

Summary Report on Financial Results for Fiscal Year Ended March 2017
(Japan GAAP)

May 12th, 2017

Listing: TSE-JASDAQ

Company name: Fukuda Denshi Co., Ltd.

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Scheduled date for the ordinary general meeting of shareholders: June 29th, 2017

Scheduled date for commencement of dividend payment: June 30th, 2017

Scheduled date for filing the securities report: June 29th, 2017

Supplementary material development: Yes

Financial results meeting: Yes (for analysts)

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

1. Consolidated financial results for fiscal year ended March 2017 (April 1st, 2016 through March 31st, 2017)

(1) Consolidated operating results (% represent 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 | % |
| Year ended March 2017 | 121,747 | 3.9 | 12,062 | 13.3 | 12,201 | 11.6 | 8,776 | 19.1 |
| Year ended March 2016 | 117,222 | 8.3 | 10,649 | 3.4 | 10,934 | (3.8) | 7,368 | 3.5 |

(Note) Comprehensive income

Fiscal year ended March 2017: 10,242 million yen / 130.0% Fiscal year ended March 2016: 4,453 million yen / (49.2) %

| | Earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|-----------------------|--------------------|----------------------------|------------------|--|--|
| | yen | yen | % | % | % |
| Year ended March 2017 | 575.51 | - | 8.5 | 8.6 | 9.9 |
| Year ended March 2016 | 505.49 | - | 7.8 | 8.4 | 9.1 |

(Reference) Profit or loss on equity method investments:

Fiscal year ended March 2017: - million yen Fiscal year ended March 2016: - million yen

(2) Consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-----------------------|--------------|-------------|----------------------------|----------------------|
| | million yen | million yen | % | yen |
| Year ended March 2017 | 146,009 | 105,973 | 72.6 | 6,964.31 |
| Year ended March 2016 | 137,164 | 99,830 | 72.8 | 6,498.12 |

(Reference) Shareholders' equity:

Fiscal year ended March 2017: 105,973 million yen Fiscal year ended March 2016: 99,830 million yen

(3) Consolidated cash flows statement

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|-----------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | million yen | million yen | million yen | million yen |
| Year ended March 2017 | 15,693 | (8,306) | (4,304) | 32,001 |
| Year ended March 2016 | 11,758 | (9,425) | (2,260) | 28,962 |

2. Dividends

| | Annual Dividend | | | | | Total dividends (for the year) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|-----------------------------------|--------------------------|---------------------------|--------------------------|-----------------|--------|--------------------------------|-----------------------------|---|
| | End of the first quarter | End of the second quarter | End of the third quarter | End of the term | Annual | | | |
| | yen | | | Yen | yen | million yen | % | % |
| Year ended March 2016 | - | 60.00 | - | 90.00 | 150.00 | 2,224 | 29.7 | 2.3 |
| Year ended March 2017 | - | 60.00 | - | 100.00 | 160.00 | 2,436 | 27.8 | 2.4 |
| Year ending March 2018 (Forecast) | - | 65.00 | - | 90.00 | 155.00 | | 29.5 | |

(Note)

The detail of year-end dividend of Year ended March 2016; ordinary dividend 40.00 yen, extra dividend 50.00 yen

The detail of second quarter dividend of Year ended March 2017; ordinary dividend 40.00 yen, extra dividend 20.00 yen

The detail of year-end dividend of Year ended March 2017; ordinary dividend 45.00 yen, extra dividend 50.00 yen, commemorative dividend 5.00 yen

The detail of second quarter dividend of Year ending March 2018 (Forecast); ordinary dividend 50.00 yen, extra dividend 15.00 yen

The detail of year-end dividend of Year ending March 2018 (Forecast); ordinary dividend 50.00 yen, extra dividend 40.00 yen

3. Forecast of consolidated financial results for fiscal year ending March 2018 (April 1st, 2017 through March 31st, 2018) (% represent increases or decreases 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 | 125,000 | 2.7 | 12,500 | 3.6 | 12,500 | 2.4 | 8,000 | (8.8) | 525.74 |

(Note)

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 current fiscal year: No
- (2) Changes in accounting policies and procedures
- (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 “Change in accounting policies” on page 19.

- (3) Number of outstanding shares (common shares)
- (i) Number of outstanding shares at the year-end (including “Treasury shares”)
Fiscal year ended March 2017: 19,588,000 shares
Fiscal year ended March 2016: 19,588,000 shares
- (ii) Number of shares of treasury shares at the year-end:
Fiscal year ended March 2017: 4,371,392 shares
Fiscal year ended March 2016: 4,225,003 shares
- (iii) Average number of shares during the period
Fiscal year ended March 2017: 15,249,868 shares
Fiscal year ended March 2016: 14,576,594 shares

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for fiscal year ended March 2017 (April 1st, 2016 through March 31st, 2017)

- (1) Non-consolidated operating results (% represent increases or decreases from the previous year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-----------------------|-------------|-----|------------------|--------|-----------------|--------|-------------|-------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Year ended March 2017 | 69,819 | 3.6 | 7,584 | 48.6 | 10,692 | 42.0 | 9,147 | 61.2 |
| Year ended March 2016 | 67,421 | 6.5 | 5,105 | (15.3) | 7,529 | (14.0) | 5,675 | (2.0) |

| | Earnings per share | Diluted earnings per share |
|-----------------------|--------------------|----------------------------|
| | yen | yen |
| Year ended March 2017 | 599.84 | - |
| Year ended March 2016 | 389.37 | - |

(2) Non-consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-----------------------|--------------|-------------|----------------------------|----------------------|
| | million yen | million yen | % | yen |
| Year ended March 2017 | 123,133 | 80,046 | 65.0 | 5,260.49 |
| Year ended March 2016 | 109,436 | 74,008 | 67.6 | 4,817.34 |

(Reference) Shareholders' equity:

Fiscal year ended March 2017: 80,046 million yen Fiscal year ended March 2016: 74,008 million yen

* These financial statements are not subject to audit procedure.

* 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 "(4) Forecast of results for fiscal year ending March 2018" under the "1. Operating results" section on page 8.

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1. Operating results

(1) Overview of operating results

(i) Overview of the business for the current consolidated fiscal year

| | Year ended March 2016 | Year ended March 2017 | Comparison with the previous year | |
|---|--------------------------|--------------------------|-----------------------------------|-----------------------|
| | Amount | Amount | Change | Rate of change (%) |
| Net sales (million yen) | 117,222 | 121,747 | 4,524 | 3.9 |
| Operating income (million yen) | 10,649 | 12,062 | 1,412 | 13.3 |
| Ordinary income (million yen) | 10,934 | 12,201 | 1,266 | 11.6 |
| Profit attributable to parent company shareholders (million yen) | 7,368 | 8,776 | 1,408 | 19.1 |
| Earnings per share (yen) | 505.49 | 575.51 | 70.02 | 13.9 |

During the fiscal year ended March 2017, the Japanese economy is still recovering, but continues to face uncertainties such as uncertainty in the overseas economies, the impact of the foreign exchange rates fluctuations, and the influence from the downturn of the economy is a concern. There is still some anxiety for the future.

In the medical device industry, the remuneration for medical treatments in FY2016 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 121,747 million yen (up 3.9% year-on-year basis) for this consolidated fiscal year. “Operating profit” of 12,062 million yen (up 13.3% on a year-to-year basis), “Ordinary profit” of 12,201 million yen (up 11.6% on a year-to-year basis), and “Profit attributable to owners of parent” of 8,776 million yen (up 19.1% on a year-to-year basis).

Fukuda Colin Co., Ltd.’s (formerly Omron Colin Co., Ltd.) result of the fourth quarter is included in the scope for the current consolidated fiscal year.

(ii) Overview of each segment for the current consolidated fiscal year

| Business segment | Year ended March 2016 | | Year ended March 2017 | | Comparison with the previous year | |
|---------------------------------------|----------------------------|-----------|----------------------------|-----------|--------------------------------------|--------------------------|
| | Amount (million yen) | Ratio (%) | Amount (million yen) | Ratio (%) | Change (million yen) | Rate of change (%) |
| Physiological diagnostic equipment | 36,677 | 31.3 | 36,881 | 30.3 | 204 | 0.6 |
| Patient monitoring equipment | 9,012 | 7.7 | 9,085 | 7.5 | 73 | 0.8 |
| Medical treatment equipment | 45,978 | 39.2 | 48,052 | 39.5 | 2,073 | 4.5 |
| Consumables and other products | 25,554 | 21.8 | 27,727 | 22.8 | 2,173 | 8.5 |
| Total | 117,222 | 100.0 | 121,747 | 100.0 | 4,524 | 3.9 |

A. Physiological diagnostic equipment segment

Although sales of blood cell counters and other products declined, consolidated “Net sales” were 36,881 million yen (up 0.6% year-on-year basis) due to the addition of Fukuda Colin Co., Ltd. to the consolidation.

B. Patient monitoring equipment segment

Consolidated “Net sales” of patient monitoring equipment were 9,085 million yen (up 0.8% year-on-year basis).

C. Medical treatment equipment segment

Sales of pacemakers, ventilators and the business of renting medical equipment for home treatment increased.

As a result, consolidated “Net sales” were 48,052 million yen (up 4.5% year-on-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.

As the sales increased toward the end of the term, consolidated “Net sales” for this segment were 27,727 million yen (up 8.5% year-on-year basis).

(2) Overview of financial situation

Situation of the assets, liabilities and net assets at the consolidated fiscal year ended March 2017.

“Total assets” increased 8,845 million yen from the end of the previous fiscal year to reach 146,009 million yen. The main factors are the increase of 2,612 million yen in “Cash and deposits” and 4,177 million yen in “Notes and accounts receivable - trade”.

“Total liabilities” increased 2,702 million yen from the end of the previous fiscal year to reach 40,036 million yen. The main factor is the increase of 6,061 million yen in “Electronically recorded obligations - operating” and 606 million yen in “Lease obligations”, despite a decrease of 3,633 million yen in “Notes and accounts payable-trade”.

“Net assets” increased 6,142 million yen from the end of the previous fiscal year to reach 105,973 million yen. The main factors are the increase of 6,477 million yen in “Retained earnings” and 1,157 million yen in “Treasury shares” at the end of current period.

(3) Overview of cash flows

(ii) Consolidated cash flows

| | Year ended March 2016 | Year ended March 2017 | Change |
|---|--------------------------|--------------------------|---------|
| Cash flows from operating activities (million yen) | 11,758 | 15,693 | 3,935 |
| Cash flows from investing activities (million yen) | (9,425) | (8,306) | 1,119 |
| Cash flows from financing activities (million yen) | (2,260) | (4,304) | (2,044) |
| Effect of exchange rate changes (million yen) | (15) | (43) | (28) |
| Increase (decrease) in cash and cash equivalents (million yen) | 57 | 3,039 | 2,981 |
| Increase in cash and cash equivalents resulting from share exchanges | 4,715 | - | (4,715) |
| Cash and cash equivalents at the end of the fiscal year (million yen) | 28,962 | 32,001 | 3,039 |

(Cash flows from operating activities)

In the consolidated fiscal year, the “Cash flows from operating activities” were 15,693 million yen, up 3,935 million yen from the previous year. Including “Profit before income taxes” of 12,072 million yen, “Depreciation” of 7,070 million yen.

(Cash flows from investing activities)

“The cash flows from investing activities” were minus 8,306 million yen, up 1,119 million yen from the previous year. Including purchase of “Property, plant and equipment” amounted to 7,689 million yen.

(Cash flows from financing activities)

“The cash flows from financing activities” were minus 4,304 million yen, down 2,044 million yen from the previous year, mainly because of the “Cash dividends paid” of 2,291 million yen and the “Purchase of treasury shares” of 1,910 million yen.

As a result, “Cash and cash equivalents at the end of the fiscal year” was 32,001 million yen, up 3,039 million yen compared to the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

| | Year ended March 2013 | Year ended March 2014 | Year ended March 2015 | Year ended March 2016 | Year ended March 2017 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Shareholders' equity ratio (%) | 71.6 | 67.7 | 71.4 | 72.8 | 72.6 |
| Market value-based shareholders' equity ratio (%) | 45.9 | 52.5 | 75.5 | 66.1 | 66.4 |
| Years needed to repay debts | 0.2 | 0.3 | 0.1 | 0.2 | 0.1 |
| Interest coverage ratio | 450.9 | 403.4 | 461.7 | 422.2 | 543.7 |

Note: Shareholders' equity ratio = Shareholders' equity / Total assets

Market value-based shareholders' equity ratio = Market capitalization / Total assets

Years needed to repay debts = Interest-bearing debts / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payments

*Each indicator is calculated using consolidated financial data.

*Market capitalization is calculated by multiplying shares closing prices at the end of the fiscal year by the number of outstanding shares (excluding treasury shares) at the end of the fiscal year.

*Interest-bearing debts represent total debts recorded in the consolidated balance sheets on which interest is paid.

*For interest payments, data on interest expenses in the consolidated cash flow statement are used.

(4) Forecast of results for fiscal year ending March 2018

| | Year ended March 2017 | Year ending March 2018 | Comparison with the previous year | |
|---|--------------------------|---------------------------|-----------------------------------|--------------------|
| | Amount | Amount | Change | Rate of change (%) |
| Net sales (million yen) | 121,747 | 125,000 | 3,252 | 2.7 |
| Operating profit (million yen) | 12,062 | 12,500 | 437 | 3.6 |
| Ordinary profit (million yen) | 12,201 | 12,500 | 298 | 2.4 |
| Profit attributable to owners of parent (million yen) | 8,776 | 8,000 | (776) | (8.8) |
| Earnings per share (yen) | 575.51 | 525.74 | (49.77) | (8.6) |

Regarding the future of Japan's economy, it is expected to continue to gradually recover. We at the Fukuda Denshi Group (herein after "the Group"), inspired by our corporate philosophy, remain dedicated to contribute to medical progress and healthcare in general in accordance with our social mission.

The Group expects a consolidated "Net sales" of 125,000 million yen, consolidated "Operating profit" of 12,500 million yen, consolidated "Ordinary profit" of 12,500 million yen, and consolidated "Profit attributable to owners of parent" of 8,000 million yen for the fiscal year ending March 2018.

Forecast shown in this material are just an outlook judged or assumed based on the information available at the moment, changes will be promptly disclosed when necessary.

(5) Business risks

(i) Effect of medical administration

The Japanese Government has been pushing forward with its policies of improving the quality of medical care and curtailing the medical costs, and the remuneration for medical services, and the official reimbursement prices for drugs and specific insurance medical materials are revised every two years. Changes in the governmental health care policies may lead to intensified competition within the market and lowered sales prices, thus adversely affecting the operating results and financial standing of the Group.

(ii) Legal regulations

The manufacture and sales of medical equipment are subject to regulations prescribed in the Pharmaceutical Affairs Law, and it may take a certain period of time for a new medical equipment to be investigated and finally approved for sale. In addition, some medical equipment requires clinical trials, thus taking a long period of time before it is launched in the market.

If the current regulations are revised, new ones are introduced, or any other unpredictable regulatory change is made in the future, it is likely that this will adversely affect the operating results and financial standing of the Group.

(iii) High dependence on certain business partners with which continuation of transactions is unsure

The Group imports and sells ventilators, pacemakers, defibrillators and other devices and equipment. If any problem arises that will make it impossible to continue stable transactions with the exporters, the operating results and financial standing of the Group will be adversely affected. To prevent this, sufficient care has been taken not to depend too heavily on a few specific companies for the supply of those equipment.

(iv) Product quality

The Group manufactures the products under a rigorous quality control system that is strictly in conformance with the international standards including ISO. If any quality problem arises due to unforeseen failure or defect of a product, suspension of sale and recall of such product may be ordered by the authorities concerned, adversely affecting the operating results and financial standing of the Group.

(v) Risks accompanying overseas businesses

The Group not only supplies products to distributors overseas, but also has its own overseas sales, development and production bases. Hence, it is possible that unforeseen changes to laws and regulations or new ones are introduced in foreign countries, as well as terrorist acts, natural disasters, or other incidents could adversely affect the Group's business performance and financial position.

(vi) Fluctuations in foreign exchange rates and others

The Group has subsidiaries in foreign countries and is procuring and importing products and raw materials from overseas companies. In case, rapid fluctuations in foreign exchange rates could adversely affect the Group's business performance and financial position.

(vii) Impairment accounting

In case that "Impairment losses" is needed to book for the assets of the Group, it is possible that it could adversely affect the Group's business performance and financial position.

(viii) Effects to the group from tremendous disaster

The Group has domestic and overseas bases; if an earthquake, electric-power shortages or any other incidents occurs, it is possible that it could adversely affect the Group's business performance and financial position.

2. Basic policy on the selection of accounting standards

The Group decided to adopt the Japanese accounting standards for the time being, because the Group's business is based chiefly in Japan. We will consider implementing the IFRS (International Financial Reporting Standards) in an appropriate manner in light of the movement toward its adaption both at home and abroad.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Million yen)

| | Previous fiscal year (as of March 31 st , 2016) | Current fiscal year (as of March 31 st , 2017) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 34,768 | 37,381 |
| Notes and accounts receivable-trade | 34,066 | 38,243 |
| Securities | 1,647 | 1,171 |
| Merchandise and finished goods | 8,917 | 10,090 |
| Work in process | 95 | 131 |
| Raw materials and supplies | 2,140 | 2,053 |
| Deferred tax assets | 1,739 | 1,508 |
| Other | 1,422 | 1,513 |
| Allowance for doubtful accounts | (21) | (20) |
| Total current assets | 84,777 | 92,072 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 11,063 | 11,779 |
| Accumulated depreciation and impairment loss | (5,922) | (6,254) |
| Buildings and structures, net | 5,141 | 5,524 |
| Machinery, equipment and vehicles | 1,173 | 1,180 |
| Accumulated depreciation and impairment loss | (820) | (885) |
| Machinery, equipment and vehicles, net | 352 | 294 |
| Tools, furniture and fixtures | 29,626 | 32,376 |
| Accumulated depreciation and impairment loss | (18,891) | (20,436) |
| Tools, furniture and fixtures, net | 10,734 | 11,940 |
| Land | 9,082 | 9,055 |
| Leased assets | 927 | 1,736 |
| Accumulated depreciation and impairment loss | (498) | (1,198) |
| Leased assets, net | 429 | 538 |
| Construction in progress | 397 | 359 |
| Total property, plant and equipment | 26,138 | 27,713 |
| Intangible assets | 2,545 | 2,288 |
| Investments and other assets | | |
| Investment securities | 9,144 | 9,624 |
| Deferred tax assets | 1,690 | 1,262 |
| Insurance funds | 10,920 | 11,661 |
| Other | 2,008 | 1,447 |
| Allowance for doubtful accounts | (61) | (60) |
| Total investments and other assets | 23,702 | 23,934 |
| Total non-current assets | 52,386 | 53,936 |
| Total assets | 137,164 | 146,009 |

(Million yen)

| | Previous fiscal year (as of March 31 st , 2016) | Current fiscal year (as of March 31 st , 2017) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 22,370 | 18,736 |
| Electronically recorded obligations - operating | - | 6,061 |
| Short-term loans payable | 1,850 | 1,850 |
| Current portion of long-term loans payable | 45 | 45 |
| Lease obligations | 148 | 177 |
| Income taxes payable | 1,871 | 910 |
| Provision for bonuses | 2,054 | 2,503 |
| Provision for directors' bonuses | 183 | 203 |
| Provision for product warranties | 490 | 219 |
| Other | 4,157 | 4,383 |
| Total current liabilities | 33,172 | 35,090 |
| Non-current liabilities | | |
| Long-term loans payable | 63 | 18 |
| Lease obligations | 357 | 935 |
| Provision for directors' retirement benefits | 222 | 230 |
| Provision for management board incentive plan trust | - | 27 |
| Net defined benefit liability | 2,504 | 2,652 |
| Other | 1,013 | 1,081 |
| Total non-current liabilities | 4,161 | 4,945 |
| Total liabilities | 37,333 | 40,036 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,621 | 4,621 |
| Capital surplus | 22,340 | 21,696 |
| Retained earnings | 91,493 | 97,970 |
| Treasury shares | (18,386) | (19,543) |
| Total shareholders' equity | 100,069 | 104,745 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 774 | 1,761 |
| Foreign currency translation adjustment | (195) | (192) |
| Remeasurements of defined benefit plans | (817) | (340) |
| Total accumulated other comprehensive income | (238) | 1,227 |
| Total net assets | 99,830 | 105,973 |
| Total liabilities and net assets | 137,164 | 146,009 |

(2) Consolidated income statements and consolidated comprehensive income statements

Consolidated income statements

(Million yen)

| | Previous fiscal year (from April 1 st , 2015 to March 31 st , 2016) | Current fiscal year (from April 1 st , 2016 to March 31 st , 2017) |
|--|---|--|
| Net sales | 117,222 | 121,747 |
| Cost of sales | 68,615 | 71,649 |
| Gross profit | 48,606 | 50,097 |
| Selling, general and administrative expenses | 37,956 | 38,035 |
| Operating profit | 10,649 | 12,062 |
| Non-operating income | | |
| Interest income | 69 | 67 |
| Dividend income | 129 | 134 |
| Commission for insurance office work | 58 | 51 |
| Other | 153 | 149 |
| Total non-operating income | 410 | 402 |
| Non-operating expenses | | |
| Interest expenses | 27 | 28 |
| Foreign exchange losses | 67 | 168 |
| Loss on investments in partnership | 8 | 24 |
| Other | 22 | 41 |
| Total non-operating expenses | 126 | 263 |
| Ordinary profit | 10,934 | 12,201 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 3 | 3 |
| Surrender value of insurance | 349 | 962 |
| Other | 12 | - |
| Total extraordinary income | 364 | 965 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | 0 |
| Impairment loss | 15 | 415 |
| Loss on valuation of investment securities | - | 147 |
| Retirement benefit expenses | - | 508 |
| Other | - | 22 |
| Total extraordinary losses | 16 | 1,094 |
| Profit before income taxes | 11,282 | 12,072 |
| Income taxes-current | 3,613 | 3,059 |
| Income taxes-deferred | 301 | 236 |
| Total income taxes | 3,914 | 3,296 |
| Profit | 7,368 | 8,776 |
| Profit attributable to owners of parent | 7,368 | 8,776 |

Consolidated comprehensive income statements

(Million yen)

| | Previous fiscal year (from April 1 st , 2015 to March 31 st , 2016) | Current fiscal year (from April 1 st , 2016 to March 31 st , 2017) |
|--|---|--|
| Profit | 7,368 | 8,776 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,389) | 986 |
| Foreign currency translation adjustment | (43) | 3 |
| Remeasurements of defined benefit plans, net of tax | (1,481) | 476 |
| Total other comprehensive income | (2,914) | 1,466 |
| Comprehensive income | 4,453 | 10,242 |
| Comprehensive income attributable to owners of parent | 4,453 | 10,242 |

(3) Consolidated statements of changes in net assets

Previous fiscal year (from April 1st, 2015 to March 31st, 2016)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 4,621 | 10,055 | 86,369 | (14,731) | 86,315 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (2,232) | | (2,232) |
| Employees' bonuses and welfare funds | | | (11) | | (11) |
| Profit attributable to owners of parent | | | 7,368 | | 7,368 |
| Purchase of treasury shares | | | | (13,265) | (13,265) |
| Disposal of treasury shares | | 12,285 | | 9,610 | 21,895 |
| Adjustment of the reserve due to change in tax rate | | | (0) | | (0) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | 12,285 | 5,124 | (3,655) | 13,753 |
| Balance at end of current period | 4,621 | 22,340 | 91,493 | (18,386) | 100,069 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | 2,164 | (152) | 664 | 2,676 | 88,991 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (2,232) |
| Employees' bonuses and welfare funds | | | | | (11) |
| Profit attributable to owners of parent | | | | | 7,368 |
| Purchase of treasury shares | | | | | (13,265) |
| Disposal of treasury shares | | | | | 21,895 |
| Adjustment of the reserve due to change in tax rate | | | | | (0) |
| Net changes of items other than shareholders' equity | (1,389) | (43) | (1,481) | (2,914) | (2,914) |
| Total changes of items during period | (1,389) | (43) | (1,481) | (2,914) | 10,839 |
| Balance at end of current period | 774 | (195) | (817) | (238) | 99,830 |

Current fiscal year (from April 1st, 2016 to March 31st, 2017)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 4,621 | 22,340 | 91,493 | (18,386) | 100,069 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (2,295) | | (2,295) |
| Employees' bonuses and welfare funds | | | (4) | | (4) |
| Profit attributable to owners of parent | | | 8,776 | | 8,776 |
| Purchase of treasury shares | | | | (1,910) | (1,910) |
| Disposal of treasury shares | | (643) | | 753 | 109 |
| Adjustment of the reserve due to change in tax rate | | | | | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | (643) | 6,477 | (1,157) | 4,676 |
| Balance at end of current period | 4,621 | 21,696 | 97,970 | (19,543) | 104,745 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | 774 | (195) | (817) | (238) | 99,830 |
| Changes of items during the period | | | | | |
| Dividends of surplus | | | | | (2,295) |
| Employees' bonuses and welfare funds | | | | | (4) |
| Profit attributable to owners of parent | | | | | 8,776 |
| Purchase of treasury shares | | | | | (1,910) |
| Disposal of treasury shares | | | | | 109 |
| Adjustment of the reserve due to change in tax rate | | | | | |
| Net changes of items other than shareholders' equity | 986 | 3 | 476 | 1,466 | 1,466 |
| Total changes of items during period | 986 | 3 | 476 | 1,466 | 6,142 |
| Balance at end of current period | 1,761 | (192) | (340) | 1,227 | 105,973 |

(4) Consolidated statements of cash flows

(Million yen)

| | Previous fiscal year (from April 1 st , 2015 to March 31 st , 2016) | Current fiscal year (from April 1 st , 2016 to March 31 st , 2017) |
|---|---|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 11,282 | 12,072 |
| Depreciation | 6,586 | 7,070 |
| Impairment loss | 15 | 415 |
| Increase (decrease) in allowance for doubtful accounts | 46 | (5) |
| Increase (decrease) in provision for bonuses | 13 | 366 |
| Increase (decrease) in provision for directors' bonuses | 9 | 20 |
| Increase (decrease) in provision for product warranties | 120 | (270) |
| Increase (decrease) in net defined benefit liability | 56 | 560 |
| Increase(decrease) in provision for management board incentive plan trust | - | 27 |
| Increase (decrease) in provision for directors' retirement benefits | 15 | 8 |
| Interest and dividend income | (197) | (201) |
| Interest expenses | 27 | 28 |
| Loss (gain) on sales of non-current assets | (2) | (3) |
| Loss (gain) on valuation of investment securities | - | 147 |
| Loss (gain) on cancellation of insurance contract | (349) | (962) |
| Decrease (increase) in notes and accounts receivable-trade | (1,282) | (2,109) |
| Decrease (increase) in inventories | (279) | 213 |
| Increase (decrease) in notes and accounts payable-trade | (157) | 1,458 |
| Increase (decrease) in accrued consumption taxes | (655) | (50) |
| Other, net | 305 | 844 |
| Subtotal | 15,554 | 19,630 |
| Interest and dividend income received | 198 | 201 |
| Interest expenses paid | (27) | (28) |
| Income taxes paid | (3,967) | (4,108) |
| Net cash provided by (used in) operating activities | 11,758 | 15,693 |

(Million yen)

| | Previous fiscal year (from April 1 st , 2015 to March 31 st , 2016) | Current fiscal year (from April 1 st , 2016 to March 31 st , 2017) |
|--|---|--|
| Cash flows from investing activities | | |
| Decrease (increase) in time deposits | 200 | 1,426 |
| Purchase of property, plant and equipment | (6,670) | (7,689) |
| Purchase of intangible assets | (725) | (447) |
| Purchase of short-term and long-term investment securities | (867) | (1,514) |
| Proceeds from sales of short-term and long-term investment securities | 300 | 2,372 |
| Purchase of insurance funds | (2,361) | (2,151) |
| Proceeds from maturity of insurance funds | 1,284 | 2,437 |
| Investments in capital of unconsolidated subsidiaries | - | (248) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (1,839) |
| Other, net | (585) | (650) |
| Net cash provided by (used in) investing activities | (9,425) | (8,306) |
| Cash flows from financing activities | | |
| Repayments of long-term loans payable | (22) | (45) |
| Purchase of treasury shares | (3) | (1,910) |
| Proceeds from sales of treasury shares | - | 107 |
| Cash dividends paid | (2,095) | (2,291) |
| Repayments of lease obligations | (139) | (165) |
| Net cash provided by (used in) financing activities | (2,260) | (4,304) |
| Effect of exchange rate change on cash and cash equivalents | (15) | (43) |
| Net increase (decrease) in cash and cash equivalents | 57 | 3,039 |
| Cash and cash equivalents at beginning of period | 24,189 | 28,962 |
| Increase in cash and cash equivalents resulting from share exchanges | 4,715 | - |
| Cash and cash equivalents at end of period | 28,962 | 32,001 |

(5) Notes to Consolidated Financial Statement

(Notes regarding the assumption for going concern)

Not applicable

(Change in accounting policies)

(Application of the Practical Solution on Change in Depreciation Method due to the 2016 Tax Reform)

Regarding the amendment of the Corporation Tax Act, the Company has applied the Practical Solution on Change in Depreciation Method due to the 2016 Tax Reform (Practical Issue Task Force (PITF) No.32 issued on June 17th, 2016) from the current fiscal year. Accordingly, the Company changed the depreciation method for buildings and accompanying facilities and structures acquired on and after April 1st, 2016 from a declining-balance method to a straight-line method.

The effect of this change in accounting policies to the consolidated financial statements is minimal.

(Segment information, etc.)

a. Segment information

1. Reportable Segments

The reportable segments of the Group are the constituent units of the Group for which separate financial information can be obtained, and they are the subject of regular examinations by the Board of Directors aimed at helping the board to decide the allocation of management resources and evaluate the performance of the Group.

The Group has set up divisions for each product and service in the corporate headquarters, and each of the divisions formulates comprehensive strategies for the product or service it handles, and develops its own business activities.

We have 4 reportable segments based on our headquarter divisions which are “Physiological diagnostic equipment segment”, “Patient monitoring equipment segment”, “Medical treatment equipment segment”, and “Consumables and other products segment”.

In the “Physiological diagnostic equipment segment”, we mainly handle electrocardiographs, ultrasound diagnostic imaging systems and blood cell counters. In the “Patient monitoring equipment segment”, we handle patient monitors. In the “Medical treatment equipment segment”, we mainly handle defibrillators, ventilators, pacemakers, catheters, and business of renting medical equipment for home treatment. In the “Consumables and other products segment”, we mainly handle consumables used for devices handled by the above segments, as well as maintenance and repair services.

2. Methods to calculate the sales, gains (or losses), assets, liabilities and other numbers of the reportable segments

The accounting policies for the reportable segments are basically the same as those described in “Basic significant matters regarding the preparation of consolidated financial statements”.

Reported segment profit is based on the amount of “Operating profit”.

(Application of the Practical Solution on Change in Depreciation Method due to the 2016 Tax Reform)

Regarding the amendment of the Corporation Tax Act, the Company has applied the Practical Solution on Change in Depreciation Method due to the 2016 Tax Reform (Practical Issue Task Force (PITF) No.32 issued on June 17th, 2016) from the current fiscal year. Accordingly, the Company changed the depreciation method for buildings and accompanying facilities and structures acquired on and after April 1st, 2016 from a declining-balance method to a straight-line method.

The effect of this change in accounting policies to the reported segment profit is minimal.

3. Information regarding sales, gains (or losses), assets, liabilities and other amounts by reportable segments

(i) Previous fiscal year (from April 1st, 2015 to March 31st, 2016)

(Million yen)

| | Reporting Segments | | | | Total | Adjustments *1 | Consolidated financial statements *2 |
|---|--|------------------------------------|-----------------------------------|--------------------------------------|---------|-------------------|---|
| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | | | |
| Net sales | | | | | | | |
| Sales to external customers | 36,677 | 9,012 | 45,978 | 25,554 | 117,222 | - | 117,222 |
| Internal sales or transfers | - | - | - | - | - | - | - |
| Total | 36,677 | 9,012 | 45,978 | 25,554 | 117,222 | - | 117,222 |
| Segment profit | 2,254 | 682 | 5,394 | 2,318 | 10,649 | - | 10,649 |
| Segment assets | 19,785 | 6,277 | 34,530 | 14,294 | 74,887 | 62,276 | 137,164 |
| Other items | | | | | | | |
| Depreciation | 612 | 150 | 5,395 | 426 | 6,586 | - | 6,586 |
| Increase in Property, plant and equipment and intangible assets | 648 | 159 | 5,925 | 451 | 7,184 | - | 7,184 |

*1. Adjustment of segment assets of 62,276 million yen include extra investment funds (cash etc.), long-term investments (“Investment securities” etc.), and etc. which does not allocated to each reportable segments

*2. Segment profit equals to “Operating profit” of consolidated financial statements.

(ii) Current fiscal year (from April 1st, 2016 to March 31st, 2017)

(Million yen)

| | Reporting Segments | | | | Total | Adjustments *1 | Consolidated financial statements *2 |
|---|--|------------------------------------|-----------------------------------|--------------------------------------|---------|-------------------|---|
| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | | | |
| Net sales | | | | | | | |
| Sales to external customers | 36,881 | 9,085 | 48,052 | 27,727 | 121,747 | - | 121,747 |
| Internal sales or transfers | - | - | - | - | - | - | - |
| Total | 36,881 | 9,085 | 48,052 | 27,727 | 121,747 | - | 121,747 |
| Segment profit | 2,467 | 687 | 6,014 | 2,892 | 12,062 | - | 12,062 |
| Segment assets | 20,999 | 6,827 | 38,114 | 15,924 | 81,865 | 64,143 | 146,009 |
| Other items | | | | | | | |
| Depreciation | 629 | 153 | 5,812 | 473 | 7,070 | - | 7,070 |
| Increase in Property, plant and equipment and intangible assets | 641 | 156 | 7,274 | 482 | 8,555 | - | 8,555 |

*1. Adjustment of segment assets of 64,143 million yen include extra investment funds (cash etc.), long-term investments ("Investment securities" etc.), and etc. which does not allocated to each reportable segments

*2. Segment profit equals to "Operating profit" of consolidated financial statements.

b. Related Information

(i) Previous fiscal year (from April 1st, 2015 to March 31st, 2016)

1. Information about each products and services

Information about each products and services is omitted, as categories of products and services are identical to segment information.

2. Information by geographical area

(1) Sales

Information about "Sales" is omitted because our domestic "Sales" accounted for more than 90% of consolidated "Sales".

(2) Property, plant and equipment

Information about "Property, plant and equipment" is omitted because domestic "Property, plant and equipment" accounted for more than 90 % of "Property, plant and equipment" of consolidated "Property, plant and equipment".

3. Information by each major customer

Information about each major customer is omitted because "Sales" for each major customer accounted for less than 10 % of consolidated "Sales".

(ii) Current fiscal year (from April 1st, 2016 to March 31st, 2017)

1. Information about each products and services

Information about each products and services is omitted, as categories of products and services are identical to segment information.

2. Information by geographical area

(1) Sales

Information about “Sales” is omitted because our domestic “Sales” accounted for more than 90% of consolidated “Sales”.

(2) Property, plant and equipment

Information about “Property, plant and equipment” is omitted because domestic “Property, plant and equipment” accounted for more than 90 % of “Property, plant and equipment” of consolidated “Property, plant and equipment”.

3. Information by each major customer

Information about each major customer is omitted because “Sales” for each major customer accounted for less than 10 % of consolidated “Sales”.

c. Information about impairment loss for noncurrent assets by reportable segments

(i) Previous fiscal year (from April 1st, 2015 to March 31st, 2016)

(Million yen)

| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | Elimination / Corporate | Total |
|-----------------|------------------------------------|------------------------------|-----------------------------|--------------------------------|-------------------------|-------|
| Impairment loss | 1 | 0 | 2 | 1 | 9 | 15 |

(ii) Current fiscal year (from April 1st, 2016 to March 31st, 2017)

(Million yen)

| | Physiological diagnostic equipment | Patient monitoring equipment | Medical treatment equipment | Consumables and other products | Elimination / Corporate | Total |
|-----------------|------------------------------------|------------------------------|-----------------------------|--------------------------------|-------------------------|-------|
| Impairment loss | 133 | 72 | 83 | 62 | 64 | 415 |

d. Information about amortization and depreciation expense on goodwill of each reportable segment

(i) Previous fiscal year (from April 1st, 2015 to March 31st, 2016)

Not applicable

(ii) Current fiscal year (from April 1st, 2016 to March 31st, 2017)

In the “Physiological diagnostic equipment”, “Patient monitoring equipment”, “Medical treatment equipment”, and “Consumables and other products”, the “Impairment loss” of 149 million yen is counted by the acquisition of shares of Fukuda Colin.

e. Information about gain on negative goodwill of each reportable segment

(i) Previous fiscal year (from April 1st, 2015 to March 31st, 2016)

In the “Consumables and other products”, regarding the share exchange, we made Fukuda Denshi as the wholly-owning parent company and Atomic Sangyo as a wholly-owned subsidiary, resulting in a negative goodwill of 11 million yen in “Extraordinary income” for the previous fiscal year to be recorded.

(ii) Current fiscal year (from April 1st, 2016 to March 31st, 2017)

Not applicable

(Per share information)

| | Previous fiscal year (from April 1 st , 2015 to March 31 st , 2016) | Current fiscal year (from April 1 st , 2016 to March 31 st , 2017) |
|----------------------------------|---|--|
| Net assets per share | 6,498.12 yen | 6,964.31 yen |
| Earnings per share | 505.49 yen | 575.51 yen |
| Fully diluted earnings per share | Not stated, as there is no potential dilution. | Not stated, as there is no potential dilution. |

Note: (i) The shares of Trust & Custody Services Bank, Ltd. owns are included in the number of our “Treasury share”(49 thousand shares at the start of the fiscal year and 66 thousand shares at the end of the fiscal year), which is excluded from the “Number of shares at the end of the current fiscal year”, which is used to calculate the “Net assets per share”.

It is also included in the number of our “Treasury share”(49 thousand shares at the start of the fiscal year and 66 thousand shares at the end of the fiscal year), which is excluded from the calculation of “Average number of shares during the period”, which is used to calculate the “Net income per share”.

(ii) The basis for calculation of earnings per share:

| Item | Previous fiscal year (from April 1 st , 2015 to March 31 st , 2016) | Current fiscal year (from April 1 st , 2016 to March 31 st , 2017) |
|---|---|--|
| Profit attributable to parent company shareholders (million yen) | 7,368 | 8,776 |
| Amount not belonging to ordinary shareholders (million yen) | - | - |
| Profit attributable to parent company shareholders in relation to common shares (million yen) | 7,368 | 8,776 |
| Average number of shares during the fiscal year (1,000 shares) | 14,576 | 15,249 |

(Significant subsequent events)

Not applicable

4. Others

(1) Changes of directors

(i) Representative Director

Not applicable

(ii) Other directors

- Directors to retire

Directors: Mr. Izumi Tsubone

- Effective from

June 29th, 2017

* 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 May 12th, 2017 at 15:00 (GMT+9)