

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

October 31<sup>st</sup>, 2018  
Listing: TSE-JASDAQ

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Scheduled date for filing the quarterly report: November 14<sup>th</sup>, 2018  
Scheduled date for commencement of dividend payment: December 10<sup>th</sup>, 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 1<sup>st</sup>, 2018 through September 30<sup>th</sup>, 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 1<sup>st</sup>, 2018 through March 31<sup>st</sup>, 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 15<sup>th</sup>, 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 <sup>st</sup> , 2018)	End of the Second quarter under review (as of September 30 <sup>th</sup> , 2018)
<b>Assets</b>		
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)
<b>Total current assets</b>	<b>100,420</b>	<b>92,470</b>
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)
<b>Total investments and other assets</b>	<b>26,642</b>	<b>27,007</b>
<b>Total non-current assets</b>	<b>57,098</b>	<b>57,943</b>
<b>Total assets</b>	<b>157,518</b>	<b>150,414</b>
<b>Liabilities</b>		
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
<b>Total current liabilities</b>	<b>39,315</b>	<b>29,592</b>
Non-current liabilities		
Net defined benefit liability	2,690	2,718
Other provision	292	245
Other	1,968	1,926
<b>Total non-current liabilities</b>	<b>4,951</b>	<b>4,890</b>
<b>Total liabilities</b>	<b>44,266</b>	<b>34,482</b>

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

## (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 <sup>st</sup> , 2017 to September 30 <sup>th</sup> , 2017)	Second quarter of the consolidated term (from April 1 <sup>st</sup> , 2018 to September 30 <sup>th</sup> , 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 <sup>st</sup> , 2017 to September 30 <sup>th</sup> , 2017)	Second quarter of the consolidated term (from April 1 <sup>st</sup> , 2018 to September 30 <sup>th</sup> , 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 16<sup>th</sup>, 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.