

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

January 31st, 2018
Listing: TSE-JASDAQ

Company name: Fukuda Denshi Co., Ltd.
Code No.: 6960 (<http://www.fukuda.co.jp>)
Representative: Daijiro Shirai, President & COO
Inquiries: Haruhiko Honbu, Senior Manager of Accounting & Finance Department
Tel: +81-3-5684-1558
Scheduled date for filing the quarterly report: February 8th, 2018
Scheduled date for commencement of dividend payment: -
Supplementary material development: None
Financial results meeting: None

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

1. Consolidated financial results for the Third quarter of the year ending March 2018 (April 1st, 2017 through December 31st, 2017)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

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

(Note) Comprehensive income

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

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

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

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Third quarter of the year ending March 2018	145,085	110,920	76.5	7,289.14
Year ended March 2017	146,009	105,973	72.6	6,964.31

(Reference) Shareholders' equity:

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

Year ended March 2017: 105,973 million yen

2. Dividends

	Annual Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	Annual
	yen	yen	yen	yen	yen
Year ended March 2017	—	60.00	—	100.00	160.00
Year ending March 2018	—	65.00	—		
Year ending March 2018 (forecast)				90.00	155.00

(Note) Revisions to recent dividend forecast: None

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

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

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

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

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

(% represents increase or decrease from the previous year)

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

(Note) Revisions to recent business forecast: None

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

*Notes

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

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

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

(i) Changes in accounting policies associated with revision of accounting standards: None

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

(iii) Changes in accounting projections: None

(iv) Restatement: None

(4) Number of outstanding shares (common shares)

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

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

Year ended March 2017: 19,588,000 shares

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

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

Year ended March 2017: 4,371,392 shares

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

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

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

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

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

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

Contents of the Attached Materials

- 1. Qualitative information about consolidated earnings results for the quarter under review ----- 5
 - (1) Explanation about consolidated operating results ----- 5
 - (2) Explanation about consolidated financial situation ----- 5
 - (3) Explanation about consolidated earnings forecast ----- 5
- 2. Consolidated quarterly financial statements and Notes ----- 6
 - (1) Consolidated quarterly balance sheets ----- 6
 - (2) Consolidated quarterly income statements and consolidated quarterly comprehensive income statements 8
 - Consolidated quarterly income statements
 - Third quarter of the consolidated term ----- 8
 - Consolidated quarterly comprehensive income statements
 - Third quarter of the consolidated term ----- 9
 - (3) Notes to consolidated quarterly financial statement ----- 9
 - (Notes regarding the premise for going concern) ----- 9
 - (Notes when there is a significant fluctuation in the amount of shareholders' equity) ----- 9

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

(1) Explanation about consolidated operating results

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

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

As a result, the Group posted a consolidated “Net sales” of 88,208 million yen (up 7.5 % on a year-to-year basis), “Operating profit” of 8,434 million yen (up 3.8 % on a year-to-year basis), “Ordinary profit” of 8,816 million yen (up 6.2 % on a year-to-year basis), and “Profit attributable to owners of parent” of 6,838 million yen (down 1.5 % on a year-to-year basis) in the third quarter.

A. Physiological diagnostic equipment segment

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

B. Patient monitoring equipment segment

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

C. Medical treatment equipment segment

The business of renting medical equipment for home treatment increased.

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

D. Consumables and other products segment

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

Consolidated “Net sales” for this segment were 21,387 million yen (up 13.5 % on a year-to-year basis).

(2) Explanation about consolidated financial situation

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

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

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

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

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

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

(3) Explanation about consolidated earnings forecast

Due to the steady sales achievement until the third quarter, there is no change at this moment in the forecast of the financial results for the full fiscal year which we announced on May 12th, 2017.

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

2. Consolidated quarterly financial statements and Notes

(1) Consolidated quarterly balance sheets

(Million yen)

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

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

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

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

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

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

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

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

(Notes when there is a significant fluctuation in the amount of shareholders' equity)
Not applicable.

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