

Summary Report on Financial Results for the Second Quarter of the Year Ending March 2017  
(Japan GAAP)

October 31<sup>st</sup>, 2016  
Listing: TSE-JASDAQ

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Scheduled date for filing the quarterly report: November 8<sup>th</sup>, 2016  
Scheduled date for commencement of dividend payment: December 5<sup>th</sup>, 2016  
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 Second quarter of the year ending March 2017 (April 1<sup>st</sup>, 2016 through September 30<sup>th</sup>, 2016)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of the year ending March 2017	54,072	1.9	5,289	15.9	4,906	0.2	4,676	33.9
Second quarter of the year ended March 2016	53,050	10.8	4,563	0.6	4,896	(0.9)	3,491	19.5

(Note) Comprehensive income

Second quarter of the year ending March 2017: 5,102 million yen / 55.2 %

Second quarter of the year ended March 2016: 3,288 million yen / (8.5) %

	Earnings per share	Diluted earnings per share
	yen	yen
Second quarter of the year ending March 2017	306.08	—
Second quarter of the year ended March 2016	251.13	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Second quarter of the year ending March 2017	133,681	101,740	76.1	6,752.80
Year ended March 2016	137,164	99,830	72.8	6,498.12

(Reference) Shareholders' equity:

Second quarter of the year ending March 2017: 101,740 million yen

Year ended March 2016: 99,830 million yen

## 2. Dividends

	Annual 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 2016	—	60.00	—	90.00	150.00
Year ending March 2017	—	60.00			
Year ending March 2017 (forecast)			—	90.00	150.00

(Note) Revisions to recent dividend forecast: None

The detail of second quarter dividend of Year ended March 2016; ordinary dividend 40.00 yen, extra dividend 20.00 yen

The detail of year-end dividend of Year ended March 2016; ordinary dividend 40.00 yen, extra dividend 50.00 yen

The detail of second quarter dividend of Year ending March 2017; ordinary dividend 40.00 yen, extra dividend 20.00 yen

The detail of year-end dividend of Year ending March 2017 (Forecast); ordinary dividend 40.00 yen, extra dividend 50.00 yen

## 3. Forecast of consolidated financial results for fiscal year ending March 2017 (April 1<sup>st</sup>, 2016 through March 31<sup>st</sup>, 2017)

(% represents increase or decrease from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	117,500	0.2	11,000	3.3	11,000	0.6	7,500	1.8	491.81

(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)
    - Second quarter of the year ending March 2017: 19,588,000 shares
    - Year ended March 2016: 19,588,000 shares
  - (ii) Number of shares of treasury stock at the end of the period:
    - Second quarter of the year ending March 2017: 4,521,552 shares
    - Year ended March 2016: 4,225,003 shares
  - (iii) Average number of shares during the period (accumulated consolidated quarter)
    - Second quarter of the year ending March 2017: 15,278,419 shares
    - Second quarter of the year ended March 2016: 13,902,492 shares

\* Statement concerning the Status of Quarterly Financial Review Procedures

These Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31<sup>st</sup>, 2017 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 5.

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

### (1) Explanation about consolidated operating results

In the second quarter cumulative period, Japanese economy is still recovering, but continued to face uncertainties such as growing uncertainty in the overseas economies, and the impact of fluctuations in foreign exchange rates, and the influence from the downturn of the economy is a concern. Japanese economy still has anxiety for the future.

In the medical device industry, the remuneration for medical treatments in FY2016 has been a negative revision as a whole. Medical institutions face continuous demands for efficient and high-quality healthcare.

As a result, the Group posted a consolidated “Net sales” of 54,072 million yen (up 1.9% on a year-to-year basis), “Operating income” of 5,289 million yen (up 15.9% on a year-to-year basis), “Ordinary income” of 4,906 million yen (up 0.2% on a year-to-year basis), and “Profit attributable to parent company shareholders” of 4,676 million yen (up 33.9% on a year-to-year basis) in the second quarter.

#### A. Physiological diagnostic equipment segment

While the sales of electrocardiographs and vascular screening systems increased, the sales of blood-cell counters decreased.

Consolidated “Net sales” were 14,761 million yen (down 4.0% on a year-to-year basis).

#### B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment were 3,722 million yen (down 0.1% 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 increased.

Consolidated “Net sales” were 23,031 million yen (up 4.5% 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 12,556 million yen (up 5.3% on a year-to-year basis).

### (2) Explanation about consolidated financial situation

“Total assets” were 133,681 million yen at the end of the second quarter under review, down 3,482 million yen from the end of the previous fiscal year.

The main factors are the decrease of 7,344 million yen in “Notes and accounts receivable-trade” despite the increase of 3,700 million yen in “Cash and deposits”.

“Total liabilities” amounted to 31,940 million yen, down 5,392 million yen from the end of the previous fiscal year.

The main factor is the decrease of 6,751 million yen in “Notes and accounts payable-trade” and 1,111 million yen in “Income taxes payable”.

“Net assets” were 101,740 million yen, up 1,910 million yen from the end of the previous fiscal year.

The main factor is the increase of 1,830 million yen in “Treasury shares” and 3,285 million yen in “Retained earnings”.

### (3) Explanation about consolidated earnings forecast

Due to the steady sales achievement until the second quarter, there is no change at this moment in the forecast of the financial results for the full fiscal year which we announced on May 13<sup>th</sup>, 2016.

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  
Change in accounting policies  
(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)  
Pursuant to an amendment in the Corporation Tax Act, the Company has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No.32 issued on June 17<sup>th</sup>, 2016) from the first quarter of the current fiscal year. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1<sup>st</sup>, 2016 from the declining-balance method to the straight-line method.  
The effect of this change in accounting policies to the quarterly consolidated financial statements for the second quarter under review is minimal.

## 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 <sup>st</sup> , 2016)	End of the second quarter under review (as of September 30 <sup>th</sup> , 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	34,768	38,469
Notes and accounts receivable-trade	34,066	26,721
Securities	1,647	210
Merchandise and finished goods	8,917	9,350
Work in process	95	123
Raw materials and supplies	2,140	2,495
Other	3,162	4,039
Allowance for doubtful accounts	(21)	(18)
<b>Total current assets</b>	<b>84,777</b>	<b>81,394</b>
Non-current assets		
Property, plant and equipment	26,138	26,947
Intangible assets	2,545	2,391
Investments and other assets		
Investment securities	9,144	9,629
Other	14,619	13,379
Allowance for doubtful accounts	(61)	(62)
<b>Total investments and other assets</b>	<b>23,702</b>	<b>22,947</b>
<b>Total non-current assets</b>	<b>52,386</b>	<b>52,286</b>
<b>Total assets</b>	<b>137,164</b>	<b>133,681</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	22,370	15,619
Electronically recorded obligations - operating	-	3,474
Short-term loans payable	1,850	1,900
Current portion of long-term loans payable	45	45
Income taxes payable	1,871	760
Provision for bonuses	2,054	2,128
Provision for product warranties	490	309
Other provision	183	91
Other	4,305	3,443
<b>Total current liabilities</b>	<b>33,172</b>	<b>27,772</b>
Non-current liabilities		
Long-term loans payable	63	41
Other provision	222	207
Net defined benefit liability	2,504	2,534
Other	1,370	1,385
<b>Total non-current liabilities</b>	<b>4,161</b>	<b>4,167</b>
<b>Total liabilities</b>	<b>37,333</b>	<b>31,940</b>

	(Million yen)	
	Previous fiscal year (as of March 31 <sup>st</sup> , 2016)	End of the second quarter under review (as of September 30 <sup>th</sup> , 2016)
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,621	4,621
Capital surplus	22,340	22,369
Retained earnings	91,493	94,778
Treasury shares	(18,386)	(20,216)
<b>Total shareholders' equity</b>	<b>100,069</b>	<b>101,552</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	774	956
Foreign currency translation adjustment	(195)	(46)
Remeasurements of defined benefit plans	(817)	(722)
<b>Total accumulated other comprehensive income</b>	<b>(238)</b>	<b>187</b>
<b>Total net assets</b>	<b>99,830</b>	<b>101,740</b>
<b>Total liabilities and net assets</b>	<b>137,164</b>	<b>133,681</b>



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

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

(Million yen)

	Second quarter of the previous consolidated term (from April 1 <sup>st</sup> , 2015 to September 30 <sup>th</sup> , 2015)	Second quarter of the consolidated term (from April 1 <sup>st</sup> , 2016 to September 30 <sup>th</sup> , 2016)
Net sales	53,050	54,072
Cost of sales	29,377	30,549
Gross profit	23,673	23,522
Selling, general and administrative expenses	19,109	18,233
Operating income	4,563	5,289
Non-operating income		
Interest income	30	37
Dividend income	87	88
Foreign exchange gains	96	—
Other	139	145
Total non-operating income	353	270
Non-operating expenses		
Interest expenses	14	10
Foreign exchange losses	—	635
Loss on investments in partnership	1	1
Other	4	5
Total non-operating expenses	21	652
Ordinary income	4,896	4,906
Extraordinary income		
Gain on sales of non-current assets	2	2
Surrender value of insurance	326	957
Total extraordinary income	329	960
Extraordinary losses		
Loss on sales of non-current assets	—	0
Impairment loss	13	34
Loss on valuation of investment securities	—	126
Total extraordinary losses	13	160
Profit before income taxes	5,212	5,706
Income taxes-current	2,088	858
Income taxes-deferred	(368)	171
Total income taxes	1,720	1,029
Profit	3,491	4,676
Profit attributable to owners of parent	3,491	4,676

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

	(Million yen)	
	Second quarter of the previous consolidated term (from April 1 <sup>st</sup> , 2015 to September 30 <sup>th</sup> , 2015)	Second quarter of the consolidated term (from April 1 <sup>st</sup> , 2016 to September 30 <sup>th</sup> , 2016)
Profit	3,491	4,676
Other comprehensive income		
Valuation difference on available-for-sale securities	(90)	182
Foreign currency translation adjustment	(35)	149
Remeasurements of defined benefit plans, net of tax	(76)	94
Total other comprehensive income	(202)	426
Comprehensive income	3,288	5,102
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,288	5,102

(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)

The Board of Directors approved on the acquisition of Fukuda Denshi's own shares under the Article 156 of the Companies Act of Japan applied as mutatis mutandis stipulated under the Article 165-3 of the same Law during its meeting held on August 23<sup>rd</sup>, 2016, and as of August 24<sup>th</sup>, 2016, 296,900 common shares have been acquired through a fixed price trading at ToSTNeT-3(Market of Tokyo Security Exchange) which amounted to 1,802 million yen.

As a result, the value of the treasury stock was 20,216 million yen at the end of the second quarter under review.

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