



Consolidated Financial Results for the Six Months Ended September 30, 2017 (Japanese GAAP)

October 30, 2017
Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
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Scheduled date of submitting Quarterly Securities Report		November 10, 2017
Scheduled date of commencing dividend payment		December 6, 2017
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, 2017 (From April 1, 2017 to September 30, 2017)

(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, 2017	80,286	17.5	4,015	-	3,973	-	2,559	-
Six months ended September 30, 2016	68,342	(29.3)	(182)	-	28	(99.5)	(227)	-

Note: Comprehensive income: Six months ended September 30, 2017 ¥3,284 million [(-)%]
Six months ended September 30, 2016 ¥(5,345) million [(-)%]

	Net income per share	Diluted net income per share
Six months ended September 30, 2017	Yen 99.46	Yen -
Six months ended September 30, 2016	(8.51)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of September 30, 2017	Millions of yen 108,471	Millions of yen 66,388	% 57.3	Yen 2,414.25
As of March 31, 2017	102,409	63,901	58.2	2,316.09

Reference: Equity capital: As of September 30, 2017 ¥62,117 million
As of March 31, 2017 ¥59,592 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, 2017	Yen -	Yen 15.00	Yen -	Yen 25.00	Yen 40.00
Fiscal year ending March 31, 2018	-	20.00			
Fiscal year ending March 31, 2018 (Forecast)			-	20.00	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, 2018 (From April 1, 2017 to March 31, 2018)

(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, 2018	160,000	(0.6)	6,000	102.5	6,000	98.8	3,000	175.7	116.60

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

* Notes

- (1) Changes in major subsidiaries during the six months ended September 30, 2017 (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, 2017:	26,931,051
March 31, 2017:	26,931,051
 - (ii) Number of treasury stock at end of period

September 30, 2017:	1,201,372
March 31, 2017:	1,201,261
 - (iii) Average number of shares outstanding for the period

Six months ended September 30, 2017:	25,729,744
Six months ended September 30, 2016:	26,753,804

* This quarterly financial results report is not subject to the quarterly review procedures.

* 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 2 of the Attachment.

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1. Qualitative information on the financial results for the six months ended September 30, 2017

(1) Explanation of operating results

During the six months ended September 30, 2017 (from April 1 to September 30, 2017), the global economy generally followed a path of moderate recovery. Favorable conditions continued in the U.S., while the European and Japanese economies also remained on a recovery trend. Emerging economies were stable.

In the electronic components and electronic equipment industries in which the Group operates, we extended our initiatives to address such markets as IoT and AI in addition to the automotive and smartphone markets that constitute the drivers of demand.

In this business environment the Group concentrated its efforts on securing new orders, and on cost-cutting initiatives such as material cost reductions, including VA/VE, in order to respond to changes in the market and environment.

As a result of the above factors, consolidated net sales for the six months ended September 30, 2017 came to ¥80,286 million (up 17.5% y-o-y). Consolidated operating income was ¥4,015 million (operating loss of ¥182 million in the same period of the previous year), while consolidated ordinary income came to ¥3,973 million (ordinary income of ¥28 million of the previous year), and net income attributable to owners of the parent was ¥2,559 million (net loss attributable to owners of the parent of ¥227 million of the previous year).

Performance by segment was as follows.

From the first quarter of the current fiscal year, the reportable segment classifications have been changed, and in the section below, the figures for the same period of the previous fiscal year have been restated using the new segment classifications.

[Speaker Segment]

Shipments of car speaker and speaker systems remained firm. Shipments of flat TV speakers and speaker systems, as well as audio speakers, were roughly in line with expectations. As a result, net sales in this segment were ¥36,946 million, up 1.4% y-o-y. Due to the strong performance of speakers designed for SUVs, as well as the effects of mechanization and labor-saving initiatives, operating income rose 7.7% y-o-y to ¥2,579 million.

[Mobile audio Segment]

We saw full-scale shipments of new headset models for major customers, of which production began last year. Accordingly, net sales in this segment came to ¥40,440 million (up 39.2% y-o-y). Due to improved yield and productivity, ¥1,212 million in operating income was posted, compared to an operating loss of ¥2,620 million in the same period of the previous fiscal year.

[Other Segment]

Sales for this segment, including micro acoustic components and “FOSTEX” brand products, were ¥2,900 million (up 1.6% y-o-y), while operating income came in at ¥223 million, up 426.9% y-o-y.

(2) Explanation of financial position

Total assets increased by ¥6,062 million from the end of the previous consolidated fiscal year to ¥108,471 million, primarily due to the increase in finished goods. Liabilities increased by ¥3,576 million from the end of the previous consolidated fiscal year to ¥42,083 million, primarily due to the increase in short-term bank loans. Net assets increased by ¥2,486 million from the end of the previous consolidated fiscal year to ¥66,388 million, primarily due to the increase in retained earnings. The equity ratio decreased by 0.9 percentage points from the end of the previous consolidated fiscal year to 57.3%.

[Cash flow for the year under review]

The balance of cash and cash equivalents as of September 30, 2017 decreased by ¥3,645 million from the end of the previous consolidated fiscal year to ¥8,392 million, mainly due to the following cash flows.

[Operating activities]

Net cash used in operating activities totaled ¥1,359 million, mainly due to the increase in inventories.

[Investing activities]

Net cash used in investing activities totaled ¥3,665 million, mainly due to capital expenditure.

[Financing activities]

Net cash provided by financing activities totaled ¥1,660 million, mainly due to increases in loans.

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

Full-year earnings depend significantly on the sale of products to the Company's main customers in the third quarter. Accordingly, we will promptly disclose any revisions to consolidated earnings forecasts that may be necessary once we have examined third quarter earnings.

The exchange rate assumptions for the second half of this fiscal year have been revised to ¥108 to the US dollar and to ¥125 to the euro.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	10,258	7,233
Notes and accounts receivable - trade	18,932	20,033
Electronically recorded monetary claims - operating	547	501
Securities	2,172	1,847
Finished goods	24,840	34,092
Raw materials	7,632	7,729
Work in process	1,337	1,749
Supplies	209	319
Short-term loans receivable	3	2
Accounts receivable - other	791	604
Deferred tax assets	613	891
Other	2,034	1,797
Allowance for doubtful receivables	(59)	(32)
Total current assets	69,315	76,770
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,944	9,717
Machinery and equipment, net	10,519	9,093
Tools, furniture and fixtures, net	3,067	3,076
Land	1,074	1,081
Construction in progress	1,339	1,945
Net property, plant and equipment	25,945	24,914
Intangible assets		
Software	382	357
Leasehold rights	933	922
Other	113	155
Total intangible assets	1,429	1,435
Investments and other assets		
Investment securities	2,606	2,805
Long-term loans receivable	31	27
Long-term prepaid expenses	1,845	1,318
Asset for employees' retirement benefits	626	637
Deferred tax assets	314	265
Other	303	306
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	5,718	5,351
Total non-current assets	33,094	31,701
Total assets	102,409	108,471

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,445	16,049
Electronically recorded obligations - operating	67	54
Short-term bank loans	3,905	6,780
Current portion of long-term debt	1,335	1,390
Accounts payable - other	4,420	4,102
Income taxes payable	850	731
Accrued expenses	1,779	1,797
Deferred tax liabilities	251	492
Reserve for bonuses	586	1,083
Other	748	744
Total current liabilities	29,390	33,227
Long-term liabilities		
Long-term debt	8,135	7,726
Deferred tax liabilities	362	459
Liability for employees' retirement benefits	181	269
Liability for directors' retirement benefits	48	6
Provisions for stock benefit program	—	11
Asset retirement obligations	235	237
Other	153	143
Total long-term liabilities	9,116	8,855
Total liabilities	38,507	42,083
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,394
Retained earnings	44,962	46,878
Treasury stock	(2,133)	(2,155)
Total shareholders' equity	58,972	60,887
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	730	863
Foreign currency translation adjustment	337	806
Remeasurements of defined benefit plans	(447)	(439)
Total accumulated other comprehensive income	620	1,230
Non-controlling interests	4,309	4,270
Total net assets	63,901	66,388
Total liabilities and net assets	102,409	108,471

(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, 2016	Six months ended September 30, 2017
Net sales	68,342	80,286
Cost of sales	61,841	69,143
Gross profit	6,500	11,143
Selling, general and administrative expenses	6,682	7,127
Operating income (loss)	(182)	4,015
Non-operating income		
Interest income	61	45
Dividend income	20	16
Foreign currency exchange gain	—	95
Miscellaneous income	382	233
Total non-operating income	463	391
Non-operating expenses		
Interest expense	43	98
Foreign currency exchange loss	76	—
Miscellaneous loss	134	335
Total non-operating expenses	253	433
Ordinary income	28	3,973
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Loss on impairment of long-lived assets	—	165
Total extraordinary losses	—	165
Income before income taxes	28	3,807
Income taxes – current	553	1,006
Income taxes – deferred	(514)	52
Total income taxes	38	1,059
Net income (loss)	(10)	2,748
Net income attributable to non-controlling interests	216	189
Net income (loss) attributable to owners of the parent	(227)	2,559

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income (loss)	(10)	2,748
Other comprehensive income		
Unrealized gain on available-for-sale securities	(95)	133
Foreign currency translation adjustment	(5,271)	395
Remeasurements of defined benefit plans	32	7
Total other comprehensive income	(5,334)	535
Comprehensive income	(5,345)	3,284
(Breakdown)		
Total comprehensive income attributable to owners of the parent	(5,009)	3,168
Total comprehensive income attributable to non-controlling interests	(336)	115

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating activities		
Income before income taxes	28	3,807
Depreciation and amortization	2,651	4,102
(Increase) decrease in asset for employees' retirement benefits	(21)	(10)
Increase (decrease) in liability for employees' retirement benefits	93	87
Increase (decrease) in directors' retirement benefits	1	(44)
Increase (decrease) in allowance for doubtful receivables	(300)	(26)
Increase (decrease) in reserve for bonuses	503	490
Loss on impairment of long-lived assets	—	165
Interest and dividend income	(81)	(61)
Interest expense	43	98
Foreign exchange loss (gain)	332	7
Decrease (increase) in trade notes and accounts receivable	1,000	(703)
Decrease (increase) in inventories	(7,543)	(9,484)
Increase (decrease) in trade notes and accounts payable	3,893	451
Decrease (increase) in other accounts receivable	196	197
Increase (decrease) in other accounts payable	497	229
Other	(354)	547
Subtotal	939	(146)
Interest and dividend income received	81	61
Interest expenses paid	(43)	(98)
Payments for special retirement expenses	(195)	—
Income taxes - paid	(536)	(1,175)
Net cash used in operating activities	245	(1,359)
Investing activities		
Purchase of securities	—	(295)
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(6,315)	(3,175)
Purchases of intangible assets	(80)	(91)
Decrease (increase) in short-term loans receivable	1	1
Payments of long-term loans receivable	(13)	(1)
Collection of long-term loans receivable	5	5
Payment for long-term prepaid expenses	(1,853)	(109)
Other	39	(0)
Net cash used in investing activities	(8,217)	(3,665)
Financing activities		
Increase (decrease) in short-term bank loans payable, net	2,138	2,781
Proceeds from long-term debt	3,000	367
Repayments of long-term debt	(2,045)	(694)
Dividends paid	(668)	(643)
Dividends paid to non-controlling interests	(89)	(150)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	2,335	1,660
Effect of exchange rate changes on cash and cash equivalents	(1,825)	(280)
Net increase (decrease) in cash and cash equivalents	(7,461)	(3,645)
Cash and cash equivalents, beginning of period	17,858	12,037
Cash and cash equivalents, end of period	10,397	8,392

**(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)

Segment information

I. 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
	Speaker	Mobile audio	Other			
Net sales						
Sales to external customers	36,437	29,050	2,853	68,342	—	68,342
Inter-segment sales or transfers	—	—	—	—	—	—
Total	36,437	29,050	2,853	68,342	—	68,342
Segment income (loss)	2,396	(2,620)	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.

II. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

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
	Speaker	Mobile audio	Other			
Net sales						
Sales to external customers	36,946	40,440	2,900	80,286	—	80,286
Inter-segment sales or transfers	—	—	—	—	—	—
Total	36,946	40,440	2,900	80,286	—	80,286
Segment income	2,579	1,212	223	4,015	—	4,015

Notes: 1. There are no segment adjustments.

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

2. Matters related to the change in reportable segments, etc.

From the first quarter of the current fiscal year, the reportable segments have been changed from the previous four classifications, consisting of "Acoustic components and products," "Automotive components and products," "Information & communication components and products," and "Other" to the three classifications, consisting of "Speaker," "Mobile audio," and "Other."

In addition, segment information for the second quarter of the previous fiscal year is presented based on the classifications after the change of reportable segments.

3. Information on impairment losses for non-current assets or goodwill, etc. by reportable segment
 (Significant impairment losses related to non-current assets)

In the Mobile audio segment, an impairment loss of 165 million was posted on fixed assets related to idle assets.