
Extraordinary losses		
Loss on sales of non-current assets	0	-
Impairment loss	14	9
Loss on valuation of investment securities	232	-
Total extraordinary losses	247	9
Income before income taxes and minority interests	7,874	7,013
Income taxes - current	2,786	2,274
Income taxes - deferred	177	661
Total income taxes	2,964	2,936
Income before minority interests	4,909	4,077
Net income	4,909	4,077

Consolidated quarterly comprehensive income statements
(Third quarter of the consolidated term)

	(Million yen)	
	Third quarter of the previous consolidated term (from April 1 st , 2013 to December 31 st , 2013)	Third quarter of the consolidated term (from April 1 st , 2014 to December 31 st , 2014)
Income before minority interests	4,909	4,077
Other comprehensive income		
Valuation difference on available-for-sale securities	57	822
Foreign currency translation adjustment	(2)	(39)
Remeasurements of defined benefit plans, net of tax	-	(2)
Total other comprehensive income	54	779
Comprehensive income	4,964	4,856
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,964	4,856

(3) Notes to consolidated quarterly financial statement

(Notes regarding the premise for going concern)

Not applicable.

(Notes when there is a significant fluctuation in the amount of shareholders' equity)

Not applicable.

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