



## Consolidated Financial Results for the Three Months Ended June 30, 2016 (Japanese GAAP)

July 28, 2016  
Tokyo Stock Exchange

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(Amounts less than one million yen are omitted)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

(1) Consolidated operating results (Percentage figures represent 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	%
Three months ended June 30, 2016	34,555	(26.6)	885	(63.5)	1,048	(61.6)	997	(44.1)
June 30, 2015	47,092	11.3	2,424	61.0	2,728	79.9	1,784	84.5

Note: Comprehensive income: Three months ended June 30, 2016 ¥(2,974) million [-%]  
 Three months ended June 30, 2015 ¥2,820 million [870.4%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2016	37.28	-
June 30, 2015	66.70	-

### (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, 2016	92,775	63,285	63.9	2,217.29
March 31, 2016	98,735	67,017	63.7	2,350.26

Reference: Equity capital: As of June 30, 2016 ¥59,320 million  
 As of March 31, 2016 ¥62,878 million

### 2. Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	-	25.00	-	25.00	50.00
Fiscal year ending March 31, 2017	-				
Fiscal year ending March 31, 2017 (Forecast)	-	-	-	-	40.00

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

### 3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Percentage figures represent changes from 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, 2017	180,000	(5.7)	8,000	(22.7)	8,000	(26.3)	4,600	(32.7)	171.94

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

**\* Notes**

- (1) Changes in major subsidiaries during the three months ended June 30, 2016 (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, changes in accounting estimates and restatement  
(i) Changes in accounting policies due to amendment of accounting standards, etc.: No  
(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)  
June 30, 2016: 26,931,051  
March 31, 2016: 26,931,051  
(ii) Number of treasury stock at end of period  
June 30, 2016: 177,262  
March 31, 2016: 177,209  
(iii) Average number of shares outstanding for the period  
Three months ended June 30, 2016: 26,753,816  
Three months ended June 30, 2015: 26,753,855

\* 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 three months ended June 30, 2016

### (1) Explanation of operating results

For the world economy during the three months ended June 30, 2016 (from April 1 to June 30, 2016), emerging countries continued to experience a slowdown in the economy, while risks of an economic downturn heightened in developed countries as well. In particular, the decision made in the UK to pursue Brexit brought about instability in the financial markets and resulted in increased uncertainty toward the future of not only the economy in the UK and Europe, but the entire global economy.

In the electronic equipment and electronic components industries in which the Foster Group (“the Group”) operates, while demand for automotive components remained strong, business conditions were tough due to a slowdown in smartphone sales and the impact of the strong yen.

Under this business environment, the Group engaged in marketing activities in response to market changes. In addition, the Group pursued cost-cutting activities, such as streamlining that included mechanization, and labor saving and materials costs reductions. However, a decline in earnings was unavoidable due to the fact that it was a period of transition to new models for our flagship products and due to the strong yen.

As a result, consolidated net sales for the three months ended June 30, 2016 decreased by 26.6% from the same period of the previous year to ¥34,555 million. In terms of profits, consolidated operating income decreased by 63.5% from the same period of the previous year to ¥885 million, consolidated ordinary income decreased by 61.6% from the same period of the previous year to ¥1,048 million, and net income attributable to owners of the parent decreased by 44.1% from the same period of the previous year to ¥997 million.

The performance of each segment is as follows.

#### [Acoustic Components and Products Segment]

Due to a decrease of shipments of flat TV speakers and speaker systems, audio speakers, and headphones, sales for this segment were ¥4,212 million (down 13.5%, y-o-y). Meanwhile, operating income was ¥15 million (down 94.4%, y-o-y) due to a decline in factory utilization caused by declining sales.

#### [Automotive Components and Products Segment]

While shipments of car speaker and speaker systems were strong thanks to strong demand in the North American market, as a result of the strong yen, sales for this segment were ¥15,576 million (down 4.4%, y-o-y). Meanwhile, operating income was ¥880 million (up 61.9%, y-o-y) due to an improvement in factory utilization.

#### [Information & Communication Components and Products Segment]

Shipments of headsets declined due to the impact of a slowdown in smartphone sales and because it was a period of transition to new models. As a result, sales for this segment were ¥13,361 million (down 45.7%, y-o-y), and an operating loss of ¥77 million was recorded (compared to operating income of ¥1,618 million during the same period of the previous year).

#### [Other Segment]

Sales for this segment, including micro acoustic components and the “FOSTEX” brand products, were ¥1,404 million (up 6.2%, y-o-y), and operating income was ¥67 million (compared to an operating loss of ¥6 million during the same period of the previous year).

**(2) Explanation of financial position**

Total assets decreased by ¥5,959 million from the end of the previous consolidated fiscal year to ¥92,775 million due mainly to the decrease in cash and deposits. Total liabilities decreased by ¥2,227 million from the end of the previous consolidated fiscal year to ¥29,490 million due mainly to the decrease in notes and accounts payable - trade. Net assets decreased by ¥3,732 million from the end of the previous consolidated fiscal year to ¥63,285 million due mainly to the decrease in the foreign currency translation adjustment. The equity ratio increased by 0.2 percentage points from the end of the previous consolidated fiscal year to 63.9%.

(Cash flows)

The balance of cash and cash equivalents as of June 30, 2016 decreased by ¥5,920 million from the end of the previous consolidated fiscal year to ¥11,938 million, due mainly to the following cash flows.

[Operating activities]

Net cash used in operating activities totaled ¥1,015 million due mainly to an increase in inventories.

[Investing activities]

Net cash used in investing activities totaled ¥3,080 million due mainly to capital investment.

[Financing activities]

Net cash used in financing activities totaled ¥330 million due mainly to cash dividends paid.

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

The operating environment is becoming increasingly severe, as typified by the slowdown in demand for smartphone-related components and by the strong yen, and this can be expected to have an impact on the Group's performance in the future. The earnings forecasts released on April 28, 2016 will be left unchanged at this point in time, and we will make an announcement promptly if it is determined that modification of these forecasts is needed in the future.

**2. Matter concerning summary information (notes)**

**(1) Changes in major subsidiaries during the three months ended June 30, 2016**

Not applicable.

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

Not applicable.

**(3) Changes in accounting policies, changes in accounting estimates and restatement**

Not applicable.

**(4) Additional information**

(Application of implementation guidance on recoverability of deferred tax assets)

The Application of Implementation Guidance on Recoverability of Deferred Tax Assets (Corporate Accounting Standards Guidance No. 26, March 28, 2016) has been applied as of the three months ended June 30, 2016.

### 3. Quarterly consolidated financial statements

#### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	16,519	10,588
Notes and accounts receivable - trade	23,880	22,254
Electronically recorded monetary claims - operating	564	525
Securities	1,951	1,931
Finished goods	15,478	15,672
Raw materials	6,602	7,004
Work in process	1,230	1,093
Supplies	203	173
Short-term loans receivable	3	3
Accounts receivable - other	932	555
Deferred tax assets	592	762
Other	2,378	2,949
Allowance for doubtful receivables	(378)	(304)
Total current assets	69,959	63,208
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,636	8,990
Machinery and equipment, net	7,160	6,722
Tools, furniture and fixtures, net	2,711	2,473
Land	1,102	1,049
Construction in progress	1,385	4,099
Net property, plant and equipment	21,995	23,335
Intangible assets		
Software	352	336
Leasehold rights	1,075	969
Other	106	130
Total intangible assets	1,534	1,436
Investments and other assets		
Investment securities	3,339	3,030
Long-term loans receivable	30	36
Long-term prepaid expenses	518	491
Asset for employees' retirement benefits	575	586
Deferred tax assets	424	332
Other	366	326
Allowance for doubtful receivables	(9)	(9)
Total investments and other assets	5,245	4,794
Total non-current assets	28,775	29,566
Total assets	98,735	92,775

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	13,021	10,889
Electronically recorded obligations - operating	75	50
Short-term bank loans	2,236	2,693
Current portion of long-term debt	5,093	5,064
Accounts payable - other	4,045	4,710
Income taxes payable	694	420
Accrued expenses	1,782	1,538
Deferred tax liabilities	164	106
Reserve for bonuses	598	541
Other	1,400	1,047
<b>Total current liabilities</b>	<b>29,111</b>	<b>27,062</b>
Long-term liabilities		
Long-term debt	1,432	1,241
Deferred tax liabilities	545	532
Liability for employees' retirement benefits	180	215
Liability for directors' retirement benefits	48	44
Asset retirement obligations	231	232
Other	168	162
<b>Total long-term liabilities</b>	<b>2,605</b>	<b>2,427</b>
<b>Total liabilities</b>	<b>31,717</b>	<b>29,490</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,372
Retained Earnings	44,944	45,273
Treasury stock	(133)	(133)
<b>Total shareholders' equity</b>	<b>60,954</b>	<b>61,282</b>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	891	678
Foreign currency translation adjustment	1,479	(2,086)
Remeasurements of defined benefit plans	(446)	(554)
<b>Total accumulated other comprehensive income</b>	<b>1,924</b>	<b>(1,961)</b>
<b>Non-controlling interests</b>	<b>4,138</b>	<b>3,964</b>
<b>Total net assets</b>	<b>67,017</b>	<b>63,285</b>
<b>Total liabilities and net assets</b>	<b>98,735</b>	<b>92,775</b>

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

**(Quarterly Consolidated statement of income)**  
 (Three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	47,092	34,555
Cost of sales	40,570	30,208
Gross profit	6,521	4,347
Selling, general and administrative expenses	4,097	3,462
Operating income	2,424	885
Non-operating income		
Interest income	35	28
Dividend income	17	18
Foreign currency exchange gain	216	—
Miscellaneous income	158	284
Total non-operating income	428	331
Non-operating expenses		
Interest expense	32	19
Foreign currency exchange loss	—	79
Miscellaneous loss	91	68
Total non-operating expenses	124	168
Ordinary income	2,728	1,048
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Special retirement expenses	193	—
Total extraordinary losses	193	—
Income before income taxes	2,535	1,048
Income taxes – current	523	180
Income taxes – deferred	132	(244)
Total income taxes	655	(64)
Net income	1,879	1,112
Net income attributable to non-controlling interests	94	115
Net income attributable to owners of the parent	1,784	997



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

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	1,879	1,112
Other comprehensive income		
Unrealized gain on available-for-sale securities	190	(212)
Foreign currency translation adjustment	580	(3,770)
Remeasurements of defined benefit plans	170	(104)
Total other comprehensive income	940	(4,087)
Comprehensive income	2,820	(2,974)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	2,743	(2,888)
Total comprehensive income attributable to non-controlling interests	76	(85)

**(3) Quarterly consolidated statement of cash flows**

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
<b>Operating activities</b>		
Income before income taxes	2,535	1,048
Depreciation and amortization	1,466	1,166
(Increase) decrease in asset for employees' retirement benefits	(181)	(10)
Increase (decrease) in liability for employees' retirement benefits	28	46
Increase (decrease) in directors' retirement benefits	(21)	0
Increase (decrease) in allowance for doubtful receivables	5	(52)
Increase (decrease) in reserve for bonuses	22	(36)
Special retirement expenses	193	—
Interest and dividend income	(53)	(46)
Interest expense	32	19
Foreign exchange loss (gain)	8	(8)
Decrease (increase) in trade notes and accounts receivable	6,102	764
Decrease (increase) in inventories	(809)	(1,902)
Increase (decrease) in trade notes and accounts payable	773	(1,159)
Decrease (increase) in other accounts receivable	342	338
Increase (decrease) in other accounts payable	65	(122)
Other	757	(379)
<b>Subtotal</b>	<b>11,268</b>	<b>(334)</b>
Interest and dividend income received	53	46
Interest expenses paid	(32)	(19)
Payments for special retirement expenses	(193)	(195)
Income taxes - paid	(1,529)	(512)
<b>Net cash provided by (used in) operating activities</b>	<b>9,565</b>	<b>(1,015)</b>
<b>Investing activities</b>		
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(849)	(2,962)
Purchases of intangible assets	(25)	(56)
Decrease (increase) in time deposits	(170)	—
Decrease (increase) in short-term loans receivable	(0)	0
Payments of long-term loans receivable	(4)	(12)
Collection of long-term loans receivable	5	3
Payment for long-term prepaid expenses	(126)	(78)
Other	(11)	24
<b>Net cash used in investing activities</b>	<b>(1,183)</b>	<b>(3,080)</b>

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans payable, net	(1,645)	561
Proceeds from long-term debt	332	—
Repayments of long-term debt	(241)	(133)
Dividends paid	(749)	(668)
Dividends paid to non-controlling interests	(126)	(89)
Purchase of treasury stock	(0)	(0)
Net cash used in financing activities	(2,429)	(330)
Effect of exchange rate changes on cash and cash equivalents	381	(1,493)
Net increase (decrease) in cash and cash equivalents	6,333	(5,920)
Cash and cash equivalents, beginning of period	5,924	17,858
Cash and cash equivalents, end of period	12,257	11,938

**(4) Notes to the 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. Three months ended June 30, 2015 (from April 1, 2015 to June 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 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	4,869	16,293	24,607	1,322	47,092	-	47,092
Inter-segment sales or transfers	-	-	-	-	-	-	-
Total	4,869	16,293	24,607	1,322	47,092	-	47,092
Segment income (loss)	268	544	1,618	(6)	2,424	-	2,424

Notes: 1. There are no segment adjustments.

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

II. Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

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

(Millions of yen)

	Reportable segments				Total	Adjustments * Note 1	Amount reported on the 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	4,212	15,576	13,361	1,404	34,555	-	34,555
Inter-segment sales or transfers	-	-	-	-	-	-	-
Total	4,212	15,576	13,361	1,404	34,555	-	34,555
Segment income (loss)	15	880	(77)	67	885	-	885

Notes: 1. There are no segment adjustments.

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