



## Consolidated Financial Results for the Three Months Ended June 30, 2017 (Japanese GAAP)

July 28, 2017

Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
URL	<a href="http://www.foster-electric.com/">http://www.foster-electric.com/</a>	
Representative	Hiroimi Yoshizawa, President & Representative Director	
Contact person	Yuzo Yamamoto, Department Manager, IR and Legal Affairs	Phone: +81-42-546-2305
Scheduled date of submitting Quarterly Securities Report		August 8, 2017
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 Three Months Ended June 30, 2017 (From April 1, 2017 to June 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	%
Three months ended June 30, 2017	37,800	9.4	1,468	65.8	1,656	58.0	770	(22.7)
June 30, 2016	34,555	(26.6)	885	(63.5)	1,048	(61.6)	997	(44.1)

Note: Comprehensive income:	Three months ended June 30, 2017	¥813 million	[(-)%]
	Three months ended June 30, 2016	¥(2,974) million	[(-)%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended June 30, 2017	29.95		-	
June 30, 2016	37.28		-	

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of June 30, 2017	102,175		63,922		58.5		2,321.56	
March 31, 2017	102,409		63,901		58.2		2,316.09	

Reference: Equity capital:	As of June 30, 2017	¥59,733 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	-	15.00	-	25.00	40.00
Fiscal year ending March 31, 2018	-				
Fiscal year ending March 31, 2018 (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, 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 three months ended June 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)
 

June 30, 2017:	26,931,051
March 31, 2017:	26,931,051
  - (ii) Number of treasury stock at end of period
 

June 30, 2017:	1,201,311
March 31, 2017:	1,201,261
  - (iii) Average number of shares outstanding for the period
 

Three months ended June 30, 2017:	25,729,773
Three months ended June 30, 2016:	26,753,816

\* 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.

○ Contents of Attachment

1. Qualitative information on the financial results of the three months ended June 30, 2017 .....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position .....	2
(3) Explanation of forecast of consolidated financial results and other forward-looking information.....	2
2. Quarterly consolidated financial statements.....	3
(1) Quarterly consolidated balance sheet.....	3
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income...	5
(3) Quarterly consolidated statement of cash flows .....	7
(4) Notes to the consolidated financial statements .....	8
(Notes on going concern assumption) .....	8
(Notes on significant changes in the amount of shareholders' equity) .....	8
(Segment information) .....	8

## 1. Qualitative information on the financial results for the three months ended June 30, 2017

### (1) Explanation of operating results

During the three months ended June 30, 2017 (from April 1 to June 30, 2017), the global economy generally followed a path of moderate recovery. Favorable conditions continued in the U.S., while Europe and Japan also showed increased stability. On the other hand, although there were signs of improving business conditions in emerging countries such as China, the situation remained uncertain.

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 global 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 three months ended June 30, 2017 came to ¥37,800 million (up 9.4% y-o-y). In terms of profit, consolidated operating income was ¥1,468 million (up 65.8% y-o-y), while consolidated ordinary income came to ¥1,656 million (up 58.0% y-o-y), and net income attributable to owners of the parent was ¥770 million (down 22.7% y-o-y).

Performance by segment was as follows.

From the first quarter of the current fiscal year, the reportable segment classifications have been changed, and with regard to the year-on-year comparisons 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 ¥18,647 million, up 1.6% y-o-y. Due in particular to the impact of growth in demand for SUVs in the Chinese market as well as the effects of mechanization and labor-saving initiatives, operating income rose 38.8% y-o-y to ¥1,359 million.

#### [Mobile audio Segment]

In headsets for major customers, we saw full-scale shipments for new models for which production began last year. Accordingly, net sales in this segment came to ¥17,719 million (up 19.7% y-o-y). At the operating level, improvements in yields and productivity resulted in the segment going into the black and posting operating income of ¥16 million, compared to an operating loss of ¥161 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 ¥1,434 million (up 2.1% y-o-y), while operating income came in at ¥92 million, up 37.8% y-o-y.

### (2) Explanation of financial position

Total assets decreased by ¥233 million from the end of the previous consolidated fiscal year to ¥102,175 million, primarily due to the decrease in cash and deposits. Liabilities decreased by ¥253 million from the end of the previous consolidated fiscal year to ¥38,253 million, primarily due to the decrease in notes and accounts payable - trade. Net assets increased by ¥20 million from the end of the previous consolidated fiscal year to ¥63,922 million, primarily due to the increase in retained earnings. The equity ratio increased by 0.3 percentage points from the end of the previous consolidated fiscal year to 58.5%.

#### [Cash flow for the year under review]

The balance of cash and cash equivalents as of June 30, 2017 decreased by ¥3,541 million from the end of the previous consolidated fiscal year to ¥8,495 million, mainly due to the following cash flows.

#### [Operating activities]

Net cash used in operating activities totaled ¥2,243 million, mainly due to the increase in inventories.

#### [Investing activities]

Net cash used in investing activities totaled ¥1,738 million, mainly due to capital expenditure.

#### [Financing activities]

Net cash provided by financing activities totaled ¥859 million, mainly due to increases in loans.

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

Currently there are no changes to the full-year forecasts that were announced in the financial results on April 28, 2017.

## 2. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	10,258	6,992
Notes and accounts receivable - trade	18,932	18,242
Electronically recorded monetary claims - operating	547	575
Securities	2,172	1,903
Finished goods	24,840	23,512
Raw materials	7,632	7,372
Work in process	1,337	7,965
Supplies	209	337
Short-term loans receivable	3	2
Accounts receivable - other	791	591
Deferred tax assets	613	628
Other	2,034	2,192
Allowance for doubtful receivables	(59)	(53)
Total current assets	69,315	70,265
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,944	9,788
Machinery and equipment, net	10,519	9,599
Tools, furniture and fixtures, net	3,067	3,061
Land	1,074	1,089
Construction in progress	1,339	1,618
Net property, plant and equipment	25,945	25,157
Intangible assets		
Software	382	388
Leasehold rights	933	921
Other	113	142
Total intangible assets	1,429	1,451
Investments and other assets		
Investment securities	2,606	2,528
Long-term loans receivable	31	29
Long-term prepaid expenses	1,845	1,549
Asset for employees' retirement benefits	626	638
Deferred tax assets	314	258
Other	303	306
Allowance for doubtful receivables	(9)	(9)
Total investments and other assets	5,718	5,301
Total non-current assets	33,094	31,910
Total assets	102,409	102,175

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	15,445	14,567
Electronically recorded obligations - operating	67	38
Short-term bank loans	3,905	5,605
Current portion of long-term debt	1,335	1,406
Accounts payable - other	4,420	3,696
Income taxes payable	850	543
Accrued expenses	1,779	1,582
Deferred tax liabilities	251	325
Reserve for bonuses	586	569
Other	748	771
<b>Total current liabilities</b>	<b>29,390</b>	<b>29,106</b>
Long-term liabilities		
Long-term debt	8,135	8,095
Deferred tax liabilities	362	424
Liability for employees' retirement benefits	181	229
Liability for directors' retirement benefits	48	6
Asset retirement obligations	235	236
Other	153	154
<b>Total long-term liabilities</b>	<b>9,116</b>	<b>9,147</b>
<b>Total liabilities</b>	<b>38,507</b>	<b>38,253</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,372	9,372
Retained earnings	44,962	45,090
Treasury stock	(2,133)	(2,134)
<b>Total shareholders' equity</b>	<b>58,972</b>	<b>59,099</b>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	730	693
Foreign currency translation adjustment	337	386
Remeasurements of defined benefit plans	(447)	(446)
<b>Total accumulated other comprehensive income</b>	<b>620</b>	<b>633</b>
<b>Non-controlling interests</b>	<b>4,309</b>	<b>4,188</b>
<b>Total net assets</b>	<b>63,901</b>	<b>63,922</b>
<b>Total liabilities and net assets</b>	<b>102,409</b>	<b>102,175</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, 2016	Three months ended June 30, 2017
Net sales	34,555	37,800
Cost of sales	30,208	32,776
Gross profit	4,347	5,024
Selling, general and administrative expenses	3,462	3,556
Operating income	885	1,468
Non-operating income		
Interest income	28	26
Dividend income	18	14
Foreign currency exchange gain	-	117
Miscellaneous income	284	118
Total non-operating income	331	276
Non-operating expenses		
Interest expense	19	35
Foreign currency exchange loss	79	-
Miscellaneous loss	68	53
Total non-operating expenses	168	88
Ordinary income	1,048	1,656
Extraordinary income		
Total extraordinary income	-	-
Extraordinary losses		
Loss on impairment of long-lived assets	-	165
Total extraordinary losses	-	165
Income before income taxes	1,048	1,490
Income taxes – current	180	468
Income taxes – deferred	(244)	193
Total income taxes	(64)	662
Net income	1,112	828
Net income attributable to non-controlling interests	115	58
Net income attributable to owners of the parent	997	770

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

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income	1,112	828
Other comprehensive income		
Unrealized gain on available-for-sale securities	(212)	(36)
Foreign currency translation adjustment	(3,770)	23
Remeasurements of defined benefit plans	(104)	(1)
Total other comprehensive income	(4,087)	(14)
Comprehensive income	(2,974)	813
(Breakdown)		
Total comprehensive income attributable to owners of the parent	(2,888)	784
Total comprehensive income attributable to non-controlling interests	(85)	29



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

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
<b>Operating activities</b>		
Income before income taxes	1,048	1,490
Depreciation and amortization	1,166	2,103
(Increase) decrease in asset for employees' retirement benefits	(10)	(12)
Increase (decrease) in liability for employees' retirement benefits	46	46
Increase (decrease) in directors' retirement benefits	0	(44)
Increase (decrease) in allowance for doubtful receivables	(52)	(6)
Increase (decrease) in reserve for bonuses	(36)	(17)
Loss on impairment of long-lived assets	-	165
Interest and dividend income	(46)	(40)
Interest expense	19	35
Foreign exchange loss (gain)	(8)	16
Decrease (increase) in trade notes and accounts receivable	764	975
Decrease (increase) in inventories	(1,902)	(4,909)
Increase (decrease) in trade notes and accounts payable	(1,159)	(986)
Decrease (increase) in other accounts receivable	338	217
Increase (decrease) in other accounts payable	(122)	(359)
Other	(379)	(45)
Subtotal	(334)	(1,370)
Interest and dividend income received	46	40
Interest expenses paid	(19)	(35)
Payments for special retirement expenses	(195)	-
Income taxes - paid	(512)	(877)
Net cash used in operating activities	(1,015)	(2,243)
<b>Investing activities</b>		
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(2,962)	(1,625)
Purchases of intangible assets	(56)	(62)
Decrease (increase) in short-term loans receivable	0	1
Payments of long-term loans receivable	(12)	(1)
Collection of long-term loans receivable	3	3
Payment for long-term prepaid expenses	(78)	(50)
Other	24	(2)
Net cash used in investing activities	(3,080)	(1,738)
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans payable, net	561	1,604
Proceeds from long-term debt	-	367
Repayments of long-term debt	(133)	(318)
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	(330)	859
Effect of exchange rate changes on cash and cash equivalents	(1,493)	(420)
Net increase (decrease) in cash and cash equivalents	(5,920)	(3,541)
Cash and cash equivalents, beginning of period	17,858	12,037
Cash and cash equivalents, end of period	11,938	8,495

**(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. 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
	Speaker	Mobile audio	Other			
Net sales						
Sales to external customers	18,351	14,799	1,404	34,555	-	34,555
Inter-segment sales or transfers	-	-	-	-	-	-
Total	18,351	14,799	1,404	34,555	-	34,555
Segment income (loss)	979	(161)	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.

II. Three months ended June 30, 2017 (from April 1, 2017 to June 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	18,647	17,719	1,434	37,800	-	37,800
Inter-segment sales or transfers	-	-	-	-	-	-
Total	18,647	17,719	1,434	37,800	-	37,800
Segment income	1,359	16	92	1,468	-	1,468

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 first 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)

An impairment loss of ¥165 million has been recorded in the "Mobile audio" segment.