



## Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Japanese GAAP)

January 30, 2017  
Tokyo Stock Exchange

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(Amounts less than one million yen are omitted)

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2016 (From April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	117,987	(21.1)	966	(90.2)	936	(90.9)	(199)	-
December 31, 2015	149,575	7.5	9,867	20.7	10,303	15.4	7,530	64.3

Note: Comprehensive income: Nine months ended December 31, 2016 ¥(972) million [-%]  
 Nine months ended December 31, 2015 ¥6,891 million [(31.2)%]

	Net income per share	Diluted net income per share
Nine months ended December 31, 2016	Yen (7.47)	Yen -
December 31, 2015	281.47	-

### (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, 2016	110,111	63,447	54.2	2,292.95
March 31, 2016	98,735	67,017	63.7	2,350.26

Reference: Equity capital: As of December 31, 2016 ¥59,640 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
Fiscal year ended March 31, 2016	Yen -	Yen 25.00	Yen -	Yen 25.00	Yen 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: 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	165,000	(13.6)	2,500	(75.8)	2,500	(77.0)	1,000	(85.4)	37.52

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

**\* Notes**

- (1) Changes in major subsidiaries during the nine months ended December 31, 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)  
December 31, 2016: 26,931,051  
March 31, 2016: 26,931,051  
(ii) Number of treasury stock at end of period  
December 31, 2016: 920,861  
March 31, 2016: 177,209  
(iii) Average number of shares outstanding for the period  
Nine months ended December 31, 2016: 26,655,846  
Nine months ended December 31, 2015: 26,753,847

- \* 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 nine months ended December 31, 2016

### (1) Explanation of operating results

During the nine months ended December 31, 2016 (from April 1 to December 31, 2016), the global economy saw continued instability despite a modest recovery. In particular, factors such as the decision of the UK to leave the EU, the outcome of the presidential election in the US, and the policy trends of the new administration have led to increased uncertainty.

In the electronic components and electronic equipment industries in which the Foster Group (“the Group”) operates, demand for automotive components remained robust, and we widened various initiatives aimed at new markets such as IoT and VR. However, demand for smartphone parts, which had until now been the global driver of sales, was faced with severe conditions due to the maturing of the market and the resulting intensification of competition. Faced with this business environment, the Group pushed cost-cutting initiatives, such as streamlining initiatives that included mechanization, labor-saving activities and material cost reductions. Nevertheless, in addition to headsets - our flagship products - being affected by a transition to new models, slowing growth in the smartphone market led to a significant decline in headset sales and resulted in a decline in earnings.

The outcome of the above factors was that consolidated net sales for the nine months ended December 31, 2016 were ¥117,987 million (down 21.1% y-o-y), resulting in a consolidated operating income of ¥966 million (down 90.2% y-o-y), while consolidated ordinary income came to ¥936 million (down 90.9% y-o-y). Net loss attributable to owners of the parent was ¥199 million, whereas in the same period of the previous year, net income attributable to owners of the parent of ¥7,530 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 came in at ¥14,581 million (down 14.5% y-o-y), while operating income was ¥712 million (down 47.2% y-o-y).

#### [Automotive Components and Products Segment]

Sales of car speaker and speaker systems were robust, supported by demand in the North American market, but revenue fell due to the impact of the stronger yen, and sales came in at ¥45,337 million (down 6.3% y-o-y). Conversely, operating income was pushed up by higher factory utilization, reaching ¥3,342 million (up 43.9% y-o-y).

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

In addition to a transition to new models, lower-than-expected smartphone sales by major customers led to a decline in headset sales volumes and ¥53,748 million in sales (down 32.5% y-o-y). Due to increased labor costs related to the ramp-up of new models and lower factory utilization caused by declines in orders, a loss of ¥3,179 million was posted at the operating level, compared to operating income of ¥6,297 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 ¥4,320 million (down 4.3% y-o-y), while operating income was ¥90 million, compared to an operating loss of ¥103 million in the same period of the previous year.

**(2) Explanation of financial position**

Total assets increased by ¥11,375 million from the end of the previous consolidated fiscal year to ¥110,111 million, due primarily to increases in inventories. Total liabilities increased by ¥14,945 million from the end of the previous consolidated fiscal year to ¥46,663 million, due primarily to increases in long-term debt. As a result of increases in treasury stock and so on, net assets contracted by ¥3,569 million from the end of the previous consolidated fiscal year, to ¥63,447 million. The equity ratio decreased by 9.5 percentage points from the end of the previous consolidated fiscal year to 54.2%.

(Cash flows)

The balance of cash and cash equivalents as of December 31, 2016, decreased by ¥6,376 million from the end of the previous consolidated fiscal year to ¥11,481 million, due mainly to the following cash flows.

[Operating activities]

Net cash provided by operating activities totaled ¥139 million, as a result of, amongst other factors, income before income taxes falling to ¥1,136 million.

[Investing activities]

Net cash used in investing activities totaled ¥10,054 million, due mainly to capital expenditure.

[Financing activities]

Net cash provided by financing activities totaled ¥4,275 million, due to increases in loans and so on.

**(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 October 28, 2016.

Moreover, the exchange rate assumption for the fourth quarter upon which earnings forecasts are predicated has been revised from ¥100 to ¥110 to the US dollar.

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

**(1) Changes in major subsidiaries during the nine months ended December 31, 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 the 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 December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	16,519	10,583
Notes and accounts receivable - trade	23,880	26,810
Electronically recorded monetary claims - operating	564	586
Securities	1,951	1,741
Finished goods	15,478	20,471
Raw materials	6,602	8,905
Work in process	1,230	1,851
Supplies	203	126
Short-term loans receivable	3	5
Accounts receivable - other	932	750
Deferred tax assets	592	932
Other	2,378	2,837
Allowance for doubtful receivables	(378)	(79)
Total current assets	69,959	75,523
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,636	9,680
Machinery and equipment, net	7,160	11,601
Furniture and fixtures, net	2,711	3,073
Land	1,102	1,066
Construction in progress	1,385	1,023
Net property, plant and equipment	21,995	26,445
Intangible assets		
Software	352	381
Leasehold rights	1,075	950
Other	106	103
Total intangible assets	1,534	1,435
Investments and other assets		
Investment securities	3,339	3,330
Long-term loans receivable	30	33
Long-term prepaid expenses	518	2,135
Asset for employees' retirement benefits	575	607
Deferred tax assets	424	289
Other	366	319
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	5,245	6,706
Total non-current assets	28,775	34,587
Total assets	98,735	110,111

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	13,021	19,391
Electronically recorded obligations - operating	75	37
Short-term bank loans	2,236	5,909
Current portion of long-term debt	5,093	1,324
Accounts payable - other	4,045	5,308
Income taxes payable	694	426
Accrued expenses	1,782	1,873
Deferred tax liabilities	164	244
Reserve for bonuses	598	1,345
Other	1,400	1,211
<b>Total current liabilities</b>	<b>29,111</b>	<b>37,073</b>
Long-term liabilities		
Long-term debt	1,432	8,238
Deferred tax liabilities	545	611
Liability for employees' retirement benefits	180	313
Liability for directors' retirement benefits	48	48
Asset retirement obligations	231	234
Other	168	143
<b>Total long-term liabilities</b>	<b>2,605</b>	<b>9,590</b>
<b>Total liabilities</b>	<b>31,717</b>	<b>46,663</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,372
Retained earnings	44,944	43,675
Treasury stock	(133)	(1,571)
<b>Total shareholders' equity</b>	<b>60,954</b>	<b>58,247</b>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	891	979
Foreign currency translation adjustment	1,479	840
Remeasurements of defined benefit plans	(446)	(427)
<b>Total accumulated other comprehensive income</b>	<b>1,924</b>	<b>1,393</b>
<b>Non-controlling interests</b>	<b>4,138</b>	<b>3,807</b>
<b>Total net assets</b>	<b>67,017</b>	<b>63,447</b>
<b>Total liabilities and net assets</b>	<b>98,735</b>	<b>110,111</b>

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

**(Quarterly Consolidated statement of income)**  
 (Nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	149,575	117,987
Cost of sales	127,622	106,620
Gross profit	21,953	11,367
Selling, general and administrative expenses	12,086	10,400
Operating income	9,867	966
Non-operating income		
Interest income	88	84
Dividend income	64	39
Foreign currency exchange gain	329	—
Miscellaneous income	404	479
Total non-operating income	886	602
Non-operating expenses		
Interest expense	98	72
Foreign currency exchange loss	—	349
Miscellaneous loss	351	211
Total non-operating expenses	450	633
Ordinary income	10,303	936
Extraordinary income		
Gain on sales of investment securities	—	196
Government subsidy	—	70
Compensation income	551	—
Total extraordinary income	551	266
Extraordinary losses		
Impairment loss	221	—
Special retirement expenses	294	66
Total extraordinary losses	515	66
Income before income taxes	10,338	1,136
Income taxes – current	2,395	1,074
Income taxes – deferred	(24)	(92)
Total income taxes	2,370	981
Net income	7,968	154
Net income attributable to non-controlling interests	437	353
Net income (loss) attributable to owners of the parent	7,530	(199)



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

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	7,968	154
Other comprehensive income		
Unrealized gain on available-for-sale securities	81	88
Foreign currency translation adjustment	(1,224)	(1,243)
Remeasurements of defined benefit plans	65	28
Total other comprehensive income	(1,076)	(1,126)
Comprehensive income	6,891	(972)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	6,754	(730)
Total comprehensive income attributable to non-controlling interests	136	(242)

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

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
<b>Operating activities</b>		
Income before income taxes	10,338	1,136
Depreciation and amortization	4,162	4,688
(Increase) decrease in asset for employees' retirement benefits	(216)	(32)
Increase (decrease) in liability for employees' retirement benefits	121	135
Increase (decrease) in directors' retirement benefits	(20)	1
Increase (decrease) in allowance for doubtful receivables	0	(292)
Increase (decrease) in reserve for bonuses	577	669
Loss (gain) on sales of investment securities	—	(196)
Compensation income	(551)	—
Government subsidy	—	(70)
Impairment loss	221	—
Special retirement expenses	294	66
Interest and dividend income	(152)	(123)
Interest expense	98	72
Foreign exchange loss (gain)	80	(175)
Decrease (increase) in trade notes and accounts receivable	(505)	(3,457)
Decrease (increase) in inventories	(283)	(7,713)
Increase (decrease) in trade notes and accounts payable	2,977	5,836
Decrease (increase) in other accounts receivable	101	134
Increase (decrease) in other accounts payable	(162)	737
Other	783	74
<b>Subtotal</b>	<b>17,866</b>	<b>1,491</b>
Interest and dividend income received	152	123
Interest expenses paid	(98)	(72)
Government subsidies received	—	70
Compensation received	551	—
Payments for special retirement expenses	(294)	(261)
Income taxes - paid	(3,385)	(1,211)
<b>Net cash provided by operating activities</b>	<b>14,791</b>	<b>139</b>
<b>Investing activities</b>		
Purchase of securities	—	(183)
Purchases of investment securities	(0)	(0)
Proceeds from sales of investment securities	—	375
Purchases of property, plant and equipment	(3,639)	(7,971)
Purchases of intangible assets	(74)	(137)
Decrease (increase) in time deposits	1,536	(96)
Decrease (increase) in short-term loans receivable	3	0
Payments of long-term loans receivable	(5)	(14)
Collection of long-term loans receivable	11	8
Payment for long-term prepaid expenses	(254)	(2,068)
Other	66	34
<b>Net cash used in investing activities</b>	<b>(2,355)</b>	<b>(10,054)</b>

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans payable, net	(2,994)	3,791
Proceeds from long-term debt	405	8,348
Repayments of long-term debt	(1,060)	(5,268)
Dividends paid	(1,417)	(1,070)
Dividends paid to non-controlling interests	(126)	(89)
Purchase of treasury stock	(0)	(1,437)
Net cash provided by (used in) financing activities	(5,194)	4,275
Effect of exchange rate changes on cash and cash equivalents	117	(736)
Net increase (decrease) in cash and cash equivalents	7,359	(6,376)
Cash and cash equivalents, beginning of period	5,924	17,858
Cash and cash equivalents, end of period	13,283	11,481

**(4) Notes to the consolidated financial statements**

**(Notes on going concern assumption)**

Not applicable.

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

Based on the resolution passed by the Board of Directors on October 28, 2016, the Company purchased 743,500 shares of treasury stock. As a result, the value of treasury stock rose by ¥1,437 million during the nine months ended December 31, 2016, such that at the end of the nine months ended December 31, 2016, the value of treasury stock came to ¥1,571 million.

**(Segment information, etc.)**

[Segment information]

I. Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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	17,048	48,381	79,629	4,516	149,575	—	149,575
Inter-segment sales or transfers	—	—	—	—	—	—	—
Total	17,048	48,381	79,629	4,516	149,575	—	149,575
Segment income (loss)	1,350	2,323	6,297	(103)	9,867	—	9,867

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. Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 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	14,581	45,337	53,748	4,320	117,987	—	117,987
Inter-segment sales or transfers	—	—	—	—	—	—	—
Total	14,581	45,337	53,748	4,320	117,987	—	117,987
Segment income (loss)	712	3,342	(3,179)	90	966	—	966

Notes: 1. There are no segment adjustments.

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