

# Acoustic Solution Partner

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

For the **82<sup>nd</sup>**  
Fiscal Year

## BUSINESS REPORT

From April 1, 2015 to March 31, 2016



**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.**

#### Business Environment and Performance

Although the world economy continued to make a moderate recovery during the fiscal year ended March 31, 2016, the pace of recovery has slowed, and there is more uncertainty about future prospects.

In the electronic equipment and electronic components industries where the Foster Group (“the Group”) operates, the environment around the industries became more severe, as orders for smartphone components have slowed since January, 2016 and the exchange rate has turned to a strong yen.

Under this business environment, the Group concentrated efforts on ensuring orders in response to market changes and cost reduction activities such as material cost reductions. On the production front, the Group worked on improving processes to increase productivity and promoting mechanization and laborsaving, while shifting from China to ASEAN in order to establish an optimal production system.

Consequently, looking at consolidated performance for the fiscal year ended March 31, 2016, net sales, operating income, ordinary income, and net income attributable to owners of the parent achieved record highs.

We decided to distribute a year-end dividend of ¥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 annual dividend for the fiscal year under review therefore is ¥50 per share, compared to ¥40 in the previous fiscal year.

#### Future Efforts

Although the global economy is expected to recover moderately, unpredictable circumstances are also expected to continue.

Under such situation, the Group will promote quality management leading to further improvement of our reliability and aim for profit-driven long-term growth. We set a consolidated ROE of over 10% as our medium-term management target and will increase our capital efficiency. Under our corporate creed of “Sincerity,” we will always be mindful of CSR (Corporate Social Responsibility), instill legal compliance, environmental response and risk management throughout the Group and steadily continue our efforts to become an enterprise that is trusted and needed in the society and market.

Thilawa plant in Myanmar begins production of speaker components

The Company is making a shift from China to ASEAN in order to rebuild an optimal production system. As part of this, the Thilawa plant in Myanmar began production of speaker components in December 2015. The plant started production of acoustic speakers from April 2016, and is also scheduled to begin production of automotive speakers in 2017. Going forward, we will strive to make a stable expansion of our speaker production with the Thilawa plant as one of the main bases in ASEAN.



Establishment of Corporate Governance Guidelines

The Company has established Corporate Governance Guidelines.

The guidelines set forth the basic concepts and framework on corporate governance for realizing sustainable growth of the Group and medium- to long-term enhancement of corporate value.

The guidelines are posted on the website below.  
(Japanese Only)

URL: [http://www.foster.co.jp/csr/foster\\_group/management.html](http://www.foster.co.jp/csr/foster_group/management.html)



As part of enhancing our corporate governance, we held briefings on financial results (twice). The President and other executives explained an overview of business and our future outlook.

Briefing on financial results

New Product

KOTORI 401/Produced by KEISUKE HONDA “DREAM BUDDY”

We announced the KOTORI 401 collaboration model, “DREAM BUDDY,” produced by Keisuke Honda.

It employs our new technology “SIC (Switch Integrated Cable),” a cable with built in remote control function, and achieves the lightest possible Bluetooth earphone for sports by eliminating a control box and battery box.



“DREAM BUDDY”

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

# Consolidated Financial Results Information

## Consolidated Financial Highlights

	(Millions of yen)	
	81st Fiscal Year Fiscal Year ended March 31, 2015	82nd Fiscal Year Fiscal Year ended March 31, 2016
Net sales	189,124	190,928
Operating income	9,747	10,351
Ordinary income	10,398	10,847
Net income attributable to owners of the parent	4,858	6,833
Net income per share (Yen)	206.18	255.44
Net Assets	64,944	67,017
Total Assets	104,843	98,735
Net assets per share (Yen)	2,279.32	2,350.26
Equity ratio (%)	58.2	63.7

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

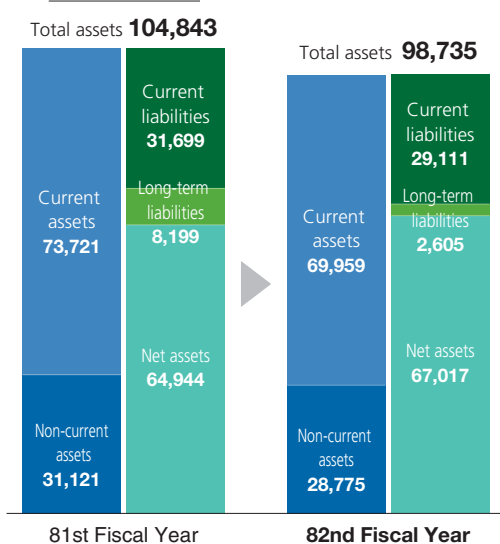
## Consolidated Statements of Cash Flows

	(Millions of yen)	
	81st Fiscal Year From April 1, 2014 to March 31, 2015	82nd Fiscal Year From April 1, 2015 to March 31, 2016
Operating activities	15,499	24,057
Investing activities	△ 4,417	△ 3,946
Financing activities	△ 11,513	△ 6,676
Effect of exchange rate changes on cash and cash equivalents	519	△ 1,499
Net increase (decrease) in cash and cash equivalents	88	11,934
Cash and cash equivalents, beginning of period	5,836	5,924
Cash and cash equivalents, end of period	5,924	17,858

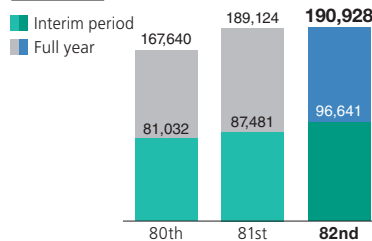
Note: All amounts less than 1 million yen are truncated.

## Changes in Consolidated Operating Results and Total Assets

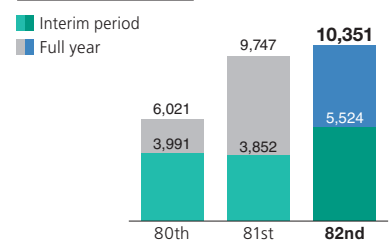
### Balance Sheets (Millions of yen)



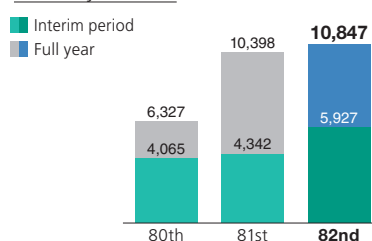
### Net Sales (Millions of yen)



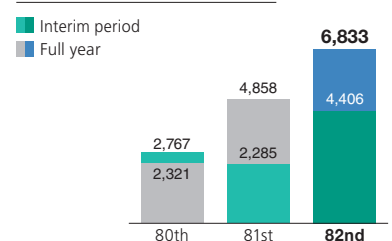
### Operating Income (Millions of yen)



### Ordinary Income (Millions of yen)



### Net Income Attributable to Owners of the Parent (Millions of yen)




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

## Overview by Segment (Consolidated)

### Information & Communication Components and Products Segment 51.3%

Net sales: **¥97,958 million** (A 2.1% year-over-year increase)

Shipments of headsets to major customers dropped sharply in the fourth quarter, but revenue increased because of yen depreciation for the full year compared to the previous fiscal year.




Headsets

### Automotive Components and Products Segment 34.1%

Net sales: **¥65,039 million** (A 9.3% year-over-year increase)

Shipments of automotive speakers and speaker systems, etc., were strong due to demand in the North American market, resulting in increased revenue.



Automotive speakers

### Other Segment 3.2%

Net sales: **¥6,173 million** (A 13.5% year-over-year increase)

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



FOSTEX products




Micro acoustic components

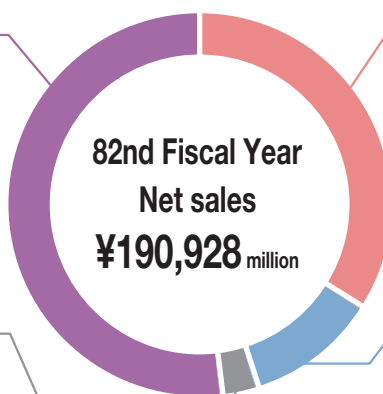
### Acoustic Components and Products Segment 11.4%

Net sales: **¥21,758 million** (A 22.8% year-over-year decrease)

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



TV speakers



## Group Companies

The Group operates 43 bases in 15 countries and regions 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

### Company Profile (As of March 31, 2016)

<b>Company Name</b>	Foster Electric Company, Limited
<b>Founded</b>	June 20, 1949
<b>Common Stock</b>	¥6,770,360,135 Listed on the First Section of the Tokyo Stock Exchange
<b>Headquarters</b>	1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan Phone: +81-42-546-2311 (switchboard) FAX: +81-42-546-2317
<b>Number of employees</b>	458 (Total of group companies: 49,266); Total number includes the employees of our outsourcee in Panyu, China.
<b>URL</b>	<a href="http://www.foster-electric.com/">http://www.foster-electric.com/</a>

### Directors and Statutory Auditors (As of June 23, 2016)

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
Managing Director	Lu San Tie	Senior Officer	Fumio Murayama
Director	Hidetoshi Shirakawa	Senior Officer	Masatoshi Kohama
Director <sup>*1</sup>	Minoru Matsumoto	Officer	Tatsuhito Tanaka
Director <sup>*1</sup>	Chieko Matsuda	Officer	Ryoji O'towa
Standing Statutory Auditor	Tsutomu Inokuma	Officer	Roy Ching-Sheng Chen
Statutory Auditor <sup>*2</sup>	Osamu Nakamoto	Officer	Oh In-Yong
Statutory Auditor <sup>*2</sup>	Takuma Ino		
Statutory Auditor <sup>*2</sup>	Takashi Suzuki		

\*1 Minoru Matsumoto and Chieko Matsuda are Outside Directors.

\*2 Osamu Nakamoto, Takuma Ino and Takashi Suzuki are Outside Statutory Auditors.

## Stock Information

### Status of Shares (As of March 31, 2016)

● 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:  
5,381

#### Major Shareholders

Shareholder's Name	Number of Shares Held (Thousand)	Ratio of Shares Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	1,704	6.3
Mizuho Bank, Ltd.	1,016	3.8
The Master Trust Bank of Japan, Ltd. (trust account)	1,001	3.7
J.P. Morgan Bank Luxembourg S.A. 380578	956	3.5
Japan Trustee Services Bank, Ltd. (trust account 9)	946	3.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	945	3.5
Goldman Sachs International	752	2.8
Chase Manhattan Bank GTS Clients Account Escrow	699	2.6
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	580	2.1

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

## Shareholder Information

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

### Inquiries for Handling of Stocks

<b>Shareholders who have an account at a securities company</b>	The securities company with which you have a business connection
<b>Shareholders who have a special account</b> *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)
<b>Payment of unpaid dividends</b>	Head office and branches nationwide of Mizuho Trust & Banking Co., Ltd., and Mizuho Bank, Ltd.