



## Consolidated Financial Results for the Six Months Ended September 30, 2016 (Japanese GAAP)

October 28, 2016  
Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
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Scheduled date of submitting Quarterly Securities Report		November 9, 2016
Scheduled date of commencing dividend payment		December 6, 2016
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, 2016 (From April 1, 2016 to September 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	%
Six months ended September 30, 2016	68,342	(29.3)	(182)	—	28	(99.5)	(227)	—
Six months ended September 30, 2015	96,641	10.5	5,524	43.4	5,927	36.5	4,406	92.8

Note: Comprehensive income: Six months ended September 30, 2016 ¥(5,345) million [-%]  
Six months ended September 30, 2015 ¥4,375 million [10.5%]

	Net income per share	Diluted net income per share
Six months ended September 30, 2016	Yen (8.51)	Yen -
Six months ended September 30, 2015	Yen 164.71	Yen -

### (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, 2016	97,557	60,913	58.6	2,138.03
March 31, 2016	98,735	67,017	63.7	2,350.26

Reference: Equity capital: As of September 30, 2016 ¥57,200 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	-	15.00			
Fiscal year ending March 31, 2017 (Forecast)			-	25.00	40.00

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

### 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	160,000	(16.2)	4,000	(61.4)	4,000	(63.1)	2,000	(70.7)	74.76

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

**\* Notes**

- (1) Changes in major subsidiaries during the six months ended September 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)  
September 30, 2016: 26,931,051  
March 31, 2016: 26,931,051  
(ii) Number of treasury stock at end of period  
September 30, 2016: 177,262  
March 31, 2016: 177,209  
(iii) Average number of shares outstanding for the period  
Six months ended September 30, 2016: 26,753,804  
Six months ended September 30, 2015: 26,753,849

\* 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, 2016

### (1) Explanation of operating results

During the six months ended September 30, 2016 (from April 1 to September 30, 2016), the global economy saw continued instability. Strong economic indicators mixed with weak in the U.S., while in Europe the UK made the decision to leave the EU. Emerging countries experienced an economic slowdown and the situation remains uncertain.

In the electronic components and electronic equipment industries, demand for automotive components continued to be robust, but the maturing of the smartphone market, the accompanying intensification in competition and the shift toward a stronger yen led to tough business conditions.

Faced with this business environment, the Foster Group ("the Group") pushed cost-cutting initiatives, such as streamlining initiatives that included mechanization, labor-saving activities and material cost reductions. However, a transition to new models for our flagship products resulted in a sharp fall in sales and an unavoidable decline in earnings.

The outcome of the above factors was that consolidated net sales for the six months ended September 30, 2016 fell by 29.3% from the same period in the previous year to ¥68,342 million, resulting in a consolidated operating loss of ¥182 million compared to an operating income of ¥5,524 million in the same period of the previous year, while consolidated ordinary income came to ¥28 million (down 99.5% y-o-y). Net loss attributable to owners of the parent was ¥227 million, whereas in the same period of the previous year, a net income attributable to owners of the parent of ¥4,406 million was posted.

The performance of each segment is as follows.

#### [Acoustic Components and Products Segment]

Sales volumes of flat TV speakers and speaker systems, audio speakers and headphones were roughly in line with expectations, but due to the impact of the stronger yen, sales of this segment fell by 8.1% over the same period of the previous year to ¥9,808 million, while operating income fell 41.5% y-o-y to ¥398 million.

#### [Automotive Components and Products Segment]

While sales 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 ¥30,081 million (down 8.7%, y-o-y). Meanwhile, operating income was ¥2,124 million (up 76.1%, y-o-y) due to an improvement in factory utilization.

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

Due to declining smartphone sales at major customers and flagship products going through a transition to new models, headset sales decreased, and sales of this segment contracted by 48.9% y-o-y to ¥25,597 million. As a result of higher labor costs related to the ramp-up of new models and lowered production capacity utilization, etc., an operating loss for the segment of ¥2,747 million was posted, compared to an operating income of ¥3,695 million in the same period of the previous year.

#### [Other Segment]

Sales for this segment, including micro acoustic components and the "FOSTEX" brand products, were ¥2,853 million (down 0.5% y-o-y), while operating income was ¥42 million, compared to an operating loss of ¥58 million in the same period of the previous year.

**(2) Explanation of financial position**

Total assets decreased by ¥1,177 million from the end of the previous consolidated fiscal year to ¥97,557 million, due mainly to the decrease in cash and deposits. Total liabilities increased by ¥4,926 million from the end of the previous consolidated fiscal year to ¥36,643 million, due primarily to increases in notes and accounts payable - trade. Net assets declined by ¥6,103 million from the end of the previous consolidated fiscal year to ¥60,913 million, due to factors such as a decrease in the foreign currency translation adjustment. The equity ratio decreased by 5.1 percentage points from the end of the previous consolidated fiscal year to 58.6%.

(Cash flows)

The balance of cash and cash equivalents as of September 30, 2016, decreased by ¥7,461 million from the end of the previous consolidated fiscal year to ¥10,397 million, due mainly to the following cash flows.

[Operating activities]

Net cash provided by operating activities totaled ¥245 million, due mainly to an increase in notes and accounts payable - trade.

[Investing activities]

Net cash used in investing activities totaled ¥8,217 million, due mainly to capital expenditure.

[Financing activities]

Net cash provided by financing activities totaled ¥2,335 million, due mainly to increases in long-term debt.

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

In consideration of the recent trend in earnings, we have revised the full-year forecasts that were announced on April 28, 2016.

Furthermore, the exchange rate assumptions for the second half of the fiscal year upon which earnings forecasts are predicated have been revised to ¥100 to the US dollar and ¥110 to the euro.

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

**(1) Changes in major subsidiaries during the six months ended September 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 September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	16,519	9,419
Notes and accounts receivable - trade	23,880	21,577
Electronically recorded monetary claims - operating	564	454
Securities	1,951	1,514
Finished goods	15,478	15,844
Raw materials	6,602	10,293
Work in process	1,230	2,563
Supplies	203	97
Short-term loans receivable	3	3
Accounts receivable - other	932	649
Deferred tax assets	592	898
Other	2,378	2,518
Allowance for doubtful receivables	(378)	(58)
Total current assets	69,959	65,776
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,636	9,138
Machinery and equipment, net	7,160	10,014
Tools, furniture and fixtures, net	2,711	2,498
Land	1,102	1,004
Construction in progress	1,385	1,094
Net property, plant and equipment	21,995	23,749
Intangible assets		
Software	352	314
Leasehold rights	1,075	935
Other	106	134
Total intangible assets	1,534	1,383
Investments and other assets		
Investment securities	3,339	3,186
Long-term loans receivable	30	33
Long-term prepaid expenses	518	2,022
Asset for employees' retirement benefits	575	597
Deferred tax assets	424	506
Other	366	311
Allowance for doubtful receivables	(9)	(9)
Total investments and other assets	5,245	6,648
Total non-current assets	28,775	31,781
Total assets	98,735	97,557

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	13,021	15,385
Electronically recorded obligations - operating	75	40
Short-term bank loans	2,236	4,354
Current portion of long-term debt	5,093	3,942
Accounts payable - other	4,045	4,135
Income taxes payable	694	512
Accrued expenses	1,782	1,735
Deferred tax liabilities	164	154
Reserve for bonuses	598	1,066
Other	1,400	760
<b>Total current liabilities</b>	<b>29,111</b>	<b>32,087</b>
Long-term liabilities		
Long-term debt	1,432	3,428
Deferred tax liabilities	545	449
Liability for employees' retirement benefits	180	251
Liability for directors' retirement benefits	48	44
Asset retirement obligations	231	233
Other	168	148
<b>Total long-term liabilities</b>	<b>2,605</b>	<b>4,556</b>
<b>Total liabilities</b>	<b>31,717</b>	<b>36,643</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,372
Retained Earnings	44,944	44,048
Treasury stock	(133)	(133)
<b>Total shareholders' equity</b>	<b>60,954</b>	<b>60,057</b>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	891	795
Foreign currency translation adjustment	1,479	(3,228)
Remeasurements of defined benefit plans	(446)	(423)
<b>Total accumulated other comprehensive income</b>	<b>1,924</b>	<b>(2,857)</b>
<b>Non-controlling interests</b>	<b>4,138</b>	<b>3,713</b>
<b>Total net assets</b>	<b>67,017</b>	<b>60,913</b>
<b>Total liabilities and net assets</b>	<b>98,735</b>	<b>97,557</b>

**(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, 2015	Six months ended September 30, 2016
Net sales	96,641	68,342
Cost of sales	83,036	61,841
Gross profit	13,604	6,500
Selling, general and administrative expenses	8,080	6,682
Operating income (loss)	5,524	(182)
Non-operating income		
Interest income	63	61
Dividend income	19	20
Foreign currency exchange gain	323	—
Miscellaneous income	258	382
Total non-operating income	666	463
Non-operating expenses		
Interest expense	68	43
Foreign currency exchange loss	—	76
Miscellaneous loss	193	134
Total non-operating expenses	262	253
Ordinary income	5,927	28
Extraordinary income		
Compensation income	551	—
Total extraordinary income	551	—
Extraordinary losses		
Special retirement expenses	258	—
Total extraordinary losses	258	—
Income before income taxes	6,220	28
Income taxes – current	1,652	553
Income taxes – deferred	(96)	(514)
Total income taxes	1,556	38
Net income (loss)	4,664	(10)
Net income attributable to non-controlling interests	257	216
Net income (loss) attributable to owners of the parent	4,406	(227)



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

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income (loss)	4,664	(10)
Other comprehensive income		
Unrealized gain on available-for-sale securities	(194)	(95)
Foreign currency translation adjustment	(179)	(5,271)
Remeasurements of defined benefit plans	84	32
Total other comprehensive income	(289)	(5,334)
Comprehensive income	4,375	(5,345)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	4,094	(5,009)
Total comprehensive income attributable to non-controlling interests	280	(336)

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

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>Operating activities</b>		
Income before income taxes	6,220	28
Depreciation and amortization	2,860	2,651
(Increase) decrease in asset for employees' retirement benefits	(199)	(21)
Increase (decrease) in liability for employees' retirement benefits	66	93
Increase (decrease) in directors' retirement benefits	(21)	1
Increase (decrease) in allowance for doubtful receivables	(2)	(300)
Increase (decrease) in reserve for bonuses	579	503
Compensation income	(551)	—
Special retirement expenses	258	—
Interest and dividend income	(83)	(81)
Interest expense	68	43
Foreign exchange loss (gain)	42	332
Decrease (increase) in trade notes and accounts receivable	1,546	1,000
Decrease (increase) in inventories	(1,795)	(7,543)
Increase (decrease) in trade notes and accounts payable	1,955	3,893
Decrease (increase) in other accounts receivable	495	196
Increase (decrease) in other accounts payable	(60)	497
Other	370	(354)
Subtotal	11,751	939
Interest and dividend income received	83	81
Interest expenses paid	(68)	(43)
Proceeds from compensation	551	—
Payments for special retirement expenses	(258)	(195)
Income taxes - paid	(2,163)	(536)
Net cash provided by operating activities	9,896	245
<b>Investing activities</b>		
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(1,706)	(6,315)
Purchases of intangible assets	(45)	(80)
Decrease (increase) in time deposits	374	—
Decrease (increase) in short-term loans receivable	2	1
Payments of long-term loans receivable	(5)	(13)
Collection of long-term loans receivable	7	5
Payment for long-term prepaid expenses	(163)	(1,853)
Other	51	39
Net cash used in investing activities	(1,485)	(8,217)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans payable, net	(2,366)	2,138
Proceeds from long-term debt	405	3,000
Repayments of long-term debt	(859)	(2,045)
Dividends paid	(749)	(668)
Dividends paid to non-controlling interests	(126)	(89)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(3,694)	2,335
Effect of exchange rate changes on cash and cash equivalents	(34)	(1,825)
Net increase (decrease) in cash and cash equivalents	4,681	(7,461)
Cash and cash equivalents, beginning of period	5,924	17,858
Cash and cash equivalents, end of period	10,606	10,397

**(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. 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 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 consolidated income statement.

II. Six months ended September 30, 2016 (from April 1, 2016 to September 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	9,808	30,081	25,597	2,853	68,342	-	68,342
Inter-segment sales or transfers	-	-	-	-	-	-	-
Total	9,808	30,081	25,597	2,853	68,342	-	68,342
Segment income (loss)	398	2,124	(2,747)	42	(182)	-	(182)

Notes: 1. There are no segment adjustments.

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

**(Significant subsequent events)**

At a meeting of the Board of Directors held on October 28, 2016, it was resolved that the Company would purchase treasury stock, pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the terms and phrases of Article 165 paragraph 3 of the Act.

1. Reason for purchase of treasury stock

To improve capital efficiency by returning profits to shareholders.

Moreover, although the stock is purchased on the assumption that it will be retired, in the event that a stock compensation plan is considered, the stock may be used as part of such a plan.

2. Details of purchase

- |  |  |
|--|--|
| (1) Stock subject to purchase:             | Common stock of the Company  |
| (2) Total amount of stock to be purchased: | 1,300,000 shares (maximum) (As a percentage of total number of shares outstanding (excluding treasury stock) 4.9%) |
| (3) Total value of stock to be purchased:  | ¥2 billion (maximum)   |
| (4) Purchase period:                       | October 31, 2016 - January 31, 2017  |
| (5) Method of purchase:                    | On the open market, Tokyo Stock Exchange   |