

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

January 31st, 2017
Listing: TSE-JASDAQ

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Scheduled date for filing the quarterly report: February 8th, 2017
Scheduled date for commencement of dividend payment: -
Supplementary material development: None
Financial results meeting: None

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

1. Consolidated financial results for the third quarter of the year ending March 2017 (April 1st, 2016 through December 31st, 2016)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Third quarter of the year ending March 2017	82,049	1.4	8,124	18.1	8,298	15.5	6,939	43.1
Third quarter of the year ended March 2016	80,902	12.5	6,881	12.4	7,187	4.4	4,847	18.9

(Note) Comprehensive income

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

Third quarter of the year ended March 2016: 4,854 million yen / (0.1) %

	Earnings per share	Diluted earnings per share
	yen	yen
Third quarter of the year ending March 2017	454.76	—
Third quarter of the year ended March 2016	338.05	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Third quarter of the year ending March 2017	138,721	104,118	75.1	6,842.44
Year ended March 2016	137,164	99,830	72.8	6,498.12

(Reference) Shareholders' equity:

Third quarter of the year ending March 2017: 104,118 million yen

Year ended March 2016: 99,830 million yen

2. Dividends

	Annual Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	Annual
	yen	yen	yen	yen	yen
Year ended March 2016	—	60.00	—	90.00	150.00
Year ending March 2017	—	60.00			
Year ending March 2017 (forecast)			—	90.00	150.00

(Note) Revisions to recent dividend forecast: None

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

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

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

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

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

(% represents increase or decrease from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	117,500	0.2	11,000	3.3	11,000	0.6	8,335	13.1	546.56

(Note) Revisions to recent business forecast: Yes

*Notes

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

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

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

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

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

(iii) Changes in accounting projections: None

(iv) Restatement: None

(Note)

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

- (4) Number of outstanding shares (common stock)
- (i) Number of outstanding shares at the end of the period (including treasury stock)
 - Third quarter of the year ending March 2017: 19,588,000 shares
 - Year ended March 2016: 19,588,000 shares
 - (ii) Number of shares of treasury stock at the end of the period:
 - Third quarter of the year ending March 2017: 4,371,472 shares
 - Year ended March 2016: 4,225,003 shares
 - (iii) Average number of shares during the period (accumulated consolidated quarter)
 - Third quarter of the year ending March 2017: 15,259,856 shares
 - Third quarter of the year ended March 2016: 14,340,674 shares

* Statement concerning the Status of Quarterly Financial Review Procedures

These Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31st, 2017 are not subject to quarterly financial review under the Financial Instruments and Exchange Act. At the time of disclosing these Consolidated Financial Statements, financial review procedures specified in the Financial Instruments and Exchange Act have not been completed with respect to the quarterly consolidated financial statements.

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

1. The forecasted financial results described above are based on information available at the time of announcement. Actual results may differ from the results projected and presented hereby for a variety of reasons.
2. With respect to the preconditions for the forecast of financial results, please refer to “(3) Explanation about consolidated earnings forecast” under the “1. Qualitative information about consolidated earnings results for the quarter under review” section on page 5.

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

(1) Explanation about consolidated operating results

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

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

As a result, the Group posted a consolidated “Net sales” of 82,049 million yen (up 1.4% on a year-to-year basis), “Operating income” of 8,124 million yen (up 18.1% on a year-to-year basis), “Ordinary income” of 8,298 million yen (up 15.5% on a year-to-year basis), and “Profit attributable to owners of parent” of 6,939 million yen (up 43.1% on a year-to-year basis) in the third quarter.

A. Physiological diagnostic equipment segment

Owing to the decreased sales in blood-cell counters and the number of large-scale business deals, consolidated “Net sales” were 21,819 million yen (down 8.3% on a year-to-year basis).

B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment were 6,128 million yen (up 6.2% on a year-to-year basis).

C. Medical treatment equipment segment

While the business of renting medical equipment for home treatment and sales of pacemakers and ventilators increased.

Consolidated “Net sales” were 35,257 million yen (up 6.1% on a year-to-year basis).

D. Consumables and other products segment

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

Consolidated “Net sales” for this segment were 18,844 million yen (up 4.2% on a year-to-year basis).

(2) Explanation about consolidated financial situation

“Total assets” were 138,721 million yen at the end of the third quarter under review, up 1,557 million yen from the end of the previous fiscal year.

The main factors are the increase of 3,654 million yen in “Merchandise and finished goods” and 1,416 million yen in “Property, plant and equipment” despite the decrease of 4,600 million yen in “Notes and accounts receivable - trade”.

“Total liabilities” amounted to 34,603 million yen, down 2,729 million yen from the end of the previous fiscal year.

The main factor is the decrease of 7,163 million yen in “Notes and accounts payable-trade” and 1,467 million yen in “Income taxes payable” despite the increase of 6,150 million yen in “Electronically recorded obligations - operating”.

“Net assets” were 104,118 million yen, up 4,287 million yen from the end of the previous fiscal year.

The main factor is the increase of 4,640 million yen in “Retained earnings”.

(3) Explanation about consolidated earnings forecast

We announced the revisions to forecasts of the Full business year ending March 2017 (made public on May 13th, 2016). Please refer to the “Notice of an Amendment to the Forecast of the Financial Results” for details.

2. Summary information

(1) Change in significant subsidiaries during the period

Not applicable.

Omron Colin Co., Ltd. (changed the trade name to Fukuda Colin Co., Ltd. on January 1st, 2017) does not fall under the category of specified subsidiary, but has been added to the scope of consolidation for the third quarter as it has become wholly owned subsidiary of Fukuda Denshi.

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

Not applicable.

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

Change in accounting policies

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Pursuant to an amendment in the Corporation Tax Act, the Company has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No.32 issued on June 17th, 2016) from the first quarter of the current fiscal year. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1st, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting policies to the quarterly consolidated financial statements for the third quarter under review is minimal.

3. Material events related to going concern assumptions

Not applicable.

4. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

(Million yen)

	Previous fiscal year (as of March 31 st , 2016)	End of the third quarter under review (as of December 31 st , 2016)
Assets		
Current assets		
Cash and deposits	34,768	35,628
Notes and accounts receivable-trade	34,066	29,465
Securities	1,647	1,196
Merchandise and finished goods	8,917	12,571
Work in process	95	211
Raw materials and supplies	2,140	2,527
Other	3,162	4,072
Allowance for doubtful accounts	(21)	(18)
Total current assets	84,777	85,656
Non-current assets		
Property, plant and equipment	26,138	27,554
Intangible assets	2,545	2,300
Investments and other assets		
Investment securities	9,144	9,340
Other	14,619	13,936
Allowance for doubtful accounts	(61)	(66)
Total investments and other assets	23,702	23,210
Total non-current assets	52,386	53,065
Total assets	137,164	138,721
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,370	15,206
Electronically recorded obligations - operating	-	6,150
Short-term loans payable	1,850	1,900
Current portion of long-term loans payable	45	45
Income taxes payable	1,871	404
Provision for bonuses	2,054	1,203
Provision for product warranties	490	306
Other provision	183	136
Other	4,305	4,346
Total current liabilities	33,172	29,699
Non-current liabilities		
Long-term loans payable	63	33
Other provision	222	209
Net defined benefit liability	2,504	2,570
Other	1,370	2,090
Total non-current liabilities	4,161	4,904
Total liabilities	37,333	34,603

	(Million yen)	
	Previous fiscal year (as of March 31 st , 2016)	End of the third quarter under review (as of December 31 st , 2016)
Net assets		
Shareholders' equity		
Capital stock	4,621	4,621
Capital surplus	22,340	21,696
Retained earnings	91,493	96,133
Treasury shares	(18,386)	(19,543)
Total shareholders' equity	100,069	102,908
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	774	2,224
Foreign currency translation adjustment	(195)	(333)
Remeasurements of defined benefit plans	(817)	(681)
Total accumulated other comprehensive income	(238)	1,209
Total net assets	99,830	104,118
Total liabilities and net assets	137,164	138,721

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

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

	(Million yen)	
	Third quarter of the previous consolidated term (from April 1 st , 2015 to December 31 st , 2015)	Third quarter of the consolidated term (from April 1 st , 2016 to December 31 st , 2016)
Net sales	80,902	82,049
Cost of sales	45,619	46,791
Gross profit	35,283	35,258
Selling, general and administrative expenses	28,401	27,134
Operating income	6,881	8,124
Non-operating income		
Interest income	50	53
Dividend income	118	114
Other	173	153
Total non-operating income	341	322
Non-operating expenses		
Interest expenses	20	15
Foreign exchange losses	4	124
Loss on investments in partnership	1	1
Other	8	6
Total non-operating expenses	36	147
Ordinary income	7,187	8,298
Extraordinary income		
Gain on sales of non-current assets	3	3
Surrender value of insurance	350	957
Other	11	—
Total extraordinary income	365	960
Extraordinary losses		
Loss on sales of non-current assets	0	0
Impairment loss	14	185
Loss on valuation of investment securities	—	147
Total extraordinary losses	14	333
Profit before income taxes	7,537	8,925
Income taxes-current	2,755	1,729
Income taxes-deferred	(65)	256
Total income taxes	2,690	1,986
Profit	4,847	6,939
Profit attributable to owners of parent	4,847	6,939

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

	(Million yen)	
	Third quarter of the previous consolidated term (from April 1 st , 2015 to December 31 st , 2015)	Third quarter of the consolidated term (from April 1 st , 2016 to December 31 st , 2016)
Profit	4,847	6,939
Other comprehensive income		
Valuation difference on available-for-sale securities	133	1,450
Foreign currency translation adjustment	(20)	(137)
Remeasurements of defined benefit plans, net of tax	(106)	135
Total other comprehensive income	6	1,448
Comprehensive income	4,854	8,388
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,854	8,388

(3) Notes to consolidated quarterly financial statement
(Notes regarding the premise for going concern)
Not applicable.

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

The Board of Directors approved on the acquisition of Fukuda Denshi's own shares during its meeting held on August 23rd, 2016, under the Article 156 of the Companies Act of Japan applied as mutatis mutandis stipulated under the Article 165-3 of the same Law, and as of August 24th, 2016, 296,900 common shares have been acquired through a fixed price trading at ToSTNeT-3 (Market of Tokyo Security Exchange) which amounted to 1,802 million yen. And on October 3rd, 2016, Fukuda Denshi disposed 150,000 treasury stocks to SMBC Trust Bank Ltd. (Fukuda Foundation for Medical Technology Trust Account) through the third-party allocation, based on the resolution of the meeting of Board of Directors held on May 13th, 2016.

As a result "Capital surplus" were 21,696 million yen and "Treasury stock" were 19,543 million yen at the end of the third quarter under review.

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