

Summary Report on Financial Results for the Third Quarter of the Year Ending March 2018
(Japan GAAP)

January 31st, 2018
Listing: TSE-JASDAQ

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Scheduled date for filing the quarterly report: February 8th, 2018
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 2018 (April 1st, 2017 through December 31st, 2017)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

| | Net sales | | Operating Profit | | Ordinary Profit | | Profit attributable to owners of parent | |
|---|-------------|-----|------------------|------|-----------------|------|---|-------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Third quarter of the year ending March 2018 | 88,208 | 7.5 | 8,434 | 3.8 | 8,816 | 6.2 | 6,838 | (1.5) |
| Third quarter of the year ended March 2017 | 82,049 | 1.4 | 8,124 | 18.1 | 8,298 | 15.5 | 6,939 | 43.1 |

(Note) Comprehensive income

Third quarter of the year ending March 2018: 7,467 million yen / (11.0) %

Third quarter of the year ended March 2017: 8,388 million yen / 72.8 %

| | Earnings per share | Diluted earnings per share |
|---|--------------------|----------------------------|
| | yen | yen |
| Third quarter of the year ending March 2018 | 449.39 | — |
| Third quarter of the year ended March 2017 | 454.76 | — |

(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 2018 | 145,085 | 110,920 | 76.5 | 7,289.14 |
| Year ended March 2017 | 146,009 | 105,973 | 72.6 | 6,964.31 |

(Reference) Shareholders' equity:

Third quarter of the year ending March 2018: 110,920 million yen

Year ended March 2017: 105,973 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 2017 | — | 60.00 | — | 100.00 | 160.00 |
| Year ending March 2018 | — | 65.00 | — | | |
| Year ending March 2018 (forecast) | | | | 90.00 | 155.00 |

(Note) Revisions to recent dividend forecast: None

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

The detail of year-end dividend of Year ended March 2017; ordinary dividend 45.00 yen, extra dividend 50.00 yen, commemorative dividend 5.00 yen

The detail of second quarter dividend of Year ending March 2018; ordinary dividend 50.00 yen, extra dividend 15.00 yen

The detail of year-end dividend of Year ending March 2018 (Forecast); ordinary dividend 50.00 yen, extra dividend 40.00 yen

3. Forecast of consolidated financial results for fiscal year ending March 2018 (April 1st, 2017 through March 31st, 2018)

(% represents increase or decrease from the previous year)

| | Net sales | | Operating Profit | | Ordinary Profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-------------|-----|------------------|-----|-----------------|-----|---|-------|--------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full-year | 125,000 | 2.7 | 12,500 | 3.6 | 12,500 | 2.4 | 8,000 | (8.8) | 525.73 |

(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: None

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

(iii) Changes in accounting projections: None

(iv) Restatement: None

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares at the end of the period (including treasury shares)

Third quarter of the year ending March 2018: 19,588,000 shares

Year ended March 2017: 19,588,000 shares

(ii) Number of shares of treasury shares at the end of the period:

Third quarter of the year ending March 2018: 4,370,812 shares

Year ended March 2017: 4,371,392 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)

Third quarter of the year ending March 2018: 15,217,022 shares

Third quarter of the year ended March 2017: 15,259,856 shares

* Summary Report on Financial Results for the Third Quarter is not subject to quarterly financial review.

* 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 third quarter cumulative period, the Japanese economy is still recovering, but continues to face uncertainties such as uncertainty in the overseas economies, the impact of the foreign exchange rates fluctuations, and the influence from the downturn of the economy is a concern. There is still some 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 88,208 million yen (up 7.5 % on a year-to-year basis), “Operating profit” of 8,434 million yen (up 3.8 % on a year-to-year basis), “Ordinary profit” of 8,816 million yen (up 6.2 % on a year-to-year basis), and “Profit attributable to owners of parent” of 6,838 million yen (down 1.5 % on a year-to-year basis) in the third quarter.

A. Physiological diagnostic equipment segment

Consolidated “Net sales” were 23,817 million yen (up 9.2 % year-on-year basis) due to the addition of Fukuda Colin Co., Ltd. to the consolidation.

B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment were 6,025 million yen (down 1.7 % year-on-year basis).

C. Medical treatment equipment segment

The business of renting medical equipment for home treatment increased.

As a result, consolidated “Net sales” were 36,978 million yen (up 4.9 % 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 21,387 million yen (up 13.5 % on a year-to-year basis).

(2) Explanation about consolidated financial situation

“Total assets” were 145,085 million yen at the end of the third quarter under review, down 923 million yen from the end of the previous fiscal year.

The main factors are the decrease of 8,263 million yen in “Notes and accounts receivable-trade” despite the increase of 5,705 million yen in “Cash and deposits” and 1,636 million yen in “Merchandise and finished goods”.

“Total liabilities” amounted to 34,165 million yen, down 5,870 million yen from the end of the previous fiscal year.

The main factor is the decrease of 4,788 million yen in “Notes and accounts payable-trade” and 1,331 million yen in “Provision for bonuses”.

“Net assets” were 110,920 million yen, up 4,947 million yen from the end of the previous fiscal year.

The main factor is the increase of 4,315 million yen in “Retained earnings”.

(3) Explanation about consolidated earnings forecast

Due to the steady sales achievement until the third 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 12th, 2017.

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. Consolidated quarterly financial statements and Notes

(1) Consolidated quarterly balance sheets

| | (Million yen) | |
|---|---|--|
| | Previous fiscal year (as of March 31 st , 2017) | End of the Third quarter under review (as of December 31 st , 2017) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 37,381 | 43,087 |
| Notes and accounts receivable-trade | 38,243 | 29,979 |
| Securities | 1,171 | 174 |
| Merchandise and finished goods | 10,090 | 11,727 |
| Work in process | 131 | 239 |
| Raw materials and supplies | 2,053 | 2,676 |
| Other | 3,021 | 3,056 |
| Allowance for doubtful accounts | (20) | (33) |
| Total current assets | 92,072 | 90,907 |
| Non-current assets | | |
| Property, plant and equipment | 27,713 | 28,151 |
| Intangible assets | 2,288 | 2,070 |
| Investments and other assets | | |
| Investment securities | 9,624 | 10,832 |
| Other | 14,370 | 13,180 |
| Allowance for doubtful accounts | (60) | (57) |
| Total investments and other assets | 23,934 | 23,955 |
| Total non-current assets | 53,936 | 54,177 |
| Total assets | 146,009 | 145,085 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 18,736 | 13,948 |
| Electronically recorded obligations - operating | 6,061 | 6,010 |
| Short-term loans payable | 1,850 | 1,900 |
| Current portion of long-term loans payable | 45 | 33 |
| Income taxes payable | 910 | 1,094 |
| Provision for bonuses | 2,503 | 1,172 |
| Provision for product warranties | 219 | 215 |
| Other provision | 203 | 151 |
| Other | 4,560 | 4,633 |
| Total current liabilities | 35,090 | 29,159 |
| Non-current liabilities | | |
| Long-term loans payable | 18 | - |
| Net defined benefit liability | 2,652 | 2,728 |
| Other provision | 257 | 255 |
| Other | 2,017 | 2,022 |
| Total non-current liabilities | 4,945 | 5,005 |
| Total liabilities | 40,036 | 34,165 |

| | (Million yen) | |
|---|---|--|
| | Previous fiscal year (as of March 31 st , 2017) | End of the Third quarter under review (as of December 31 st , 2017) |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,621 | 4,621 |
| Capital surplus | 21,696 | 21,696 |
| Retained earnings | 97,970 | 102,286 |
| Treasury shares | (19,543) | (19,541) |
| Total shareholders' equity | 104,745 | 109,062 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,761 | 2,322 |
| Foreign currency translation adjustment | (192) | (176) |
| Remeasurements of defined benefit plans | (340) | (288) |
| Total accumulated other comprehensive income | 1,227 | 1,857 |
| Total net assets | 105,973 | 110,920 |
| Total liabilities and net assets | 146,009 | 145,085 |

(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 , 2016 to December 31 st , 2016) | Third quarter of the consolidated term (from April 1 st , 2017 to December 31 st , 2017) |
| Net sales | 82,049 | 88,208 |
| Cost of sales | 46,791 | 50,937 |
| Gross profit | 35,258 | 37,271 |
| Selling, general and administrative expenses | 27,134 | 28,836 |
| Operating profit | 8,124 | 8,434 |
| Non-operating income | | |
| Interest income | 53 | 33 |
| Dividend income | 114 | 122 |
| Foreign exchange gains | - | 2 |
| Gain on investments in partnership | - | 140 |
| Other | 153 | 134 |
| Total non-operating income | 322 | 434 |
| Non-operating expenses | | |
| Interest expenses | 15 | 32 |
| Foreign exchange losses | 124 | - |
| Loss on investments in partnership | 1 | 0 |
| Other | 6 | 20 |
| Total non-operating expenses | 147 | 52 |
| Ordinary profit | 8,298 | 8,816 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 3 | 7 |
| Surrender value of insurance | 957 | 932 |
| Other | - | 0 |
| Total extraordinary income | 960 | 940 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | - |
| Impairment loss | 185 | 11 |
| Loss on valuation of investment securities | 147 | - |
| Office transfer expenses | - | 36 |
| Loss on litigation | - | 22 |
| Total extraordinary losses | 333 | 70 |
| Profit before income taxes | 8,925 | 9,685 |
| Income taxes-current | 1,729 | 2,670 |
| Income taxes-deferred | 256 | 177 |
| Total income taxes | 1,986 | 2,847 |
| Profit | 6,939 | 6,838 |
| Profit attributable to owners of parent | 6,939 | 6,838 |

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

(Million yen)

| | Third quarter of the previous consolidated term (from April 1 st , 2016 to December 31 st , 2016) | Third quarter of the consolidated term (from April 1 st , 2017 to December 31 st , 2017) |
|--|--|---|
| Profit | 6,939 | 6,838 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,450 | 561 |
| Foreign currency translation adjustment | (137) | 15 |
| Remeasurements of defined benefit plans, net of tax | 135 | 52 |
| Total other comprehensive income | 1,448 | 629 |
| Comprehensive income | 8,388 | 7,467 |
| Comprehensive income attributable to Comprehensive income attributable to owners of parent | 8,388 | 7,467 |

(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.