Summary Report on Financial Results for Fiscal Year Ended March 2015
(Japan GAAP)

May 15th, 2015
Listing: TSE-JASDAQ

Company name: Fukuda Denshi Co., Ltd.
Code No.: 6960 (http://www.fukuda.co.jp)
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Scheduled date for the ordinary general meeting of shareholders: June 26th, 2015
Scheduled date for commencement of dividend payment: June 29th, 2015
Scheduled date for filing the securities report: June 26th, 2015
Supplementary material development: Yes
Financial results meeting: Yes (for analysts)

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

1. Consolidated financial results for fiscal year ended March 2015 (April 1st, 2014 through March 31st, 2015)

(1) Consolidated operating results (% 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 2015 | 108,269 | 0.6 | 10,303 | (12.8) | 11,371 | (5.4) | 7,119 | (5.8) |
| Year ended March 2014 | 107,574 | 11.8 | 11,811 | 15.2 | 12,023 | 15.1 | 7,559 | 16.8 |

(Note)Comprehensive income
Fiscal year ended March 2015: 8,766 million yen / 17.5% Fiscal year ended March 2014: 7,460 million yen / 6.7 %

| | 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 2015 | 512.10 | - | 8.3 | 9.3 | 9.5 |
| Year ended March 2014 | 516.89 | - | 9.2 | 10.2 | 11.0 |

(Reference) Profit or loss on equity method investments:
Fiscal year ended March 2015: - million yen Fiscal year ended March 2014: (448) 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 2015 | 124,582 | 88,991 | 71.4 | 6,401.07 |
| Year ended March 2014 | 120,730 | 81,736 | 67.7 | 5,879.25 |

(Reference) Shareholders' equity:
Fiscal year ended March 2015: 88,991 million yen Fiscal year ended March 2014: 81,736 million yen

(3) Consolidated cash flows statement

| | 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 2015 | 12,851 | (6,592) | (2,326) | 24,189 |
| Year ended March 2014 | 11,122 | (4,350) | (7,852) | 20,339 |

2. Dividends

| | Annual Dividend | | | | | Total dividends (for the year) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 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 2014 | - | 45.00 | - | 100.00 | 145.00 | 2,015 | 28.1 | 2.6 |
| Year ended March 2015 | - | 50.00 | - | 100.00 | 150.00 | 2,085 | 29.3 | 2.4 |
| Year ending March 2016 (Forecast) | - | 60.00 | - | 90.00 | 150.00 | | 28.3 | |

(Note)

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 ended 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 ended March 2015; ordinary dividend 40.00 yen, extra dividend 60.00 yen

The detail of second quarter dividend of Year ending March 2016 (Forecast); ordinary dividend 40.00 yen, extra dividend 20.00 yen

The detail of year-end dividend of Year ending March 2016 (Forecast); ordinary dividend 40.00 yen, extra dividend 50.00 yen

3. Forecast of consolidated financial results for fiscal year ending March 2016 (April 1st, 2015 through March 31st, 2016) (% represent increases or decreases 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 | 109,000 | 0.7 | 12,000 | 16.5 | 12,000 | 5.5 | 7,380 | 3.7 | 530.84 |

(Note)

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 current fiscal year: No

(2) Changes in accounting policies and procedures

(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 “Change in accounting policies” on page 26.

(3) Number of outstanding shares (common stock)

(i) Number of outstanding shares at the year-end (including “Treasury stock”)

Fiscal year ended March 2015: 19,588,000 shares

Fiscal year ended March 2014: 19,588,000 shares

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

Fiscal year ended March 2015: 5,685,418 shares

Fiscal year ended March 2014: 5,685,382 shares

(iii) Average number of shares during the period

Fiscal year ended March 2015: 13,902,639 shares

Fiscal year ended March 2014: 14,625,522 shares

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for fiscal year ended March 2015 (April 1st, 2014 through March 31st, 2015)

(1) Non-consolidated operating results (% 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 2015 | 63,284 | (0.9) | 6,027 | (0.6) | 8,751 | 9.5 | 5,794 | (0.3) |
| Year ended March 2014 | 63,849 | 7.1 | 6,062 | 20.4 | 7,990 | 15.8 | 5,813 | 20.9 |

| | Net income per share | Fully diluted net income per share |
|---|---|---|
| | yen | yen |
| Year ended March 2015 | 416.78 | - |
| Year ended March 2014 | 397.48 | - |

(2) Non-consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| Year ended March 2015 | 99,535 | 63,339 | 63.6 | 4,555.95 |
| Year ended March 2014 | 96,252 | 58,354 | 60.6 | 4,197.37 |

(Reference) Shareholders' equity:
Fiscal year ended March 2015: 63,339 million yen　　Fiscal year ended March 2014: 58,354 million yen

* Status of Auditing Processes

At the time of disclosure of this report, review procedures for the consolidated financial statements pursuant to the Financial Instruments and Exchange Law had not been completed.

* 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 "(1) Analysis of operation results" under the "1. Operating results & financial situation" section on page 7.
3. As the announcement of "Fukuda Denshi Announces that it Makes Atomic Sangyo its Wholly-owned Subsidiary through Share Exchange and Change of Largest Shareholder", we Fukuda Denshi has resolved to conduct a share exchange at the meeting of board of directors held on May 15th, 2015, with Fukuda Denshi as the wholly-owning parent company and Atomic Sangyo Co., Ltd. as a wholly-owned subsidiary, and that Fukuda Denshi concluded a share exchange agreement with Atomic Sangyo today. But the Share Exchange is subject to approval for the Share Exchange Agreement by the general meeting of each respective shareholders of Fukuda Denshi and Atomic Sangyo scheduled on June 26th, the influence of this share exchange is not considered to above mentioned "2. Dividends" forecast for fiscal year ending March 2016, and "3. Forecast of consolidated financial results for fiscal year ending March 2016".

Contents of the Attached Materials

**1. Operating results & financial situation**

(1) Analysis of operation results

(i) Overview of the business for the current consolidated fiscal year

| | Year ended March 2014 | Year ended March 2015 | Comparison with the previous year | |
|---|---|---|---|---|
| | Amount | Amount | Change | Rate of change (%) |
| Net sales (million yen) | 107,574 | 108,269 | 695 | 0.6 |
| Operating income (million yen) | 11,811 | 10,303 | (1,508) | (12.8) |
| Ordinary income (million yen) | 12,023 | 11,371 | (651) | (5.4) |
| Net income (million yen) | 7,559 | 7,119 | (440) | (5.8) |
| Net income per share (yen) | 516.89 | 512.10 | (4.79) | (0.9) |

During the fiscal year ended March 2015, while the Japanese economy stayed on the recovery track thanks to economic and financial measures, with continuous improvements in corporate earnings and employment conditions as well as solid share prices, there was also a perceptible drop-off in spending in response to the rise in the consumption tax rate.

The medical equipment industry was once again affected by the revision of medical treatment fees in FY2014, which seek to establish a framework to provide healthcare services that meet the needs of aging society, using on challenges such as the differentiation and strengthening of medical institutions' functions, encouraging teamwork throughout Japan's medical network, and expanding home-based healthcare services. Medical institutions face continuous demands for efficient, high-quality healthcare

As a result, the Group posted consolidated "Net sales" of 108,269 million yen (up 0.6% year-on-year basis) for this consolidated fiscal year. With regard to incomes, the" Selling, general and administrative expenses" such as "Selling expenses" and "Research and development expenses" and others have increased, consolidated "Operating income" totaled 10,303 million yen (down 12.8% year-on-year basis) , consolidated "Ordinary income" totaled 11,371 million yen (down 5.4% year-on-year basis) and the consolidated "Net income" totaled 7,119 million yen (down 5.8% on a year-on-year basis).

(ii) Overview of each segment for the current consolidated fiscal year

| Business segment | Year ended March 2014 | | Year ended March 2015 | | Comparison with the previous year | |
|---|---|---|---|---|---|---|
| | Amount (million yen) | Ratio (%) | Amount (million yen) | Ratio (%) | Change (million yen) | Rate of change (%) |
| Physiological diagnostic equipment | 34,711 | 32.3 | 32,661 | 30.2 | (2,050) | (5.9) |
| Patient monitoring equipment | 9,461 | 8.8 | 9,526 | 8.8 | 64 | 0.7 |
| Medical treatment equipment | 39,909 | 37.1 | 42,201 | 39.0 | 2,291 | 5.7 |
| Consumables and other products | 23,491 | 21.8 | 23,880 | 22.0 | 388 | 1.7 |
| Total | 107,574 | 100.0 | 108,269 | 100.0 | 695 | 0.6 |

A. Physiological diagnostic equipment segment

Consolidated "Net sales" of electrocardiographs, vascular screening systems, and blood cell counters were 32,661 million yen (down 5.9% year-on-year basis).

B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment were 9,526 million yen (up 0.7% year-on-year basis).

C. Medical treatment equipment segment

The business of renting medical equipment for home treatment and sales of pacemakers and AEDs increased.

As a result, consolidated “Net sales” were 42,201 million yen (up 5.7% year-on-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.

As the sales increased toward the end of the term, consolidated “Net sales” for this segment were 23,880 million yen (up 1.7% year-on-year basis).

(iii) Outlook for fiscal year ending March 2016

| | Year ended March 2015 | Year ending March 2016 | Comparison with the previous year | |
|---|---|---|---|---|
| | Amount | Amount | Change | Rate of change (%) |
| Net sales (million yen) | 108,269 | 109,000 | 730 | 0.7 |
| Operating income (million yen) | 10,303 | 12,000 | 1,696 | 16.5 |
| Ordinary income (million yen) | 11,371 | 12,000 | 628 | 5.5 |
| Net income (million yen) | 7,119 | 7,380 | 260 | 3.7 |
| Net income per share (yen) | 512.10 | 530.84 | 18.74 | 3.7 |

Gradual economic recovery and companies’ earnings and consumer spending are expected domestically. We at the Fukuda Denshi Group, inspired by our corporate philosophy, remain dedicated to contribute to medical progress and healthcare in general in accordance with our social mission.

The Group expects consolidated “Net sales” of 109,000 million yen, consolidated “Operating income” of 12,000 million yen, consolidated “Ordinary income” of 12,000 million yen, and consolidated “Net income” of 7,380 million yen for the fiscal year ending March 2016.

Forecast shown in this material are just an outlook judged or assumed based on the information available at the moment, changes will be promptly disclosed when necessary.

(2) Analysis of financial situation

(i) Assets, liabilities and net assets

"Total assets" increased 3,851 million yen from the end of the previous fiscal year to reach 124,582 million yen. The main factors are the increase of 3,317 million yen in "Cash and deposits" and 1,856 million yen in "Investment securities", despite a decrease of 1,795 million yen in "Deferred tax assets" and 1,226 million yen in "Notes and accounts receivable-trade".

"Total liabilities" decreased 3,403 million yen from the end of the previous fiscal year to reach 35,590 million yen. The main factors are the increase of 769 million yen in "Notes and accounts payable-trade", despite a decrease of 1,998 million yen in "Net defined benefit liability" and 1,378 million yen in "Income taxes payable" and 1,098 million yen in "Long-term loans payable".

"Net assets" increased 7,254 million yen from the end of the previous fiscal year to reach 88,991 million yen. The main factors are the increase of 5,608 million yen in "Retained earnings" and 1,106 million yen in "Valuation difference on available-for-sale securities" at the end of current period, despite the decrease of 104 million yen in "Foreign currency translation adjustment".

(ii) Consolidated cash flows

| | Year ended March 2014 | Year ended March 2015 | Change |
|---|---|---|---|
| Cash flows from operating activities (million yen) | 11,122 | 12,851 | 1,729 |
| Cash flows from investing activities (million yen) | (4,350) | (6,592) | (2,241) |
| Cash flows from financing activities (million yen) | (7,852) | (2,326) | 5,525 |
| Effect of exchange rate changes (million yen) | (40) | (81) | (41) |
| Increase (decrease) in cash and cash equivalents (million yen) | (1,121) | 3,850 | 4,971 |
| Cash and cash equivalents at the end of the fiscal year (million yen) | 20,339 | 24,189 | 3,850 |

(Cash flows from operating activities)

In the consolidated fiscal year, the "Cash flows from operating activities" were 12,851 million yen, up 1,729 million yen from the previous year. Including "Income before income taxes" of 11,996 million yen, "Depreciation" of 6,161 million yen and "Increase in notes and accounts receivable-trade" of 1,321 million yen.

(Cash flows from investing activities)

"The cash flows from investing activities" were minus 6,592 million yen, down 2,241 million yen from the previous year. Including purchase of "Property, plant and equipment" amounted to 6,718 million yen and "Purchase of insurance funds" amount of 1,952 million yen.

(Cash flows from financing activities)

"The cash flows from financing activities" were minus 2,326 million yen, up 5,525 million yen from the previous year, mainly because of the "Cash dividends paid" of 2,090 million yen.

As a result, "Cash and cash equivalents at the end of the fiscal year" was 24,189 million yen, up 3,850 million yen compared to the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

| | Year ended March 2011 | Year ended March 2012 | Year ended March 2013 | Year ended March 2014 | Year ended March 2015 |
|---|---|---|---|---|---|
| Shareholders' equity ratio (%) | 73.4 | 72.7 | 71.6 | 67.7 | 71.4 |
| Market value-based shareholders' equity ratio (%) | 42.8 | 37.1 | 45.9 | 52.5 | 75.5 |
| Years needed to repay debts | 0.1 | 0.3 | 0.2 | 0.3 | 0.1 |
| Interest coverage ratio | 589.6 | 389.3 | 450.9 | 403.4 | 461.7 |

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 stock) 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 dividend for fiscal year ended March 2015 and fiscal year ending 2016

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 with 30% consolidated payout ratio, by reinvesting profits in order to generate sustainable growth while maintaining an appropriate level of retained earnings.

Year-end dividend of 100 yen per share will be paid for the fiscal year ended March 2015. As a result, annual dividend is 150 yen per share, including interim dividend of 50 yen per share.

For the fiscal year ending March 2016, annual dividend per share is expected to be 150 yen per share (interim dividend of 60 yen per share and year-end dividend of 90 yen per share).

(4) Business risks

(i) Effect of medical administration

The Japanese Government has been pushing forward with its policies of improving the quality of medical care and curtailing the medical costs, and the remuneration for medical services, and the official reimbursement prices for drugs and specific insurance medical materials are revised every two years. Changes in the governmental health care policies may lead to intensified competition within the market and lowered sales prices, thus adversely affecting the operating results and financial standing of the Group.

(ii) Legal regulations

The manufacture and sales of medical equipment are subject to regulations prescribed in the Pharmaceutical Affairs Law, and it may take a certain period of time for a new medical equipment to be investigated and finally approved for sale. In addition, some medical equipment requires clinical trials, thus taking a long period of time before it is launched in the market.

If the current regulations are revised, new ones are introduced, or any other unpredictable regulatory change is made in the future, it is likely that this will adversely affect the operating results and financial standing of the Group.

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

The Group imports and sells ventilators, pacemakers, defibrillators, heart catheters and other devices and equipment. If any problem arises that will make it impossible to continue stable transactions with the exporters, the operating results and financial standing of the Group will be adversely affected. To prevent this, sufficient care has been taken not to depend too heavily on a few specific companies for the supply of those equipment.

(iv) Product quality

The Group manufactures the products under a rigorous quality control system that is strictly in conformance with the international standards including ISO. If any quality problem arises due to unforeseen failure or defect of a product, suspension of sale and recall of such product may be ordered by the authorities concerned, adversely affecting the operating results and financial standing of the Group.

(v) Risks accompanying overseas businesses

The Group 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 or new ones are introduced 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) Fluctuations in foreign exchange rates and others

The Group has subsidiaries in foreign countries and is procuring and importing products and raw materials from overseas companies. In case, rapid fluctuations in foreign exchange rates could adversely affect the Company’s business performance and financial position.

(vii) Impairment accounting

In case that “Impairment losses” is needed to book for the assets of the Group, it is possible that it could adversely affect the Company’s business performance and financial position.

(viii) Effects to the group from tremendous disaster

The Group has domestic and oversea bases; if an earthquake, electric-power shortages or any other incidents occurs, it is possible that it could adversely affect the Company’s business performance and financial position.

## 2. The Fukuda Denshi Group

The Group consists of the company, 58 subsidiaries and 1 affiliates; the Fukuda Denshi Group is engaged mainly in manufacturing, purchasing and sales of medical 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 Fine Tech Sendai Co., Ltd. and Beijing Fukuda Denshi Medical Instruments Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd.

Sales: Fukuda Denshi Co., Ltd.; Fukuda Life Tech Co., Ltd.; Fukuda Denshi Hokkaido and other sales subsidiaries; Fukuda Denshi USA, Inc.; Beijing Fukuda Denshi Medical Instruments Co., Ltd. and Fukuda Denshi Switzerland AG

- 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 Fine Tech Sendai Co., Ltd.; Beijing Fukuda Denshi Medical Instruments Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd.

Sales: Fukuda Denshi Co., Ltd.; Fukuda Denshi Hokkaido and other sales subsidiaries; Fukuda Denshi USA, Inc.; 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; catheters which are used for heart and vascular treatment, and other equipment.

<Major companies involved>

Production: Fukuda Denshi Co., Ltd.; Fukuda Denshi Fine Tech Sendai Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd.

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

- Consumables and other products segment

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

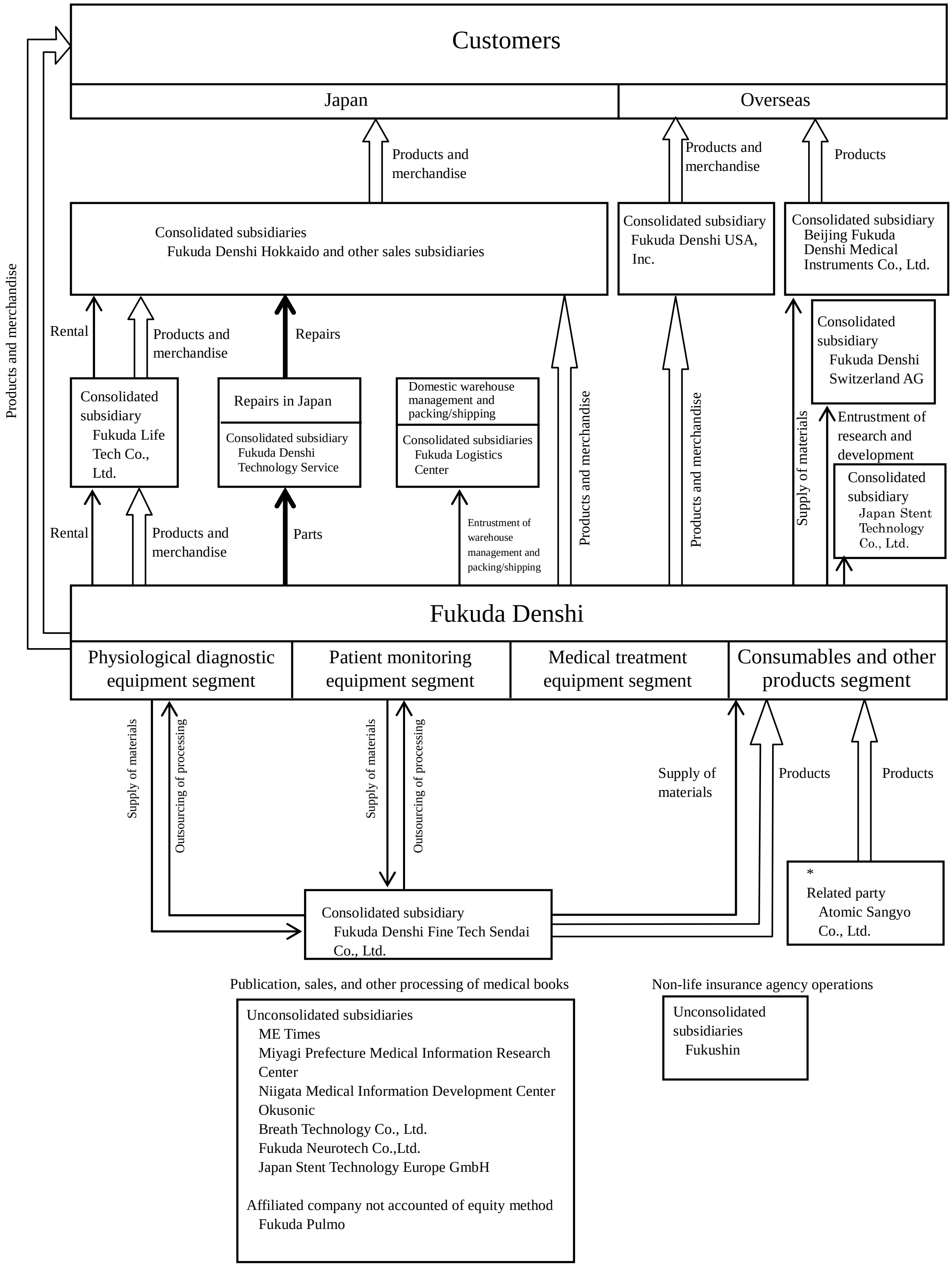
<Major companies involved>

Production: Fukuda Denshi Co., Ltd.; Fukuda Denshi Fine Tech Sendai Co., Ltd.

Purchase: Fukuda Denshi Co., Ltd.

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

Diagram of the Group's business structure




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

## 3. Management policy

(1) Basic policies for corporate management

Since established in 1939, the Group 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 Group 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 objectives of our business operations are to achieve sustainable growth and increase profits, and the Company targets consolidated "Net sales" of 113,000 million yen or more and consolidated "Ordinary income of 12,200 million yen or more in the fiscal year ending March 2018. Also, the Company plans to work on increasing the capital efficiency by continuously using created cash flow for growth investment with the aim of improving the corporate value, and continue to provide shareholders with stable returns.

(3) Medium- to long-term management strategies and issues to be addressed

The expansion of DPC (Diagnosis Procedure Combination) in Japan, combined with revisions of medical treatment fees, drug prices, and official reimbursement amounts for specific insurance-covered treatment materials, mean the outlook for our market remains severe. Nonetheless, we remain devoted to providing customers with safe, secure products by:

・ Maintaining rigorous quality control and safety management regimes;
・ Developing products that provide a clear difference between Fukuda Denshi Group and our competitors;
・ Investing in the upkeep of our sales framework; and
・ Cutting costs in order to maintain a competitive advantage over competitors worldwide.

Over the mid-term, we will institute a business plan to keep abreast of the changes in medical markets as populations get progressively older, and implement a steadfast foundation for our business so that we may better pursue our goals more efficiently.

Strategic investment in growth segments and effective research and development will enable us to provide more comprehensive solutions to medical institutions and bolster our ability to provide community-based solutions in the home-care segment. Meanwhile, we will seek to reinforce our governance and compliance structures, and reinvigorate our organization by developing our human resources. Through these combined efforts, we aim to enhance the Fukuda Denshi Group's business administration as a whole.

Our mission is to uphold medical care in the community and, to that end, we are committed to providing a one-stop solutions incorporating "prevention, testing, treatment, observation, rehabilitation, and home-based care". By providing value through those solutions to our customers, we seek to achieve sustainable growth.

(4) Basic policy on the relation with the related party

Fukuda Denshi's shareholder Atomic Sangyo Co., Ltd. holds 16.08% of the Company's voting rights (as of March 31st, 2015). Kotaro Fukuda, Chairman & CEO of Fukuda Denshi, and his close relatives own 100% of the voting rights of Atomic Sangyo.

Atomic Sangyo manufactures and sells recording paper for medical electronic devices and also engages in real estate leasing business. The Group 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.

(5) Other important managerial matters of the Company

None

**4. Basic policy on the selection of accounting standards**

Fukuda Denshi decided to adopt the Japanese accounting standards for the time being, because the Fukuda Denshi Group's business is based chiefly in Japan. We will consider implementing the IFRS (International Financial Reporting Standards) in an appropriate manner in light of the movement toward its adaption both at home and abroad.

## 5. Consolidated financial statements

(1) Consolidated balance sheets

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,408 | 25,726 |
| Notes and accounts receivable-trade | 33,924 | 32,698 |
| Securities | 273 | 192 |
| Merchandise and finished goods | 7,382 | 8,616 |
| Work in process | 149 | 112 |
| Raw materials and supplies | 2,294 | 2,128 |
| Deferred tax assets | 2,268 | 1,770 |
| Other | 1,984 | 2,010 |
| Allowance for doubtful accounts | (172) | (24) |
| Total current assets | 70,512 | 73,232 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 11,074 | 11,173 |
| Accumulated depreciation and impairment loss | (5,344) | (5,732) |
| Buildings and structures, net | 5,729 | 5,440 |
| Machinery, equipment and vehicles | 1,053 | 1,112 |
| Accumulated depreciation and impairment loss | (669) | (795) |
| Machinery, equipment and vehicles, net | 383 | 316 |
| Tools, furniture and fixtures | 26,999 | 28,013 |
| Accumulated depreciation and impairment loss | (17,911) | (17,850) |
| Tools, furniture and fixtures, net | 9,088 | 10,163 |
| Land | 7,011 | 7,493 |
| Leased assets | 611 | 860 |
| Accumulated depreciation and impairment loss | (346) | (420) |
| Lease assets, net | 265 | 439 |
| Construction in progress | 48 | 242 |
| Total property, plant and equipment | 22,526 | 24,096 |

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Intangible assets | 3,826 | 2,551 |
| Investments and other assets | | |
| Investment securities | 9,506 | 11,362 |
| Deferred tax assets | 2,208 | 910 |
| Insurance funds | 9,334 | 9,474 |
| Other | 2,866 | 2,966 |
| Allowance for doubtful accounts | (50) | (12) |
| Total investments and other assets | 23,865 | 24,701 |
| Total noncurrent assets | 50,218 | 51,349 |
| Total assets | 120,730 | 124,582 |

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 21,851 | 22,620 |
| Short-term loans payable | 1,850 | 1,850 |
| Lease obligations | 78 | 132 |
| Income taxes payable | 3,211 | 1,832 |
| Provision for bonuses | 2,488 | 2,034 |
| Provision for directors' bonuses | 200 | 173 |
| Provision for product warranties | 354 | 370 |
| Other | 3,939 | 4,478 |
| Total current liabilities | 33,973 | 33,493 |
| Noncurrent liabilities | | |
| Long-term loans payable | 1,098 | — |
| Lease obligations | 242 | 384 |
| Provision for directors' retirement benefits | 167 | 192 |
| Net defined benefit liability | 2,547 | 548 |
| Other | 964 | 971 |
| Total noncurrent liabilities | 5,019 | 2,097 |
| Total liabilities | 38,993 | 35,590 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,621 | 4,621 |
| Capital surplus | 10,055 | 10,055 |
| Retained earnings | 80,760 | 86,369 |
| Treasury stock | (14,729) | (14,731) |
| Total shareholders' equity | 80,707 | 86,315 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,057 | 2,164 |
| Foreign currency translation adjustment | (47) | (152) |
| Remeasurements of defined benefit plans | 19 | 664 |
| Total accumulated other comprehensive income | 1,029 | 2,676 |
| Total net assets | 81,736 | 88,991 |
| Total liabilities and net assets | 120,730 | 124,582 |

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

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Net sales | 107,574 | 108,269 |
| Cost of sales | 58,884 | 59,966 |
| Gross profit | 48,689 | 48,302 |
| Selling, general and administrative expenses | 36,878 | 37,999 |
| Operating income | 11,811 | 10,303 |
| Non-operating income | | |
| Interest income | 75 | 66 |
| Dividend income | 125 | 140 |
| Foreign exchange gains | 377 | 647 |
| Gain on investments in partnership | - | 19 |
| Other | 178 | 234 |
| Total non-operating income | 756 | 1,109 |
| Non-operating expenses | | |
| Interest expenses | 27 | 27 |
| Share of loss of entities accounted for using equity method | 448 | - |
| Loss on investments in partnership | 18 | - |
| Other | 49 | 13 |
| Total non-operating expenses | 544 | 40 |
| Ordinary income | 12,023 | 11,371 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 111 | 5 |
| Gain on sales of investment securities | 357 | 301 |
| Subsidy income | 67 | 27 |
| Surrender value of insurance | 55 | 315 |
| Gain on step acquisitions | 186 | - |
| Gain on forgiveness of debts | - | 960 |
| Other | 7 | - |
| Total extraordinary income | 785 | 1,609 |

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Extraordinary losses | | |
| Loss on sales of noncurrent assets | 0 | - |
| Impairment loss | 14 | 66 |
| Loss on valuation of investment securities | 232 | - |
| Loss on business withdrawal | - | 915 |
| Other | 0 | 2 |
| Total extraordinary losses | 248 | 985 |
| Income before income taxes and minority interests | 12,560 | 11,996 |
| Income taxes-current | 5,007 | 4,062 |
| Income taxes-deferred | (6) | 814 |
| Total income taxes | 5,001 | 4,876 |
| Income before minority interests | 7,559 | 7,119 |
| Net income | 7,559 | 7,119 |

Consolidated statements of comprehensive income

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Income before minority interests | 7,559 | 7,119 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (87) | 1,106 |
| Foreign currency translation adjustment | (11) | (104) |
| Remeasurements of defined benefit plans, net of tax | - | 645 |
| Total other comprehensive income | (99) | 1,647 |
| Comprehensive income | 7,460 | 8,766 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 7,460 | 8,766 |

(3) Consolidated statements of changes in net assets

Previous fiscal year (April 1st, 2013 to March 31st, 2014) (Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 4,621 | 10,047 | 75,152 | (8,847) | 80,973 |
| Cumulative effects of changes in accounting policies | | 8 | 3 | (8) | 3 |
| Restated balance | 4,621 | 10,055 | 75,155 | (8,855) | 80,977 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (1,946) | | (1,946) |
| Employees' bonuses and welfare funds | | | (7) | | (7) |
| Net income | | | 7,559 | | 7,559 |
| Purchase of treasury stock | | | | (5,874) | (5,874) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than share holders' equity | | | | | |
| Total changes of items during the period | - | 0 | 5,604 | (5,873) | (269) |
| Balance at the end of current period | 4,621 | 10,055 | 80,760 | (14,729) | 80,707 |

| | Accumulated other comprehensive income | | | | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at the beginning of current period | 1,145 | (36) | - | 1,108 | 82,082 |
| Cumulative effects of changes in accounting policies | | | | - | 3 |
| Restated balance | 1,145 | (36) | - | 1,108 | 82,086 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | | | (1,946) |
| Employees' bonuses and welfare funds | | | | | (7) |
| Net income | | | | | 7,559 |
| Purchase of treasury stock | | | | | (5,874) |
| Disposal of treasury stock | | | | | 0 |
| Net changes of items other than share holders' equity | (87) | (11) | 19 | (79) | (79) |
| Total changes of items during the period | (87) | (11) | 19 | (79) | (349) |
| Balance at the end of current period | 1,057 | (47) | 19 | 1,029 | 81,736 |

Current fiscal year (April 1st, 2014 to March 31st, 2015) (Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 4,621 | 10,055 | 80,760 | (14,729) | 80,707 |
| Cumulative effects of changes in accounting policies | | | 591 | | 591 |
| Restated balance | 4,621 | 10,055 | 81,351 | (14,729) | 81,298 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (2,092) | | (2,092) |
| Employees' bonuses and welfare funds | | | (8) | | (8) |
| Net income | | | 7,119 | | 7,119 |
| Purchase of treasury stock | | | | (2) | (2) |
| Disposal of treasury stock | | | | 0 | 0 |
| Net changes of items other than share holders' equity | | | | | |
| Total changes of items during the period | - | - | 5,017 | (1) | 5,016 |
| Balance at the end of current period | 4,621 | 10,055 | 86,369 | (14,731) | 86,315 |

| | Accumulated other comprehensive income | | | | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at the beginning of current period | 1,057 | (47) | 19 | 1,029 | 81,736 |
| Cumulative effects of changes in accounting policies | | | | - | 591 |
| Restated balance | 1,057 | (47) | 19 | 1,029 | 82,328 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | | | (2,092) |
| Employees' bonuses and welfare funds | | | | | (8) |
| Net income | | | | | 7,119 |
| Purchase of treasury stock | | | | | (2) |
| Disposal of treasury stock | | | | | 0 |
| Net changes of items other than share holders' equity | 1,106 | (104) | 645 | 1,647 | 1,647 |
| Total changes of items during the period | 1,106 | (104) | 645 | 1,647 | 6,663 |
| Balance at the end of current period | 2,164 | (152) | 664 | 2,676 | 88,991 |

Note for statements of changes in shareholders' equity:

"Employees' bonuses and welfare funds" 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 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 12,560 | 11,996 |
| Depreciation | 5,636 | 6,161 |
| Impairment loss | 14 | 66 |
| Increase (decrease) in allowance for doubtful accounts | 158 | (190) |
| Increase (decrease) in provision for bonuses | 230 | (454) |
| Increase (decrease) in provision for directors' bonuses | 66 | (26) |
| Increase (decrease) in provision for product warranties | (57) | 15 |
| Increase (decrease) in provision for retirement benefits | (2,884) | - |
| Increase (decrease) in net defined benefit liability | 2,610 | (293) |
| Increase (decrease) in provision for directors' retirement benefits | (50) | 25 |
| Interest and dividend income | (201) | (207) |
| Interest expenses | 27 | 27 |
| Loss (gain) on sales of noncurrent assets | (110) | (5) |
| Loss (gain) on sales of investment securities | (357) | (301) |
| Loss (gain) on valuation of investment securities | 232 | - |
| Loss (gain) on cancellation of insurance contract | (55) | (315) |
| Subsidy income | (67) | (27) |
| Loss (gain) on step acquisitions | (186) | - |
| Share of (profit) loss of entities accounted for using equity method | 448 | - |
| Gain on forgiveness of debt | - | (960) |
| Loss on withdrawal from business | - | 915 |
| Decrease (increase) in notes and accounts receivable-trade | (6,836) | 1,321 |
| Decrease (increase) in inventories | (535) | (913) |
| Increase (decrease) in notes and accounts payable-trade | 4,735 | 796 |
| Increase (decrease) in accrued consumption taxes | 194 | 838 |
| Other, net | (236) | (356) |
| Subtotal | 15,337 | 18,112 |

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Interest and dividends income received | 199 | 206 |
| Interest expenses paid | (27) | (27) |
| Income taxes paid | (4,386) | (5,440) |
| Net cash provided by (used in) operating activities | 11,122 | 12,851 |
| Net cash provided by (used in) investing activities | | |
| Decrease (increase) in time deposits | 1,171 | 532 |
| Purchase of property, plant and equipment | (4,345) | (6,718) |
| Purchase of intangible assets | (1,025) | (274) |
| Purchase of short-term and long term investment securities | (106) | (767) |
| Proceeds from sales of short-term and long term investment securities | 1,893 | 838 |
| Purchase of insurance funds | (1,977) | (1,952) |
| Proceeds from maturity of insurance funds | 568 | 2,132 |
| Purchase of investments of subsidiaries | - | (20) |
| Purchase of investments of subsidiaries resulting in change in scope of consolidation | (136) | - |
| Payments of loans receivable | (130) | (90) |
| Proceeds from compensation | 67 | 27 |
| Other, net | (330) | (300) |
| Net cash provided by (used in) investing activities | (4,350) | (6,592) |
| Net cash provided by (used in) financing activities | | |
| Proceeds from long-term loans payable | 60 | 2 |
| Repayments of long-term loans payable | - | (141) |
| Purchase of treasury stock | (5,874) | (1) |
| Proceeds from sales of treasury stock | 0 | - |
| Cash dividends paid | (1,945) | (2,090) |
| Repayments of lease obligations | (94) | (96) |
| Net cash provided by (used in) financing activities | (7,852) | (2,326) |
| Effect of exchange rate change on cash and cash equivalents | (40) | (81) |
| Net increase (decrease) in cash and cash equivalents | (1,121) | 3,850 |
| Cash and cash equivalents at beginning of period | 21,461 | 20,339 |
| Cash and cash equivalents at end of period | 20,339 | 24,189 |

(5) Notes to Consolidated Financial Statement

(Notes regarding the assumption for going concern)

Not applicable

(Change in accounting policies)

(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 17th, 2012, hereinafter, the "Accounting Standard for Retirement Benefits") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26th, 2015, hereinafter, the "Retirement Benefits Guidance") from the start 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 March 26th, 2015) at the start of this consolidated fiscal year ended March 31st, 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 previous fiscal year present the results after the retroactive application.

The impact of retroactive application is minor.

(Basic significant matters regarding the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 50

Major consolidated subsidiaries are as follows:

Fukuda Life Tech Co., Ltd.

Fukuda Denshi Hokkaido Co., Ltd.

The newly-established Fukuda Life Tech Tokyo-Nishi Co., Ltd. is included within the scope of consolidated accounts starting in the fourth quarter.

(2) Names and other details of major unconsolidated subsidiaries(8)

Of the subsidiaries, ME Times Co., Ltd., Fukushin Co., Ltd. and six (6) 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.

2. Application of equity method

(1) Names and other details of unconsolidated subsidiaries and affiliates that are not accounted for by equity method

The eight (8) unconsolidated subsidiaries and the affiliate company Fukuda Pulmo Co., Ltd. had no material effect on consolidated income and loss(amount corresponding to the owned equity) and “Retained earnings”(amount corresponding to the owned equity), 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.

3. Accounting period, etc. of consolidated subsidiaries

The accounts of consolidated subsidiaries Fukuda Denshi USA, Inc.; and Fukuda Denshi Switzerland AG close on December 31st 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 are made.

4. Accounting standards

(1) Valuation standards and methods for principle assets

(i) Securities

Held-to-maturity securities;

- Amortized cost method (straight-line method)

Other securities

Marketable securities;

- Stated at fair value based on the market price as of the end of current fiscal year.
(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.)

Non-marketable securities;

- Stated at cost based on the moving average method.
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.

(ii) 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.

Merchandise and finished goods

-Mainly stated at cost determined by the first-in, first-out method.

Work in process

-Mainly stated at cost based on the specific cost method.

Raw materials

-Mainly stated at cost based on the gross average method.

Supplies

-Stated at cost based on the last purchase price method.

(2) Depreciation method for significant depreciable assets

(i) Property, plant and equipment (excluding lease assets)

Depreciated primarily by the declining balance method. However, buildings (except for building attachments) acquired on or after April 1st, 1998 were depreciated using the straight-line method.

In addition, the expected lifetime are as follows:

| | |
|---|---|
| Buildings and structures: | 3 to 60 years |
| Machinery, equipment and vehicles: | 4 to 17 years |
| Tools, furniture and fixtures: | 2 to 20 years |

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.

Of the tools, furniture 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.

(ii) Intangible assets (excluding lease assets)

Depreciated by the straight-line method.

Software for internal use is amortized by the straight-line method over its useful life of five years.

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.

(iii) Lease assets

Lease assets in finance lease transactions

We adopted the same depreciation method applied to self-owned "Noncurrent assets".

Lease assets in finance lease transactions that do not transfer ownership

The straight-line method is used, based on the assumption that the useful life is the lease term and the residual value is zero.

Finance lease transactions that do not transfer ownership and for which the inception of the lease predates March 31, 2008 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

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.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, an amount corresponding to current fiscal year's portion of estimated bonus payments was reserved.

(iii) Provision for directors' bonuses

To prepare for the payment of bonuses to directors and corporate auditors, an amount corresponding to current fiscal year's portion of estimated bonus payments was reserved.

(iv) Provision for directors' retirement benefits

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.

(v) Provision for product warranties

To prepare for the expenses incurred by the free repair to be implemented after the delivery of the products, estimated amount of the repair expenses was reserved on the basis of the estimated proportion of such expenses to net sales and the estimated amount of such expenses for individual products.

(4) Accounting for retirement benefits

(i) Accounting for retirement benefits

In the calculation of retirement benefits, accrued benefits are assigned to the period up to the current consolidated fiscal year in accordance with the fixed-amount standards.

(ii) Accounting for actuarial differences and prior service costs

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.

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.

(5) 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”.

(6) Method and period of goodwill amortization

Goodwill is evenly amortized over the effective period of the goodwill.

(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.

(8) Other important matters for preparation of consolidated financial statements

Accounting treatment of consumption tax and other taxes

Consumption tax and other taxes are excluded from profits and losses.

(Consolidated balance sheets)

*1. Unconsolidated subsidiaries and affiliated companies:

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Investment securities (Stocks) | 141 | 161 |

2. Discount on bills:

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Discount on notes receivable - trade | - | 480 |
| Discount on export bills | 49 | 102 |

(Consolidated statements of income)

*1. The year-end inventory balance is the amount after the devaluation of the book value arising from the decline in profitability, and the next loss on valuation of inventories is included in cost of sales.

(Million yen)

| Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|
| (63) | (182) |

*2. Major items and amounts of Selling, general and administrative expenses are as follows:

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Salaries, allowance, and other monies for directors and employees | 12,876 | 13,206 |
| Bonuses and provision of allowance for bonuses | 3,715 | 3,042 |
| Provision of allowance for retirement benefits to directors | 30 | 39 |
| Retirement benefit expenses | 797 | 1,329 |
| Depreciation | 1,055 | 1,410 |
| Provision of allowance for bonuses to directors | 200 | 173 |

*3. Research and development expenses included in the general and administrative expenses and Manufacturing expenses:

(Million yen)

| Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|
| 3,591 | 4,148 |

*4. Breakdown of gains on sale of noncurrent assets:

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Buildings | 89 | - |
| Machinery, equipment and vehicles | 9 | 5 |
| Tools, furniture and fixtures | 0 | 0 |
| Land | 11 | - |
| Total | 111 | 5 |

*5. Breakdown of losses on sale of noncurrent assets:

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Machinery, equipment and vehicles | 0 | - |
| Tools, furniture and fixtures | 0 | - |
| Total | 0 | - |

*6. Impairment losses:

Previous fiscal year (April 1st, 2013 to March 31st, 2014)

The Group booked the following assets as “Impairment loss”.

| Location of assets | Use of assets | Type of assets |
|---|---|---|
| Bunkyo-ku, Tokyo | Operational assets | Tools, furniture and fixtures |
| Nasu, Tochigi Prefecture | Idle assets | Land |

The Company mainly 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.

Because of a decrease in cash flows caused by a declined “Operating income” and a fall of the market price, we have written down the book values of the above assets to recoverable values. These write-offs have resulted in “Impairment losses” (of 14 million yen), which were booked as “Extraordinary losses”.

These “Impairment losses” consist of the losses on “Tools, furniture and fixtures” of 3 million yen and on “Land” of 11 million yen.

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 “Noncurrent asset tax”, with reasonable adjustments.

Current fiscal year (April 1st, 2014 to March 31st, 2015)

The Group booked the following assets as impairment loss.

| Location of assets | Use of assets | Type of assets |
|---|---|---|
| Bunkyo-ku, Tokyo | Operational assets | Tools, furniture and fixtures |
| Sakai, Osaka | Operational assets | Tools, furniture and fixtures |
| Nasu, Tochigi Prefecture | Idle assets | Land |

The Company mainly 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.

Because of a decrease in cash flows caused by a declined “Operating income” and a fall of the market price, we have written down the book values of the above assets to recoverable values. These write-offs have resulted in “Impairment losses” (of 66 million yen), which were booked as “Extraordinary losses”.

These “Impairment losses” consist of the losses on “Tools, furniture and fixtures” of 16 million yen and on “Land” of 50 million yen.

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 “Noncurrent asset tax”, with reasonable adjustments.

(Consolidated statements of comprehensive income)

*1. Amount of Reclassification adjustments and Tax effects for other comprehensive income

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount incurred in current fiscal year | 344 | 1,810 |
| Amount of Reclassification adjustments | (303) | (295) |
| Before adjusting tax benefit | 40 | 1,515 |
| Amount of tax benefit | (128) | (408) |
| Valuation difference on available-for-sale securities | (87) | 1,106 |
| Foreign currency translation adjustment : | | |
| Amount incurred in current fiscal year | (11) | (104) |
| Remeasurements of defined benefit plans : | | |
| Amount incurred in current fiscal year | - | 645 |
| Other comprehensive income | (99) | 1,647 |

(Consolidated statements of changes in net assets)

Previous fiscal year (from April 1st, 2013 to March 31st, 2014)

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

| | Number of shares at the beginning of current fiscal year (1,000 shares) | Increase in number of shares for current fiscal year under (1,000 shares) | Decrease in number of shares for current fiscal year (1,000 shares) | Number of shares at the end of the current fiscal year (1,000 shares) |
|---|---|---|---|---|
| Number of issued shares | | | | |
| Common stock | 19,588 | - | - | 19,588 |
| Total | 19,588 | - | - | 19,588 |
| Treasury stock | | | | |
| Common stock (Note) | 4,119 | 1,566 | 0 | 5,685 |
| Total | 4,119 | 1,566 | 0 | 5,685 |

Note: (i) The shares of Trust & Custody Services Bank, Ltd. owns are included in the number of our "Treasury stock"(50 thousand shares at the start of the fiscal year and 49 thousand shares at the end of the fiscal year).

(ii) The increase of 1,566 thousand shares in "Treasury stock" of common stock reflects the increase of 1,566 thousand shares of tender offer of "Treasury stock", and 0 thousand shares owing to the acquisition of "Treasury stock".

(iii) The decrease of 0 thousand shares in "Treasury stock" of common stock reflects the decrease of 0 thousand shares of disposal of "Treasury stock" by Trust & Custody Services Bank, Ltd. to employees' stock ownership associations, and 0 thousand shares owing to the demand of additional purchase of "Treasury stock".

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 27th, 2013 | Common stock | *1 1,319 | 85 | March 31st, 2013 | June 28th, 2013 |
| Board of Directors' meeting held on October 31st, 2013 | Common stock | *2 627 | 45 | September 30th, 2013 | December 9th, 2013 |

(Note):

*1: The total dividend amount resolved at the ordinary general meeting of shareholders held on June 27th, 2013, includes the dividend 4 million yen for the share Trust & Custody Services Bank, Ltd. owns.

*2: The total dividend amount resolved at the board of directors' meeting held on October 31st, 2013, includes the dividend 2 million yen for the share Trust & Custody Services Bank, Ltd. owns.

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

| (Resolution) | Type of shares | Total dividend amount (million yen) | Source for dividends | Dividends per share (in yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors' meeting held on May 15th, 2014 | Common stock | 1,395 | Retained earnings | 100 | March 31st, 2014 | June 30th, 2014 |

(Note): The total dividend amount resolved at the board of directors' meeting held on May 15th, 2014, includes the dividend 4 million yen for the share Trust & Custody Services Bank, Ltd. owns.

Current fiscal year (from April 1st, 2014 to March 31st, 2015)

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

| | Number of shares at the beginning of current fiscal year (1,000 shares) | Increase in number of shares for current fiscal year under (1,000 shares) | Decrease in number of shares for current fiscal year (1,000 shares) | Number of shares at the end of the current fiscal year (1,000 shares) |
|---|---|---|---|---|
| Number of issued shares | | | | |
| Common stock | 19,588 | - | - | 19,588 |
| Total | 19,588 | - | - | 19,588 |
| Treasury stock | | | | |
| Common stock (Note) | 5,685 | 0 | 0 | 5,685 |
| Total | 5,685 | 0 | 0 | 5,685 |

Note: (i) The shares of Trust & Custody Services Bank, Ltd. owns are included in the number of our "Treasury stock"(49 thousand shares at the start of the fiscal year and 49 thousand shares at the end of the fiscal year).

(ii) The increase of 0 thousand shares in "Treasury stock" of common stock reflects the increase of 0 thousand shares owing to the acquisition of "Treasury stock".

(iii) The decrease of 0 thousand shares in "Treasury stock" of common stock reflects the decrease of 0 thousand shares of disposal of "Treasury stock" by Trust & Custody Services Bank, Ltd. to employees' stock ownership associations, and 0 thousand shares owing to the demand of additional purchase of "Treasury stock".

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 |
|---|---|---|---|---|---|
| Board of Directors' meeting held on May 15th, 2014 | Common stock | *1 1,395 | 100 | March 31st, 2014 | June 30th, 2014 |
| Board of Directors' meeting held on October 31st, 2014 | Common stock | *2 697 | 50 | September 30th, 2014 | December 8th, 2014 |

(Note):

*1: The total dividend amount resolved at the board of directors' meeting held on May 15th, 2014, includes the dividend 4 million yen for the share Trust & Custody Services Bank, Ltd. owns.

*2: The total dividend amount resolved at the board of directors' meeting held on October 31st, 2014, includes the dividend 2 million yen for the share Trust & Custody Services Bank, Ltd. owns.

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

| (Resolution) | Type of shares | Total dividend amount (million yen) | Source for dividends | Dividends per share (in yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors' meeting held on May 15th, 2015 | Common stock | 1,395 | Retained earnings | 100 | March 31st, 2015 | June 29th, 2015 |

(Note): The total dividend amount, resolved at the board of directors' meeting held on May 15th, 2015, includes the dividend 4 million yen for the share Trust & Custody Services Bank, Ltd. owns.

(Consolidated statements of cash flows)

*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:

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Cash and deposits | 22,408 | 25,726 |
| Time deposits with a deposit period of over three months | (2,068) | (1,536) |
| Cash and cash equivalents | 20,339 | 24,189 |

2. Details of important non-fund transactions:

The amounts of assets and liabilities in finance lease transactions

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| The amounts of assets and liabilities in finance lease transactions | 103 | 299 |

(Lease transactions)

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

(Financial Products)

Disclosure of financial products 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)

As the Group did not use derivative transactions, there are no applicable item.

(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.)

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.

(Real estates including rentals)

Disclosure of rent and other real estate matters is omitted, as there is no significant necessity of such disclosure in the summary report on financial results.

(Segment information, etc.)

a. Segment information

1. Reportable Segments

The reportable segments of the Fukuda Denshi Group are the constituent units of the Company for which separate financial information can be obtained, and they are the subject of regular examinations by the Board of Directors aimed at helping the board to decide the allocation of management resources and evaluate the performance of the Group.

The Company has set up divisions for each product and service in the corporate headquarters, and each of the divisions formulates comprehensive strategies for the product or service it handles, and develops its own business activities.

We have 4 reportable segments based on our headquarter divisions which are “Physiological diagnostic equipment segment”, “Patient monitoring equipment segment”, “Medical treatment equipment segment”, and “Consumables and other products segment”.

In the “Physiological diagnostic equipment segment”, we mainly handle electrocardiographs, ultrasound diagnostic imaging systems and blood cell counters. In the “Patient monitoring equipment segment”, we handle patient monitors. In the ”Medical treatment equipment segment”, we mainly handle defibrillators, ventilators, pacemakers, catheters, and business of renting medical equipment for home treatment. In the “Consumables and other products segment”, we mainly handle consumables used for devices handled by the above segments, as well as maintenance and repair services.

2. Methods to calculate the sales, gains (or losses), assets, liabilities and other numbers of the reportable segments

The accounting policies for the reportable segments are basically the same as those described in “Basic significant matters regarding the preparation of consolidated financial statements”.

Reported segment profit is based on the amount of “Operating income”.

(Application of Accounting Standards for Retirement Benefits)

As mentioned in “Change in accounting policies” on page 26, Fukuda Denshi has reviewed the calculation of retirement benefit liabilities and service costs from the current fiscal year, the calculation of retirement benefit liabilities and service costs is also reviewed in segment information.

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 March 26th, 2015) at the start of this consolidated fiscal year ended March 31st, 2015. This change in the accounting policy was applied retroactively, and consequently, the consolidated financial statements for the previous fiscal year present the results of after the retroactive application.

The impact on profit and loss is minor.

3. Information regarding sales, gains (or losses), assets, liabilities and other amounts by reportable segments

(i) Previous fiscal year (from April 1st, 2013 to March 31st, 2014) (Million yen)

| | Reporting Segments | | | | Total | Adjustments *1 | Consolidated financial statements *2 |
|---|---|---|---|---|---|---|---|
| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | | | |
| Net sales | | | | | | | |
| Sales to external customers | 34,711 | 9,461 | 39,909 | 23,491 | 107,574 | - | 107,574 |
| Internal sales or transfers | - | - | - | - | - | - | - |
| Total | 34,711 | 9,461 | 39,909 | 23,491 | 107,574 | - | 107,574 |
| Segment profit | 3,225 | 936 | 5,346 | 2,302 | 11,811 | - | 11,811 |
| Segment assets | 19,423 | 6,172 | 31,081 | 14,252 | 70,930 | 49,800 | 120,730 |
| Other items | | | | | | | |
| Depreciation | 476 | 129 | 4,708 | 322 | 5,636 | - | 5,636 |
| Amortization of goodwill | - | - | 45 | - | 45 | - | 45 |
| Equity in losses of affiliates | - | - | (448) | - | (448) | - | (448) |
| Increase in Property, plant and equipment and intangible assets | 504 | 137 | 4,932 | 341 | 5,915 | - | 5,915 |

*1. Adjustment of segment assets of 49,800 million yen include extra investment funds (cash etc.), long-term investments ("Investment securities" etc.), and etc. which does not allocated to each reportable segments

*2. Segment profit equals to "Operating income" of consolidated financial statements.

(ii) Current fiscal year (from April 1st, 2014 to March 31st, 2015) (Million yen)

| | Reporting Segments | | | | Total | Adjustments *1 | Consolidated financial statements *2 |
|---|---|---|---|---|---|---|---|
| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | | | |
| Net sales | | | | | | | |
| Sales to external customers | 32,661 | 9,526 | 42,201 | 23,880 | 108,269 | - | 108,269 |
| Internal sales or transfers | - | - | - | - | - | - | - |
| Total | 32,661 | 9,526 | 42,201 | 23,880 | 108,269 | - | 108,269 |
| Segment profit | 2,474 | 830 | 4,736 | 2,261 | 10,303 | - | 10,303 |
| Segment assets | 18,420 | 6,452 | 32,316 | 13,939 | 71,128 | 53,453 | 124,582 |
| Other items | | | | | | | |
| Depreciation | 560 | 163 | 5,027 | 409 | 6,161 | - | 6,161 |
| Amortization of goodwill | - | - | 175 | - | 175 | - | 175 |
| Increase in Property, plant and equipment and intangible assets | 428 | 124 | 5,912 | 313 | 6,778 | - | 6,778 |

*1. Adjustment of segment assets of 53,453 million yen include extra investment funds (cash etc.), long-term investments (“Investment securities” etc.), and etc. which does not allocated to each reportable segments

*2. Segment profit equals to “Operating income” of consolidated financial statements.

b. Related Information

(i) Previous fiscal year (from April 1st, 2013 to March 31st, 2014)

1. Information about each products and services

Information about each products and services is omitted, as categories of products and services are identical to segment information.

2. Information by geographical area

(1) Sales

Information about “Sales” is omitted because our domestic “Sales” accounted for more than 90% of consolidated “Sales”.

(2) Property, plant and equipment

Information about “Property, plant and equipment” is omitted because domestic “Property, plant and equipment” accounted for more than 90 % of “Property, plant and equipment” of consolidated “Property, plant and equipment ".

3. Information by each major customer

Information about each major customer is omitted because “Sales” for each major customer accounted for less than 10 % of consolidated “Sales”.

(ii) Current fiscal year (from April 1st, 2014 to March 31st, 2015)

1. Information about each products and services

Information about each products and services is omitted, as categories of products and services are identical to segment information.

2. Information by geographical area

(1) Sales

Information about "Sales" is omitted because our domestic "Sales" accounted for more than 90% of consolidated "Sales".

(2) Property, plant and equipment

Information about "Property, plant and equipment" is omitted because domestic "Property, plant and equipment" accounted for more than 90 % of "Property, plant and equipment" of consolidated "Property, plant and equipment".

3. Information by each major customer

Information about each major customer is omitted because "Sales" for each major customer accounted for less than 10 % of consolidated "Sales".

c. Information about impairment loss for noncurrent assets by reportable segments

(i) Previous fiscal year (from April 1st, 2013 to March 31st, 2014)

(Million yen)

| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | Elimination / Corporate | Total |
|---|---|---|---|---|---|---|
| Impairment loss | 1 | 0 | 1 | 0 | 11 | 14 |

(ii) Current fiscal year (from April 1st, 2014 to March 31st, 2015)

(Million yen)

| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | Elimination / Corporate | Total |
|---|---|---|---|---|---|---|
| Impairment loss | 4 | 1 | 6 | 3 | 50 | 66 |

d. Information about amortization and depreciation expense on goodwill of each reportable segment

(i) Previous fiscal year (from April 1st, 2013 to March 31st, 2014)

| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | Elimination / Corporate | Total |
|---|---|---|---|---|---|---|
| Depreciation of current period | - | - | 45 | - | - | 45 |
| Balance at the end of current period | - | - | 831 | - | - | 831 |

(ii) Current fiscal year (from April 1st, 2014 to March 31st, 2015)

(Million yen)

| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | Elimination / Corporate | Total |
|---|---|---|---|---|---|---|
| Depreciation of current period | - | - | 175 | - | - | 175 |
| Balance at the end of current period | - | - | - | - | - | - |

e. Information about gain on negative goodwill of each reportable segment

(i) Previous fiscal year (from April 1st, 2013 to March 31st, 2014)

Not applicable

(ii) Current fiscal year (from April 1st, 2014 to March 31st, 2015)

Not applicable

(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.)

Not applicable

(Per share information)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Net assets per share | 5,879.25 yen | 6,401.07 yen |
| Net income per share | 516.89 yen | 512.10 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 basis for calculation of net income per share:

| Item | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Net income (million yen) | 7,559 | 7,119 |
| Amount not belonging to ordinary shareholders (million yen) | - | - |
| Net income in relation to common stock (million yen) | 7,559 | 7,119 |
| Average number of shares during the fiscal year (1,000 shares) | 14,625 | 13,902 |

Note: 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 March 26th, 2015) at the start of this consolidated fiscal year ended March 31st, 2015. This change in the accounting policy was applied retroactively, and consequently, the consolidated financial statements for the previous fiscal year present the results after the retroactive application.

(Significant subsequent events)

Fukuda Denshi resolved to conduct a share exchange at the meeting of Board of Directors held on May 15th, 2015, effective as of October 1st, 2015, with Fukuda Denshi as the wholly-owning parent company and Atomic Sangyo as a wholly-owned subsidiary, and that Fukuda Denshi concluded a share exchange agreement with Atomic Sangyo at the same day.

Please refer the “Fukuda Denshi Announces that it Makes Atomic Sangyo its Wholly-owned Subsidiary through Share Exchange and Change of Largest Shareholder” for details.

## 6. Non-consolidated financial statements

(1) Balance sheets

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,419 | 10,225 |
| Notes receivable-trade | 18 | 39 |
| Accounts receivable-trade | 26,621 | 26,536 |
| Securities | 273 | 192 |
| Merchandise and finished goods | 3,225 | 3,792 |
| Work in process | 21 | 7 |
| Raw materials and supplies | 1,849 | 1,712 |
| Advance payments-trade | 385 | 164 |
| Deferred tax assets | 748 | 462 |
| Short-term loans receivable | 1,907 | 1,490 |
| Other | 973 | 1,118 |
| Allowance for doubtful accounts | (1,206) | (1,243) |
| Total current assets | 43,237 | 44,499 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 4,384 | 4,211 |
| Structures | 196 | 178 |
| Machinery and equipment | 86 | 75 |
| Vehicles | 18 | 26 |
| Tools, furniture and fixtures | 8,742 | 9,774 |
| Land | 5,827 | 6,303 |
| Lease assets | 24 | 224 |
| Construction in progress | 48 | 242 |
| Total property, plant and equipment | 19,329 | 21,038 |
| Intangible assets | | |
| Software | 2,849 | 2,363 |
| Software in progress | - | 41 |
| Other | 311 | 25 |
| Total intangible assets | 3,161 | 2,430 |

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Investments and other assets | | |
| Investment securities | 9,362 | 11,198 |
| Stocks of subsidiaries and affiliates | 4,672 | 3,247 |
| Investments in capital | 1 | 1 |
| Investments in capital of subsidiaries and affiliates | 423 | 423 |
| Long-term loans receivable | 4,234 | 5,488 |
| Deferred tax assets | 1,599 | 1,665 |
| Long-term time deposits | 2,000 | 2,000 |
| Insurance funds | 9,115 | 9,255 |
| Other | 272 | 272 |
| Allowance for doubtful accounts | (1,156) | (1,986) |
| Total investments and other assets | 30,524 | 31,566 |
| Total noncurrent assets | 53,014 | 55,035 |
| Total asset | 96,252 | 99,535 |
| | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 14,111 | 13,809 |
| Short-term loans payable | 1,850 | 1,850 |
| Lease obligations | 1 | 53 |
| Accounts payable-other | 2,259 | 1,812 |
| Income taxes payable | 1,833 | 964 |
| Deposits received | 13,254 | 14,390 |
| Provision for bonuses | 1,053 | 684 |
| Provision for directors' bonuses | 64 | 53 |
| Provision for product warranties | 309 | 308 |
| Other | 208 | 653 |
| Total current liabilities | 34,945 | 34,578 |

(Million yen)

| | Previous fiscal year (as of March 31st, 2014) | Current fiscal year (as of March 31st, 2015) |
|---|---|---|
| Noncurrent liabilities | | |
| Lease obligations | 24 | 188 |
| Long-term loans payable | 1,098 | - |
| Provision for retirement benefits | 1,001 | 599 |
| Long-term accounts payable-other | 819 | 816 |
| Other | 7 | 13 |
| Total noncurrent liabilities | 2,952 | 1,617 |
| Total liabilities | 37,897 | 36,195 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,621 | 4,621 |
| Capital surplus | | |
| Legal capital surplus | 8,946 | 8,946 |
| Other capital surplus | 1,109 | 1,109 |
| Total capital surpluses | 10,055 | 10,055 |
| Retained earnings | | |
| Legal retained earnings | 1,171 | 1,171 |
| Other retained earnings | | |
| Reserve for business expansion | 300 | 300 |
| Reserve for advanced depreciation of noncurrent assets | 53 | 53 |
| General reserve | 37,500 | 37,500 |
| Retained earnings brought forward | 18,324 | 22,204 |
| Total retained earnings | 57,349 | 61,230 |
| Treasury stock | (14,729) | (14,731) |
| Total shareholders' equity | 57,297 | 61,176 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 1,056 | 2,163 |
| Total valuation and translation adjustments | 1,056 | 2,163 |
| Total net assets | 58,354 | 63,339 |
| Total liabilities and net assets | 96,252 | 99,535 |

(2) Statements of income

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Net sales | 63,849 | 63,284 |
| Cost of sales | 42,807 | 42,514 |
| Gross profit | 21,042 | 20,770 |
| Selling, general and administrative expenses | 14,979 | 14,743 |
| Operating income | 6,062 | 6,027 |
| Non-operating income | | |
| Interest income | 106 | 99 |
| Dividends income | 1,187 | 1,712 |
| Other | 776 | 1,006 |
| Total non-operating income | 2,069 | 2,818 |
| Non-operating expenses | | |
| Interest expenses | 85 | 89 |
| Other | 56 | 3 |
| Total non-operating expenses | 141 | 93 |
| Ordinary income | 7,990 | 8,751 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 10 | 2 |
| Gain on sales of investment securities | 357 | 301 |
| Reversal of allowance for investment loss | 300 | - |
| Surrender value of insurance | 55 | 315 |
| Subsidy income | 67 | 27 |
| Gain on forgiveness of debts | - | 960 |
| Total extraordinary income | 791 | 1,606 |

(Million yen)

| | Previous fiscal year (April 1st, 2013 to March 31st, 2014) | Current fiscal year (April 1st, 2014 to March 31st, 2015) |
|---|---|---|
| Extraordinary loss | | |
| Impairment loss | 11 | 50 |
| Loss on valuation of investment securities | 232 | - |
| Loss on business withdrawal | - | 2,521 |
| Total extraordinary losses | 243 | 2,572 |
| Income before income taxes | 8,538 | 7,786 |
| Income taxes-current | 2,640 | 2,280 |
| Income taxes-deferred | 84 | (288) |
| Total income taxes | 2,724 | 1,991 |
| Net income | 5,813 | 5,794 |

(3) Statements of changes in net assets

(i) Previous fiscal year (from April 1st, 2013 to March 31st, 2014)

(Million yen)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | | |
| | | | | | | Other retained earnings | | | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surpluses | Legal retained earnings | Reserve for business expansion | Reserve for advanced depreciation of noncurrent assets | General reserve | Retained earnings brought forward | Total retained earnings |
| Balance at the beginning of current period | 4,621 | 8,946 | 1,100 | 10,047 | 1,171 | 300 | 53 | 37,500 | 14,459 | 53,484 |
| Cumulative effects of changes in accounting policies | | | 8 | 8 | | | | | (0) | (0) |
| Restated balance | 4,621 | 8,946 | 1,109 | 10,055 | 1,171 | 300 | 53 | 37,500 | 14,458 | 53,483 |
| Changes of items during the period | | | | | | | | | | |
| Dividends from surplus | | | | | | | | | (1,946) | (1,946) |
| Net income | | | | | | | | | 5,813 | 5,813 |
| Purchase of treasury stock | | | | | | | | | | |
| Disposal of treasury stock | | | 0 | 0 | | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total changes of items during the period | - | - | 0 | 0 | - | - | - | - | 3,866 | 3,866 |
| Balance at the end of current period | 4,621 | 8,946 | 1,109 | 10,055 | 1,171 | 300 | 53 | 37,500 | 18,324 | 57,349 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of current period | (8,847) | 59,305 | 1,144 | 1,144 | 60,450 |
| Cumulative effects of changes in accounting policies | (8) | (0) | | | (0) |
| Restated balance | (8,855) | 59,305 | 1,144 | 1,144 | 60,449 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | (1,946) | | | (1,946) |
| Net income | | 5,813 | | | 5,813 |

| | | | | | |
|---|---|---|---|---|---|
| Purchase of treasury stock | (5,874) | (5,874) | | | (5,874) |
| Disposal of treasury stock | 0 | 0 | | | 0 |
| Net changes of items other than shareholders' equity | | | (87) | (87) | (87) |
| Total changes of items during the period | (5,873) | (2,007) | (87) | (87) | (2,095) |
| Balance at the end of current period | (14,729) | 57,297 | 1,056 | 1,056 | 58,354 |

(ii) Current fiscal year (from April 1st, 2014 to March 31st, 2015)

(Million yen)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | | |
| | | | | | | Other retained earnings | | | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surpluses | Legal retained earnings | Reserve for business expansion | Reserve for advanced depreciation of noncurrent assets | General reserve | Retained earnings brought forward | Total retained earnings |
| Balance at the beginning of current period | 4,621 | 8,946 | 1,109 | 10,055 | 1,171 | 300 | 53 | 37,500 | 18,324 | 57,349 |
| Cumulative effects of changes in accounting policies | | | | | | | | | 178 | 178 |
| Restated balance | 4,621 | 8,946 | 1,109 | 10,055 | 1,171 | 300 | 53 | 37,500 | 18,503 | 57,528 |
| Changes of items during the period | | | | | | | | | | |
| Dividends from surplus | | | | | | | | | (2,092) | (2,092) |
| Net income | | | | | | | | | 5,794 | 5,794 |
| Purchase of treasury stock | | | | | | | | | | |
| Disposal of treasury stock | | | | | | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total changes of items during the period | - | - | - | - | - | - | - | - | 3,701 | 3,701 |
| Balance at the end of current period | 4,621 | 8,946 | 1,109 | 10,055 | 1,171 | 300 | 53 | 37,500 | 22,204 | 61,230 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of current period | (14,729) | 57,297 | 1,056 | 1,056 | 58,354 |
| Cumulative effects of changes in accounting policies | | 178 | | | 178 |
| Restated balance | (14,729) | 57,476 | 1,056 | 1,056 | 58,533 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | (2,092) | | | (2,092) |
| Net income | | 5,794 | | | 5,794 |
| Purchase of treasury stock | (2) | (2) | | | (2) |
| Disposal of treasury stock | 0 | 0 | | | 0 |
| Net changes of items other than shareholders' equity | | | 1,106 | 1,106 | 1,106 |
| Total changes of items during the period | (1) | 3,699 | 1,106 | 1,106 | 4,806 |
| Balance at the end of current period | (14,731) | 61,176 | 2,163 | 2,163 | 63,339 |

(4) Notes to Non-consolidated Financial Statement

(Notes regarding the assumption for going concern)

Not applicable

(Change in accounting policies)

(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 17th, 2012, hereinafter, the “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on March 26th, 2015) from the start of the current fiscal year. 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 fiscal year to reflect the effects of that change.

Consequently, 277 million yen in “Retirement benefit liabilities” decreased at the start of this fiscal year and “Retained earnings” increased 178 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 March 26th, 2015) at the start of this fiscal year ended March 31st, 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 financial statements for the previous fiscal year present the results after the retroactive application.

The impact of retroactive application is minor.

(Significant accounting policies)

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

a. Held-to-maturity securities;
- Amortized cost method (straight-line method)

b. Shares of subsidiaries and affiliates
- Stated at cost based on the moving average method

c. Other securities

Marketable securities;
- 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.)

Non-marketable securities;
- Stated at cost based on the moving average method.
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.

(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.

Merchandise and finished goods
- Stated at cost determined by the first-in, first-out method.

Work in process
- Stated at cost based on the specific cost method.

Raw materials
- Stated at cost determined by the gross average method.

Supplies
- Stated based on the last purchase price method.

2. Depreciation method for noncurrent assets

(1) Property, plant and equipment (excluding lease assets)

Depreciated by the declining balance method. However, buildings (except for building attachments) acquired on or after April 1st, 1998 were depreciated using the straight-line method.

In addition, the expected lifetime are as follows:

| | |
|---|---|
| Buildings: | 3 to 50 years |
| Structures: | 10 to 60 years |
| Machinery and equipment: | 8 to 17 years |
| Vehicles and delivery equipment: | 4 to 6 years |
| Tools, furniture and fixtures: | 2 to 20 years |

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.

Of the tools, furniture 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.

(2) Intangible assets (excluding "Lease assets")

Depreciated by the straight-line method.

Software for internal use is amortized by the straight-line method over its useful life of five years.

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.

(3) Lease assets

"Lease assets" in finance lease transactions that do not transfer ownership

The straight-line method is used, based on the assumption that the useful life is the lease term and the residual value is zero.

3. Basis for provision of allowances

(1) Allowance for doubtful accounts

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.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, we reserve an amount corresponding to current fiscal year's portion of estimated bonus payments to employees.

(3) Provision for director's bonuses

To prepare for the payment of bonuses for directors and corporate auditors, we reserve an amount corresponding to current fiscal year's portion of estimated bonus payments to directors and corporate auditors.

(4) Provision for retirement benefits

To prepare for the payment of retirement benefits for employees, the amount recognized as accruing at the end of current fiscal year was reserved, based on estimated retirement benefit obligation and pension assets at the end of current fiscal year.

(i) Method of assigning recognized accrued benefits to particular periods

In the calculation of retirement benefits, accrued benefits are assigned to the period up to the current consolidated fiscal year in accordance with the fixed-amount standards.

(ii) Accounting for actuarial differences and prior service costs

Prior service costs 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.

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.

(5) Provision for product warranties

To prepare for the expenses incurred by free repair to be implemented after the delivery of the products, an estimated amount of the repair expenses was reserved on the basis of the estimated proportion of such expenses to net sales and the estimated amount of such expenses for individual products.

4. Other important matters for preparation of financial statements

(1) Accounting for retirement benefits

The method of accounting for unrecognized actuarial differences and unrecognized prior service costs relating to retirement benefits differs from the method used in the consolidated financial statements.

(2) Accounting treatment of consumption tax, and other taxes, etc.

The Consumption tax and other taxes, etc. are excluded from profits and losses.

7. Others

(1)Changes of directors

(i) Representative Director

Not applicable

(ii) Other directors

・Directors to retire

Managing Director: Mr. Koji Takahashi (General Manager of Business Development Head Office)

・New Auditor candidates

Statutory Auditor (permanent): Mr. Junzo Fujiwara (Consultant)

・Directors to retire

Statutory Auditor (permanent): Mr. Yutaka Yasuda

・Effective from

June 26th, 2015

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