

Acoustic Solution Partner

B U S I N E S S R E P O R T

For the Interim Period of the 82nd Fiscal Year From April 1, 2015 to September 30, 2015

CONTENTS

- ▶ To Our Shareholders
- ▶ TOPICS
- ▶ Consolidated Financial Results Information
- ▶ Company Information/Stock Information



Foster Electric IR Search

<http://www.foster-electric.com/investors/>



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.

To Our Shareholders

We aim to become a socially recognized enterprise as Foster in a new era.

The world economy during the six months ended September 30, 2015 recovered moderately, mainly in developed countries. In the U.S., personal consumption increased against a backdrop of improvement in employment, and exports have picked up in Europe. The Japanese economy was also on a track of moderate recovery. Meanwhile, uncertainties about the future heightened mainly due to the economic slowdown in China and the plunge in the stock market.

In the electronic equipment and electronic components industries where the Foster Group ("the Group") operates, tough conditions persisted for components related to audiovisual equipment for flat TVs, even though smartphone components and automotive components drove global demand.

Under this business environment, the Group concentrated efforts on ensuring orders in response to market changes. On the production front, the Group worked to improve processes to increase productivity, promote mechanization and laborsaving, and reduce costs such as material costs.

Consequently, looking at consolidated performance for the six months ended September 30, 2015, net sales, operating income, ordinary income, and net income attributable to owners of the parent achieved record highs.

We raised the dividend for the interim period under review from the original forecast at the beginning of the period of ¥15 per share to ¥25 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 Group will continue to increase corporate value by taking various measures to achieve our goals based on the medium-term management plan. In addition, we will further strengthen our corporate activities with CSR in mind, as we strive to become a socially recognized enterprise.

We appreciate shareholders' continuous support.

December 2015

Opening ceremony held at the Thilawa Special Economic Zone in Myanmar

An opening ceremony was held at the Thilawa Special Economic Zone on September 23, 2015, attended by representatives from the Japanese government and Myanmar government. The Company also attended as a company moving into the special economic zone.

We established Foster Electric (Thilawa) Co., Ltd. in the Thilawa Special Economic Zone in the suburbs of Yangon as a new production base Myanmar in December 2014, and have moved ahead with construction of the plant.

The plant is scheduled to begin production of speaker components during the fiscal year ending March 31, 2016, and monthly production of 3 million units of acoustic and automotive speakers is planned for the future.



FOSTEX showroom “Anfelit” opened

We opened the “Anfelit” showroom on August 7, 2015, in Futakotamagawa, Tokyo, as a base to promote our “FOSTEX” brand and “KOTORI” customized headphones. In addition to getting hands-on experience of our products, customers can also try out our products in combination with other companies’ brands.

We also plan to hold various events, such as premium trial sessions for limited numbers of participants, new product launches, and the traditional FOSTEX speaker craft workshops.



- Location:
Stream Tamagawa 1F-A
3-9-3, Tamagawa, Setagaya-ku,
Tokyo, 158-0094
- Hours of operation:
11:00 a.m. to 7:30 p.m.,
closed on Wednesdays
- Products on display:
Speaker systems, speaker units,
DAC/headphone amplifiers,
headphones, etc.

* “Anfelit” is a term coined from the phrase “And feel it.”

New Product

Pure Vacuum Tube Headphone Amplifier HP-V8

The HP-V8, a pure vacuum tube headphone amplifier, has arrived with the use of analogue technologies to achieve S/N ratio of 115dB. E88CC is used for voltage amplification and 300B is used as power tube. The power section uses an inimitable powering system equipped with KT88 enabling to achieve unprecedented low noise for a pure vacuum tube headphone amplifier.

The HP-V8 maximizes the reproduction ability of headphones, allowing the user to enjoy a rich sound.



FOSTEX Pure Vacuum Tube Headphone Amplifier HP-V8

▶ <http://www.fostexinternational.com/>

Consolidated Financial Results Information

Consolidated Financial Highlights

(Millions of yen)

	80th Fiscal Year (Fiscal Year ended March 31, 2014)		81st Fiscal Year (Fiscal Year ended March 31, 2015)		82nd Fiscal Year (Fiscal Year ending March 31, 2016)
	Interim Period	Full Year	Interim Period	Full Year	Interim Period
Net sales	81,032	167,640	87,481	189,124	96,641
Operating income	3,991	6,021	3,852	9,747	5,524
Ordinary income	4,065	6,327	4,342	10,398	5,927
Net income attributable to owners of the parent	2,767	2,321	2,285	4,858	4,406
Net income per share (Yen)	118.63	99.50	97.95	206.18	164.71
Net Assets	47,286	48,604	52,056	64,944	68,415
Total Assets	105,708	98,030	107,264	104,843	107,099
Net assets per share (Yen)	1,909.69	1,944.73	2,089.51	2,279.32	2,404.39
Equity ratio (%)	42.1	46.3	45.4	58.2	60.1

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

Consolidated Financial Statements (Summary)

(Unit: Millions of yen)

Consolidated Balance Sheets

	Interim Period of 82nd Fiscal Year As of September 30, 2015	81st Fiscal Year As of March 31, 2015
Assets		
Current assets	77,218	73,721
Non-current assets	29,880	31,121
Total assets	107,099	104,843
Liabilities		
Current liabilities	32,325	31,699
Long-term liabilities	6,358	8,199
Total liabilities	38,684	39,899
Net assets		
Shareholders' equity	59,195	55,538
Accumulated other comprehensive income	5,131	5,442
Non-controlling interests	4,088	3,963
Total net assets	68,415	64,944
Total liabilities and net assets	107,099	104,843

Consolidated Statements of Income

	Interim Period of 82nd Fiscal Year From April 1, 2015 to September 30, 2015	Interim Period of 81st Fiscal Year From April 1, 2014 to September 30, 2014
Net sales	96,641	87,481
Cost of sales	83,036	75,095
Gross profit	13,604	12,386
Selling, general and administrative expenses	8,080	8,533
Operating income	5,524	3,852
Non-operating income	666	667
Non-operating expenses	262	177
Ordinary income	5,927	4,342
Extraordinary income	551	-
Extraordinary losses	258	715
Income before income taxes	6,220	3,626
Total income taxes	1,556	1,107
Net income	4,664	2,519
Net income attributable to owners of the parent	4,406	2,285

Consolidated Statements of Cash Flows

	Interim Period of 82nd Fiscal Year From April 1, 2015 to September 30, 2015	Interim Period of 81st Fiscal Year From April 1, 2014 to September 30, 2014
Operating activities	9,896	2,233
Investing activities	(1,485)	(3,092)
Financing activities	(3,694)	(78)
Effect of exchange rate changes on cash and cash equivalents	(34)	156
Net increase (decrease) in cash and cash equivalents	4,681	(780)
Cash and cash equivalents, beginning of period	5,924	5,836
Cash and cash equivalents, end of period	10,606	5,055

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

Overview by Segment (Consolidated)

Information & Communication Components and Products Segment

51.9%

Net sales: **¥50,142** million (A 21.0% year-over-year increase)

Shipments of headsets to major customers performed favorably.



Headsets

Automotive Components and Products Segment

34.1%

Net sales: **¥32,952** million (A 15.5% year-over-year increase)

Shipment of car speakers and speaker systems, etc., performed favorably mainly in the North American market.



Automotive speakers

Other Segment

3.0%

Net sales: **¥2,867** million (A 5.3% year-over-year increase)

Net sales of this segment, including micro acoustic components and the "FOSTEX" brand products, increased.



FOSTEX products



Micro acoustic components

Acoustic Components and Products Segment

11.0%

Net sales: **¥10,677** million (A 27.9% year-over-year decrease)

Shipment of flat TV speakers and speaker systems, and audio speakers decreased.



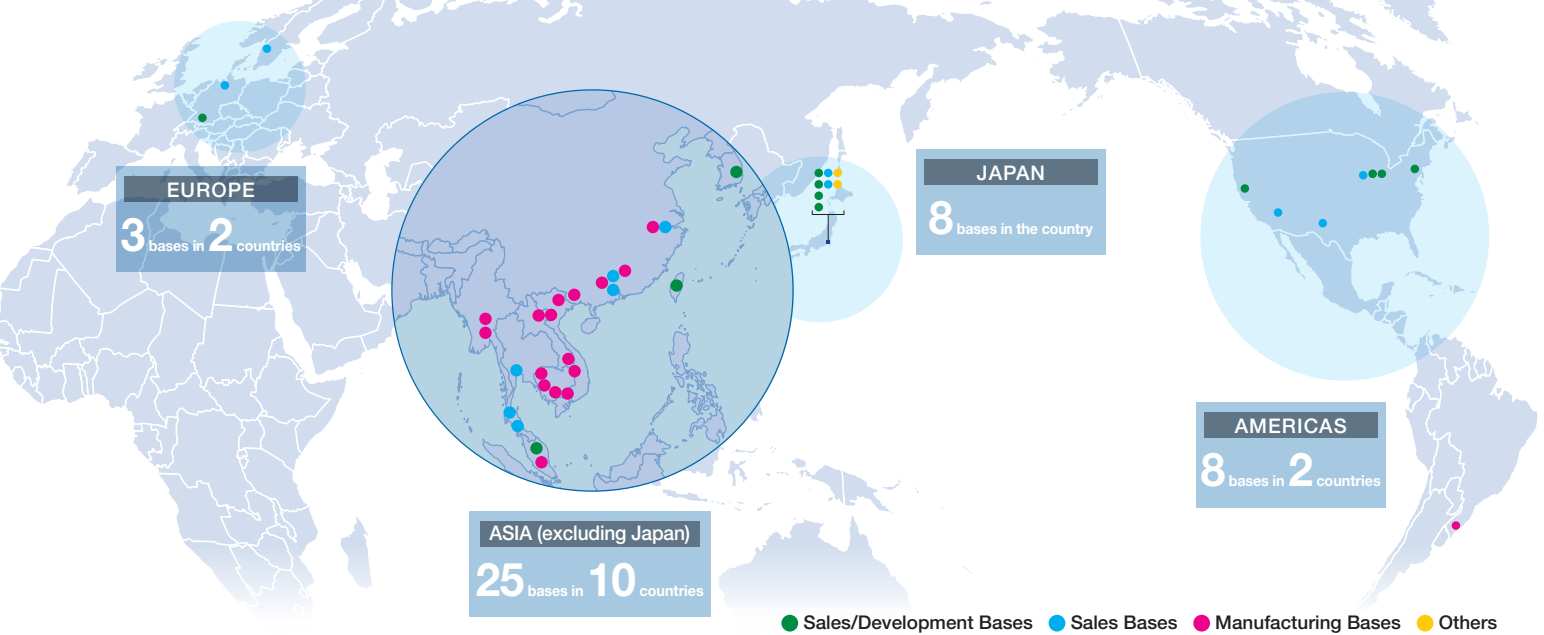
Speaker units for televisions



Group Companies

The Group operates 44 bases in 15 countries worldwide as bases for development, manufacturing and sales bases.

We have established a sophisticated production system integrating processes from components manufacturing to finished goods manufacturing.



Company Information (As of September 30, 2015)

Company Profile

Company Name	Foster Electric Company, Limited
Founded	June 20, 1949
Common Stock	¥6,770,360,135 Listed on the First Section of the Tokyo Stock Exchange
Headquarters	1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan Phone: +81-42-546-2311 (switchboard) FAX: +81-42-546-2317
Number of employees	438 (Total of group companies: 54,647); Total number includes the employees of our outsourcee in Panyu, China.
URL	http://www.foster-electric.com/

Directors and Statutory Auditors

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*1	Minoru Matsumoto	Officer	Tatsuhito Tanaka
Director*1	Chieko Matsuda	Officer	Roy Ching-Sheng Chen
Standing Statutory Auditor*2	Takuma Ino	Officer	Oh In-Yong
Statutory Auditor*2	Osamu Nakamoto	Executive Adviser	Yasuo Higashi
Statutory Auditor	Haruo Shirasu		

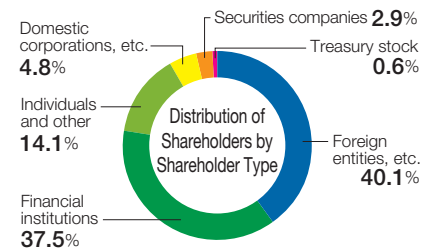
*1 Minoru Matsumoto and Chieko Matsuda are Outside Directors.

*2 Takuma Ino and Osamu Nakamoto are Outside Statutory Auditors.

Stock Information (As of September 30, 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:
6,098



Major Shareholders

Shareholder's Name	Number of Shares Held (Thousand)	Ratio of Shares Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,057	7.6
The Master Trust Bank of Japan, Ltd. (trust account)	1,491	5.5
Mizuho Bank, Ltd.	1,016	3.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	945	3.5
CMBL S.A. RE MUTUAL FUNDS	866	3.2
State Street Bank and Trust Company 505223	776	2.9
Japan Trustee Services Bank, Ltd. (trust account 9)	617	2.3
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
Bank of New York GCM Client Account JPR AC ISG (FE-AC)	554	2.0
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	502	1.8

Treasury stock (177,209 shares) is excluded for the calculation of the "Ratio of Shares Held."

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 Year-end dividends: March 31 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 *Shareholders are not allowed to make any stock transactions other than the purchase of shares less than one unit ("tangen").	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo, 168-8507, Japan Tel: 0120-288-324 (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.