



Consolidated Financial Results for the Nine Months Ended December 31, 2014 [Japanese GAAP]

January 29, 2015
Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
URL	http://www.foster.co.jp/	
Representative	Hiromi Yoshizawa, Representative Director & President	
Contact person	Yuzo Yamamoto, Department Manager, IR and Legal Affairs	Phone: +81-42-546-2305
Scheduled date of submitting Quarterly Securities Report		February 12, 2015
Scheduled date of commencing dividend payment		-
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 Nine Months Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2014	139,105	11.8	8,178	39.7	8,928	40.5	4,584	13.1
December 31, 2013	124,392	23.0	5,852	47.8	6,352	54.8	4,054	64.2

Note: Comprehensive income: Nine months ended December 31, 2014 ¥10,022 million [10.7%]
Nine months ended December 31, 2013 ¥9,052 million [131.0%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2014	196.51	171.39
December 31, 2013	173.78	151.64

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2014	117,785	57,883	46.0	2,323.27
March 31, 2014	98,030	48,604	46.3	1,944.73

Reference: Equity capital: As of December 31, 2014 ¥54,199 million
As of March 31, 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	Yen	Yen	Yen
	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2015	-	12.00	-		
Fiscal year ending March 31, 2015 (Forecast)				28.00	40.00

Note: Revisions to the forecast for dividends announced most recently: Yes

Breakdown of year-end dividends for the fiscal year ending March 31, 2015 (forecast):

Ordinary dividends ¥23.00
Commemorative dividends ¥5.00

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

(Percentage figures represent changes from 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
Fiscal year ending March 31, 2015	185,000	10.4	9,300	54.5	9,800	54.9	4,800	106.8	205.75

Note: Revisions to the forecast for earnings announced most recently: Yes

*** 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 |
| (ii) Changes in accounting policies other than (i) | : No |
| (iii) Changes in accounting estimates | : No |
| (iv) Restatement | : No |
- (4) Number of shares issued and outstanding (common stock)
- (i) Number of outstanding shares at the end of period (including treasury stock)
- | | |
|--------------------|------------|
| December 31, 2014: | 23,506,015 |
| March 31, 2014: | 23,506,015 |
- (ii) Number of treasury stock at the end of period
- | | |
|--------------------|---------|
| December 31, 2014: | 177,166 |
| March 31, 2014: | 177,093 |
- (iii) Average number of shares outstanding during the period
- | | |
|--------------------------------------|------------|
| Nine months ended December 31, 2014: | 23,328,874 |
| Nine months ended December 31, 2013: | 23,328,983 |

*** 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 3 of the Attachment.

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1. Qualitative information on the financial results of the nine months ended December 31, 2014

(1) Explanation of operating results

The world economy during the nine months ended December 31, 2014 (from April 1 to December 31, 2014), continued to recover moderately, centering on the U.S. economy. On the other hand, China and other emerging countries saw a slowdown in economic growth and concerns about deflation grew in Europe. The Japanese economy was on a moderate recovery track despite weakened consumer spending.

In the electronic equipment and electronic components industries where the Foster Group ("the Group") operates, smartphones and automotive components continued to drive overall demand in these industries.

Under this business environment, the Group worked to ensure orders in response to market changes and improve operational efficiency and productivity. In addition, the Group promoted restructuring of our manufacturing bases to improve business efficiency and reduce fixed costs.

As a result, consolidated net sales for the nine months ended December 31, 2014, increased to ¥139,105 million (up 11.8%, y-o-y), reflecting the favorable production and shipments of products on the whole and the depreciation of yen. In terms of profits, for the nine months ended December 31, 2014, consolidated operating income was ¥8,178 million (up 39.7%, y-o-y), and consolidated ordinary income resulted with ¥8,928 million (up 40.5%, y-o-y), owing to quality improvement along with cost improvement resulting from a higher factory operating ratio. Consolidated net income was ¥4,584 million (up 13.1%, y-o-y), because of the recording of extraordinary losses due to impairment of production equipment, etc.

The performance of each segment is as follows.

[Acoustic Components and Products Segment]

Production and shipment for audio headphones progressed as planned, and production and shipment of flat TV speakers and speaker systems and mobile audio speakers performed favorably.

Consequently, sales of this segment were ¥22,436 million (up 21.8%, y-o-y).

[Automotive Components and Products Segment]

Although the growth for production and sales of automobiles was sluggish in the areas including the emerging countries and Japan, the production and shipment of car speakers and speaker systems performed favorably supported by the increased demand in the North American market.

Consequently, sales of this segment were ¥43,329 million (up 17.1%, y-o-y).

[Information & Communication Equipment Components and Products Segment]

As for the production and shipment for mobile phone headsets, etc., shipments to major customers performed favorably. Consequently, sales of this segment were ¥69,251 million (up 2.4%, y-o-y).

[Other Segment]

Sales of this segment, including the "FOSTEX" brand products, increased significantly to ¥4,087 million (up 212.7%, y-o-y), reflecting the inclusion of net sales of the micro acoustic components business, which the Company took over from STAR MICRONICS CO., LTD., in January 2014.

(2) Explanation of financial position

Total assets increased by ¥19,754 million, from the end of the previous consolidated fiscal year, to ¥117,785 million due mainly to the increase in accounts receivable - trade. Total liabilities increased by ¥10,476 million, from the end of the previous consolidated fiscal year, to ¥59,902 million due mainly to the increase in accounts payable - trade. Total net assets increased by ¥9,278 million, from the end of the previous consolidated fiscal year, to ¥57,883 million due mainly to the increase in foreign currency translation adjustment. Equity ratio decreased by 0.3%, from the end of the previous consolidated fiscal year, to 46.0%.

(Cash flows)

The balance of cash and cash equivalents as of December 31, 2014 increased by ¥3,613 million from the end of the previous consolidated fiscal year to ¥9,449 million due to the following cash flows.

(Operating activities)

Net cash provided by operating activities totaled ¥6,135 million due mainly to income before income taxes and

minority interests.

(Investing activities)

Net cash used in investing activities totaled ¥3,157 million due mainly to capital investment.

(Financing activities)

Net cash used in financing activities totaled ¥326 million due mainly to the repayments of long-term debt.

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

Based on the recent trend of the Group's business performance, we made revisions to the consolidated earnings projections and dividend forecast.

In projecting the performance above, we assumed exchange rates of ¥117 to the US dollar and ¥140 to the Euro.

2. Matters concerning summary information (notes)

(1) Changes in major subsidiaries during the nine months ended December 31, 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. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	8,225	12,402
Notes and accounts receivable - trade	28,865	38,529
Electronically recorded monetary claims - operating	1,101	834
Finished goods	16,417	20,135
Raw materials	7,820	9,512
Work in process	1,291	1,325
Supplies	445	210
Short-term loans receivable	49	10
Accounts receivable - other	1,695	1,868
Deferred tax assets	634	652
Other	2,041	2,383
Allowance for doubtful accounts	(874)	(923)
Total current assets	67,713	86,942
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,490	9,889
Machinery and equipment, net	9,710	9,096
Tools, furniture and fixtures, net	3,016	3,149
Land	1,034	1,109
Construction in progress	828	561
Net property, plant and equipment	24,079	23,806
Intangible assets		
Software	284	355
Leasehold right	846	932
Other	180	111
Total intangible assets	1,311	1,398
Investments and other assets		
Investment securities	2,735	3,361
Long-term loans receivable	45	44
Long-term prepaid expenses	825	688
Asset for employees' retirement benefits	645	789
Deferred tax assets	314	342
Other	367	420
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	4,925	5,637
Total non-current assets	30,316	30,842
Total assets	98,030	117,785

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,889	17,788
Electronically recorded obligations - operating	156	67
Short-term loans payable	14,163	17,018
Current portion of long-term debt	1,310	1,118
Accounts payable - other	3,175	3,881
Income taxes payable	698	1,762
Accrued expenses	1,562	1,910
Deferred tax liabilities	172	214
Reserve for bonuses	596	1,109
Other	1,138	881
Total current liabilities	34,865	45,752
Long-term liabilities		
Convertible bonds with subscription rights to shares	6,000	6,000
Long-term debt	7,080	6,537
Deferred tax liabilities	779	834
Liability for employees' retirement benefits	199	329
Liability for directors' retirement benefits	72	73
Asset retirement obligations	222	225
Other	206	149
Total long-term liabilities	14,560	14,149
Total liabilities	49,425	59,902
Equity		
Shareholders' equity		
Common stock	3,770	3,770
Capital surplus	6,372	6,372
Retained earnings	35,416	39,254
Treasury stock	(133)	(133)
Total shareholders' equity	45,426	49,264
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	638	787
Foreign currency translation adjustment	(581)	4,223
Remeasurements of defined benefit plans	(115)	(76)
Total accumulated other comprehensive income	(58)	4,934
Minority interests	3,236	3,683
Net assets	48,604	57,883
Total liabilities and net assets	98,030	117,785

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)
 (Nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net sales	124,392	139,105
Cost of sales	106,900	118,405
Gross profit	17,492	20,699
Selling, general and administrative expenses	11,640	12,521
Operating income	5,852	8,178
Non-operating income		
Interest income	100	114
Dividend income	37	44
Foreign currency exchange gain	409	520
Miscellaneous income	327	423
Total non-operating income	875	1,102
Non-operating expenses		
Interest expense	160	172
Miscellaneous loss	215	181
Total non-operating expenses	375	353
Ordinary income	6,352	8,928
Extraordinary income		
Gain on sales of investment securities	—	22
Gain on sales of property, plant and equipment	69	—
Government subsidies	108	105
Total extraordinary income	178	127
Extraordinary losses		
Loss on impairment of long-lived assets	—	1,011
Special retirement expenses	—	297
Total extraordinary losses	—	1,309
Income before income taxes and minority interests	6,531	7,746
Income taxes - current	1,859	2,224
Income taxes for prior periods	—	493
Income taxes - deferred	366	21
Total income taxes	2,225	2,738
Net income before minority interests	4,305	5,008
Minority interests in net income	251	423
Net income	4,054	4,584

(Consolidated statement of comprehensive income)
 (Nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net income before minority interests	4,305	5,008
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	295	149
Foreign currency translation adjustments	4,450	4,818
Remeasurements of defined benefit plans	—	46
Total other comprehensive income	4,746	5,014
Comprehensive income	9,052	10,022
(Breakdown)		
Total comprehensive income attributable to owners of the parent	8,505	9,533
Total comprehensive income attributable to minority interests	546	488

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Operating activities		
Income before income taxes and minority interests	6,531	7,746
Depreciation and amortization	4,886	4,367
Amortization of goodwill	73	7
(Increase) decrease in prepaid pension costs	(68)	—
Increase (decrease) in provision for retirement benefits	69	—
(Increase) decrease in net defined benefit asset	—	(144)
Increase (decrease) in net defined benefit liability	—	107
Increase (decrease) in provision for directors' retirement benefits	(9)	(0)
Increase(decrease) in allowance for doubtful receivables	(50)	10
Increase (decrease) in reserve for bonuses	479	409
Loss (gain) on sales of investment securities	—	(22)
Loss (gain) on disposal of property, plant and equipment	(69)	—
Loss on impairment of long-lived assets	—	1,011
Special retirement expenses	—	297
Interest and dividend income	(138)	(158)
Interest expenses	160	172
Foreign exchange loss (gain)	1,591	1,152
Decrease (increase) in trade notes and accounts receivable	(1,360)	(8,211)
Decrease (increase) in inventories	(4,220)	(2,560)
Increase (decrease) in trade notes and accounts payable	(374)	3,639
Decrease (increase) in other accounts receivable	194	64
Increase (decrease) in other accounts payable	(1,269)	310
Other	407	(70)
Subtotal	6,832	8,126
Interest and dividend income received	138	158
Interest expenses paid	(160)	(136)
Income taxes-paid	(1,553)	(1,715)
Payments for special retirement expenses	—	(297)
Net cash provided by operating activities	5,257	6,135
Investing activities		
Purchase of investment securities	(0)	(509)
Proceeds from sales of investment securities	—	89
Purchase of property, plant and equipment	(2,445)	(1,950)
Proceeds from sales of property, plant and equipment	147	—
Purchase of intangible assets	(147)	(101)
Decrease (increase) in time deposits	(1,080)	(434)
Decrease (increase) in short-term loans receivable	(47)	46
Payments of long-term loans receivable	(13)	(17)
Collection of long-term loans receivable	14	14
Payments for long-term prepaid expenses	(273)	(306)
Other	80	9
Net cash used in investing activities	(3,765)	(3,157)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Financing activities		
Increase (decrease) in short-term loans payable-net	(4,490)	1,488
Proceeds from long-term debt	4,655	104
Repayments of long-term debt	(1,207)	(1,092)
Dividends paid	(816)	(746)
Dividends paid to minority shareholders	(64)	(80)
Purchase of treasury stock	(0)	(0)
Net cash used in financing activities	(1,924)	(326)
Effect of exchange rate changes on cash and cash equivalents	497	962
Net increase (decrease) in cash and cash equivalents	63	3,613
Cash and cash equivalents, beginning of period	5,359	5,836
Cash and cash equivalents, end of period	5,423	9,449

**(4) Notes to the quarterly consolidated financial statements
 (Notes on going concern assumption)**

Not applicable.

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

Not applicable.

(Segment information etc.)

[Segment information]

I. Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 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 equipment components and products	Other			
Net sales							
Sales to external customers	18,416	37,009	67,659	1,307	124,392	—	124,392
Inter-segment sales or transfers	—	—	—	—	—	—	—
Total	18,416	37,009	67,659	1,307	124,392	—	124,392
Segment income	861	2,153	2,796	115	5,925	(73)	5,852

Notes: 1. Segment adjustment of ¥(73) million is amortization of goodwill.

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

II. Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 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 equipment components and products	Other			
Net sales							
Sales to external customers	22,436	43,329	69,251	4,087	139,105	—	139,105
Inter-segment sales or transfers	—	—	—	—	—	—	—
Total	22,436	43,329	69,251	4,087	139,105	—	139,105
Segment income	1,508	2,167	4,403	106	8,185	(7)	8,178

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.