

## Stock Information (As of March 31, 2015)

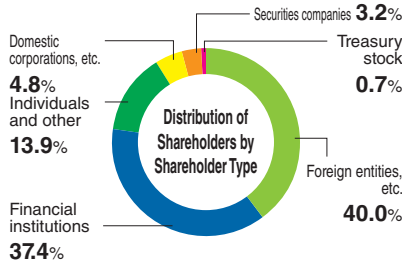
### Status of Shares

Total number of shares authorized to be issued by the Company:  
**80,000,000** shares

Total number of shares issued:  
**26,931,051** shares

Number of shareholders:  
**5,791**

Number of treasury stock:  
**177,166** shares



### Major Shareholders

| Shareholder's Name   | Number of Shares Held (thousand) | Ratio of Shares Held (%) |
|--|----------------------------------|--------------------------|
| Japan Trustee Services Bank, Ltd. (trust account)  | 2,502                            | 9.3                      |
| The Master Trust Bank of Japan, Ltd. (trust account)   | 1,436                            | 5.3                      |
| Mizuho Bank, Ltd.  | 1,016                            | 3.8                      |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.   | 945                              | 3.5                      |
| Chase Manhattan Bank GTS Clients Account Escrow  | 742                              | 2.7                      |
| State Street Bank and Trust Company 505223   | 613                              | 2.2                      |
| Japan Trustee Services Bank, Ltd. (Portion re-trusted to Sumitomo Mitsui Trust Bank, Limited, and the trust account for the TDK Corporation's retirement benefit fund) | 587                              | 2.1                      |
| Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension  | 528                              | 1.9                      |
| Trust & Custody Services Bank, Ltd. (securities investment trust account)  | 496                              | 1.8                      |
| Mellon Bank Treaty Clients Omnibus   | 469                              | 1.7                      |

Treasury stock (177,166 shares) is excluded for the calculation of the "Ratio of Shares Held."

## BUSINESS REPORT

**For the 81st Fiscal Year  
From April 1, 2014 to March 31, 2015**

### Shareholder Information

|  |   |
|--|---|
| Fiscal Year                              | From April 1 to March 31 of each year   |
| Ordinary General Meeting of Shareholders | June of each year   |
| Record date                              | Ordinary General Meeting of Shareholders: March 31<br>Year-end dividends: March 31<br>Interim dividends: September 30 |
| Number of Unit ("tangen") Shares         | 100   |
| Transfer Agent                           | Stock Transfer Agency Department, Head Office of Mizuho Trust & Banking Co., Ltd.                                     |
| Transfer Agent Branch                    | 1-2-1, Yaesu, Chuo-ku, Tokyo  |
| Media for Public Notice                  | Nihon Keizai Shimbun (daily newspaper) issued in the Metropolis of Tokyo  |

### Inquiries for Handling of Stocks

|   |   |
|---|---|
| Shareholders who have an account at a securities company  | The securities company with which you have a business connection  |
| Shareholders who have a special account<br><small>*Shareholders are not allowed to make any stock transactions other than the purchase of shares less than one unit ("tangen").</small> | Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.<br>2-8-4, Izumi, Sugunami-ku, Tokyo, 168-8507, Japan<br><b>Tel: 0120-288-324</b><br>(toll-free telephone service in Japan) |
| Payment of unpaid dividends   | Head office and branches nationwide of Mizuho Trust & Banking Co., Ltd., and Mizuho Bank, Ltd.  |

## To Our Shareholders



We are honored to report our overview of business and performance for the 81st fiscal year ended March 31, 2015.

Hiromi Yoshizawa  
President

### Corporate creed

**Sincerity**

### Corporate Vision

**To make contributions  
for future society through acoustics**

### Mission statement

Through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world. A truly global enterprise our future society counts on.

## Business Environment and Performance

The world economy during the fiscal year ended March 31, 2015 saw a moderate recovery, centering on the advanced countries supported by monetary easing policies in various countries and a drop in crude oil prices. Positive signs in the U.S. economy included an expansion of employment and strong personal consumption, and a recovery trend continued in the Japanese economy due to the continuation of a new phase of monetary easing. Meanwhile in Europe, while there were signs of recovery in countries including the UK and Germany, overall a trend of stagnation continued. China and other emerging countries saw a slowdown in economic growth.

Conditions were favorable in the electronic equipment and electronic components industries where the Foster Group (“the Group”) operates, as sales of smartphone components expanded in the Chinese market, etc., and automotive components for the North American market also drove global demand.

Under this business environment, the Group worked to clarify the roles of manufacturing bases and implement reorganization through scrap-and-build efforts in order to establish an optimal production structure.

Consequently, the Group achieved record high consolidated net sales for the fiscal year ended March 31, 2015, as well as record high consolidated operating income and consolidated ordinary income.

We decided to distribute a year-end dividend of ¥28 per share that includes an additional 65th commemorative dividend of ¥5 per share, as a distribution of profit commensurate with the business results and to express management’s gratitude for the continuing support of our shareholders. The annual dividend for the year under review therefore is ¥40 per share.

## Outlook

The global economy is expected to remain firm. However, the overall situation of the global economy is expected to continue to be severe and there is still the need to be cautious, due to factors including the expected impact on economic conditions caused by an increase in interest rates in U.S. which has been leading the global economy, a new normal economic state in China, and growing geopolitical risks in the Middle East.

In the electronic components industry, strong sales of smartphones and automotive components are expected. However, in the smartphone market it will be important to respond to the polarization of high-end models and low-priced models, and to support the characteristics of the automotive markets in each region.

Under such situation, the Group intends to take necessary measures for future business expansion and corporate growth in the 82nd fiscal year and beyond.

For the 82nd fiscal year, we will follow the previous year’s Annual Management Policy of “To establish the base of global business and create the profitable structure toward the year 2020,” and focus our efforts on improving the quality of our business operations.

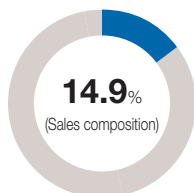
We will continue taking various measures to achieve our goals based on the medium-term management plan with the mind-set of CSR in our corporate activities to become a socially recognized enterprise.

We appreciate shareholders’ continuous support.

June 2015

## Segment Information

### Acoustic Components and Products Segment

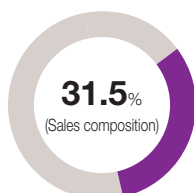


Net sales: **¥28,189** million

A 13.7% year-over-year increase

Production and shipment were strong of flat TV speakers and speaker systems, and audio speakers and headphones.

### Automobile Components and Products Segment

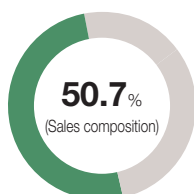


Net sales: **¥59,516** million

A 17.2% year-over-year increase

Production and shipment of car speakers and speaker systems performed favorably supported by the increased demand in the North American market.

### Information & Communication Equipment Components and Products Segment

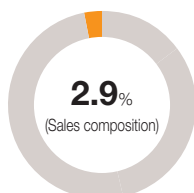


Net sales: **¥95,981** million

A 7.3% year-over-year increase

As for the production and shipment of mobile phone headsets, etc., shipments to major customers performed favorably.

### Other Segment



Net sales: **¥5,437** million

A 107.7% year-over-year increase

Sales of this segment, including the "FOSTEX" brand products, increased significantly, reflecting the full-year contribution of the micro acoustic components business.

## Financial Highlights (Summary)

### Consolidated Balance Sheets (Summary)

(Millions of yen)

|   | 81st Fiscal Year<br>As of March 31, 2015 | 80th Fiscal Year<br>As of March 31, 2014 |
|---|--|--|
| <b>(Assets)</b>                               |  |  |
| <b>Current assets</b>                         | 73,721                                   | 67,713                                   |
| <b>Non-current assets</b>                     | 31,121                                   | 30,316                                   |
| <b>Total assets</b>                           | 104,843                                  | 98,030                                   |
| <b>(Liabilities)</b>                          |  |  |
| <b>Current liabilities</b>                    | 31,699                                   | 34,865                                   |
| <b>Long-term liabilities</b>                  | 8,199                                    | 14,560                                   |
| <b>Total liabilities</b>                      | 39,899                                   | 49,425                                   |
| <b>(Net Assets)</b>                           |  |  |
| <b>Shareholders' equity</b>                   | 55,538                                   | 45,426                                   |
| <b>Accumulated other comprehensive income</b> | 5,442                                    | (58)                                     |
| <b>Minority interests</b>                     | 3,963                                    | 3,236                                    |
| <b>Total net assets</b>                       | 64,944                                   | 48,604                                   |
| <b>Total liabilities and net assets</b>       | 104,843                                  | 98,030                                   |

Note: All amounts less than 1 million yen are truncated.

### Consolidated Statements of Income (Summary)

(Millions of yen)

|  | 81st Fiscal Year<br>From April 1, 2014 to<br>March 31, 2015 | 80th Fiscal Year<br>From April 1, 2013 to<br>March 31, 2014 |
|--|---|---|
| <b>Net sales</b>   | 189,124   | 167,640   |
| <b>Operating income</b>                                  | 9,747   | 6,021   |
| <b>Ordinary income</b>                                   | 10,398  | 6,327   |
| <b>Income before income taxes and minority interests</b> | 9,019   | 4,515   |
| <b>Net income</b>  | 4,858   | 2,321   |

Note: All amounts less than 1 million yen are truncated.

### Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

|   | 81st Fiscal Year<br>From April 1, 2014 to<br>March 31, 2015 | 80th Fiscal Year<br>From April 1, 2013 to<br>March 31, 2014 |
|---|---|---|
| <b>Operating activities</b>   | 15,499  | 9,469   |
| <b>Investing activities</b>   | (4,417)   | (4,249)   |
| <b>Financing activities</b>   | (11,513)  | (5,388)   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | 519   | 644   |
| <b>Net increase (decrease) in cash and cash equivalents</b>         | 88  | 476   |
| <b>Cash and cash equivalents, beginning of period</b>               | 5,836   | 5,359   |
| <b>Cash and cash equivalents, end of period</b>                     | 5,924   | 5,836   |

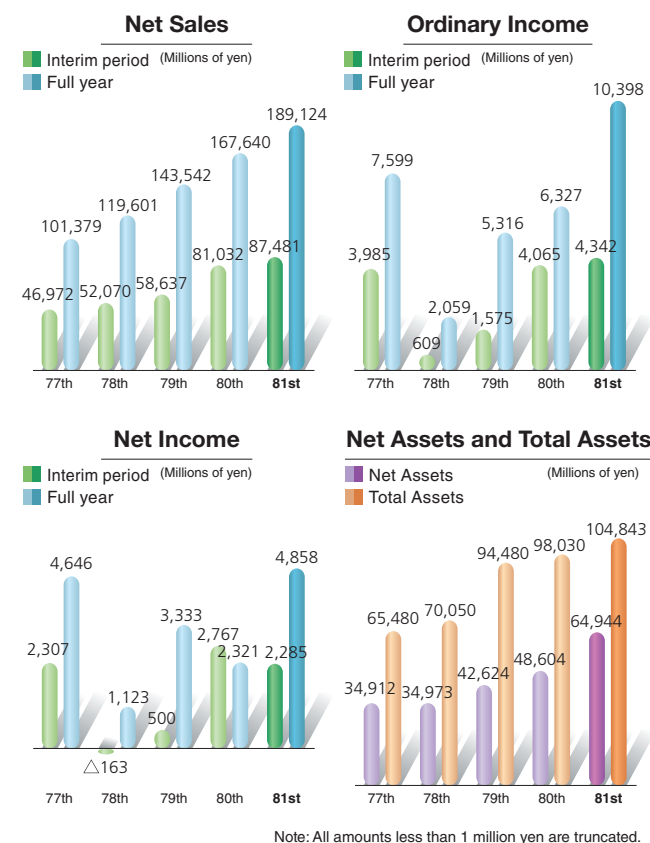
Note: All amounts less than 1 million yen are truncated.

## Consolidated Performance Highlights

### Review of Operations (Consolidated)

Consolidated net sales for the fiscal year ended March 31, 2015, increased to ¥189,124 million (up 12.8%, y-o-y), due mainly to strong production and shipment of products as well as the favorable effects of yen depreciation. In terms of profits, consolidated operating income for the fiscal year ended March 31, 2015 was ¥9,747 million (up 61.9%, y-o-y), consolidated ordinary income came to ¥10,398 million (up 64.3%, y-o-y), and consolidated net income was ¥4,858 million (up 109.3%, y-o-y) due mainly to cost improvements achieved through quality improvements and streamlining.

### Changes in Operating Results and Total Assets (Consolidated)



## Topics

1

### Payment of a commemorative dividend

In June 2014, we celebrated the Company's 65th anniversary since foundation. To express our gratitude to shareholders who have supported us, we decided to pay a commemorative dividend of ¥5 per share for the year-end dividend for the fiscal year ended March 31, 2015. As a result, the annual dividend for the fiscal year was ¥40 per share.

2

### Establishment of a production base (indirectly owned subsidiary) in the Thilawa Special Economic Zone in Myanmar

In December 2014, we established Foster Electric (Thilawa) Co., Ltd. in the Thilawa Special Economic Zone in Myanmar, in an effort to achieve the stable expansion of our speaker business focused on automobiles. The plant is scheduled to be completed in October 2015.



Image of the completed plant

3

### Completion of the exercise of subscription rights to shares

The exercise of all subscription rights to shares associated with yen-denominated convertible bonds with subscription rights to shares maturing in 2017 has been completed. As a result, the total number of issued shares increased by 3,425,036 shares, common stock increased by ¥3.0 billion, and capital surplus increased by ¥3.0 billion.

## Introduction of Our Products

### ODM and OEM Products



Automotive speakers



Headphones



Speakers for televisions



Micro acoustic components

### FOSTEX Products



Speaker System  
G1003MG



Stereo Earphones  
TE-07

<http://www.fostex.jp/>

### New Product

#### Speaker System GR160

This is the first release of the new GR series that utilizes technologies developed in high-end models while focusing on ease-of-use. Using a 16cm woofer, placing a bass reflex duct on the enclosure bottom with standard, equipment of insulators and base board, it achieves high quality and rich bass reproduction despite it being a bookshelf type.



# Company Information

## Company Profile (As of March 31, 2015)

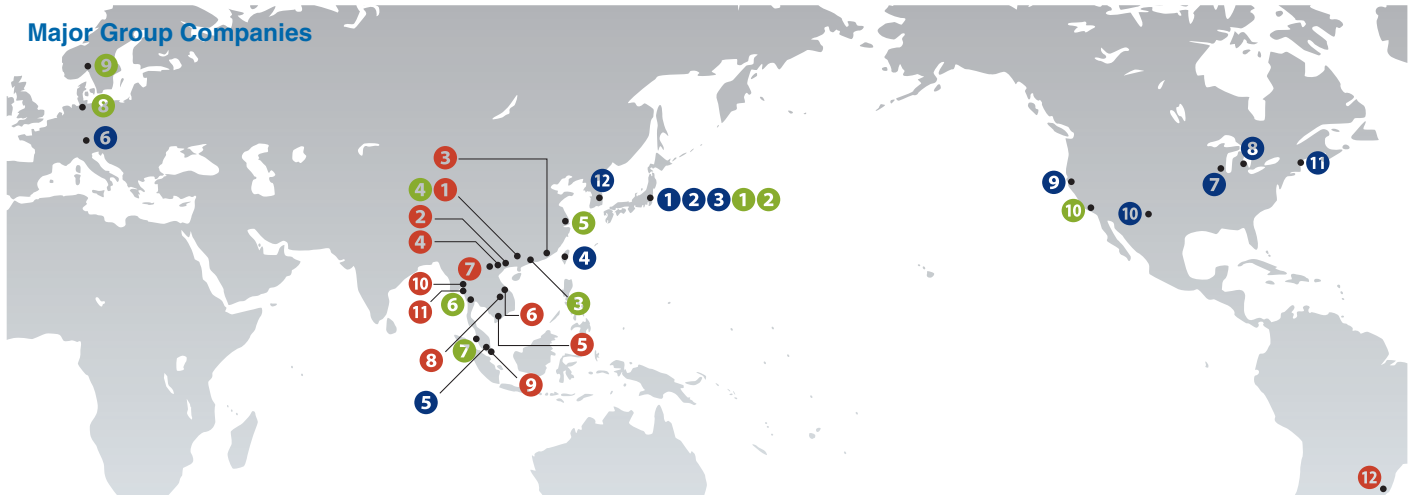
|                            |  |
|----------------------------|--|
| <b>Company Name</b>        | Foster Electric Company, Limited   |
| <b>Founded</b>             | June 20, 1949  |
| <b>Common Stock</b>        | ¥6,770,360,135   |
| <b>Headquarters</b>        | Listed on the First Section of the Tokyo Stock Exchange<br>1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan<br>Phone: +81-42-546-2311 (switchboard)<br>FAX: +81-42-546-2317 |
| <b>Number of employees</b> | 452 (Total of group companies: 55,247); Total number includes the employees of our outsourcee in Panyu, China.   |
| <b>URL</b>                 | <a href="http://www.foster.co.jp/">http://www.foster.co.jp/</a>  |

## Directors and Statutory Auditors (As of June 23, 2015)

|                                       |                     |                   |                      |
|---------------------------------------|---------------------|-------------------|----------------------|
| President and Representative Director | Hiromi Yoshizawa    | Senior Officer    | Yoichi Takahashi     |
| Senior Managing Director              | Atsushi Narikawa    | Senior Officer    | Terushige Nagasawa   |
| Managing Director                     | Kazuhiro Kishi      | Senior Officer    | Takuro Yamaguchi     |
| Director                              | Lu San Tie          | Senior Officer    | Fumio Murayama       |
| Director                              | Hidetoshi Shirakawa | Officer           | Masatoshi Kohama     |
| Director                              | Minoru Matsumoto    | Officer           | Tatsuhito Tanaka     |
| Director                              | Chieko Matsuda      | Officer           | Roy Ching-Sheng Chen |
| Standing Statutory Auditor            | Takuma Ino          | Officer           | Oh In-Yong           |
| Statutory Auditor                     | Osamu Nakamoto      | Executive Adviser | Yasuo Higashi        |
| Statutory Auditor                     | Haruo Shirasu       |                   |                      |

\*Minoru Matsumoto and Chieko Matsuda are Outside Directors.  
\*Takuma Ino and Osamu Nakamoto are Outside Statutory Auditors.

## Major Group Companies



### Sales/Development Bases (12 bases)

- 1 FOSTER ELECTRIC COMPANY, LIMITED
- 2 FOSTEX COMPANY
- 3 FOSTER MICRO ACOUSTIC COMPANY
- 4 FOSTER ELECTRIC CO., (TAIWAN) LTD.
- 5 FOSTER ELECTRIC (SINGAPORE) PTE. LTD.
- 6 MUNICH OFFICE
- 7 FOSTER ELECTRIC (U.S.A.), INC.
- 8 DETROIT OFFICE
- 9 SAN JOSE OFFICE
- 10 EL PASO OPERATIONS
- 11 BOSTON OFFICE
- 12 ESTec CORPORATION

### Sales Bases (10 bases)

- 1 FOSTER ELECTRONICS LIMITED
- 2 FOSTER TRANSPORTATIONS LIMITED
- 3 FOSTER ELECTRIC CO., (HONG KONG) LTD.
- 4 FOSTER ELECTRIC CO., (GUANGZHOU) LTD.
- 5 SHANGHAI OFFICE
- 6 FOSTER ELECTRIC IPO (THAILAND) LTD.
- 7 PENANG OFFICE
- 8 FOSTER ELECTRIC (EUROPE) GmbH
- 9 SWEDEN OFFICE
- 10 LOS ANGELES OFFICE

### Manufacturing Bases (12 bases)

- 1 GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY
- 2 FOSTER ELECTRIC CO., (NANNING) LTD.
- 3 FOSTER ELECTRIC CO., (HEYUAN) LTD.
- 4 FOSTER ELECTRIC CO., (CHONGZUO) LTD.
- 5 FOSTER ELECTRIC (VIETNAM) CO., LTD.
- 6 FOSTER ELECTRIC (DA NANG) CO., LTD.
- 7 FOSTER ELECTRIC (BAC NINH) CO., LTD.
- 8 FOSTER ELECTRIC (QUANG NGAI) CO., LTD.
- 9 PT FOSTER ELECTRIC INDONESIA
- 10 MYANMAR FOSTER ELECTRIC CO., LTD.
- 11 FOSTER ELECTRIC (THILAWA) CO., LTD. (Established in December 2014)
- 12 THOMAS KL INDUSTRIA DE ALTO FALANTES S.A. (Associated company)