

Summary Report on Financial Results for the Second Quarter of the Year Ending March 2019
(Japan GAAP)

October 31st, 2018
Listing: TSE-JASDAQ

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Scheduled date for filing the quarterly report: November 14th, 2018
Scheduled date for commencement of dividend payment: December 10th, 2018
Supplementary material development: None
Financial results meeting: None

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

1. Consolidated financial results for the Second quarter of the year ending March 2019 (April 1st, 2018 through September 30th, 2018)

(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 | % |
| Second quarter of the year ending March 2019 | 58,062 | (1.3) | 5,434 | (9.9) | 5,941 | (3.9) | 4,393 | (13.3) |
| Second quarter of the year ended March 2018 | 58,855 | 8.8 | 6,031 | 14.0 | 6,185 | 26.1 | 5,068 | 8.4 |

(Note) Comprehensive income

Second quarter of the year ending March 2019: 4,292 million yen / (19.6) %

Second quarter of the year ended March 2018: 5,335 million yen / 4.6 %

| | Earnings per share | Diluted earnings per share |
|--|--------------------|----------------------------|
| | yen | yen |
| Second quarter of the year ending March 2019 | 288.73 | — |
| Second quarter of the year ended March 2018 | 333.09 | — |

(2) Consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|--|--------------|-------------|----------------------------|----------------------|
| | million yen | million yen | % | yen |
| Second quarter of the year ending March 2019 | 150,414 | 115,931 | 77.1 | 7,618.30 |
| Year ended March 2018 | 157,518 | 113,252 | 71.9 | 7,442.43 |

(Reference) Shareholders' equity:

Second quarter of the year ending March 2019: 115,931 million yen

Year ended March 2018: 113,252 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 2018 | — | 65.00 | — | 105.00 | 170.00 |
| Year ending March 2019 | — | 70.00 | | | |
| Year ending March 2019 (forecast) | | | — | 100.00 | 170.00 |

(Note) Revisions to recent dividend forecast: None

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

The detail of year-end dividend of Year ended March 2018; ordinary dividend 60.00 yen, extra dividend 40.00 yen, commemorative dividend 5.00 yen

The detail of second quarter dividend of Year ending March 2019; ordinary dividend 55.00 yen, extra dividend 15.00 yen

The detail of year-end dividend of Year ending March 2019 (Forecast); ordinary dividend 60.00 yen, extra dividend 40.00 yen

3. Forecast of consolidated financial results for fiscal year ending March 2019 (April 1st, 2018 through March 31st, 2019)

(% 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 | 130,000 | 0.9 | 12,400 | 0.5 | 12,800 | 0.7 | 9,200 | (1.3) | 604.57 |

(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)

Second quarter of the year ending March 2019: 19,588,000 shares

Year ended March 2018: 19,588,000 shares

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

Second quarter of the year ending March 2019: 4,370,493 shares

Year ended March 2018: 4,370,873 shares

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

Second quarter of the year ending March 2019: 15,217,247 shares

Second quarter of the year ended March 2018: 15,216,945 shares

* Summary Report on Financial Results for the Second Quarter is not subject to quarterly review by certified public accountants or an auditing firm.

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

The projections and other statements with respect to the future included in this material are based on currently available information and certain assumptions that are judged reasonable by Fukuda Denshi (hereinafter, "Company"). Please be advised that the Company does not guarantee in any way the achievement of the projections and other goals in this material and that cases may occur where the actual results and other situations differ materially from the projections due to various factors. 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

Although the Japanese economy has gradually expanded during the current consolidated fiscal year, the uncertainty in the overseas economy is high and uncertainty about the future remains.

In the medical device industry, the remuneration for medical treatments in FY2018 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 58,062 million yen (down 1.3% on a year-to-year basis), “Operating profit” of 5,434 million yen (down 9.9% on a year-to-year basis), “Ordinary profit” of 5,941 million yen (down 3.9% on a year-to-year basis), and “Profit attributable to owners of parent” of 4,393 million yen (down 13.3% on a year-to-year basis) in the second quarter.

A. Physiological diagnostic equipment segment

While the sales of electrocardiographs and blood cell counter increased, number of large orders decreased.

As a result, consolidated “Net sales” were 15,677 million yen (down 4.8% year-on-year basis).

B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment were 3,677 million yen (down 3.7% year-on-year basis).

C. Medical treatment equipment segment

While the business of renting medical equipment for home treatment increased, sales of pacemakers decreased.

As a result, consolidated “Net sales” were 24,580 million yen (up 0.4% 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 14,127 million yen (up 0.3% on a year-to-year basis).

(2) Explanation about consolidated financial situation

“Total assets” were 150,414 million yen at the end of the second quarter under review, down 7,104 million yen from the end of the previous fiscal year.

The main factors are the decrease of 9,440 million yen in “Notes and accounts receivable-trade” despite the increase of 773 million yen in “Property, plant and equipment”.

“Total liabilities” amounted to 34,482 million yen, down 9,783 million yen from the end of the previous fiscal year.

The main factor is the decrease of 6,597 million yen in “Notes and accounts payable-trade” and 1,871 million yen in “Income taxes payable”.

“Net assets” were 115,931 million yen, up 2,679 million yen from the end of the previous fiscal year.

The main factor is the increase of 2,779 million yen in “Retained earnings”.

(3) Explanation about consolidated earnings forecast

Due to the steady sales achievement until the second quarter, there is no change at this moment in the forecast of the financial results for the full fiscal year which we announced on May 15th, 2018.

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 , 2018) | End of the Second quarter under review (as of September 30 th , 2018) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 46,439 | 46,948 |
| Notes and accounts receivable-trade | 39,202 | 29,761 |
| Securities | 249 | 249 |
| Merchandise and finished goods | 10,411 | 10,691 |
| Work in process | 112 | 157 |
| Raw materials and supplies | 2,480 | 2,850 |
| Other | 1,565 | 1,843 |
| Allowance for doubtful accounts | (41) | (31) |
| Total current assets | 100,420 | 92,470 |
| Non-current assets | | |
| Property, plant and equipment | 28,444 | 29,217 |
| Intangible assets | 2,011 | 1,718 |
| Investments and other assets | | |
| Investment securities | 10,604 | 10,940 |
| Other | 16,092 | 16,084 |
| Allowance for doubtful accounts | (55) | (17) |
| Total investments and other assets | 26,642 | 27,007 |
| Total non-current assets | 57,098 | 57,943 |
| Total assets | 157,518 | 150,414 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 20,213 | 13,616 |
| Electronically recorded obligations - operating | 6,512 | 6,141 |
| Short-term loans payable | 1,850 | 1,800 |
| Current portion of long-term loans payable | 22 | - |
| Income taxes payable | 2,842 | 970 |
| Provision for bonuses | 2,368 | 2,227 |
| Provision for product warranties | 287 | 267 |
| Other provision | 204 | 102 |
| Other | 5,012 | 4,465 |
| Total current liabilities | 39,315 | 29,592 |
| Non-current liabilities | | |
| Net defined benefit liability | 2,690 | 2,718 |
| Other provision | 292 | 245 |
| Other | 1,968 | 1,926 |
| Total non-current liabilities | 4,951 | 4,890 |
| Total liabilities | 44,266 | 34,482 |

| | (Million yen) | |
|---|---|--|
| | Previous fiscal year (as of March 31 st , 2018) | End of the Second quarter under review (as of September 30 th , 2018) |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,621 | 4,621 |
| Capital surplus | 21,696 | 21,696 |
| Retained earnings | 104,768 | 107,548 |
| Treasury shares | (19,542) | (19,541) |
| Total shareholders' equity | 111,544 | 114,324 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,120 | 2,007 |
| Foreign currency translation adjustment | (161) | (175) |
| Remeasurements of defined benefit plans | (251) | (225) |
| Total accumulated other comprehensive income | 1,708 | 1,606 |
| Total net assets | 113,252 | 115,931 |
| Total liabilities and net assets | 157,518 | 150,414 |

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

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

| | (Million yen) | |
|--|--|---|
| | Second quarter of the previous consolidated term (from April 1 st , 2017 to September 30 th , 2017) | Second quarter of the consolidated term (from April 1 st , 2018 to September 30 th , 2018) |
| Net sales | 58,855 | 58,062 |
| Cost of sales | 33,666 | 33,116 |
| Gross profit | 25,189 | 24,946 |
| Selling, general and administrative expenses | 19,157 | 19,511 |
| Operating profit | 6,031 | 5,434 |
| Non-operating income | | |
| Interest income | 28 | 21 |
| Dividend income | 90 | 295 |
| Foreign exchange gains | 0 | 133 |
| Gain on investments in partnership | - | 8 |
| Other | 66 | 84 |
| Total non-operating income | 185 | 543 |
| Non-operating expenses | | |
| Interest expenses | 21 | 24 |
| Loss on investments in partnership | 1 | 1 |
| Other | 8 | 11 |
| Total non-operating expenses | 31 | 37 |
| Ordinary profit | 6,185 | 5,941 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 6 | 4 |
| Surrender value of insurance | 932 | 550 |
| Other | 0 | - |
| Total extraordinary income | 939 | 554 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | - | 0 |
| Impairment loss | 9 | 10 |
| Building demolition cost | - | 128 |
| Other | - | 1 |
| Total extraordinary losses | 9 | 141 |
| Profit before income taxes | 7,114 | 6,353 |
| Income taxes-current | 1,825 | 1,593 |
| Income taxes-deferred | 220 | 366 |
| Total income taxes | 2,046 | 1,960 |
| Profit | 5,068 | 4,393 |
| Profit attributable to owners of parent | 5,068 | 4,393 |

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

| | (Million yen) | |
|--|--|---|
| | Second quarter of the previous consolidated term (from April 1 st , 2017 to September 30 th , 2017) | Second quarter of the consolidated term (from April 1 st , 2018 to September 30 th , 2018) |
| Profit | 5,068 | 4,393 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 261 | (113) |
| Foreign currency translation adjustment | (29) | (14) |
| Remeasurements of defined benefit plans, net of tax | 35 | 25 |
| Total other comprehensive income | 266 | (101) |
| Comprehensive income | 5,335 | 4,292 |
| Comprehensive income attributable to Comprehensive income attributable to owners of parent | 5,335 | 4,292 |

(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.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16th, 2018) from the first quarter of the current fiscal year. Accordingly, the Company presents deferred tax assets under investments and other assets.

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