



Consolidated Financial Results for the Three Months Ended June 30, 2018 (Japanese GAAP)

August 3, 2018
Tokyo Stock Exchange

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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, 2018 (From April 1, 2018 to June 30, 2018)

(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, 2018	36,512	(3.4)	947	(35.5)	1,101	(33.5)	(2,464)	-
June 30, 2017	37,800	9.4	1,468	65.8	1,656	58.0	770	(22.7)

Note: Comprehensive income: Three months ended June 30, 2018 ¥(2,349) million [(-)%]
Three months ended June 30, 2017 ¥813 million [(-)%]

	Net income per share	Diluted net income per share
Three months ended June 30, 2018	Yen (95.78)	Yen -
June 30, 2017	29.95	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2018	97,593	63,289	60.3	2,289.11
March 31, 2018	100,870	66,792	61.5	2,412.06

Reference: Equity capital: As of June 30, 2018 ¥58,897 million
As of March 31, 2018 ¥62,061 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, 2018	Yen -	Yen 20.00	Yen -	Yen 35.00	Yen 55.00
Fiscal year ending March 31, 2019	-	-	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	-	-	-	20.00

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

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(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, 2019	140,000	(24.2)	3,000	(67.8)	2,500	(72.4)	(2,500)	-	(97.16)

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

* Notes

- (1) Changes in major subsidiaries during the three months ended June 30, 2018 (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. : Yes
 - (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, 2018:	26,931,051
March 31, 2018:	26,931,051
 - (ii) Number of treasury stock at end of period

June 30, 2018:	1,201,489
March 31, 2018:	1,201,449
 - (iii) Average number of shares outstanding for the period

Three months ended June 30, 2018	25,729,597
Three months ended June 30, 2017:	25,729,773

* This quarterly financial results report is not subject to quarterly review by a certified public accountant or an audit corporation.

* Information on proper use of the projected financial results and other notes
 (Note of caution on forward-looking statements)

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 of the three months ended June 30, 2018

(1) Explanation of operating results

During the three months ended June 30, 2018 (from April 1 to June 30, 2018), the global economy generally followed a path of moderate recovery. In the electronic components industry in which the Foster Group (“the Group”) operates, demand for automotive components remained strong, and we expanded various initiatives in the IoT and AI. In the smartphone market, the number of parts per unit is increasing due to more advanced functionality, but unit sales began to slow.

The Group’s business environment was extremely harsh due to a decline in the volume of headsets sold to a major customer and their prices. The Group responded by restructuring an optimal production capacity, offering employees early retirement in the Vietnam region and recognizing impairment losses on non-current assets not expected to generate cash. The Group also reinforced organizational systems to make the automotive products business the core of our future business.

As a result of these efforts, consolidated net sales for the three months ended June 30, 2018 came to ¥36,512 million (down 3.4% y-o-y). In terms of income, consolidated operating income was ¥947 million (down 35.5% y-o-y), while consolidated ordinary income came to ¥1,101 million (down 33.5% y-o-y), and net loss attributable to owners of the parent were ¥2,464 million (net income attributable to owners of the parent totaling ¥770 million in the previous fiscal year).

The performance of each segment is as follows:

[Speaker Segment]

As a result of a decline in the sales volume of premium brand products for some customers, net sales in this segment were ¥17,462 million, down 6.4% over the previous year. Due to a rise in material costs, ¥1,077 million (down 20.7% y-o-y) in operating income was posted.

[Mobile audio Segment]

In headsets for a major customer, although the transition from older models to new models made progress, net sales fell 0.1% over the previous year to ¥17,693 million. An operating loss of ¥203 million was posted due to the effect of price reductions of new models (¥16 million operating income in the same period in the previous year).

[Other Segment]

Sales for this segment, including micro acoustic component business and “FOSTEX” brand products, were ¥1,399 million (down 2.4% y-o-y) while operating income was ¥76 million (down 17.6% y-o-y).

(2) Explanation of financial position

Total assets decreased by ¥3,277 million from the end of the previous consolidated fiscal year to ¥97,593 million, primarily due to a decrease in property, plant and equipment. Liabilities increased by ¥227 million from the end of the previous consolidated fiscal year to ¥34,304 million, primarily due to an increase in short-term bank loans. Net assets decreased by ¥3,503 million from the end of the previous consolidated fiscal year to ¥63,289 million, primarily due to a decrease in retained earnings. The equity ratio decreased by 1.2 percentage points from the end of the previous consolidated fiscal year to 60.3%.

[Cash flow for the year under review]

The balance of cash and cash equivalents as of June 30, 2018 increased by ¥1,840 million from the end of the previous consolidated fiscal year to ¥11,991 million, mainly due to the following cash flows:

[Operating activities]

Net cash provided by operating activities totaled ¥675 million, due mainly to a decrease in trade notes and accounts receivable.

[Investing activities]

Net cash used in investing activities totaled ¥556 million, due mainly to capital expenditure.

[Financing activities]

Net cash provided by financing activities totaled ¥2,043 million, due mainly to an increase in loans.

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

In light of recent earnings trends, we have revised our full-year earnings forecasts released on April 27, 2018. For details, please refer to the “Notice Concerning Posting of Extraordinary Loss and Revisions to Full-Year Earnings Forecasts,” released separately today.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	9,704	11,003
Notes and accounts receivable - trade	21,744	19,620
Electronically recorded monetary claims - operating	499	319
Securities	2,310	2,295
Finished goods	26,582	30,053
Raw materials	7,972	6,108
Work in process	2,075	1,429
Supplies	425	440
Short-term loans receivable	0	0
Accounts receivable - other	841	504
Other	1,473	1,602
Allowance for doubtful receivables	(15)	(18)
Total current assets	73,614	73,361
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,717	9,428
Machinery and equipment, net	6,515	5,496
Tools, furniture and fixtures, net	3,056	1,937
Land	1,151	1,138
Construction in progress	679	767
Net property, plant and equipment	21,120	18,768
Intangible assets		
Software	307	263
Leasehold rights	816	832
Other	176	163
Total intangible assets	1,300	1,259
Investments and other assets		
Investment securities	2,743	2,639
Long-term loans receivable	30	30
Long-term prepaid expenses	543	162
Asset for employees' retirement benefits	778	757
Deferred tax assets	439	315
Other	309	307
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	4,835	4,203
Total non-current assets	27,255	24,231
Total assets	100,870	97,593

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,053	11,295
Electronically recorded obligations - operating	60	—
Short-term bank loans	3,353	6,280
Current portion of long-term debt	1,250	1,042
Accounts payable - other	4,316	3,854
Income taxes payable	627	520
Accrued expenses	1,946	1,683
Reserve for bonuses	693	581
Other	651	490
Total current liabilities	25,953	25,748
Non-current liabilities		
Long-term debt	7,098	7,529
Deferred tax liabilities	422	393
Liability for employees' retirement benefits	140	159
Liability for directors' retirement benefits	8	9
Provisions for stock benefit program	46	57
Asset retirement obligations	240	241
Other	169	164
Total non-current liabilities	8,124	8,555
Total liabilities	34,077	34,304
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,394	9,394
Retained earnings	48,068	44,625
Treasury stock	(2,156)	(2,156)
Total shareholders' equity	62,077	58,634
Accumulated other comprehensive income		
Unrealized gain on investment securities	776	725
Foreign currency translation adjustment	(410)	(92)
Remeasurements of defined benefit plans	(382)	(370)
Total accumulated other comprehensive income	(15)	263
Non-controlling interests	4,731	4,391
Total net assets	66,792	63,289
Total liabilities and net assets	100,870	97,593

(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, 2017	Three months ended June 30, 2018
Net sales	37,800	36,512
Cost of sales	32,776	32,093
Gross profit	5,024	4,419
Selling, general and administrative expenses	3,556	3,472
Operating income	1,468	947
Non-operating income		
Interest income	26	27
Dividend income	14	12
Foreign currency exchange gain	117	116
Miscellaneous income	118	91
Total non-operating income	276	248
Non-operating expenses		
Interest expense	35	50
Miscellaneous loss	53	43
Total non-operating expenses	88	93
Ordinary income	1,656	1,101
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	165	2,087
Special retirement payments	-	948
Total extraordinary losses	165	3,035
Income (loss) before income taxes	1,490	(1,934)
Income taxes – current	468	330
Income taxes – deferred	193	123
Total income taxes	662	454
Net income (loss)	828	(2,388)
Net income attributable to non-controlling interests	58	75
Net income (loss) attributable to owners of the parent	770	(2,464)

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

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income (loss)	828	(2,388)
Other comprehensive income		
Unrealized gain on investment securities	(36)	(51)
Foreign currency translation adjustment	23	75
Remeasurements of defined benefit plans	(1)	15
Total accumulated other comprehensive income	(14)	39
Comprehensive income	813	(2,349)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	784	(2,185)
Total comprehensive income attributable to non-controlling interests	29	(163)

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating activities		
Income (loss) before income taxes	1,490	(1,934)
Depreciation and amortization	2,103	1,680
(Increase) decrease in asset for employees' retirement benefits	(12)	19
Increase (decrease) in liability for employees' retirement benefits	46	15
Increase (decrease) in directors' retirement benefits	(44)	1
Increase (decrease) in allowance for doubtful receivables	(6)	2
Increase (decrease) in reserve for bonuses	(17)	(117)
Impairment losses	165	2,087
Special retirement payments	-	948
Interest and dividend income	(40)	(40)
Interest expense	35	50
Foreign exchange loss (gain)	16	12
Decrease (increase) in trade notes and accounts receivable	975	2,091
Decrease (increase) in inventories	(4,909)	(743)
Increase (decrease) in trade notes and accounts payable	(986)	(1,985)
Decrease (increase) in other accounts receivable	217	307
Increase (decrease) in other accounts payable	(359)	(512)
Other	(45)	19
Subtotal	(1,370)	1,898
Interest and dividend income received	40	40
Interest expenses paid	(35)	(50)
Payments for special retirement expenses	-	(737)
Income taxes - paid	(877)	(492)
Income taxes refund	-	16
Net cash provided by (used in) operating activities	(2,243)	675
Investing activities		
Purchases of securities	-	(298)
Proceeds from redemption of securities	-	807
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(1,625)	(974)
Purchases of intangible assets	(62)	(62)
Decrease (increase) in short-term loans receivable	1	0
Payments of long-term loans receivable	(1)	-
Collection of long-term loans receivable	3	1
Payment for long-term prepaid expenses	(50)	(2)
Other	(2)	(28)
Net cash used in investing activities	(1,738)	(556)
Financing activities		
Increase (decrease) in short-term bank loans payable, net	1,604	2,926
Proceeds from long-term debt	367	606
Repayments of long-term debt	(318)	(436)
Dividends paid	(643)	(904)
Dividends paid to non-controlling interests	(150)	(149)
Purchase of treasury stock	(0)	(0)
Net cash provided by financing activities	859	2,043
Effect of exchange rate changes on cash and cash equivalents	(420)	(320)
Net increase (decrease) in cash and cash equivalents	(3,541)	1,840
Cash and cash equivalents, beginning of period	12,037	10,150
Cash and cash equivalents, end of period	8,495	11,991

(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.

(Change in accounting policy)

Subsidiary companies, which are applicable to IFRS, have adopted IFRS 15 "Revenue from Contracts with Customers" since the first quarter of the current consolidated fiscal year.

The effect of this change on income or loss of the consolidated cumulative first quarter is immaterial.

In applying this standard, they adopt the method recognizing the cumulative effect of the application of this standard on the date of initial application, which is permitted as a transitional measure.

(Additional information)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standard Boards of Japan [ASBJ] Statement No. 28 of February 16, 2018), etc. since the beginning of the first quarter of the current consolidated fiscal year. Deferred tax assets are presented in "Investments and other assets," and deferred tax liabilities are presented in "Non-current liabilities."

(Segment information)

Segment information

I. 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 coincides with the value of operating income of the quarterly consolidated statement of income.

2. 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 on non-current assets of ¥165 million relating to idle assets was posted.

II. Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

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	17,462	17,693	1,356	36,512	—	36,512
Inter-segment sales or transfers	—	—	42	42	(42)	—
Total	17,462	17,693	1,399	36,554	(42)	36,512
Segment income	1,077	(203)	76	950	(3)	947

Notes: 1. The negative ¥3 million in adjustments for segment income refers to the elimination of inter-segment transactions between segments.

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

2. 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 on non-current assets of ¥2,087 million relating to business assets is posted.