



Consolidated Financial Results for the Six Months Ended September 30, 2015 (Japanese GAAP)

October 29, 2015
Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
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Scheduled date of submitting Quarterly Securities Report		November 12, 2015
Scheduled date of commencing dividend payment		December 2, 2015
Preparation of supplementary materials on Quarterly Financial Results:		Yes
Holding of a briefing on Quarterly Financial Results:		Yes (for analysts and institutional investors)

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Six Months Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(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 attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	96,641	10.5	5,524	43.4	5,927	36.5	4,406	92.8
Six months ended September 30, 2014	87,481	8.0	3,852	(3.5)	4,342	6.8	2,285	(17.4)

Note: Comprehensive income: Six months ended September 30, 2015 ¥4,375 million [10.5 %]
Six months ended September 30, 2014 ¥3,959 million [(22.0)%]

	Net income per share	Diluted net income per share
Six months ended September 30, 2015	Yen 164.71	Yen -
Six months ended September 30, 2014	97.95	85.44

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2015	107,099	68,415	60.1	2,404.39
March 31, 2015	104,843	64,944	58.2	2,279.32

Reference: Equity capital: As of September 30, 2015 ¥64,326 million
As of March 31, 2015 ¥60,980 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, 2015	Yen -	Yen 12.00	Yen -	Yen 28.00	Yen 40.00
Fiscal year ending March 31, 2016	-	25.00			
Fiscal year ending March 31, 2016 (Forecast)			-	25.00	50.00

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

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2016	190,000	0.5	10,000	2.6	10,000	(3.8)	5,000	2.9	186.89

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

*** Notes**

- (1) Changes in major 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, accounting estimates and restatements
(i) Changes in accounting policies due to amendment 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 outstanding (common stock)
(i) Number of shares outstanding at end of period (including treasury stock)
September 30, 2015: 26,931,051
March 31, 2015: 26,931,051
(ii) Number of treasury stock at end of period
September 30, 2015: 177,209
March 31, 2015: 177,166
(iii) Average number of shares outstanding during the period
Six months ended September 30, 2015: 26,753,849
Six months ended September 30, 2014: 23,328,881

* 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 projected 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 six months ended September 30, 2015

(1) Explanation of operating results

The world economy during the six months ended September 30, 2015 (from April 1 to September 30, 2015) recovered moderately, mainly in developed countries. In the U.S., personal consumption increased against a backdrop of improvement in employment, and exports have picked up in Europe. The Japanese economy was also on a track of moderate recovery. Meanwhile, uncertainties about the future heightened mainly due to the economic slowdown in China and the plunge in the stock market.

In the electronic equipment and electronic components industries where the Foster Group (“the Group”) operates, tough conditions persisted for components related to audiovisual equipment such as flat TVs even though smartphone components and automotive components drove global demand.

Under this business environment, the Group concentrated efforts on ensuring orders in response to market changes. On the production front, the Group worked to improve processes to increase productivity, promote mechanization and laborsaving, and reduce costs such as material costs.

As a result, during the six months ended September 30, 2015, consolidated net sales increased by 10.5% from the same period of the previous year to ¥96,641 million. In terms of profits, consolidated operating income increased by 43.4% from the same period of the previous year to ¥5,524 million, consolidated ordinary income increased by 36.5% from the same period of the previous year to ¥5,927 million, and net income attributable to owners of the parent increased by 92.8% from the same period of the previous year to ¥4,406 million.

The performance of each segment is as follows.

[Acoustic Components and Products Segment]

Mainly due to a decrease of shipments of flat TV speakers and speaker systems, and audio speakers, sales of this segment were ¥10,677 million (down 27.9%, y-o-y). Operating income was ¥681 million (down 14.5%, y-o-y) due to the decrease in sales, despite improvement in the profit ratio.

[Automotive Components and Products Segment]

Due to robust demand in the North American market, sales of this segment were ¥32,952 million (up 15.5%, y-o-y). Meanwhile, operating income was ¥1,206 million (down 18.6%, y-o-y) due to factors such as rising labor costs at production bases and deteriorating profitability in domestic sales.

[Information & Communication Components and Products Segment]

Due to robust shipments of headsets to major customers, sales of this segment were ¥50,142 million (up 21.0%, y-o-y). Operating income was ¥3,695 million (up 145.7%, y-o-y) mainly due to improvement in productivity.

[Other Segment]

Sales of this segment, including micro acoustic components and the “FOSTEX” brand products, were ¥2,867 million (up 5.3%, y-o-y). Operating loss was ¥58 million (operating income was ¥76 million for the same period of the previous year) due to a deterioration in profitability of products for the domestic market caused by yen depreciation.

(2) Explanation of financial position

Total assets increased by ¥2,255 million from the end of the previous consolidated fiscal year to ¥107,099 million due mainly to the increase in cash and deposits. Total liabilities decreased by ¥1,214 million from the end of the previous consolidated fiscal year to ¥38,684 million due mainly to the decrease in short-term bank loans. Net assets increased by ¥3,470 million from the end of the previous consolidated fiscal year to ¥68,415 million due mainly to the increase in retained earnings. Equity ratio increased by 1.9% from the end of the previous consolidated fiscal year to 60.1%.

(Cash flows)

The balance of cash and cash equivalents as of September 30, 2015 increased by ¥4,681 million from the end of the previous consolidated fiscal year to ¥10,606 million due mainly to the following cash flows.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥9,896 million due mainly to the increase in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥1,485 million due mainly to capital investment.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥3,694 million due mainly to the repayments of short-term bank loans.

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

The earnings projections remain unchanged from the announcement on April 30, 2015; however, if the forecast needs to be revised in the future, the revised forecast will be promptly disclosed.

In projecting the performance for the second half of the fiscal year onwards, we assumed exchange rates of ¥120 to the US dollar and ¥135 to the Euro.

2. Matter concerning summary information (notes)

(1) Changes in major subsidiaries during the six months ended September 30, 2015

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 standard for business combinations, etc.)

Effective from the first quarter of the fiscal year ending March 31, 2016, the Company has adopted "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc., and accordingly has changed the presentation of net income and others as well as the presentation of minority interests to non-controlling interests. In order to reflect such changes in presentation, the reclassification of accounts has been made to the quarterly consolidated financial statements and the consolidated financial statements for the six months ended September 30, 2014 and the previous consolidated fiscal year.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	8,589	12,882
Notes and accounts receivable - trade	31,692	30,123
Electronically recorded monetary claims - operating	522	527
Finished goods	18,090	19,837
Raw materials	8,928	8,878
Work in process	1,156	1,227
Supplies	285	255
Short-term loans receivable	11	10
Accounts receivable - other	2,117	1,614
Deferred tax assets	604	636
Other	2,695	2,187
Allowance for doubtful receivables	(971)	(965)
Total current assets	73,721	77,218
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,806	9,432
Machinery and equipment, net	8,737	7,806
Tools, furniture and fixtures, net	3,070	2,823
Land	1,133	1,130
Construction in progress	523	1,204
Net property, plant and equipment	23,271	22,396
Intangible assets		
Software	393	365
Leasehold rights	1,248	1,221
Other	115	112
Total intangible assets	1,757	1,699
Investments and other assets		
Investment securities	3,800	3,433
Long-term loans receivable	45	39
Long-term prepaid expenses	601	570
Asset for employees' retirement benefits	837	1,037
Deferred tax assets	369	320
Other	447	392
Allowance for doubtful receivables	(9)	(9)
Total investments and other assets	6,093	5,785
Total non-current assets	31,121	29,880
Total assets	104,843	107,099

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,433	16,350
Electronically recorded obligations - operating	80	48
Short-term bank loans	6,494	4,128
Current portion of long-term debt	1,052	2,245
Accounts payable - other	4,298	4,213
Income taxes payable	1,672	1,155
Accrued expenses	1,985	1,874
Deferred tax liabilities	138	101
Reserve for bonuses	677	1,248
Other	866	959
Total current liabilities	31,699	32,325
Long-term liabilities		
Long-term debt	6,514	4,804
Deferred tax liabilities	974	813
Liability for employees' retirement benefits	201	268
Liability for director's retirement benefits	68	48
Asset retirement obligations	226	228
Other	213	194
Total long-term liabilities	8,199	6,358
Total liabilities	39,899	38,684
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,372
Retained earnings	39,528	43,186
Treasury stock	(133)	(133)
Total shareholders' equity	55,538	59,195
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,141	947
Foreign currency translation adjustment	4,477	4,256
Remeasurements of defined benefit plans	(176)	(72)
Total accumulated other comprehensive income	5,442	5,131
Non-controlling interests	3,963	4,088
Total net assets	64,944	68,415
Total liabilities and net assets	104,843	107,099

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)
 (Six months ended September 30)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	87,481	96,641
Cost of sales	75,095	83,036
Gross profit	12,386	13,604
Selling, general and administrative expenses	8,533	8,080
Operating income	3,852	5,524
Non-operating income		
Interest income	73	63
Dividend income	18	19
Foreign currency exchange gain	333	323
Miscellaneous income	242	258
Total non-operating income	667	666
Non-operating expenses		
Interest expense	95	68
Miscellaneous loss	81	193
Total non-operating expenses	177	262
Ordinary income	4,342	5,927
Extraordinary income		
Compensation income	-	551
Total extraordinary income	-	551
Extraordinary losses		
Loss on impairment of long-lived assets	506	-
Special retirement expenses	209	258
Total extraordinary losses	715	258
Income before income taxes	3,626	6,220
Income taxes – current	1,221	1,652
Income taxes – deferred	(114)	(96)
Total income taxes	1,107	1,556
Net income	2,519	4,664
Net income attributable to non-controlling interests	234	257
Net income attributable to owners of the parent	2,285	4,406

(Quarterly consolidated statement of comprehensive income)
 (Six months ended September 30)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income	2,519	4,664
Other comprehensive income		
Unrealized gain on available-for-sale securities	(34)	(194)
Foreign currency translation adjustments	1,426	(179)
Remeasurements of defined benefit plans	48	84
Total other comprehensive income	1,440	(289)
Comprehensive income	3,959	4,375
(Breakdown)		
Total comprehensive income attributable to owners of the parent	3,844	4,094
Total comprehensive income attributable to non-controlling interests	115	280

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Operating activities		
Income before income taxes	3,626	6,220
Depreciation and amortization	2,822	2,860
Amortization of goodwill	7	-
Decrease (increase) in asset for employees' retirement benefits	(95)	(199)
Increase (decrease) in liability for employees' retirement benefits	71	66
Increase (decrease) in director's retirement benefits	(1)	(21)
Increase(decrease) in allowance for doubtful receivables	1	(2)
Increase (decrease) in reserve for bonuses	423	579
Compensation income	-	(551)
Loss on impairment of long-lived assets	506	-
Special retirement expenses	209	258
Interest and dividend income	(91)	(83)
Interest expenses	95	68
Foreign exchange loss (gain)	655	42
Decrease (increase) in trade notes and accounts receivable	(4,577)	1,546
Decrease (increase) in inventories	(3,373)	(1,795)
Increase (decrease) in trade notes and accounts payable	2,876	1,955
Decrease (increase) in other accounts receivable	232	495
Increase (decrease) in other accounts payable	366	(60)
Other	(186)	370
Subtotal	3,569	11,751
Interest and dividend income received	91	83
Interest expenses paid	(95)	(68)
Compensation received	-	551
Payments for special retirement expenses	(209)	(258)
Income taxes - paid	(1,121)	(2,163)
Net cash provided by operating activities	2,233	9,896

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Investing activities		
Purchase of investment securities	(509)	(0)
Purchase of property, plant and equipment	(1,590)	(1,706)
Purchases of intangible assets	(57)	(45)
Decrease (increase) in time deposits	(813)	374
Decrease (increase) in short-term loans receivable	43	2
Payments of long-term loans receivable	(6)	(5)
Collection of long-term loans receivable	11	7
Payment for long-term prepaid expenses	(190)	(163)
Other	18	51
Net cash used in investing activities	(3,092)	(1,485)
Financing activities		
Increase (decrease) in short-term bank loans payable-net	1,074	(2,366)
Proceeds from long-term debt	103	405
Repayments of long-term debt	(709)	(859)
Dividends paid	(466)	(749)
Dividends paid to non-controlling interests	(80)	(126)
Purchase of treasury stock	(0)	(0)
Net cash used in financing activities	(78)	(3,694)
Effect of exchange rate changes on cash and cash equivalents	156	(34)
Net increase (decrease) in cash and cash equivalents	(780)	4,681
Cash and cash equivalents, beginning of period	5,836	5,924
Cash and cash equivalents, end of period	5,055	10,606

(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. Six months ended September 30, 2014 (from April 1, 2014 to September 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			
Net sales							
Sales to external customers	14,812	28,521	41,424	2,723	87,481	-	87,481
Inter-segment sales or transfers	-	-	-	-	-	-	-
Total	14,812	28,521	41,424	2,723	87,481	-	87,481
Segment income	797	1,482	1,503	76	3,859	(7)	3,852

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

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

II. Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

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			
Net sales							
Sales to external customers	10,677	32,952	50,142	2,867	96,641	-	96,641
Inter-segment sales or transfers	-	-	-	-	-	-	-
Total	10,677	32,952	50,142	2,867	96,641	-	96,641
Segment income (loss)	681	1,206	3,695	(58)	5,524	-	5,524

Notes: 1. There are no segment adjustments.

2. Total segment income (loss) coincides with the value of operating income of the quarterly consolidated income statement.