

Summary Report on Financial Results for the First Quarter of the Year Ending March 2015  
(Japan GAAP)

July 31<sup>st</sup>, 2014  
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  
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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 First quarter of the year ending March 2015 (April 1<sup>st</sup>, 2014 through June 30<sup>th</sup>, 2014)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of the year ending March 2015	21,242	(5.1)	1,662	(33.8)	1,882	(30.4)	1,005	(46.4)
First quarter of the year ended March 2014	22,395	11.5	2,511	67.3	2,703	72.2	1,877	122.7

(Note) Comprehensive income

First quarter of the year ending March 2015: 1,329 million yen / (28.1) %

First quarter of the year ended March 2014: 1,848 million yen / 266.9 %

	Net income per share	Fully diluted net income per share
	Yen	Yen
First quarter of the year ending March 2015	72.35	—
First quarter of the year ended March 2014	121.40	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net Assets per Share
	million yen	million yen	%	Yen
First quarter of the year ending March 2015	113,060	82,262	72.8	5,917.02
Year ended March 2014	120,730	81,736	67.7	5,879.25

(Reference) Shareholders' equity:

First quarter of the year ending March 2015: 82,262 million yen

Year ended March 2014: 81,736 million yen

## 2. Dividends

	Yearly 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 2014	—	45.00	—	100.00	145.00
Year ending March 2015	—				
Year ending March 2015 (forecast)		45.00	—	105.00	150.00

(Note) Revisions to recent dividend forecast: None

The detail of second quarter dividend of Year ended March 2014; ordinary dividend 40.00 yen, extra dividend 5.00 yen

The detail of year-end dividend of Year ended March 2014; ordinary dividend 40.00 yen, extra dividend 60.00 yen

The detail of second quarter dividend of Year ending March 2015 (Forecast); ordinary dividend 40.00 yen, commemorative dividend 5.00 yen

The detail of year-end dividend of Year ending March 2015 (Forecast); ordinary dividend 40.00 yen, extra dividend 65.00 yen

## 3. Forecast of consolidated financial results for the year ending March 2015 (April 1<sup>st</sup>, 2014 through March 31<sup>st</sup>, 2015)

(% represents increase or decrease from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	108,000	0.4	12,000	1.6	12,000	(0.2)	7,600	0.5	546.65

(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: 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)  
First quarter of the year ending March 2015: 19,588,000 shares  
Year ended March 2014: 19,588,000 shares
- (ii) Number of shares of treasury stock at the end of the period:  
First quarter of the year ending March 2015: 5,685,242 shares  
Year ended March 2014: 5,685,382 shares
- (iii) Average number of shares during the period (accumulated consolidated quarter)  
First quarter of the year ending March 2015: 13,902,718 shares  
First quarter of the year ended March 2014: 15,468,848 shares

\* Statement concerning the Status of Quarterly Financial Review Procedures

These Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2015 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 6.

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

### (1) Explanation about consolidated operating results

In the first quarter cumulative period, the Japanese economy continued to face uncertainties due in part to the effects from the raising of the consumption tax rate, although expectations for economic recovery remained strong as improvements were seen in corporate earnings and indicators reflecting employment conditions.

In the medical equipment industry, the remuneration for medical treatment in FY2014 seeks to establish a framework to provide healthcare services that meet the needs of Japan's aging society by focusing on challenges such as the differentiation and strengthening of medical institutions' functions, encouraging teamwork throughout Japan's medical network, and expanding home treatment. Medical institutions face ever greater demands for efficient, high-quality healthcare.

As a result, the Group posted a consolidated net sales of 21,242 million yen (down 5.1% on a year-to-year basis), operating income of 1,662 million yen (down 33.8% on a year-to-year basis), ordinary income of 1,882 million yen (down 30.4% on a year-to-year basis), and a net income of 1,005 million yen (down 46.4 % on a year-to-year basis) in the first quarter.

#### A. Physiological diagnostic equipment segment

The sales of electrocardiographs, vascular screening systems and blood cell counters decreased.

As a result, consolidated net sales were 4,611 million yen (down 19.7% on a year-to-year basis).

#### B. Patient monitoring equipment segment

Sales of patient monitoring equipment decreased.

As a result, consolidated net sales were 1,280 million yen (down 17.5% 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 increased.

As a result, consolidated net sales were 10,047 million yen (up 3.6% 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 5,303 million yen (down 1.9% on a year-to-year basis).

### (2) Explanation about consolidated financial situation

Total assets were 113,060 million yen at the end of the first quarter under review, down 7,670 million yen from the end of the previous fiscal year.

The main factors are a decrease of 10,178 million yen in "Notes and accounts receivable-trade" despite an increase of 1,103 million yen in "Merchandise and finished goods" and an increase of 528 million yen in "Cash and deposits".

Liabilities amounted to 30,797 million yen, down 8,196 million yen from the end of the previous fiscal year.

This is primarily because of a decrease of 5,169 million yen in "Notes and accounts payable-trade" and decrease of 2,469 million yen in "Income taxes payable".

Net assets were 82,262 million yen, up 525 million yen from the end of the previous fiscal year.

The main factors are an increase of 331 million yen in "Valuation difference on available-for-sale securities" and 201 million yen in "Retained earnings".

(3) Explanation about consolidated earnings forecast

As a forecast, gradual economic recovery is expected to continue, but some influence to the business environment such as the wake of the raising of the consumption tax rate and increasing resource prices are concerned.

Under these circumstances, we at the Fukuda Denshi Group, remain dedicated to contribute to medical progress and healthcare in general in accordance with our social mission in order to accommodate the needs of medical institutions that support regional medical services.

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>, 2014.

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. Summary information

(1) Change in significant subsidiaries during the period

Not applicable.

(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

(Application of Accounting Standards for Retirement Benefits)

Fukuda Denshi has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan(ASBJ) Statement No. 26 issued on May 17, 2012, hereinafter, the “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter, the “Retirement Benefits Guidance”) from the first quarter of the current fiscal year with regard to the provisions stipulated in the text from Item 35 of the Accounting Standard for Retirement Benefits and the text from Item 67 of the Retirement Benefits Guidance. Accordingly, the Company reviewed the calculation method of retirement benefit liabilities and service costs, changed the method of attribution period for estimated amount of retirement benefits from the fix-amount to the benefit formula, and changed the method of determining the discount rate from a method using the discount rate based on the average remaining service period of employees to a method using the weighted average discount rate which are reflected the approximate number of years of payment and its amount of each year.

The company is complying with the transitional measures prescribed under Clause 37 of the Accounting Standards for Retirement Benefits regarding its application, and has adjusted the amount “Retained earnings” at the start of this consolidated fiscal year to reflect the effects of that change.

Consequently, 892 million yen in retirement benefit liabilities are decreased in the end of the first quarter under review and “Retained earnings” increased 591 million yen.

The impact on profit and loss is minor.

(Application of Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts)

Fukuda Denshi has adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (PITF No. 30 issued by the Accounting Standards Board of Japan on December 25, 2013) starting in the first quarter of the fiscal year ending March 31, 2015. Accordingly, the company recognizes, at the time the company’s own stock is disposed to trust, the difference on disposal, and posts gain/loss on sales associated with the shares sold by the trust to an employee stock ownership plan, dividends from the company for the shares held by the trust, and miscellaneous expenses concerning the trust to liabilities on a net basis. This change in the accounting policy was applied retroactively, and consequently, the consolidated financial statements for the first quarter of the previous fiscal year and for the full previous fiscal year present the results after the retroactive application.

The impact of retroactive application is minor.

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 <sup>st</sup> , 2014)	End of the first quarter under review (as of June 30 <sup>th</sup> , 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	22,408	22,937
Notes and accounts receivable-trade	33,924	23,746
Securities	273	397
Merchandise and finished goods	7,382	8,485
Work in process	149	206
Raw materials and supplies	2,294	2,380
Other	4,252	4,685
Allowance for doubtful accounts	(172)	(164)
Total current assets	70,512	62,674
Noncurrent assets		
Property, plant and equipment	22,526	22,992
Intangible assets	3,826	3,638
Investments and other assets		
Investment securities	9,506	9,748
Other	14,409	14,059
Allowance for doubtful accounts	(50)	(53)
Total investments and other assets	23,865	23,754
Total noncurrent assets	50,218	50,386
Total assets	120,730	113,060
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	21,851	16,682
Short-term loans payable	1,850	1,850
Income taxes payable	3,211	742
Provision for bonuses	2,488	1,037
Provision for product warranties	354	321
Other provision	200	57
Other	4,017	6,084
Total current liabilities	33,973	26,776
Noncurrent liabilities		
Long-term loans payable	1,098	1,098
Provision for retirement benefits	167	163
Other provision	2,547	1,545
Other	1,206	1,213
Total noncurrent liabilities	5,019	4,021
Total liabilities	38,993	30,797

	Previous fiscal year (as of March 31 <sup>st</sup> , 2014)	End of the first quarter under review (as of June 30 <sup>th</sup> , 2014)
Net assets		
Shareholders' equity		
Capital stock	4,621	4,621
Capital surplus	10,055	10,055
Retained earnings	80,760	80,961
Treasury stock	(14,729)	(14,729)
Total shareholders' equity	80,707	80,909
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,057	1,389
Foreign currency translation adjustment	(47)	(54)
Remeasurements of defined benefit plans	19	18
Total accumulated other comprehensive income	1,029	1,353
Total net assets	81,736	82,262
Total liabilities and net assets	120,730	113,060



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

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

(Million yen)

	First quarter of the previous consolidated term (from April 1 <sup>st</sup> , 2013 to June 30 <sup>th</sup> , 2013)	First quarter of the consolidated term (from April 1 <sup>st</sup> , 2014 to June 30 <sup>th</sup> , 2014)
Net sales	22,395	21,242
Cost of sales	11,442	10,589
Gross profit	10,953	10,652
Selling, general and administrative expenses	8,442	8,990
Operating income	2,511	1,662
Non-operating income		
Interest income	23	18
Dividend income	78	91
Foreign exchange gains	210	73
Other	33	45
Total non-operating income	345	228
Non-operating expenses		
Interest expenses	5	5
Share of loss of entities accounted for using equity method	145	—
Other	2	2
Total non-operating expenses	153	8
Ordinary income	2,703	1,882
Extraordinary income		
Gain on sales of non-current assets	6	1
Gain on sales of investment securities	51	0
Surrender value of insurance	73	84
Total extraordinary income	131	86
Extraordinary losses		
Loss on sales of non-current assets	0	—
Impairment loss	1	3
Total extraordinary losses	2	3
Income before income taxes and minority interests	2,832	1,965
Income taxes-current	1,014	815
Income taxes-deferred	(60)	144
Total income taxes	954	959
Income before minority interests	1,877	1,005
Net income	1,877	1,005

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

	(Million yen)	
	First quarter of the previous consolidated term (from April 1 <sup>st</sup> , 2013 to June 30 <sup>th</sup> , 2013)	First quarter of the consolidated term (from April 1 <sup>st</sup> , 2014 to June 30 <sup>th</sup> , 2014)
Income before minority interests	1,877	1,005
Other comprehensive income		
Valuation difference on available-for-sale securities	(19)	331
Foreign currency translation adjustment	(10)	(6)
Remeasurements of defined benefit plans, net of tax	-	(0)
Total other comprehensive income	(29)	324
Comprehensive income	1,848	1,329
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	1,848	1,329

(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.

\* The original disclosure in Japanese was released on July 31<sup>st</sup>, 2014 at 12:00 (GMT+9)