



Consolidated Financial Results for the Three Months Ended June 30, 2014 [Japanese GAAP]

July 30, 2014
Tokyo Stock Exchange

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 Preparation of supplementary materials on Quarterly Financial Results: No
 Holding of a briefing on Quarterly Financial Results: No

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Three Months Ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

(1) Consolidated operating results (Percentage figures represent the changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2014	42,327	9.7	1,505	(26.5)	1,516	(17.8)	967	(23.0)
June 30, 2013	38,592	40.1	2,049	318.0	1,845	214.5	1,256	516.0

Note: Comprehensive income: Three months ended June 30, 2014 ¥290 million [(90.8)%]
 Three months ended June 30, 2013 ¥3,141 million [-%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2014	41.46	36.18
June 30, 2013	53.84	46.98

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2014	99,418	48,403	45.5	1,941.13
June 30, 2013	98,030	48,604	46.3	1,944.73

Reference: Equity capital: As of June 30, 2014 ¥45,284 million
 As of March 30, 2014 ¥45,368 million

2. Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
Fiscal year ended March 31, 2014	Yen -	Yen 20.00	Yen -	Yen 20.00	Yen 40.00
Fiscal year ending March 31, 2015	-				
Fiscal year ending March 31, 2015 (Forecast)		12.00	-	12.00	24.00

Note: Revisions to the forecast for dividends announced most recently: No

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentage represent changes from the corresponding periods of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2014	80,000	(1.3)	2,500	(37.4)	2,500	(38.5)	1,250	(54.8)	53.58
Fiscal year ending March 31, 2015	160,000	(4.6)	5,000	(17.0)	5,000	(21.0)	2,500	(7.7)	107.16

Note: Revisions to the forecast for earnings announced most recently: No

*** Notes:**

- (1) Changes in significant subsidiaries during the quarter of the consolidated fiscal year under review (changes in specified subsidiaries accompanying changes in the scope of consolidation): No
Newly added: - subsidiaries (Company name) -
Excluded: - subsidiaries (Company name) -
- (2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies and changes / restatement of accounting estimates
- | | |
|--|-------|
| (i) Changes in accounting policies due to revision of accounting standards, etc. | : Yes |
| (i) Changes in accounting policies other than (i) | : No |
| (ii) Changes in accounting estimates | : No |
| (iii) Restatement | : No |
- (3) Number of shares issued and outstanding (common stock)
- (ii) Number of outstanding shares at end of period (including treasury stock)
- | | |
|-----------------|------------|
| June 30, 2014: | 23,506,015 |
| March 31, 2014: | 23,506,015 |
- (iii) Number of treasury stock at end of period
- | | |
|-----------------|---------|
| June 30, 2014: | 177,140 |
| March 31, 2014: | 177,093 |
- (iv) Average number of shares outstanding during the period
- | | |
|-----------------------------------|------------|
| Three months ended June 30, 2014: | 23,328,875 |
| Three months ended June 30, 2013: | 23,328,999 |

*** Presentation regarding the implementation status of the quarterly review procedures**

This quarterly financial report is not subject to the quarterly review procedures required by the Financial Instruments and Exchange Act of Japan, and at the time of disclosure of this quarterly financial report, the quarterly consolidated financial statement review procedures have not been completed.

*** Information on proper use of the forecast for financial results and other notes**

Forward-looking statements in this document, including earnings projections, are based on currently available information and certain assumptions that the Company regards as reasonable at the time of writing and the Company does not in any way promise the achievement of the projections. Actual results may differ greatly from the forecast figures depending on various factors. For the preconditions of and precautions in using the earnings projections, please refer to "Explanation of forecast of consolidated financial results and other forward-looking information" on page 2 of the Attachment.

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1. Qualitative information on the financial results of the three months ended June 30, 2014

(1) Explanation of operating results

For the world economy during the three months ended June 30, 2014 (from April 1 to June 30, 2014), the U.S. economy improved mainly due to the pickup of the employment situation and signs of recovery emerged overall in European economies, while uncertainties were seen in emerging countries including slowdown in growth and geopolitical risk. The Japanese economy was generally on a track of moderate recovery.

In the electronic equipment and electronic components industries where the Foster Group ("the Group") operates, growth was favorable in the segment of automobile-related equipment, while orders did not increase as expected for smartphone-related equipment.

Under such circumstances, supported by the favorable shipment of car speakers, the consolidated net sales for the three months ended June 30, 2014 increased to ¥42,327 million (up 9.7%, y-o-y). In terms of profits, consolidated operating income of the three months ended June 30, 2014 came to ¥1,505 million (down 26.5%, y-o-y), consolidated ordinary income came to ¥1,516 million (down 17.8%, y-o-y), and consolidated net income came to ¥967 million (down 23.0%, y-o-y), due mainly to the continued price fall in smart phone headsets.

The performance of each segment is as follows.

[Acoustic Components and Products Segment]

Production and shipment of audio headphones, speakers and speaker systems progressed almost as planned, and production and shipment of flat TV speakers and speaker systems increased due mainly supported by the growth in the share of some customers.

Consequently, sales of this segment came to ¥6,517 million (up 19.9%, y-o-y).

[Automotive Components and Products Segment]

Production and shipment of car speakers and speaker systems continued to remain steady mainly in the North American market.

Consequently, sales of this segment came to ¥14,194 million (up 23.2%, y-o-y).

[Information & Communication Components and Products Segment]

Production and shipment of mobile phone head sets etc. were affected by the slowdown in demand for smartphones. Consequently, sales of this segment came to ¥20,279 million (down 4.6%, y-o-y).

[Other Segment]

Sales of this segment increased significantly to ¥1,335 million, reflecting the inclusion of net sales for the micro acoustic components business the Company took over in the fourth quarter of the fiscal year ended March 31, 2014 (up 253.8%, y-o-y).

(2) Explanation of financial position

Total assets increased by ¥1,387 million from the end of the previous consolidated fiscal year to ¥99,418 million due mainly to the increase in accounts receivable - trade. Total liabilities increased by ¥1,588 million from the end of the previous consolidated fiscal year to ¥51,014 million due mainly to the increase in accounts payable - trade. Total net assets decreased by ¥201 million from the end of the previous consolidated fiscal year to ¥48,403 million due mainly to the increase in foreign currency translation adjustment (debtor). Equity ratio decreased by 0.8% from the end of the previous consolidated fiscal year to 45.5%.

(Cash flows)

The balance of cash and cash equivalents as of June 30, 2014 increased by ¥859 million from the end of the previous consolidated fiscal year to ¥6,695 million due mainly to the following cash flows.

(Cash flows from operating activities)

Cash flows from operating activities totaled ¥2,196 million due mainly to income before income taxes and minority interests.

(Cash flows from investing activities)

Cash flows from investing activities totaled ¥1,881 million due mainly to capital investment.

(Cash flows from financing activities)

Cash flows from financing activities totaled ¥671 million due mainly to the increase in short-term bank loans.

(3) Explanation of forecast of consolidated financial results and other forward-looking information

The earnings projections are the same as those announced on May 2, 2014 for the first half and full year.
In projecting the performance above, we assumed exchange rates of ¥100 to the US dollar and ¥135 to the Euro.

2. Matter concerning summary information (notes)

(1) Changes in major subsidiaries during the three months ended June 30, 2014

Not applicable.

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies, accounting estimates and restatements

(Changes in accounting policies)

(Application of the accounting standards etc. for retirement benefits)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company has adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 issued on May 17, 2012, "Retirement Benefit Accounting Standard") and "Guidance on Accounting Standards for Retirement Benefits" (ASBJ Statement No. 25, May 17, 2012, "Retirement Benefits Guidance") in terms of the provisions stipulated in the main text of Section 35 of the Retirement Benefits Accounting Standard and the main text of Section 67 of the Retirement Benefits Guidance and reviewed the method of calculating retirement benefit liabilities and service cost.

Note that this change has no effect on the beginning balance of retained earnings and profit (loss).

3. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	8,225	9,766
Notes and accounts receivable - trade	28,865	30,374
Electronically recorded monetary claims - operating	1,101	958
Finished goods	16,417	16,548
Raw materials	7,820	7,757
Work in process	1,291	1,238
Supplies	445	257
Short-term loans receivable	49	4
Accounts receivable - other	1,695	1,295
Deferred tax assets	634	568
Other	2,041	1,916
Allowance for doubtful accounts	(874)	(849)
Total current assets	67,713	69,836
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,490	9,232
Machinery and equipment, net	9,710	9,248
Tools, furniture and fixtures, net	3,016	2,934
Land	1,034	1,015
Construction in progress	828	623
Net property, plant and equipment	24,079	23,054
Intangible assets		
Software	284	318
Leasehold right	846	821
Other	180	127
Total intangible assets	1,311	1,267
Investments and other assets		
Investment securities	2,735	3,136
Long-term loans receivable	45	34
Long-term prepaid expenses	825	689
Asset for employees' retirement benefits	645	693
Deferred tax assets	314	326
Other	367	388
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	4,925	5,259
Total non-current assets	30,316	29,581
Total assets	98,030	99,418

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,889	13,234
Electronically recorded obligations - operating	156	95
Short-term loans payable	14,163	15,400
Current portion of long-term debt	1,310	1,259
Accounts payable - other	3,175	3,345
Income taxes payable	698	313
Accrued expenses	1,562	1,545
Deferred tax liabilities	172	230
Reserve for bonuses	596	590
Other	1,138	772
Total current liabilities	34,865	36,788
Long-term liabilities		
Convertible bonds with subscription rights to shares	6,000	6,000
Long-term debt	7,080	6,843
Deferred tax liabilities	779	700
Liability for employees' retirement benefits	199	230
Liability for directors' retirement benefits	72	68
Asset retirement obligations	222	223
Other	206	159
Total long-term liabilities	14,560	14,226
Total liabilities	49,425	51,014
Equity		
Shareholders' equity		
Common stock	3,770	3,770
Capital surplus	6,372	6,372
Retained earnings	35,416	35,917
Treasury stock	(133)	(133)
Total shareholders' equity	45,426	45,927
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	638	568
Foreign currency translation adjustment	(581)	(1,130)
Remeasurements of defined benefit plans	(115)	(80)
Total accumulated other comprehensive income	(58)	(642)
Minority interests	3,236	3,119
Total equity	48,604	48,403
Total liabilities and net assets	98,030	99,418

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)
 (Three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2014
Net sales	38,595	42,327
Cost of sales	32,793	36,531
Gross profit	5,801	5,796
Selling, general and administrative expenses	3,752	4,290
Operating income	2,049	1,505
Non-operating income		
Interest income	35	34
Dividend income	14	17
Miscellaneous income	60	101
Total non-operating income	111	152
Non-operating expenses		
Interest expense	74	43
Foreign currency exchange loss	192	35
Miscellaneous loss	48	62
Total non-operating expenses	315	141
Ordinary income	1,845	1,516
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Total extraordinary losses	—	—
Income before income taxes and minority interests	1,845	1,516
Income taxes - current	427	354
Income taxes - deferred	89	131
Total income taxes	516	486
Net income before minority interests	1,328	1,030
Minority interests in net income	72	63
Net income	1,256	967

(Consolidated statement of comprehensive income)
 (Three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net income before minority interests	1,328	1,030
Other comprehensive income		
Unrealized gain on available-for-sale securities	(32)	(69)
Foreign currency translation adjustments	1,845	(715)
Remeasurements of defined benefit plans	—	44
Total other comprehensive income	1,813	(740)
Comprehensive income	3,141	290
(Breakdown)		
Total comprehensive income attributable to owners of the parent	2,925	382
Total comprehensive income attributable to minority interests	216	(91)

(3) Consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	1,845	1,516
Depreciation and amortization	1,643	1,392
Amortization of goodwill	24	7
Increase (decrease) in prepaid pension costs	(23)	—
Increase (decrease) in provision for retirement benefits	0	—
Increase (decrease) in net defined benefit asset	—	(48)
Increase (decrease) in net defined benefit liability	—	35
Increase (decrease) in provision for directors' retirement benefits	(10)	(2)
Provision for doubtful receivables	(1)	3
Increase (decrease) in reserve for bonuses	126	(1)
Interest and dividend income	(50)	(51)
Interest expenses	74	43
Foreign exchange loss (gain)	441	(73)
Decrease (increase) in trade notes and accounts receivable	(438)	(1,633)
Decrease (increase) in inventories	(3,156)	(172)
Increase (decrease) in trade notes and accounts payable	(360)	1,512
Decrease (increase) in other accounts receivable	198	340
Increase (decrease) in other accounts payable	(875)	216
Other	(90)	(161)
Subtotal	(653)	2,924
Interest and dividend income received	50	51
Interest expenses paid	(74)	(43)
Income taxes-paid	(416)	(735)
Net cash provided by (used in) operating activities	(1,093)	2,196
Cash flows from investing activities		
Purchase of investment securities	(0)	(509)
Purchase of property, plant and equipment	(746)	(567)
Purchases of intangible assets	(13)	(23)
Decrease (increase) in time deposits	(253)	(750)
Decrease (increase) in short-term loans receivable	13	46
Payments of long-term loans receivable	(2)	(2)
Collection of long-term loans receivable	3	9
Payment for long-term prepaid expenses	(53)	(59)
Other	10	(24)
Net cash used in investing activities	(1,042)	(1,881)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Cash flows from financing activities		
Increase (decrease) in short-term bank loans-net	1,893	1,484
Proceeds from long-term debt	111	—
Repayments of long-term debt	(351)	(265)
Dividends paid	(349)	(466)
Dividends paid to minority shareholders	(64)	(80)
Purchase of treasury stock	—	(0)
Net cash provided by financing activities	1,237	671
Effect of exchange rate changes on cash and cash equivalents	227	(126)
Net increase (decrease) in cash and cash equivalents	(670)	859
Cash and cash equivalents, beginning of period	5,359	5,836
Cash and cash equivalent, end of period	4,688	6,695

(4) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information, others)

[Segment information]

I. Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)

1. Information on sales and income/loss according to reportable segments

(Millions of yen)

	Reportable segments				Total	Adjustments *Note 1	Amount reported on the quarterly consolidated income statement *Note 2
	Acoustic components and products	Automotive components and products	Information & communication components and products	Other business			
Net sales							
Sales to external customers	5,436	11,526	21,255	377	38,595	—	38,595
Inter-segment sales or transfers	—	—	—	—	—	—	—
Total	5,436	11,526	21,255	377	38,595	—	38,595
Segment income	246	500	1,273	54	2,074	(24)	2,049

Notes: 1. Segment adjustment of ¥(24) million is amortization of goodwill.

2. Segment income is adjusted with the operating income of the consolidated income statement.

II. Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

1. Information on sales and income/loss according to reportable segments

(Millions of yen)

	Reportable segments				Total	Adjustments *Note 1	Amount reported on the quarterly consolidated income statement *Note 2
	Acoustic components and products	Automotive components and products	Information & communication components and products	Other business			
Net sales							
Sales to external customers	6,517	14,194	20,279	1,335	42,327	-	42,327
Inter-segment sales or transfers	-	-	-	-	-	-	-
Total	6,517	14,194	20,279	1,335	42,327	-	42,327
Segment income	190	666	568	88	1,513	(7)	1,505

Notes: 1. Segment adjustment of ¥(7) million is amortization of goodwill.

2. Segment income is adjusted with the operating income of the consolidated income statement.