

Sound to Life

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

Foster Electric IR Search

QR

For the 85th Fiscal Year **BUSINESS REPORT**
From April 1, 2018 to September 30, 2018 (Interim Period)

Foster Electric Company, Limited

Code Number: 6794

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, 2018 (April 1, 2018 to September 30, 2018) was strong overall despite some causes for concern, such as trade friction.

In the electronic components industry, in which the Foster Group (“the Group”) operates, demand for automotive components remained strong, and needs increased for electronic components to be used in areas such as IoT and AI. Meanwhile, growth in demand for smartphone components slowed.

The Group strengthened its efforts to make the automotive products segment the core of our business in the future. In the meantime, the sales volume and prices of new headset models for a major customer have declined, making the business environment extremely severe. The Group responded by rebuilding an optimal production system with a focus on reevaluating our human resources and facilities.

Based on above, regretfully, the Group recorded declines in both revenue and profit in the consolidated performance for the interim period under review.

We decided to distribute a dividend for the interim period under review of ¥10 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.

As technological innovation continues to accelerate, the Group will continue to pursue better acoustics and make steady efforts to become a company that is trusted and needed by the society and markets we serve, as Foster in a new era.

We appreciate shareholders’ continuous support.

December 2018

Hiromi Yoshizawa
President



TOPICS

Strengthening Our Business for the Automotive Market

The Group is working to make the automotive products segment the core of our business in the future.

As part of this effort, we have started an initiative aimed at car speaker production for the US market, which drives global demand in the automotive industry.

In China and the ASEAN region, where further expansion is expected, we improved our capability to make attractive proposals to customers, strengthened sales activities attuned to regional characteristics, and promoted local production and local consumption.

Foster America

Launch of a Car Speaker Production System at our El Paso Site

In order to meet the needs of US automakers, we will begin production of car speakers at our El Paso Site in Texas nearby the US-Mexico border.

*Production scheduled to start at the end of fiscal 2019



Opening of a Sales Base in Nanjing, China

The East China area is one of the centers of the automotive industry. In order to strengthen our sales capabilities there, we opened the NANJING BRANCH OF FOSTER ELECTRIC CO., (GUANGZHOU) LTD., a second-tier sales subsidiary.

Strengthening Sales Capabilities in ASEAN

We strengthened our sales structure for the automotive industry in the ASEAN region, by expanding the business scope of our second-tier sales subsidiary in Thailand.



Share Repurchase

In order to improve our capital efficiency by returning profits to our shareholders, we decided to repurchase up to ¥4,500 million in company stock.

Date of resolution by the Board of Directors	August 30, 2018
Maximum number of shares for purchase	3,750,000 shares
Maximum amount of purchase	¥4,500 million
Period of purchase	From September 3, 2018 to March 31, 2019

Financial Highlights

Consolidated Performance for the Interim Period of the Fiscal Year Ending March 31, 2019

Net sales	Operating income	Ordinary income	Net loss attributable to owners of the parent
¥68,758 million (down 14.4% y-o-y)	¥1,938 million (down 51.7% y-o-y)	¥2,198 million (down 44.7% y-o-y)	¥(1,776) million (Net income of ¥2,559 million in the same period of previous FY)

Net assets	Total assets	Net loss per share	Net assets per share	Equity ratio
¥63,714 million (¥66,792 million at the end of previous FY)	¥97,346 million (¥100,870 million at the end of previous FY)	¥(69.21) (Net income of ¥99.46 in the same period of previous FY)	¥2,373.52 (¥2,412.06 at the end of previous FY)	60.7 % (61.5% at the end of previous FY)

Products



Open-Back Premium Headphones

TH909

We added an open-back model to the new lineup of our best-selling TH900mk2. The “BIODYNA” diaphragm, along with magnetic circuit with a 1.5 tesla magnetic flux density, faithfully reproduces delicate, high-resolution and beautiful mid- to high-range sound and high-amplitude low- to mid-range sound.



Full-Range Speaker Unit

FE168NS

With a double-layer cone paper on a housing supported by a die-cast frame and a low distortion magnetic circuit, this 16cm-diameter, full-range speaker unit for back-loaded horns delivers stable frequency characteristics of up to 20 kHz and low distortion with high efficiency.

<https://www.fostexinternational.com/>



Wireless Earphones

KOTORI 101++

Introducing the wireless earphones from KOTORI 101. Enjoy wireless comfort with the same variety of colorful designs and printed housing cover patterns that are available for existing KOTORI 101 earphones.



Custom Headphones

KOTORI 101 / Disney Character Design

Earphones designed with Disney characters such as Mickey and Donald. This special Disney package is perfect as a gift.

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

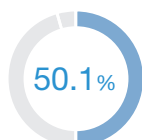


© Disney

Overview by Segment (Consolidated)

Speaker Segment

Net sales ¥34,450million

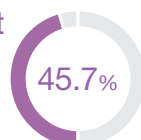


Sales of car speakers and speaker systems fell due to a decline in the sales volume of premium brand products for some customers.



Mobile Audio Segment

Net sales ¥31,407million

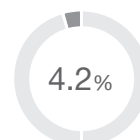


Net sales in this segment fell due to declines in the sales volume and prices of headsets for a major customer.



Other Segment

Net sales ¥2,990million



Net sales in this segment, including the micro acoustic components business and “FOSTEX” brand products, were generally in line with our plan.

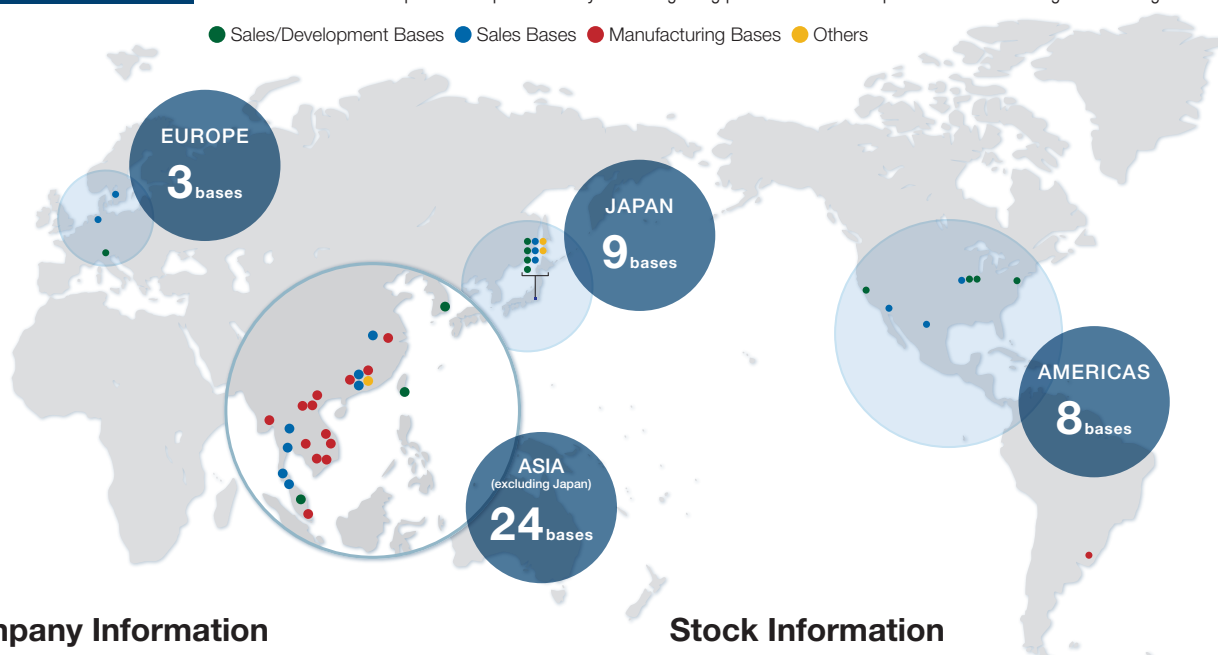


*The above includes inter-segment sales.

Group Companies

The Group operates 44 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.

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



Company Information

Company Profile (As of September 30, 2018)

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)
Number of employees	27,300; Number includes our outsourcee in Panyu, China.
URL	https://www.foster-electric.com/

Directors and Corporate Auditors (As of September 30, 2018)

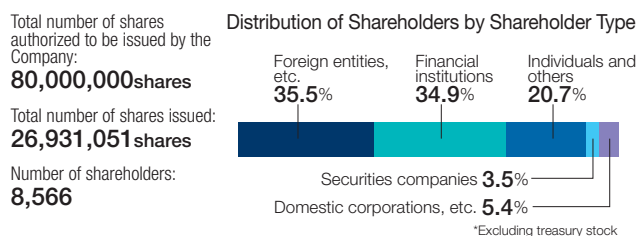
President and Representative Director	Hiromi Yoshizawa	Senior Executive Officer	Terushige Nagasawa
Senior Managing Director	Atsushi Narikawa	Senior Executive Officer	Takuro Yamaguchi
Senior Managing Director	Lu San Tie	Senior Executive Officer	Masatoshi Kohama
Managing Director	Kazuhiro Kishi	Senior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

*¹ Minoru Matsumoto and Chieko Matsuda are Independent Directors.

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

Stock Information

Status of Shares (As of September 30, 2018)



Major Shareholders

Shareholder's Name	Number of Shares Held (Thousands)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,993	7.9
Japan Trustee Services Bank, Ltd. (trust account)	1,182	4.7
GOVERNMENT OF NORWAY	1,126	4.5
Mizuho Bank, Ltd.	1,016	4.0
MUFG Bank, Ltd.	945	3.7
Japan Trustee Services Bank, Ltd. (trust account 9)	735	2.9
J.P. Morgan Bank Luxembourg S.A. 380578	715	2.8
Japan Trustee Services Bank, Ltd. (trust account 5)	456	1.8
Showa Aircraft Industry Co., Ltd.	446	1.7
The Bank of New York Mellon 140042	446	1.7

Treasury stock (1,907,528 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	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.

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.

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