



Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Japanese GAAP)

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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, 2018 (From April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	108,652	(21.8)	3,620	(58.2)	4,013	(53.8)	(2,020)	-
December 31, 2017	138,946	17.8	8,662	795.9	8,695	828.9	6,033	-

Note: Comprehensive income: Nine months ended December 31, 2018 ¥(1,416) million [-%]
 Nine months ended December 31, 2017 ¥7,485 million [-%]

	Net income per share	Diluted net income per share
Nine months ended December 31, 2018	Yen (81.04)	Yen -
December 31, 2017	234.51	-

(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, 2018	93,604	59,436	58.2	2,409.99
March 31, 2018	100,870	66,792	61.5	2,412.06

Reference: Equity capital: As of December 31, 2018 ¥54,483 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	-	10.00	-		
Fiscal year ending March 31, 2019 (Forecast)				10.00	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)	4,000	(57.0)	4,000	(55.9)	(2,200)	-	(90.33)

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

*** Notes**

- (1) Changes in major subsidiaries during the nine months ended December 31, 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)
December 31, 2018: 26,931,051
March 31, 2018: 26,931,051
(ii) Number of treasury stock at end of period
December 31, 2018: 4,323,692
March 31, 2018: 1,201,449
(iii) Average number of shares outstanding for the period
Nine months ended December 31, 2018: 24,927,851
Nine months ended December 31, 2017: 25,729,709

* 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
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, 2018

(1) Explanation of operating results

During the nine months ended December 31, 2018 (from April 1 to December 31, 2018), the global economy continued to expand modestly, particularly in developed countries, but the outlook became increasingly uncertain from the second half of the fiscal year due to the increasingly severe US-China trade dispute and concerns over slowing in the Chinese economy.

In the electronic equipment and electronic components industries in which the Foster Group (“the Group”) operates, demand for automotive components remained firm overall, but slower growth in demand for smartphone parts became even more obvious.

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, primarily by offering employees early retirement in the Vietnam region and reduced non-current assets by booking impairment losses. The Group also reinforced organizational systems to make the automotive products business the core of our future business.

The outcome of the above factors was that consolidated net sales for the nine months ended December 31, 2018 were ¥108,652 million (down 21.8% y-o-y), resulting in a consolidated operating income of ¥3,620 million (down 58.2% y-o-y), while consolidated ordinary income came to ¥4,013 million (down 53.8% y-o-y). Net loss attributable to owners of the parent was ¥2,020 million (net income attributable to owners of the parent totaling ¥6,033 million in the same period in the previous 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 the speaker segment were ¥52,719 million, down 5.6% over the previous year, and operating income was ¥3,365 million, down 14.9% over the previous year.

[Mobile audio Segment]

Net sales in the mobile audio segment were ¥51,348 million, down 34.8% over the previous year, and an operating loss of ¥19 million was posted (¥4,271 million operating income in the same period in the previous year). This was due to a decline in the volume of headsets sold to a major customer and their prices.

[Other Segment]

Sales for this segment, including micro acoustic components and “FOSTEX” brand products, were ¥4,721 million (up 6.4% y-o-y), while operating income came in at ¥273 million, down 37.5% y-o-y.

(2) Explanation of financial position

Total assets decreased by ¥7,266 million from the end of the previous consolidated fiscal year to ¥93,604 million, primarily due to a decrease in inventories. Total liabilities increased by ¥91 million from the end of the previous consolidated fiscal year to ¥34,168 million, primarily due to an increase in loans. Net assets decreased by ¥7,356 million from the end of the previous consolidated fiscal year to ¥59,436 million, primarily due to an increase in treasury stock. The equity ratio decreased by 3.3 percentage points from the end of the previous consolidated fiscal year to 58.2%.

[Cash flow for the year under review]

The balance of cash and cash equivalents as of December 31, 2018 increased by ¥6,016 million from the end of the previous consolidated fiscal year to ¥16,167 million, due mainly to the following cash flows:

[Operating activities]

Net cash provided by operating activities totaled ¥10,990 million, as a result of, amongst other factors, decrease (increase) in inventories falling by ¥9,398 million.

[Investing activities]

Net cash used in investing activities totaled ¥2,687 million, due mainly to capital expenditure.

[Financing activities]

Net cash used in financing activities totaled ¥2,157 million, due mainly to purchase of treasury stock.

(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. For its details, please refer to "Revisions to Full Year Earnings Forecasts" disclosed separately today.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	9,704	15,255
Notes and accounts receivable - trade	21,744	21,864
Electronically recorded monetary claims - operating	499	310
Securities	2,310	2,473
Finished goods	26,582	21,328
Raw materials	7,972	5,152
Work in process	2,075	1,174
Supplies	425	274
Short-term loans receivable	0	0
Accounts receivable - other	841	690
Other	1,473	1,767
Allowance for doubtful receivables	(15)	(28)
Total current assets	73,614	70,263
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,717	9,233
Machinery and equipment, net	6,515	4,432
Tools, furniture and fixtures, net	3,056	2,814
Land	1,151	886
Construction in progress	679	991
Net property, plant and equipment	21,120	18,357
Intangible assets		
Software	307	215
Leasehold rights	816	765
Other	176	158
Total intangible assets	1,300	1,139
Investments and other assets		
Investment securities	2,743	2,313
Long-term loans receivable	30	30
Long-term prepaid expenses	543	161
Asset for employees' retirement benefits	778	780
Deferred tax assets	439	249
Other	309	309
Allowance for doubtful accounts	(9)	-
Total investments and other assets	4,835	3,844
Total non-current assets	27,255	23,340
Total assets	100,870	93,604

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,053	9,184
Electronically recorded obligations - operating	60	—
Short-term bank loans	3,353	3,090
Current portion of long-term debt	1,250	6,863
Accounts payable - other	4,316	3,320
Income taxes payable	627	688
Accrued expenses	1,946	2,001
Reserve for bonuses	693	804
Other	651	833
Total current liabilities	25,953	26,788
Non-current liabilities		
Long-term debt	7,098	5,455
Deferred tax liabilities	422	1,196
Liability for employees' retirement benefits	140	226
Liability for directors' retirement benefits	8	11
Provisions for stock benefit program	46	80
Asset retirement obligations	240	243
Other	169	165
Total non-current liabilities	8,124	7,380
Total liabilities	34,077	34,168
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	9,394	9,394
Retained earnings	48,068	44,819
Treasury stock	(2,156)	(6,655)
Total shareholders' equity	62,077	54,328
Accumulated other comprehensive income		
Unrealized gain on investment securities	776	563
Foreign currency translation adjustment	(410)	(51)
Remeasurements of defined benefit plans	(382)	(357)
Total accumulated other comprehensive income	(15)	154
Non-controlling interests	4,731	4,952
Total net assets	66,792	59,436
Total liabilities and net assets	100,870	93,604

(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, 2017	Nine months ended December 31, 2018
Net sales	138,946	108,652
Cost of sales	119,389	94,922
Gross profit	19,557	13,729
Selling, general and administrative expenses	10,894	10,109
Operating income	8,662	3,620
Non-operating income		
Interest income	67	103
Dividend income	27	35
Foreign currency exchange gain	100	292
Miscellaneous income	423	325
Total non-operating income	618	757
Non-operating expenses		
Interest expense	173	149
Miscellaneous loss	411	214
Total non-operating expenses	584	364
Ordinary income	8,695	4,013
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Impairment losses	165	2,401
Special retirement payments	—	1,235
Total extraordinary losses	165	3,636
Income before income taxes	8,529	376
Income taxes – current	1,711	836
Income taxes – deferred	389	1,013
Total income taxes	2,101	1,849
Net income (loss)	6,428	(1,473)
Net income attributable to non-controlling interests	394	547
Net income (loss) attributable to owners of the parent	6,033	(2,020)

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

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net income (loss)	6,428	(1,473)
Other comprehensive income		
Unrealized gain on investment securities	192	(213)
Foreign currency translation adjustment	852	242
Remeasurements of defined benefit plans	11	27
Total accumulated other comprehensive income	1,057	56
Comprehensive income	7,485	(1,416)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	7,105	(1,849)
Total comprehensive income attributable to non-controlling interests	380	433

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Operating activities		
Income before income taxes	8,529	376
Depreciation and amortization	6,159	3,552
(Increase) decrease in asset for employees' retirement benefits	(32)	(3)
Increase (decrease) in liability for employees' retirement benefits	34	80
Increase (decrease) in directors' retirement benefits	(44)	3
Increase (decrease) in allowance for doubtful receivables	(26)	12
Increase (decrease) in reserve for bonuses	515	108
Impairment losses	165	2,401
Special retirement payments	—	1,235
Interest and dividend income	(94)	(139)
Interest expense	173	149
Foreign exchange loss (gain)	16	18
Decrease (increase) in trade notes and accounts receivable	(7,113)	(44)
Decrease (increase) in inventories	(5,807)	9,398
Increase (decrease) in trade notes and accounts payable	3,401	(4,206)
Decrease (increase) in other accounts receivable	247	130
Increase (decrease) in other accounts payable	275	(485)
Other	819	442
Subtotal	7,221	13,029
Interest and dividend income received	94	139
Interest expenses paid	(173)	(149)
Payments for special retirement expenses	—	(1,182)
Income taxes - paid	(1,758)	(846)
Net cash provided by operating activities	5,383	10,990
Investing activities		
Purchases of securities	(1,258)	(1,683)
Proceeds from redemption of securities	193	2,077
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(4,362)	(2,802)
Purchases of intangible assets	(102)	(99)
Decrease (increase) in time deposits	—	(120)
Decrease (increase) in short-term loans receivable	2	0
Payments of long-term loans receivable	(1)	(4)
Collection of long-term loans receivable	6	5
Payment for long-term prepaid expenses	(191)	(28)
Purchase of shares in a subsidiary company resulting in change in scope of consolidation	(261)	—
Other	(0)	(32)
Net cash used in investing activities	(5,976)	(2,687)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Financing activities		
Increase (decrease) in short-term bank loans payable, net	427	(278)
Proceeds from long-term debt	368	5,175
Repayments of long-term debt	(1,013)	(1,249)
Dividends paid	(1,160)	(1,154)
Dividends paid to non-controlling interests	(150)	(149)
Purchase of treasury stock	(0)	(4,499)
Net cash used in financing activities	(1,528)	(2,157)
Effect of exchange rate changes on cash and cash equivalents	97	(128)
Net increase (decrease) in cash and cash equivalents	(2,023)	6,016
Cash and cash equivalents, beginning of period	12,037	10,150
Cash and cash equivalents, end of period	10,013	16,167

(4) Notes to the consolidated financial statements

(Notes on going concern assumption)

Not applicable.

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

The Company acquired 3,122,500 shares of treasury stock upon a resolution by the board of directors at a meeting held on August 30, 2018.

As a result, the amount of treasury stock in the nine months ended December 31, 2018 increased by ¥4,499 million and totaled ¥6,655 million as of December 31, 2018.

(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 third 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. 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. Adjustment of segment income refers to elimination of intersegment transactions.

2. Adjustments are made to reconcile total segment income to operating income reported on quarterly consolidated statements 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. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	52,719	51,348	4,583	108,652	—	108,652
Inter-segment sales or transfers	—	—	137	137	(137)	—
Total	52,719	51,348	4,721	108,789	(137)	108,652
Segment income	3,365	(19)	273	3,620	0	3,620

Notes: 1. The segment adjustment refers to the elimination of inter-segment transactions.

2. Total segment income is adjusted with the value of operating income posted in 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 ¥2,091 million relating to business assets was posted.