



Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Japanese GAAP)

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Tokyo Stock Exchange

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Scheduled date of commencing dividend payment		-
Preparation of supplementary materials on Quarterly Financial Results		No
Holding of a briefing on Quarterly Financial Results		No

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2017 (From April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	138,946	17.8	8,662	795.9	8,695	828.9	6,033	-
December 31, 2016	117,987	(21.1)	966	(90.2)	936	(90.9)	(199)	-

Note: Comprehensive income: Nine months ended December 31, 2017 ¥7,485 million [-%]
 Nine months ended December 31, 2016 ¥(972) million [-%]

	Net income per share	Diluted net income per share
Nine months ended December 31, 2017	Yen 234.51	Yen -
December 31, 2016	(7.47)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of December 31, 2017	Millions of yen 113,263	Millions of yen 70,076	% 57.9	Yen 2,547.15
March 31, 2017	102,409	63,901	58.2	2,316.09

Reference: Equity capital: As of December 31, 2017 ¥65,537 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)				35.00	55.00

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	190,000	18.1	9,500	220.6	9,500	214.9	6,500	497.4	252.63

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

*** Notes**

- (1) Changes in major subsidiaries during the nine months ended December 31, 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)
December 31, 2017: 26,931,051
March 31, 2017: 26,931,051
(ii) Number of treasury stock at end of period
December 31, 2017: 1,201,421
March 31, 2017: 1,201,261
(iii) Average number of shares outstanding for the period
Nine months ended December 31, 2017: 25,729,709
Nine months ended December 31, 2016: 26,655,846

* 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 3 of the Attachment.

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1. Qualitative information on the financial results of the nine months ended December 31, 2017

(1) Explanation of operating results

During the nine months ended December 31, 2017 (from April 1 to December 31, 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. Moreover, emerging economies recovered.

In the electronic components and electronic equipment industries in which the Foster Group (“the Group”) operates, we expanded various initiatives aimed at new markets such as IoT and VR, in addition to the automotive and smartphone markets that are driving demand. Under this business environment, the Group worked on securing new orders and cost-cutting initiatives, such as material cost reduction including VA and VE, in response to changes in the market and environment.

The outcome of the above factors was that consolidated net sales for the nine months ended December 31, 2017 were ¥138,946 million (up 17.8% y-o-y), resulting in a consolidated operating income of ¥8,662 million (up 795.9% y-o-y), while consolidated ordinary income came to ¥8,695 million (up 828.9% y-o-y). Net income attributable to owners of the parent was ¥6,033 million, whereas in the same period of the previous year, net loss of ¥199 million was posted.

The performance of each segment is 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 projection. As a result, net sales in this segment were ¥55,825 million, up 1.8% 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 2.7% y-o-y to ¥3,954 million.

[Mobile audio Segment]

We saw full-scale shipments of new headset models for a major customer, of which production began last year. Accordingly, net sales in this segment came to ¥78,746 million (up 33.9% y-o-y). Due to improved yield and productivity, ¥4,271 million in operating income was posted, compared to an operating loss of ¥2,973 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 ¥4,436 million (up 2.7% y-o-y), while operating income came in at ¥437 million, up 381.1% y-o-y.

(2) Explanation of financial position

Total assets increased by ¥10,854 million from the end of the previous consolidated fiscal year to ¥113,263 million, due primarily to increases in notes and accounts receivable - trade. Total liabilities increased by ¥4,679 million from the end of the previous consolidated fiscal year to ¥43,186 million, due primarily to increases in notes and accounts payable - trade. Net assets increased by ¥6,174 million from the end of the previous consolidated fiscal year to ¥70,076 million, primarily due to the increase in retained earnings. The equity ratio decreased by 0.3 percentage points from the end of the previous consolidated fiscal year to 57.9%.

(Cash flow for the year under review)

The balance of cash and cash equivalents as of December 31, 2017, decreased by ¥2,023 million from the end of the previous consolidated fiscal year to ¥10,013 million, due mainly to the following cash flows.

[Operating activities]

Net cash provided by operating activities totaled ¥5,383 million, as a result of, amongst other factors, income before income taxes falling to ¥8,529 million.

[Investing activities]

Net cash used in investing activities totaled ¥5,976 million, due mainly to capital expenditure.

[Financing activities]

Net cash used in financing activities totaled ¥1,528 million, due mainly to dividends paid.

(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, 2017.

Moreover, the exchange rate assumption for the fourth quarter upon which earnings forecasts are predicated has been revised from ¥108 to ¥110 to the US dollar and from ¥125 to ¥130 to the euro.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	10,258	9,239
Notes and accounts receivable - trade	18,932	26,606
Electronically recorded monetary claims - operating	547	501
Securities	2,172	2,239
Finished goods	24,840	29,255
Raw materials	7,632	9,243
Work in process	1,337	1,476
Supplies	209	393
Short-term loans receivable	3	0
Accounts receivable - other	791	1,279
Deferred tax assets	613	824
Other	2,034	1,885
Allowance for doubtful receivables	(59)	(33)
Total current assets	69,315	82,913
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,944	9,653
Machinery and equipment, net	10,519	7,967
Tools, furniture and fixtures, net	3,067	2,971
Land	1,074	1,143
Construction in progress	1,339	1,991
Net property, plant and equipment	25,945	23,727
Intangible assets		
Software	382	331
Leasehold rights	933	921
Other	113	155
Total intangible assets	1,429	1,409
Investments and other assets		
Investment securities	2,606	2,875
Long-term loans receivable	31	27
Long-term prepaid expenses	1,845	1,142
Asset for employees' retirement benefits	626	658
Deferred tax assets	314	212
Other	303	306
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	5,718	5,212
Total non-current assets	33,094	30,349
Total assets	102,409	113,263

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,445	19,117
Electronically recorded obligations - operating	67	40
Short-term bank loans	3,905	4,434
Current portion of long-term debt	1,335	1,294
Accounts payable - other	4,420	4,135
Income taxes payable	850	848
Accrued expenses	1,779	2,161
Deferred tax liabilities	251	639
Reserve for bonuses	586	1,112
Other	748	810
Total current liabilities	29,390	34,594
Non-current liabilities		
Long-term debt	8,135	7,507
Deferred tax liabilities	362	423
Liability for employees' retirement benefits	181	231
Liability for directors' retirement benefits	48	7
Provisions for stock benefit program	-	28
Asset retirement obligations	235	239
Other	153	155
Total non-current liabilities	9,116	8,592
Total liabilities	38,507	43,186
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,394
Retained earnings	44,962	49,836
Treasury stock	(2,133)	(2,156)
Total shareholders' equity	58,972	63,845
Accumulated other comprehensive income		
Unrealized gain on investment securities	730	923
Foreign currency translation adjustment	337	1,203
Remeasurements of defined benefit plans	(447)	(435)
Total accumulated other comprehensive income	620	1,691
Non-controlling interests	4,309	4,539
Total net assets	63,901	70,076
Total liabilities and net assets	102,409	113,263

(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, 2016	Nine months ended December 31, 2017
Net sales	117,987	138,946
Cost of sales	106,620	119,389
Gross profit	11,367	19,557
Selling, general and administrative expenses	10,400	10,894
Operating income	966	8,662
Non-operating income		
Interest income	84	67
Dividend income	39	27
Foreign currency exchange gain	—	100
Miscellaneous income	479	423
Total non-operating income	602	618
Non-operating expenses		
Interest expense	72	173
Foreign currency exchange loss	349	—
Miscellaneous loss	211	411
Total non-operating expenses	633	584
Ordinary income	936	8,695
Extraordinary income		
Gain on sales of investment securities	196	—
Government subsidy	70	—
Total extraordinary income	266	—
Extraordinary losses		
Loss on impairment of long-lived assets	—	165
Special retirement expenses	66	—
Total extraordinary losses	66	165
Income before income taxes	1,136	8,529
Income taxes – current	1,074	1,711
Income taxes – deferred	(92)	389
Total income taxes	981	2,101
Net income	154	6,428
Net income attributable to non-controlling interests	353	394
Net income (loss) attributable to owners of the parent	(199)	6,033

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

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net income	154	6,428
Other comprehensive income		
Unrealized gain on investment securities	88	192
Foreign currency translation adjustment	(1,243)	852
Remeasurements of defined benefit plans	28	11
Total other comprehensive income	(1,126)	1,057
Comprehensive income	(972)	7,485
(Breakdown)		
Total comprehensive income attributable to owners of the parent	(730)	7,105
Total comprehensive income attributable to non-controlling interests	(242)	380

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Operating activities		
Income before income taxes	1,136	8,529
Depreciation and amortization	4,688	6,159
(Increase) decrease in asset for employees' retirement benefits	(32)	(32)
Increase (decrease) in liability for employees' retirement benefits	135	34
Increase (decrease) in directors' retirement benefits	1	(44)
Increase (decrease) in allowance for doubtful receivables	(292)	(26)
Increase (decrease) in reserve for bonuses	669	515
Loss (gain) on sales of investment securities	(196)	—
Government subsidy	(70)	—
Loss on impairment of long-lived assets	—	165
Special retirement expenses	66	—
Interest and dividend income	(123)	(94)
Interest expense	72	173
Foreign exchange loss (gain)	(175)	16
Decrease (increase) in trade notes and accounts receivable	(3,457)	(7,113)
Decrease (increase) in inventories	(7,713)	(5,807)
Increase (decrease) in trade notes and accounts payable	5,836	3,401
Decrease (increase) in other accounts receivable	134	247
Increase (decrease) in other accounts payable	737	275
Other	74	819
Subtotal	1,491	7,221
Interest and dividend income received	123	94
Interest expenses paid	(72)	(173)
Government subsidies received	70	—
Payments for special retirement expenses	(261)	—
Income taxes - paid	(1,211)	(1,758)
Net cash provided by operating activities	139	5,383
Investing activities		
Purchase of securities	(183)	(1,258)
Proceeds from redemption of securities	—	193
Purchases of investment securities	(0)	(0)
Proceeds from sales of investment securities	375	—
Purchases of property, plant and equipment	(7,971)	(4,362)
Purchases of intangible assets	(137)	(102)
Decrease (increase) in time deposits	(96)	—
Decrease (increase) in short-term loans receivable	0	2
Payments of long-term loans receivable	(14)	(1)
Collection of long-term loans receivable	8	6
Payment for long-term prepaid expenses	(2,068)	(191)
Purchase of shares in a subsidiary company resulting in change in scope of consolidation	—	(261)
Other	34	(0)
Net cash used in investing activities	(10,054)	(5,976)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Financing activities		
Increase (decrease) in short-term bank loans payable, net	3,791	427
Proceeds from long-term debt	8,348	368
Repayments of long-term debt	(5,268)	(1,013)
Dividends paid	(1,070)	(1,160)
Dividends paid to non-controlling interests	(89)	(150)
Purchase of treasury stock	(1,437)	(0)
Net cash provided by (used in) financing activities	4,275	(1,528)
Effect of exchange rate changes on cash and cash equivalents	(736)	97
Net increase (decrease) in cash and cash equivalents	(6,376)	(2,023)
Cash and cash equivalents, beginning of period	17,858	12,037
Cash and cash equivalents, end of period	11,481	10,013

(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. 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
	Speaker	Mobile audio	Other			
Net sales						
Sales to external customers	54,849	58,817	4,320	117,987	—	117,987
Inter-segment sales or transfers	—	—	—	—	—	—
Total	54,849	58,817	4,320	117,987	—	117,987
Segment income (loss)	3,849	(2,973)	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.

II. Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	55,825	78,746	4,374	138,946	—	138,946
Inter-segment sales or transfers	—	—	62	62	(62)	—
Total	55,825	78,746	4,436	139,008	(62)	138,946
Segment income	3,954	4,271	437	8,662	(0)	8,662

Notes: 1. The 0 million yen in adjustments for segment income refers to the elimination of internal transactions between segments.

2. Total segment income is adjusted with the value of operating income posted in 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 third 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.