

for the 79th Fiscal Year
From April 1, 2012 to March 31, 2013

To Our Shareholders

We are honored to report our business performance for the 79th fiscal year ended March 31, 2013.

As for the global economy during the fiscal year ended March 31, 2013, in the U.S. economy, the employment situation and the housing market improved and signs of recovery were seen in personal consumption. The European economies continued to be stagnant against the backdrop of sovereign debt issues and austerity policies. The economies in emerging countries such as China and India showed resilience, but the growth decelerated due to decline in exports and other factors. In the Japanese economy, although a severe environment continued overall, reflecting weak capital investments and stagnant employment, expectations toward economic measures by the new government led to yen depreciation and high stock prices, leading to bright future economic prospects.

In the electronic equipment and electronic components industries in which the Foster Group operates, the markets for our smartphones, tablet terminals and car electronics-related parts and components continued to expand steadily, but we struggled in the markets related to flat televisions and personal computers. Intensifying competition with manufacturers in South Korea, Taiwan and China, increases in labor costs in manufacturing countries and the recent manifestations of geopolitical risks have necessitated more prudent administration and management at our manufacturing bases.

Under this business environment, the Group worked to ensure orders in line with sales strategies that address market changes, improve operational efficiency and productivity and reduce materials costs and other costs.

In addition, we reinforced our manufacturing structure in the ASEAN region to address rising labor costs and improve our cost competitiveness.

Consequently, the Group achieved record high consolidated net sales for the fiscal year ended March 31, 2013, due to a significant increase in sales of headphones and headsets mainly of new models, and profits advanced.

We decided to distribute a year-end dividend of ¥15 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 ¥25 per share.

In the 80th fiscal year, the year ending March 31, 2014, the global economy is predicted to show a moderate recovery, supported by proactive financial policies of major advanced countries. However, in advanced countries, improvements in the employment

environment are late and there are demands for measures to address financial restructuring. In emerging countries, which had been showing rapid growth, the growth decelerated. Due to all these factors, the overall situation of the global economy will continue to be severe and there is still the need to be cautious.

Although the situation is as such, the Group intends to take necessary measures that take in future business deployment and corporate growth in the 80th fiscal year and beyond.

For the 80th fiscal year, we have set the Annual Management Policy of establishing the base of global business and create the profitable structure toward the year of 2020.

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

Shareholders' continued support will be greatly appreciated.

June 2013



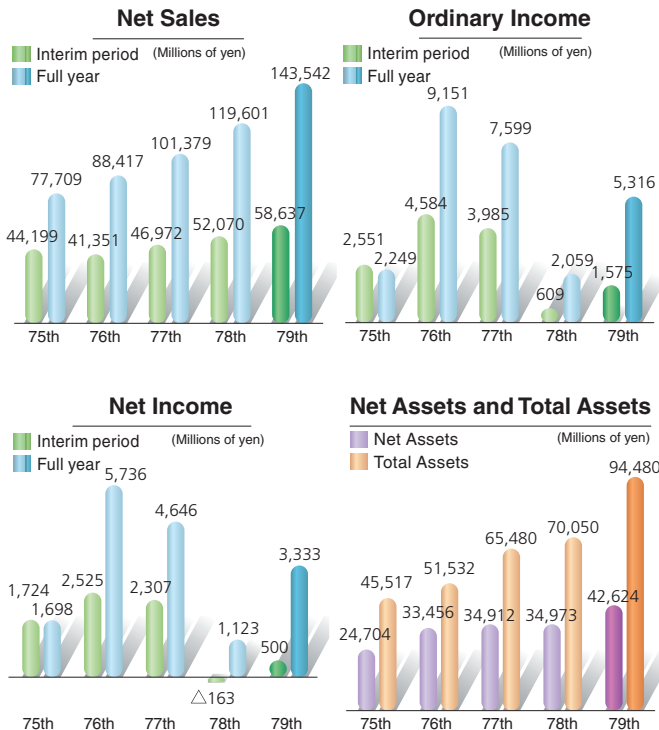
Yukio Miyata,
President

Review of Operations

Consolidated net sales for the fiscal year ended March 31, 2013 were a record high ¥143,542 million, up 20.0% year over year attributable to considerable rises in the sales of headphones and headsets of new models. To increase profits under the strong pressure of declining product prices, we strove to improve operational efficiency and productivity and promoted cost-reduction activities. The prices of raw materials such as rare earth and magnets, which had been a major factor that impaired our costs during the previous fiscal year, fell and hence contributed to our cost reduction.

Consolidated operating income increased 203.6% year over year to ¥5,515 million and consolidated ordinary income increased 158.2% to ¥5,316 million. As a consequence, consolidated net income increased 196.8% to ¥3,333 million.

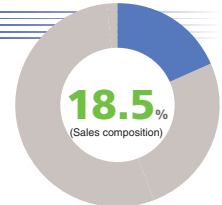
Changes in Operating Results and Total Assets (Consolidated)



Acoustic Components and Products Segment

Sales of loudspeakers and speaker systems for flat televisions continued to face a challenging situation both in sales volume and prices. Shipments of dock speaker systems for mobile equipment progressed favorably during the first half of the fiscal year but fell below our target during the second half. The production of loudspeakers and speaker systems for audio products were affected by the sluggish market. Shipments of headphones for audio products increased mainly for aftermarket sales of audio products.

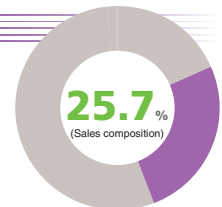
As a result, the segment's overall net sales amounted to ¥26,539 million, down 0.3% from the previous fiscal year.



Automobile Components and Products Segment

Although demand remained stagnant in the European markets, the North American markets led global demand, which pushed up shipments of automotive speakers and speaker systems.

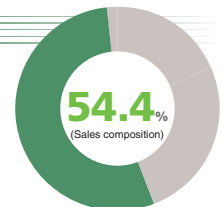
As a result, the segment's overall net sales amounted to ¥36,887 million, up 18.7% year over year.



Information & Communication Equipment Components and Products Segment

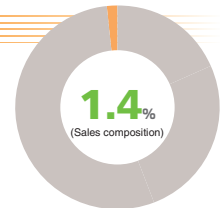
The production and shipment of headsets for mobile phones increased significantly as sales were favorable for new models.

As a result, the segment's overall net sales amounted to ¥78,062 million, up 29.2% from the previous fiscal year.



Other Segment

The segment's overall net sales, including sales of FOSTEX-brand products and favorable sales of our new products, amounted to ¥2,054 million, up 37.2% year over year.



Consolidated Balance Sheets (Condensed)

(Millions of yen)

	79th Fiscal Year As of March 31, 2013	78th Fiscal Year As of March 31, 2012
(Assets)		
Current assets	62,460	47,633
Fixed assets	32,019	22,416
Total assets	94,480	70,050
(Liabilities)		
Current liabilities	40,639	32,573
Long-term liabilities	11,216	2,503
Total liabilities	51,855	35,076
(Net Assets)		
Shareholders' equity		
Common stock	3,770	3,770
Capital surplus	6,372	6,372
Retained earnings	33,911	31,044
Treasury stock	(133)	(133)
Total Shareholders' equity	43,921	41,054
Accumulated other comprehensive income		
Net unrealized gain on securities	434	120
Foreign currency translation adjustments	(4,162)	(8,122)
Total accumulated other comprehensive income	(3,728)	(8,001)
Minority interests	2,430	1,920
Total Net assets	42,624	34,973
Total liabilities and net assets	94,480	70,050

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

Consolidated Statements of Income (Condensed)

(Millions of yen)

	79th Fiscal Year From April 1, 2012 to March 31, 2013	78th Fiscal Year From April 1, 2011 to March 31, 2012
Net sales	143,542	119,601
Cost of goods sold	123,136	106,414
Gross profit	20,406	13,186
Selling, general and administrative expenses	14,891	11,370
Operating income	5,515	1,816
Non-operating income	598	567
Non-operating expenses	797	324
Ordinary income	5,316	2,059
Extraordinary gains	—	71
Extraordinary losses	173	379
Income before income taxes	5,143	1,752
Income taxes—current	1,147	668
Income taxes—deferred	436	(447)
Income before minority interests	3,560	1,530
Minority interests in income	226	407
Net income	3,333	1,123

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

Consolidated Statements of Cash Flows (Condensed)

(Millions of yen)

	79th Fiscal Year From April 1, 2012 to March 31, 2013	78th Fiscal Year From April 1, 2011 to March 31, 2012
Net cash provided by operating activities	1,577	2,928
Net cash used in investing activities	(11,947)	(7,099)
Net cash provided by financing activities	9,257	2,251
Effect of exchange rate changes on cash and cash equivalents	869	(85)
Net decrease in cash and cash equivalents	(243)	(2,004)
Cash and cash equivalents at the beginning of the period	5,603	7,607
Cash and cash equivalents at the end of the period	5,359	5,603

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

● Incorporation of the Quang Ngai Factory, Vietnam

In order to reinforce the Group's global management structure, in February 2013, we made the Quang Ngai Factory, a branch of the Da Nang Factory in Vietnam, into FOSTER ELECTRIC (QUANG NGAI) CO., LTD., which is 100% owned by FOSTER ELECTRIC (VIETNAM) CO., LTD., a subsidiary of Foster Electric Company, Limited (the "Company").



● Completion of a technology development center

In October 2012, the construction of a technology development center, which is intended to reinforce our R&D function, was completed. Also, in order to reinforce the Group's management structure, on June 27, 2013, we changed the registered address of the Head Office of the Company to the location of the technology development center.



Number of stories: Four floors above ground and one basement floor
Total floor area: 12,742 m²

- Address: 1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan
- Phone: +81-42-546-2311 (switchboard)

● Decision to close the YunFu Factory in China

We closed the YunFu Factory (rental facility) in China, the building of which was damaged by ground subsidence due to flooding that occurred in July 2012. The closure was decided in February 2013, and manufacturing ceased in March 2013.

[Outline of the YunFu Factory]

Location	Industrial Transfer Park, Du Yang Town, Yuncheng District, YunFu City, Guangdong, China
Description of business	Manufacturing and sales of headphones and related parts and components.
Establishment	October 13, 2010
Net sales	¥3,123 million (for the fiscal year ended March 31, 2012)
Number of employees	1,243 (As of December 31, 2012)
Factory	Floor area: 12,800 m ² (Four floors above ground)

● ODM and OEM products



Headphones



Automotive speaker units



Speaker units for televisions



Speaker systems

● FOSTEX-brand products



Speaker system GX100 Limited



KOTORI brand
(<http://kotori.fostex.jp/>)

● New Products



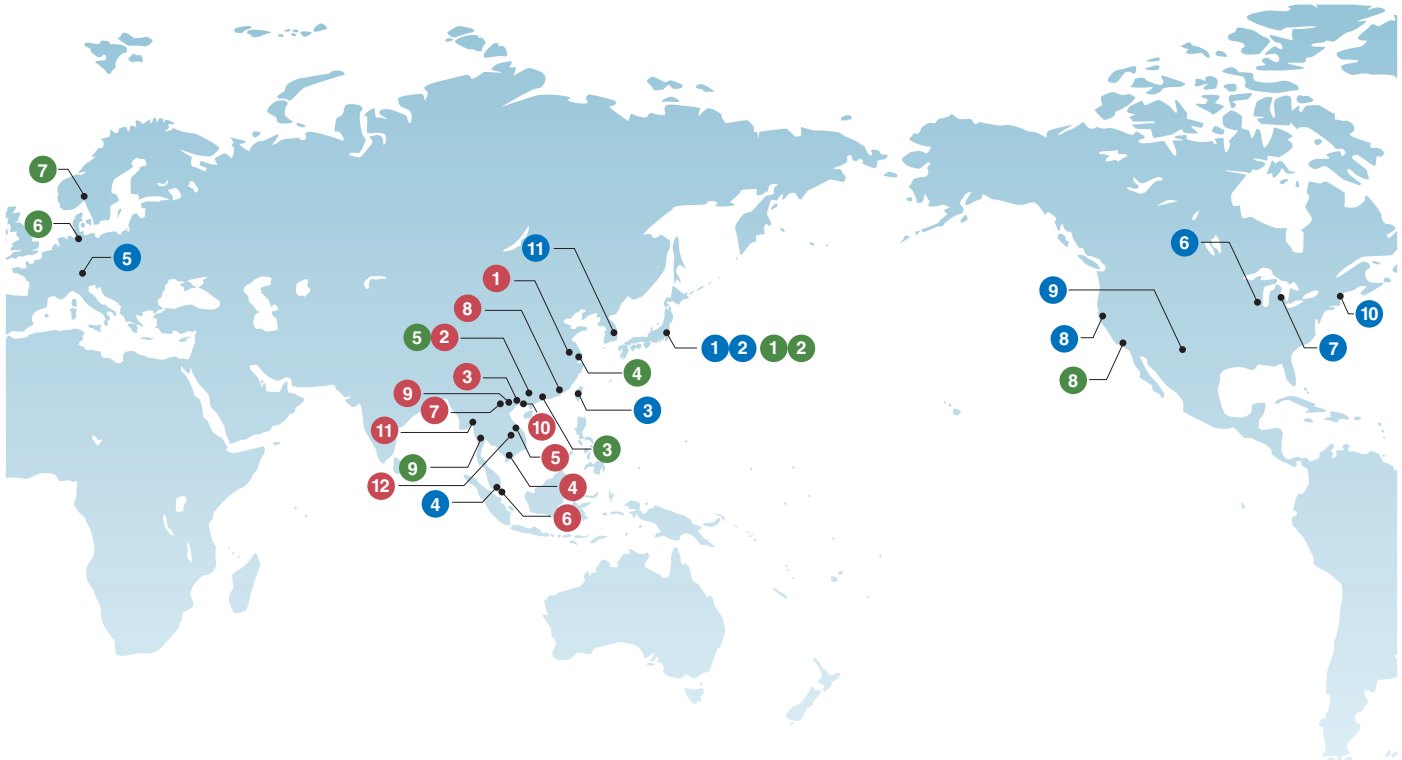
AR101 Audio Retriever

Compact and lightweight audio interface that can be used with various devices such as the iPhone, iPad, DSLR and PC. The AR101 Audio Retriever, equipped with input/output for a stereo and output for a headphone, can retrieve sound in high quality.

PX-5 Professional Monitor System

The PX-5 Professional Monitor System is equipped with a 13-cm woofer and a 2.5-cm soft dome tweeter. This monitor speaker, by adopting a digital FIR filter, achieved accurate phase property. The accurate sound from this monitor speaker is superior to similar products.





Sales/Development Bases (11 bases)

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

Sales Bases (9 bases)

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

Manufacturing Bases (12 bases)

- 1 FOSTER ELECTRIC CO., (CHANGZHOU) LTD.
- 2 GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY
- 3 FOSTER ELECTRIC CO., (NANNING) LTD.
- 4 FOSTER ELECTRIC (VIETNAM) CO., LTD.
- 5 FOSTER ELECTRIC (DA NANG) CO., LTD.
- 6 P.T. FOSTER ELECTRIC INDONESIA
- 7 FOSTER ELECTRIC (BAC NINH) CO., LTD.
- 8 FOSTER ELECTRIC CO., (HEYUAN) LTD.
- 9 FOSTER ELECTRIC CO., (CHONGZUO) LTD.
- 10 FOSTER ELECTRIC CO., (GAOZHOU) LTD.
- 11 MYANMAR FOSTER ELECTRIC CO., LTD. Established in July 2012
- 12 FOSTER ELECTRIC (QUANG NGAI) CO., LTD. Established in February 2013

Trade Name	Foster Electric Company, Limited
Founded	June 20, 1949
Capital Stock	¥3,770,360,135 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	434 (total of group companies: 70,067); Total number of employees of group companies includes the employees of our outsourcee in Panyu, China
URL	http://www.foster.co.jp/

*The address of our Head Office was changed to the above location on June 27, 2013.

Directors and Statutory Auditors (As of June 26, 2013)

Chairman and Director	Yasuo Higashi	Standing Statutory Auditor	Takuma Ino
President and Representative Director	Yukio Miyata	Statutory Auditor	Osamu Nakamoto
Senior Managing Director	Hiroimi Yoshizawa	Statutory Auditor	Haruo Shirasu
Director	Lu San Tie	Senior Officer	Yoichi Takahashi
Director	Terushige Nagasawa	Senior Officer	Takuro Yamaguchi
Director	Kazuhiro Kishi	Senior Officer	Hidetoshi Shirakawa
Director	Kaoru Matsumoto	Senior Officer	Fumio Murayama
		Officer	Roy Ching-Sheng Chen
		Officer	Oh In-Yong

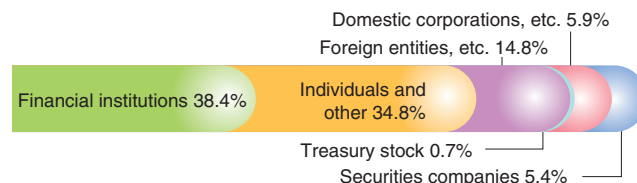
*Kaoru Matsumoto is an Outside Director.

*Takuma Ino and Osamu Nakamoto are Outside Statutory Auditors.

● Status of Shares

Total number of shares authorized to be issued by the Company:	80,000,000
Total number of shares issued:	23,506,015
Number of shareholders:	11,264

● Distribution of Shareholders by Shareholder Type



● Major Shareholders

Shareholder's Name	Number of Shares Held (thousand)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,478	6.33
Japan Trustee Services Bank, Ltd. (trust account)	1,352	5.79
Mizuho Bank, Ltd.	1,016	4.35
Japan Trustee Services Bank, Ltd. (trust account No.9)	1,010	4.32
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	945	4.05
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	2.51
Showa Aircraft Industry Co., Ltd.	446	1.91
Mizuho Trust & Banking Co., Ltd.	405	1.73
Goldman Sachs International	247	1.05
CHIYODA INTEGRÉ CO., LTD.	240	1.03

Treasury stock (177,016 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	March 31 If necessary, another day can be designated with public notice.
Fixed date to determine which shareholders can receive dividends	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
Securities Code	6794

	Shareholders who have an account at a securities company	Shareholders who have a special account
Inquiries	The securities company with which you have a business connection	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)
Handling agencies		Head office and branches nationwide of Mizuho Trust & Banking Co., Ltd., and Mizuho Securities Co., Ltd.
Payment of unpaid dividends		Head office and branches nationwide of Mizuho Trust & Banking Co., Ltd., and Mizuho Bank, Ltd. (Mizuho Securities Co., Ltd., serves as an agent only and does not pay unpaid dividends.)
Notice	For details of the issuance of a payment statement, you are recommended to contact any of the "Handling agencies" listed at right under the "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").

* For filing your income tax return, you may use the enclosed dividend statement. Shareholders who have chosen the distribution of dividends in proportion to the number of shares held are requested to confirm with the securities company with which they deal.