

Summary Report on Financial Results for the Second Quarter of the Year Ending March 2016
(Japan GAAP)

October 30th, 2015
Listing: TSE-JASDAQ

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Scheduled date for commencement of dividend payment: December 7th, 2015
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 2016 (April 1st, 2015 through September 30th, 2015)

(1) Consolidated operating results (cumulative)

(% represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of the year ending March 2016	53,050	10.8	4,563	0.6	4,896	(0.9)	3,491	19.5
Second quarter of the year ended March 2015	47,874	1.3	4,535	(12.5)	4,940	(6.5)	2,922	(12.7)

(Note) Comprehensive income

Second quarter of the year ending March 2016: 3,288 million yen / (8.5) %

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

	Earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter of the year ending March 2016	251.13	—
Second quarter of the year ended March 2015	210.23	—

(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 2016	122,642	90,876	74.1	6,536.74
Year ended March 2015	124,582	88,991	71.4	6,401.07

(Reference) Shareholders' equity:

Second quarter of the year ending March 2016: 90,876 million yen

Year ended March 2015: 88,991 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 2015	—	50.00	—	100.00	150.00
Year ending March 2016	—	60.00			
Year ending March 2016 (forecast)			—	90.00	150.00

(Note) Revisions to recent dividend forecast: None

The detail of second quarter dividend of Year ended 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 ended March 2015; ordinary dividend 40.00 yen, extra dividend 60.00 yen

The detail of second quarter dividend of Year ending March 2016; ordinary dividend 40.00 yen, extra dividend 20.00 yen.

The detail of year-end dividend of Year ending March 2016 (Forecast); ordinary dividend 40.00 yen, extra dividend 50.00 yen

3. Forecast of consolidated financial results for the year ending March 2016 (April 1st, 2015 through March 31st, 2016)

(% represents increase or decrease from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	109,000	0.7	12,000	16.5	12,000	5.5	7,380	3.7	506.29

(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 2016: 19,588,000 shares
 - Year ended March 2015: 19,588,000 shares
 - (ii) Number of shares of treasury stock at the end of the period:
 - Second quarter of the year ending March 2016: 5,685,566 shares
 - Year ended March 2015: 5,685,418 shares
 - (iii) Average number of shares during the period (accumulated consolidated quarter)
 - Second quarter of the year ending March 2016: 13,902,492 shares
 - Second quarter of the year ended March 2015: 13,902,674 shares

* Statement concerning the Status of Quarterly Financial Review Procedures

These Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31st, 2016 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 5.
3. On October 1st, 2015, Fukuda Denshi Co., Ltd. (hereinafter referred to as “Fukuda Denshi”) have conducted a share exchange (hereinafter referred to as the “Share Exchange”) with Fukuda Denshi as the wholly-owning parent company and Atomic Sangyo Co., Ltd. (hereinafter referred to as “Atomic Sangyo”) as a wholly-owned subsidiary by using Fukuda Denshi’s treasury stock, as a result the “Treasury stock” have decreased 3,704,798 shares. Also on October 30th, 2015, Atomic Sangyo disposed the common shares of Fukuda Denshi by distribution in kind to Fukuda Denshi, as a result the “Treasury stock” have increased 2,244,096 shares. As a consequence of this, we have calculated the “Earnings per share” by using the number of shares after taking into account said Share Exchange, shown on “3. Forecast of consolidated financial results for the year ending March 2016” section on page 2.

Contents of the Attached Materials

- 1. Qualitative information about consolidated earnings results for the quarter under review ----- 5
 - (1) Explanation about consolidated operating results ----- 5
 - (2) Explanation about consolidated financial situation ----- 5
 - (3) Explanation about consolidated earnings forecast ----- 5
- 2. Summary information ----- 6
 - (1) Change in significant subsidiaries during the period ----- 6
 - (2) Application of special accounting methods for the preparation of the consolidated quarterly financial statements ----- 6
 - (3) Change in accounting policies, accounting projections, and restatement ----- 6
- 3. Material events related to going concern assumptions ----- 6
- 4. Consolidated quarterly financial statements ----- 7
 - (1) Consolidated quarterly balance sheets ----- 7
 - (2) Consolidated quarterly income statements and consolidated quarterly comprehensive income statements 9
 - Consolidated quarterly income statements
 - Second quarter of the consolidated term ----- 9
 - Consolidated quarterly comprehensive income statements
 - Second quarter of the consolidated term ----- 10
 - (3) Notes to consolidated quarterly financial statement ----- 10
 - (Notes regarding the premise for going concern) ----- 10
 - (Notes when there is a significant fluctuation in the amount of shareholders' equity) ----- 10
- 5. Important subsequent events ----- 11

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

(1) Explanation about consolidated operating results

In the second quarter cumulative period, improvements were seen in corporate earnings and indicators reflecting the employment conditions, the Japanese economy remained a moderate recovery.

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 53,050 million yen (up 10.8% on a year-to-year basis), operating income of 4,563 million yen (up 0.6% on a year-to-year basis), ordinary income of 4,896 million yen (down 0.9% on a year-to-year basis), and profit attributable to owners of parent of 3,491 million yen (up 19.5% 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 increased.

Consolidated "Net sales" were 15,371 million yen (up 26.1% on a year-to-year basis).

B. Patient monitoring equipment segment

Sales of patient monitoring equipment decreased.

Consolidated "Net sales" were 3,726 million yen (down 3.2% 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.

Consolidated "Net sales" were 22,029 million yen (up 5.9% 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 11,922 million yen (up 8.0% on a year-to-year basis).

(2) Explanation about consolidated financial situation

Total assets were 122,642 million yen at the end of the second quarter under review, down 1,939 million yen from the end of the previous fiscal year.

The main factors are the decrease of 6,034 million yen in "Notes and accounts receivable-trade" despite the increase of 1,393 million yen in "Securities".

Liabilities amounted to 31,765 million yen, down 3,824 million yen from the end of the previous fiscal year.

The main factor is the decrease of 3,924 million yen in "Notes and accounts payable-trade".

Net assets were 90,876 million yen, up 1,885 million yen from the end of the previous fiscal year.

The main factors are the increase of 2,089 million yen in "Retained earnings" despite the decrease of 90 million yen in "Valuation difference on available-for-sale securities".

(3) Explanation about consolidated earnings forecast

Due to the steady sales achievement until the second quarter, there is no change at this moment in the forecast of the financial results for the full fiscal year which we announced on May 15th, 2015.

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 Standard for Business Combinations, etc.)

Fukuda Denshi has applied the Accounting Standard for Business Combinations (ASBJ Statement No.21 issued on September 13th, 2013, hereinafter, the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 issued on September 13th, 2013, hereinafter, the “Consolidated Accounting Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No.7 issued on September 13th, 2013, hereinafter, the “Business Divestitures Accounting Standard”), etc. from the first quarter of the current consolidated fiscal year, will post the difference due to changes in the Company’s equity in a subsidiary when the Company continues to control the subsidiary as capital surplus and change to the method of posting the acquisition-related expenses as expenses in the consolidated fiscal year in which they were incurred. Furthermore, for business combinations implemented from the beginning of the first quarter of the current consolidated fiscal year onwards the Company has changed to the method of reflecting the revision of the allocated amount of the acquisition cost due to the finalization of the provisional accounting treatment in the quarterly consolidated financial statements for the consolidated fiscal quarter in which the business combination date occurs. In addition, the Company has changed the presentation of quarterly net income, etc. and has changed the term “minority interests” to “non-controlling interests.” The Company has adjusted the quarterly consolidated financial statements and consolidated financial statements for the first quarter of the previous consolidated cumulative fiscal year and the previous consolidated fiscal year in order to reflect these changes in the presentation.

Regarding the application of the Business Combinations Accounting Standard, etc., the Company is complying with the transitional measures prescribed under the Business Combinations Accounting Standard, Clause 58-2 (4), the Consolidated Accounting Standard, Clause 44-5 (4) and the Business Divestitures Accounting Standard, Clause 57-4 (4), and will apply the new accounting standards from the beginning of the first quarter of the current consolidated fiscal year into the future.

The impact on profit and loss 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 , 2015)	End of the second quarter under review (as of September 30 th , 2015)
Assets		
Current assets		
Cash and deposits	25,726	25,875
Notes and accounts receivable-trade	32,698	26,664
Securities	192	1,586
Merchandise and finished goods	8,616	9,885
Work in process	112	94
Raw materials and supplies	2,128	2,532
Other	3,781	4,415
Allowance for doubtful accounts	(24)	(21)
Total current assets	73,232	71,032
Noncurrent assets		
Property, plant and equipment	24,096	24,756
Intangible assets	2,551	2,402
Investments and other assets		
Investment securities	11,362	10,321
Other	13,350	14,138
Allowance for doubtful accounts	(12)	(8)
Total investments and other assets	24,701	24,451
Total noncurrent assets	51,349	51,610
Total assets	124,582	122,642
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,620	18,696
Short-term loans payable	1,850	1,900
Income taxes payable	1,832	1,836
Provision for bonuses	2,034	2,103
Provision for product warranties	370	426
Other provision	173	84
Other	4,610	4,567
Total current liabilities	33,493	29,615
Noncurrent liabilities		
Other provision	192	185
Net defined benefit liability	548	578
Other	1,356	1,385
Total noncurrent liabilities	2,097	2,150
Total liabilities	35,590	31,765

(Million yen)

	Previous fiscal year (as of March 31 st , 2015)	End of the second quarter under review (as of September 30 th , 2015)
Net assets		
Shareholders' equity		
Capital stock	4,621	4,621
Capital surplus	10,055	10,055
Retained earnings	86,369	88,458
Treasury stock	(14,731)	(14,732)
Total shareholders' equity	86,315	88,403
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,164	2,073
Foreign currency translation adjustment	(152)	(187)
Remeasurements of defined benefit plans	664	587
Total accumulated other comprehensive income	2,676	2,473
Total net assets	88,991	90,876
Total liabilities and net assets	124,582	122,642

(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 , 2014 to September 30 th , 2014)	Second quarter of the consolidated term (from April 1 st , 2015 to September 30 th , 2015)
Net sales	47,874	53,050
Cost of sales	25,030	29,377
Gross profit	22,843	23,673
Selling, general and administrative expenses	18,308	19,109
Operating income	4,535	4,563
Non-operating income		
Interest income	36	30
Dividend income	97	87
Foreign exchange gains	133	96
Other	155	139
Total non-operating income	423	353
Non-operating expenses		
Interest expenses	12	14
Loss on investments in partnership	2	1
Other	4	4
Total non-operating expenses	19	21
Ordinary income	4,940	4,896
Extraordinary income		
Gain on sales of non-current assets	4	2
Gain on sales of investment securities	0	—
Surrender value of insurance	102	326
Total extraordinary income	107	329
Extraordinary losses		
Impairment loss	3	13
Total extraordinary losses	3	13
Income before income taxes and minority interests	5,044	5,212
Income taxes-current	1,576	2,088
Income taxes-deferred	545	(368)
Total income taxes	2,121	1,720
Profit	2,922	3,491
Profit attributable to owners of parent	2,922	3,491

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

	(Million yen)	
	Second quarter of the previous consolidated term (from April 1 st , 2014 to September 30 th , 2014)	Second quarter of the consolidated term (from April 1 st , 2015 to September 30 th , 2015)
Profit	2,922	3,491
Other comprehensive income		
Valuation difference on available-for-sale securities	674	(90)
Foreign currency translation adjustment	(1)	(35)
Remeasurements of defined benefit plans, net of tax	(1)	(76)
Total other comprehensive income	671	(202)
Comprehensive income	3,593	3,288
Comprehensive income attributable to Comprehensive income attributable to owners of parent	3,593	3,288

(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.

5 Important subsequent events

On October 1st, 2015, Fukuda Denshi conducted a share exchange with Fukuda Denshi as the wholly-owning parent company and Atomic Sangyo as a wholly-owned subsidiary.

(1) Purpose of the Share Exchange

Since going public in May 1982, Fukuda Denshi has developed operations to achieve stable and sustainable growth and worked on active information disclosure so that our shareholders and investors can always make appropriate investment decisions. Under these circumstances, as part of the measures to further enhance transparency in corporate management and for the purpose of stabilizing and improving the efficiency of corporate management and improving customer services, Fukuda Denshi resolved to conclude a Share Exchange Agreement with our largest shareholder, Atomic Sangyo on May 15th, 2015.

Principal business of Atomic Sangyo, Fukuda Denshi's largest shareholder, is manufacturing recording paper for medical electronic devices and the real estate leasing business. Fukuda Denshi purchases recording paper and other products from Atomic Sangyo which are essential to our business.

In addition, Kotaro Fukuda, a member of the founding family and the Chairman & CEO of Fukuda Denshi, and his relatives have a stake in Atomic Sangyo, and transactions between Fukuda Denshi and Atomic Sangyo are considered as related party transactions. In transactions with Atomic Sangyo of recording paper and other products, decisions on the prices are based on negotiations and consideration of market prices and ensuring the transparency by continuously disclosing them (disclosure of related party transactions) in securities reports.

However, since Atomic Sangyo is an unlisted company, it is difficult for our shareholders and investors to understand the reality of corporate management, and we cannot deny that the relationship between Fukuda Denshi and Atomic Sangyo seems unclear. In order for Fukuda Denshi to gain more trust from our shareholders and investors and to achieve stable and sustainable growth, we are aware that it is necessary to terminate related party transactions of recording paper and other products and implement measures to further enhance the transparency of corporate management.

At the same time, recording paper and other products manufactured by Atomic Sangyo are essential to our business and thus cannot easily be replaced with other companies' products. Therefore, we came to the

conclusion that rather than terminate the transactions or switching to products of other companies, we can stabilize the supply chain as a Group from manufacturing to sales, and improve management efficiency including further cost reduction and enhance customer service by making Atomic Sangyo wholly-owned subsidiary by the Share Exchange, and terminating these related party transactions.

Fukuda Denshi and Atomic Sangyo started discussions around February 2015, performed due diligence and engaged in frequent exchanges of views. As a result, Fukuda Denshi and Atomic Sangyo agreed on May 15th, 2015, to conclude the Share Exchange Agreement in order to enhance the transparency of corporate management by terminate these related party transactions, and stabilize and improve the efficiency of corporate management, as well as improve customer services.

Based on the Share Exchange, the type of holding of our shares by Kotaro Fukuda and his relatives will change from a combination of direct holding and indirect holding through Atomic Sangyo to direct holding only. Accordingly, we believe that transparency of our shareholder composition will increase, and that the understanding of our shareholders and investors for our governance will be improved further.

Atomic Sangyo is engaged in real estate leasing in addition to manufacturing of recording paper for medical electronic devices and owns some assets which have limited relevance to our business. We separated these assets from Atomic Sangyo before the Share Exchange became effective by transferring them to a third party by a company split and other measures.

Specifically, Atomic Sangyo implemented an absorption-type company split (hereinafter referred to as the “Absorption-Type Company Split”) which transferred the majority of rights and obligations concerning the real estate leasing business to a successor company, and to transfer assets which have limited relevance to our business (hereinafter referred to as the “Asset Transfer”) to a third party, effective as of September 1st, 2015. Cash has been used as consideration for the Absorption-Type Company Split and the Asset Transfer. No capital ties arose between Fukuda Denshi and the successor company/the third party after the Share Exchange. As the Share Exchange is effective subject to effectuation of the Absorption-Type Company Split and the Asset Transfer, the Group did not succeed the real estate leasing business to a third party.

Atomic Sangyo, which became a wholly-owned subsidiary by the Share Exchange, owns common shares of Fukuda Denshi, which became the wholly-owning parent company, but Atomic Sangyo disposed these shares by distribution in kind to Fukuda Denshi as of October 30th, 2015.

(2) Schedule of the Share Exchange

Recording date for the general meeting of shareholders (Fukuda Denshi)	March 31 st , 2015
Date of resolution by the Board of Directors meeting (Fukuda Denshi) Date of decision by Board of Directors (Atomic Sangyo)	May 15 th , 2015
Date on which the Share Exchange Agreement is executed (Fukuda Denshi, Atomic Sangyo)	May 15 th , 2015
Date of resolution by the general meeting of shareholders (Fukuda Denshi, Atomic Sangyo)	June 26 th , 2015
Scheduled date of the Share Exchange (effective date)	October 1 st , 2015

(3) Method of the Share Exchange

Fukuda Denshi conducted a share exchange with Fukuda Denshi as the wholly-owning parent company and Atomic Sangyo as a wholly-owned subsidiary. The Share Exchange is effective as of October 1st, 2015 subject to approval of the Share Exchange Agreement by a resolution of the respective general meetings of shareholders of Fukuda Denshi and Atomic Sangyo both held on June 26th, 2015.

(4) Details of Allotment by the Share Exchange

	Fukuda Denshi (Wholly-owning parent company)	Atomic Sangyo (Wholly-owned subsidiary)
Details of allotment by the Share Exchange	1	419

Note 1: Ratio of allotment of shares by the Share Exchange

Fukuda Denshi allotted its 419 common shares to one share of Atomic Sangyo.

Financial figures based on the Absorption-Type Company Split and the Asset Transfer are used for calculation by a comparable company method and by the discounted cash flow method (DCF method) in the calculation sheet for the share exchange ratio used as reference to determine the ratio of allotment.

Note 2: Number of Fukuda Denshi's shares to be issued by the Share Exchange

Number of Fukuda Denshi's common shares issued by the Share Exchange: 3,704,798 shares

In issuing its common shares by the Share Exchange, Fukuda Denshi used treasury stock of 3,704,798 shares it owns and has no plan to issue new shares. Fukuda Denshi allotted its common shares in the number calculated based on the abovementioned ratio of allotment to all the shareholders of Atomic Sangyo immediately before the acquisition by Fukuda Denshi of all outstanding shares of Atomic Sangyo (hereinafter referred to as the "Base Period"), in exchange for common shares of Atomic Sangyo owned by these shareholders.

In addition, Atomic Sangyo cancelled all treasury stock (including shares of Atomic Sangyo owned by its shareholders which Atomic Sangyo acquired based on their appraisal remedy in accordance with provisions of Article 785, Paragraph 1 of the Companies Act) it owns as of immediately before the Base Period upon decision of the Board of Directors to be made before effectuation of the Share Exchange.

Note 3: Fukuda Denshi's common shares owned by Atomic Sangyo

Atomic Sangyo, which became a wholly-owned subsidiary by the Share Exchange, owned common shares of Fukuda Denshi, which became the wholly-owning parent company by the Share Exchange. Atomic Sangyo disposed these shares on October 30th, 2015, in accordance with provisions of the Companies Act by distribution in kind to Fukuda Denshi and other means after effectuation of the Share Exchange.

(5) Treatment of share options and bonds with share options going with the Share Exchange

Atomic Sangyo does not issue share options and bonds with share options.

(6) Basis for allotment for the Share Exchange

As mentioned in "(1) Purpose of the Share Exchange" above, Fukuda Denshi and Atomic Sangyo started discussions and exchanges of views concerning the Share Exchange around February 2015.

In these discussions and exchanges of views, Fukuda Denshi appointed MID Structures, Co., Ltd. (hereinafter referred to as "MID Structures"), a third-party valuation institution independent from Fukuda Denshi and Atomic Sangyo, as well as Yanagida & Partners as legal adviser and has conducted a full-scale review in order to ensure fairness and reasonableness of the share exchange ratio to be used for the Share Exchange (hereinafter referred to as the "Share Exchange Ratio").

Fukuda Denshi has repeated careful discussions and reviews, taking into account the financial conditions and trends in earnings of both companies, based on the share exchange ratio calculation sheet submitted by MID Structures and advice from our legal adviser.

As a result, we have come to the conclusion that the share exchange ratio mentioned in "(4) Details of Allotment by the Share Exchange" above is reasonable. It was decided at the meetings of the Board of Directors of both companies held on May 15th, 2015, to conduct the Share Exchange, and both companies signed the Share Exchange Agreement.

(7) Overview of accounting

For the Share Exchange we plan to make Fukuda Denshi the acquiring enterprise and Atomic Sangyo the acquired enterprise in the accounting, in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13th, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13th, 2013). As a consequence of this accounting treatment, we expect that goodwill will be generated at Fukuda Denshi, but the amount and years of depreciation, etc. in the case that goodwill is generated are not yet determined at this time.

* This English translation is for reference purposes only. The original Japanese version will prevail as the official authoritative version.