

Acoustic Solution Partner

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

For the Interim Period of the 84th Fiscal Year From April 1, 2017 to September 30, 2017

CONTENTS

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



Foster Electric IR Search

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



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 global economy during the six months ended September 30, 2017 (April 1, 2017 to September 30, 2017) was strong, overall. The U.S. economy remained robust, while Europe and Japan continued a trend toward improvement. Emerging economies also remained steady.

In the electronic components and electronic equipment industries in which the Foster Group (“the Group”) operates, we expanded various initiatives aimed at new markets such as IoT and AI, in addition to the automotive and smartphone markets that are driving demand.

Under this business environment, the Group worked on securing new orders and cost-cutting initiatives, such as material cost reduction including VA and VE, in response to changes in the market and environment.

Consequently, looking at consolidated performance for the interim period under review, the Group recorded increases in both revenue and profit.

We decided to distribute a dividend for the interim period under review of ¥20 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 carry out corporate activities with Corporate Social Responsibility (CSR) in mind, as we strive to become a socially recognized enterprise.

We appreciate shareholders’ continuous support.

December 2017

Share Acquisition Agreement Reached with SUZUKI KANSHI (THAILAND) CO., LTD.

On September 19, 2017, at its headquarters, the Company reached an agreement with the shareholders of SUZUKI KANSHI (THAILAND) CO., LTD. (“SUZUKI”) regarding the acquisition of SUZUKI shares. SUZUKI is one of the few companies around the world that focuses on the production of bobbins (cylindrical core material) for voice coils for acoustic components. This acquisition of shares will make it possible for the Group to conduct an integrated production of voice coils from raw materials. We believe that this will lead to further differentiation in “sound-making capabilities,” which will in turn increase the Group’s competitive advantages in the market.

The share acquisition was completed on October 1, 2017. As of October 19, SUZUKI changed its corporate name to FSK (THAILAND) CO., LTD.



Bobbins for voice coils

Received the Encouragement Award at the 2016 Environmental Human Resources Development Business Awards

In recognition of its excellence in developing environmental human resources, the Company received the Encouragement Award at the 2016 Environmental Human Resources Development Business Awards organized by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD) on May 22, 2017.

The jury for the Encouragement Award gave the Company high marks for the following activities.

- Holding ongoing courses on basic environmental knowledge for all employees
- Inviting employees from business offices in Asian countries to Japan for training

We will continue to proactively implement CSR activities in order to meet the expectations of our stakeholders.



Awards ceremony

News on new product GX100BJ Made in Tokyo

The Company introduced the GX100BJ, “Made in Tokyo” model, which offers an even greater experience of the wonders of music.

This speaker system combines an enclosure with rigorously selected materials and a driver unit that distills the best of technology to realize high quality sound.

In addition to standard colors, this system is available for purchase in eight order color models (made-to-order) at premium shops nationwide.



FOSTEX (Japanese Only)
<http://www.fostex.jp/>

Notice


Information on Individual Number System relating to stocks

Your Individual Number notified by your local government is required for tax procedures relating to stocks. For this reason, shareholders must notify their stockbrokers of their Individual Numbers. As stipulated by laws and regulations, stockbrokers are required to write shareholders’ Individual Numbers on the payment records of dividends, etc., and submit them to tax offices. Please contact the below for details.

Contact Information for Inquiries about Individual Number Notifications

If your shares are in an account managed by a securities company or stockbroker: Please contact your broker.

If your shares are not managed through a securities company or stockbroker:

Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.  **Tel: 0120-84-0178**

Consolidated Financial Information

Consolidated Financial Highlights

(Millions of yen)

	82nd Fiscal Year (Fiscal Year ended March 31, 2016)		83rd Fiscal Year (Fiscal Year ended March 31, 2017)		84th Fiscal Year (Fiscal Year ending March 31, 2018)
	Interim Period	Full Year	Interim Period	Full Year	Interim Period
Net sales	96,641	190,928	68,342	160,896	80,286
Operating income (loss)	5,524	10,351	(182)	2,963	4,015
Ordinary income	5,927	10,847	28	3,017	3,973
Net income (loss) attributable to owners of the parent	4,406	6,833	(227)	1,088	2,559
Net income (loss) per share (Yen)	164.71	255.44	(8.51)	41.16	99.46
Net assets	68,415	67,017	60,913	63,901	66,388
Total assets	107,099	98,735	97,557	102,409	108,471
Net assets per share (Yen)	2,404.39	2,350.26	2,138.03	2,316.09	2,414.25
Equity ratio (%)	60.1	63.7	58.6	58.2	57.3

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

Consolidated Financial Statements (Summary)

(Millions of yen)

Consolidated Balance Sheets

	Interim Period of 84th Fiscal Year As of September 30, 2017	83rd Fiscal Year As of March 31, 2017
Assets		
Current assets	76,770	69,315
Non-current assets	31,701	33,094
Total assets	108,471	102,409
Liabilities		
Current liabilities	33,227	29,390
Long-term liabilities	8,855	9,116
Total liabilities	42,083	38,507
Net assets		
Shareholders' equity	60,887	58,972
Accumulated other comprehensive income	1,230	620
Non-controlling interests	4,270	4,309
Total net assets	66,388	63,901
Total liabilities and net assets	108,471	102,409

Consolidated Statements of Income

	Interim Period of 84th Fiscal Year From April 1, 2017 to September 30, 2017	Interim Period of 83rd Fiscal Year From April 1, 2016 to September 30, 2016
Net sales	80,286	68,342
Cost of sales	69,143	61,841
Gross profit	11,143	6,500
Selling, general and administrative expenses	7,127	6,682
Operating income (loss)	4,015	(182)
Non-operating income	391	463
Non-operating expenses	433	253
Ordinary income	3,973	28
Extraordinary income	–	–
Extraordinary losses	165	–
Income before income taxes	3,807	28
Total income taxes	1,059	38
Net income (loss)	2,748	(10)
Net income (loss) attributable to owners of the parent	2,559	(227)

Consolidated Statements of Cash Flows

	Interim Period of 84th Fiscal Year From April 1, 2017 to September 30, 2017	Interim Period of 83rd Fiscal Year From April 1, 2016 to September 30, 2016
Operating activities	(1,359)	245
Investing activities	(3,665)	(8,217)
Financing activities	1,660	2,335
Effect of exchange rate changes on cash and cash equivalents	(280)	(1,825)
Net increase (decrease) in cash and cash equivalents	(3,645)	(7,461)
Cash and cash equivalents, beginning of period	12,037	17,858
Cash and cash equivalents, end of period	8,392	10,397

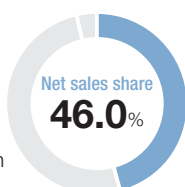
Note: All amounts less than 1 million yen are truncated.

Overview by Segment (Consolidation)

Speaker Segment

Net sales

¥36,946 million



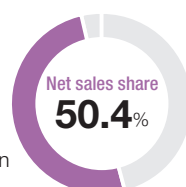
Sales of automotive speakers continued to be strong. In addition, sales of flat TV speakers and audio speakers were generally in line with our plan.



Mobile Audio Segment

Net sales

¥40,440 million



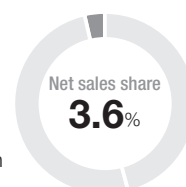
Shipments of new model headsets for major customers that went into production last year shifted into high gear.



Other Segment

Net sales

¥2,900 million



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



*The Company has changed the reportable segment classifications from fiscal 2017.

Group Companies

The Group operates 41 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.

EUROPE

3 bases

JAPAN

9 bases

ASIA (excluding Japan)

21 bases

AMERICAS

8 bases

● Sales/Development Bases ● Sales Bases ● Manufacturing Bases ● Others

Company Information (As of September 30, 2017)

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	475 (Total of group companies: 45,111); Total number includes the employees of our outsourcee in Panyu, China.
URL	http://www.foster-electric.com/

Directors and Corporate Auditors

President and Representative Director	Hiromi Yoshizawa	Senior Officer	Terushige Nagasawa
Senior Managing Director	Atsushi Narikawa	Senior Officer	Takuro Yamaguchi
Managing Director	Kazuhiro Kishi	Senior Officer	Masatoshi Kohama
Managing Director	Lu San Tie	Officer	Yoichi Takahashi
Director	Hidetoshi Shirakawa	Officer	Tatsuhito Tanaka
Director*1	Minoru Matsumoto	Officer	Ryoji Otowa
Director*1	Chieko Matsuda	Officer	Yasuhide Takahara
Standing Corporate Auditor	Tsutomu Inokuma	Officer	Naoki Kanai
Corporate Auditor*2	Takuma Ino	Officer	Yuji Harada
Corporate Auditor*2	Takashi Suzuki	Officer	Roy Ching-Sheng Chen
Corporate Auditor*2	Yasuhiro Goto	Officer	Oh In-Yong

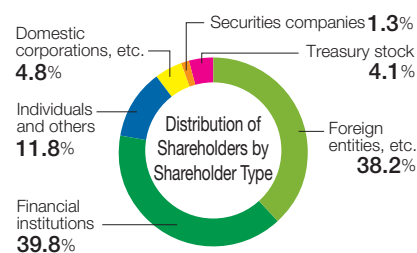
*1 Minoru Matsumoto and Chieko Matsuda are Independent Directors.

*2 Takuma Ino, Takashi Suzuki and Yasuhiro Goto are Independent Corporate Auditors.

Stock Information (As of September 30, 2017)

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: **5,151**



Major Shareholders

Shareholder's Name	Number of Shares Held (Thousand)	Ratio of Shares Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,545	9.8
The Master Trust Bank of Japan, Ltd. (trust account)	1,980	7.6
GOVERNMENT OF NORWAY	1,121	4.3
Mizuho Bank, Ltd.	1,016	3.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	945	3.6
J.P. Morgan Bank Luxembourg S.A. 380578	749	2.8
DFA INTL SMALL CAP VALUE PORTFOLIO	654	2.5
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	626	2.4
Japan Trustee Services Bank, Ltd. (trust account 9)	595	2.3
JPMorgan Chase Goldman Sachs Trust JASDEC Lending Account	555	2.1

Treasury stock (1,090,372 shares) is excluded for the calculation of the "Ratio of Shares Held."

Information for Shareholders

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.