

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

October 31st, 2014
Listing: TSE-JASDAQ

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Scheduled date for commencement of dividend payment: December 8th, 2014
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 2015 (April 1st, 2014 through September 30th, 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	%
Second quarter of the year ending March 2015	47,874	1.3	4,535	(12.5)	4,940	(6.5)	2,922	(12.7)
Second quarter of the year ended March 2014	47,276	5.8	5,183	16.3	5,286	18.5	3,347	24.5

(Note) Comprehensive income

Second quarter of the year ending March 2015: 3,593 million yen / 9.0 %

Second quarter of the year ended March 2014: 3,296 million yen / 66.4 %

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second quarter of the year ending March 2015	210.23	—
Second quarter of the year ended March 2014	219.58	—

(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 2015	113,901	84,516	74.2	6,079.19
Year ended March 2014	120,730	81,736	67.7	5,879.25

(Reference) Shareholders' equity:

Second quarter of the year ending March 2015: 84,516 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	—	50.00			
Year ending March 2015 (forecast)			—	100.00	150.00

(Note) Revisions to recent dividend forecast: Yes

Please refer to “Notification Regarding Dividend of Surplus and Revision of Dividend Forecast for Year Ending March 2015” which was announced today for details.

*Notes

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; ordinary dividend 40.00 yen, extra dividend 5.00 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 60.00 yen

3. Forecast of consolidated financial results for the year ending March 2015 (April 1st, 2014 through March 31st, 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	546.66

(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)
Second 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:
Second quarter of the year ending March 2015: 5,685,338 shares
Year ended March 2014: 5,685,382 shares
 - (iii) Average number of shares during the period (accumulated consolidated quarter)
Second quarter of the year ending March 2015: 13,902,674 shares
Second quarter of the year ended March 2014: 15,245,145 shares

* Statement concerning the Status of Quarterly Financial Review Procedures

These Consolidated Financial Statements for the Second 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 second quarter cumulative period, the Japanese economy continued to face uncertainties such as reverse effect of last-minute surge in demand caused by the raising of the consumption tax rate and rising of imported goods prices due to depreciation of the yen, but 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 47,874 million yen (up 1.3% on a year-to-year basis), operating income of 4,535 million yen (down 12.5% on a year-to-year basis), ordinary income of 4,940 million yen (down 6.5% on a year-to-year basis), and a net income of 2,922 million yen (down 12.7 % on a year-to-year basis) in the second 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 12,186 million yen (down 9.7% on a year-to-year basis).

B. Patient monitoring equipment segment

Sales of patient monitoring equipment increased.
As a result, consolidated net sales were 3,850 million yen (up 10.3% on a year-to-year basis).

C. Medical treatment equipment segment

The business of renting medical equipment for home treatment and sales of pacemakers and Automated External Defibrillators(AEDs) increased.
As a result, consolidated net sales were 20,795 million yen (up 6.4% 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 11,042 million yen (up 2.8% on a year-to-year basis).

(2) Explanation about consolidated financial situation

Total assets were 113,901 million yen at the end of the second quarter under review, down 6,829 million yen from the end of the previous fiscal year.

The main factors are increase of 1,463 million yen in "Investment securities" despite an decrease of 10,459 million yen in "Notes and accounts receivable - trade".

Liabilities amounted to 29,384 million yen, down 9,609 million yen from the end of the previous fiscal year.

This is primarily because of a decrease of 6,520 million yen in "Notes and accounts payable-trade" and decrease of 1,839 million yen in "Income taxes payable".

Net assets were 84,516 million yen, up 2,779 million yen from the end of the previous fiscal year.

The main factors are an increase of 2,109 million yen in "Retained earnings" and 674 million yen in "Valuation difference on available-for-sale securities".

(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 15th, 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” decreased at the start of this consolidated fiscal year 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) at the start of this consolidated 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 second 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 st , 2014)	End of the second quarter under review (as of September 30 th , 2014)
Assets		
Current assets		
Cash and deposits	22,408	21,981
Notes and accounts receivable - trade	33,924	23,464
Securities	273	157
Merchandise and finished goods	7,382	8,053
Work in process	149	175
Raw materials and supplies	2,294	2,110
Other	4,252	4,208
Allowance for doubtful accounts	(172)	(170)
Total current assets	70,512	59,980
Non-current assets		
Property, plant and equipment	22,526	23,651
Intangible assets	3,826	3,479
Investments and other assets		
Investment securities	9,506	10,969
Other	14,409	15,871
Allowance for doubtful accounts	(50)	(52)
Total investments and other assets	23,865	26,789
Total non-current assets	50,218	53,920
Total assets	120,730	113,901
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,851	15,330
Short-term loans payable	1,850	1,900
Income taxes payable	3,211	1,371
Provision for bonuses	2,488	2,049
Provision for product warranties	354	341
Other provision	200	100
Other	4,017	4,395
Total current liabilities	33,973	25,488
Non-current liabilities		
Long-term loans payable	1,098	1,101
Other provision	167	173
Net defined benefit liability	2,547	1,402
Other	1,206	1,218
Total non-current liabilities	5,019	3,896
Total liabilities	38,993	29,384

	Previous fiscal year (as of March 31 st , 2014)	End of the second quarter under review (as of September 30 th , 2014)
Net assets		
Shareholders' equity		
Capital stock	4,621	4,621
Capital surplus	10,055	10,055
Retained earnings	80,760	82,869
Treasury shares	(14,729)	(14,730)
Total shareholders' equity	80,707	82,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,057	1,732
Foreign currency translation adjustment	(47)	(48)
Remeasurements of defined benefit plans	19	17
Total accumulated other comprehensive income	1,029	1,700
Total net assets	81,736	84,516
Total liabilities and net assets	120,730	113,901

(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 , 2013 to September 30 th , 2013)	Second quarter of the consolidated term (from April 1 st , 2014 to September 30 th , 2014)
Net sales	47,276	47,874
Cost of sales	24,688	25,030
Gross profit	22,588	22,843
Selling, general and administrative expenses	17,404	18,308
Operating income	5,183	4,535
Non-operating income		
Interest income	48	36
Dividend income	95	97
Foreign exchange gains	163	133
Other	108	155
Total non-operating income	416	423
Non-operating expenses		
Interest expenses	12	12
Share of loss of entities accounted for using equity method	262	-
Loss on investments in partnership	3	2
Other	35	4
Total non-operating expenses	313	19
Ordinary income	5,286	4,940
Extraordinary income		
Gain on sales of non-current assets	9	4
Gain on sales of investment securities	337	0
Subsidy income	67	-
Surrender value of insurance	65	102
Total extraordinary income	480	107
Extraordinary losses		
Loss on sales of non-current assets	0	-
Impairment loss	2	3
Loss on valuation of investment securities	232	-
Total extraordinary losses	235	3
Income before income taxes and minority interests	5,531	5,044
Income taxes - current	2,010	1,576
Income taxes - deferred	173	545
Total income taxes	2,183	2,121
Income before minority interests	3,347	2,922
Net income	3,347	2,922

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

	(Million yen)	
	Second quarter of the previous consolidated term (from April 1 st , 2013 to September 30 th , 2013)	Second quarter of the consolidated term (from April 1 st , 2014 to September 30 th , 2014)
Income before minority interests	3,347	2,922
Other comprehensive income		
Valuation difference on available-for-sale securities	(41)	674
Foreign currency translation adjustment	(10)	(1)
Remeasurements of defined benefit plans, net of tax	-	(1)
Total other comprehensive income	(51)	671
Comprehensive income	3,296	3,593
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,296	3,593

(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.