

Summary Report on Financial Results for the Second Quarter of the Year Ending March 31st, 2021
(Japan GAAP)

October 30th, 2020
Stock Listing: TSE-JASDAQ

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Scheduled date for filing the quarterly report: November 13th, 2020
Scheduled date for commencement of dividend payment: December 7th, 2020
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 31st, 2021 (April 1st, 2020 through September 30th, 2020)

(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 31 st , 2021	60,670	(9.6)	6,978	(2.5)	7,157	(1.2)	5,464	1.5
Second quarter of the year ended March 31 st , 2020	67,129	15.6	7,159	31.7	7,242	21.9	5,385	22.6

(Note) Comprehensive income

Second quarter of the year ending March 2021: 5,871 million yen / 10.3 %

Second quarter of the year ended March 2020: 5,323 million yen / 24.0 %

	Earnings per share	Diluted earnings per share
	yen	Yen
Second quarter of the year ending March 31 st , 2021	361.45	—
Second quarter of the year ended March 31 st , 2020	353.91	—

(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 31 st , 2021	167,077	128,703	77.0	8,512.35
Year ended March 31 st , 2020	168,742	124,427	73.7	8,229.96

(Reference) Shareholders' equity:

Second quarter of the year ending March 31st, 2021: 128,703 million yen

Year ended March 31st, 2020: 124,427 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 31 st , 2020	—	75.00	—	105.00	180.00
Year ending March 31 st , 2021	—	75.00			
Year ending March 31 st , 2021 (forecast)			—	105.00	180.00

(Note) Revisions to recent dividend forecast: None

The detail of second quarter dividend of Year ended March 31st, 2020; ordinary dividend 55.00 yen, extra dividend 15.00 yen, commemorative dividend 5.00 yen

The detail of year-end dividend of Year ended March 31st, 2020; 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 31st, 2021; ordinary dividend 55.00 yen, extra dividend 20.00 yen

The detail of year-end dividend of Year ending March 31st, 2021 (forecast); ordinary dividend 60.00 yen, extra dividend 45.00 yen

3. Forecast of consolidated financial results for fiscal year ending March 31st, 2021

(% 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	132,000	(1.0)	12,800	(3.6)	13,000	(4.7)	9,100	(5.3)	601.87

(Note) Revisions to recent business forecast: None

Since Fukuda Denshi's (hereinafter, "the Group") operating results tend to take a peak at the fourth quarter and it is difficult to give a forecast in 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 31st, 2021: 19,588,000 shares

Year ended March 31st, 2020: 19,588,000 shares

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

Second quarter of the year ending March 31st, 2021: 4,468,429 shares
Year ended March 31st, 2020: 4,469,117 shares

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

Second quarter of the year ending March 31st, 2021: 15,119,291 shares
Second quarter of the year ended March 31st, 2020: 15,218,273 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 the Group. Please be advised that the Group 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

The Japanese economy during our second consolidated fiscal quarter has been in severe conditions due to the continued impact of the COVID-19 pandemic, and the economic prospects remain uncertain for the time being.

In the medical device industry, though the remuneration for medical treatments in FY2020 has been a positive revision as a whole, medical institutions are still facing huge COVID-19 burden.

In such an environment, the Group posted a consolidated “Net sales” of 60,670 million yen (down 9.6% year-on-year basis), “Operating profit” of 6,978 million yen (down 2.5% year-on-year basis), “Ordinary profit” of 7,157 million yen (down 1.2% year-on-year basis), and “Profit attributable to owners of parent” of 5,464 million yen (up 1.5% year-on-year basis) in the second quarter.

A. Physiological diagnostic equipment segment

Due to the decrease in the sales of electrocardiographs and IT-related products, consolidated “Net sales” resulted in 15,728 million yen (down 17.8% year-on-year basis).

B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment resulted in 4,541 million yen (down 18.0% year-on-year basis).

C. Medical treatment equipment segment

While the sales of AEDs and pacemakers decreased, the sales of ventilators and the business of renting medical equipment for home treatment increased. Consolidated “Net sales” resulted in 25,499 million yen (up 0.7% year-on-year basis).

D. Consumables and other products segment

Consumables and other products segment includes the sales of recording paper, disposable electrodes, and consumables used for devices in the above segments, as well as maintenance and repair services.

Consolidated “Net sales” for this segment resulted in 14,900 million yen (down 13.1% year-on-year basis).

(2) Explanation about consolidated financial situation

“Total assets” decreased 1,665 million yen from the end of previous fiscal year to reach 167,077 million yen. The main factors are the decrease of 7,951 million yen in “Notes and accounts receivable-trade” despite the increase of 1,643 million yen in “Merchandise and finished goods” and 1,083 million yen in “Property, plant and equipment”.

“Total liabilities” decreased 5,940 million yen from the end of the previous fiscal year to reach 38,373 million yen. The main factors are the decrease of 3,398 million yen in “Notes and accounts payable-trade” and 712 million yen in “Income taxes payable”.

“Net assets” increased 4,275 million yen from the end of the previous fiscal year to reach 128,703 million yen. The main factor is the increase of 3,865 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 announced on July 31st, 2020.

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 , 2020)	End of the Second quarter under review (as of September 30 th , 2020)
Assets		
Current assets		
Cash and deposits	49,112	51,586
Notes and accounts receivable - trade	36,378	28,426
Electronically recorded monetary claims - operating	1,681	1,654
Securities	107	104
Merchandise and finished goods	9,553	11,197
Work in process	198	228
Raw materials and supplies	2,559	2,750
Other	1,670	2,085
Allowance for doubtful accounts	(45)	(34)
Total current assets	101,215	97,999
Non-current assets		
Property, plant and equipment	36,443	37,527
Intangible assets	1,731	1,704
Investments and other assets		
Investment securities	10,138	10,488
Other	19,228	19,372
Allowance for doubtful accounts	(15)	(14)
Total investments and other assets	29,351	29,845
Total non-current assets	67,526	69,077
Total assets	168,742	167,077
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,263	14,864
Electronically recorded obligations - operating	6,081	5,654
Short-term borrowings	1,750	1,800
Income taxes payable	2,361	1,649
Provision for bonuses	2,728	2,437
Provision for product warranties	124	148
Other provisions	296	148
Other	5,766	4,817
Total current liabilities	37,372	31,520
Non-current liabilities		
Retirement benefit liability	3,438	3,466
Other provisions	342	344
Other	3,160	3,043
Total non-current liabilities	6,942	6,853
Total liabilities	44,314	38,373

	(Million yen)	
	Previous fiscal year (as of March 31 st , 2020)	End of the Second quarter under review (as of September 30 th , 2020)
Net assets		
Shareholders' equity		
Share capital	4,621	4,621
Capital surplus	21,817	21,817
Retained earnings	118,517	122,382
Treasury shares	(20,358)	(20,355)
Total shareholders' equity	124,597	128,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	644	1,047
Foreign currency translation adjustment	(353)	(396)
Remeasurements of defined benefit plans	(461)	(413)
Total accumulated other comprehensive income	(169)	237
Total net assets	124,427	128,703
Total liabilities and net assets	168,742	167,077

(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 , 2019 to September 30 th , 2019)	Second quarter of the consolidated term (from April 1 st , 2020 to September 30 th , 2020)
Net sales	67,129	60,670
Cost of sales	40,245	34,028
Gross profit	26,884	26,641
Selling, general and administrative expenses	19,725	19,663
Operating profit	7,159	6,978
Non-operating income		
Interest income	34	29
Dividend income	79	82
Foreign exchange gains	-	11
Gain on investments in investment partnerships	6	-
Other	75	84
Total non-operating income	196	207
Non-operating expenses		
Interest expenses	19	19
Foreign exchange losses	73	-
Loss on investments in investment partnerships	1	0
Other	19	9
Total non-operating expenses	113	29
Ordinary profit	7,242	7,157
Extraordinary income		
Gain on sales of non-current assets	0	37
Gain on sales of investment securities	-	487
Surrender value of insurance policies	351	436
Gain on reversal of foreign currency translation adjustment	33	-
Total extraordinary income	385	961
Extraordinary losses		
Loss on sales of non-current assets	-	1
Impairment loss	12	0
Loss on valuation of investment securities	-	381
Office relocation expenses	-	3
Total extraordinary losses	12	387
Profit before income taxes	7,616	7,731
Income taxes - current	1,749	2,290
Income taxes - deferred	480	(23)
Total income taxes	2,230	2,266
Profit	5,385	5,464
Profit attributable to owners of parent	5,385	5,464

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

	(Million yen)	
	Second quarter of the previous consolidated term (from April 1 st , 2019 to September 30 th , 2019)	Second quarter of the consolidated term (from April 1 st , 2020 to September 30 th , 2020)
Profit	5,385	5,464
Other comprehensive income		
Valuation difference on available-for-sale securities	36	403
Foreign currency translation adjustment	(129)	(43)
Remeasurements of defined benefit plans, net of tax	30	47
Total other comprehensive income	(62)	406
Comprehensive income	5,323	5,871
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,323	5,871

(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.