

To Our Shareholders with Voting Rights

Foster Electric Company, Limited
Hiromi Yoshizawa, President

Additional explanation about the Proposal 2 of our
82nd Ordinary General Meeting of Shareholders

With regard to the matters to be resolved upon at our 82nd Ordinary General Meeting of Shareholders to be held on June 23, 2016, we would like to give additional explanation on Proposal 2 (Election of four (4) Corporate Auditors) we have brought up for discussion, as we wish to further deepen the shareholders' understanding.

1. Proposal 2: Election of four (4) Corporate Auditors

In this Item, we have proposed Mr. Takuma Ino as an Outside Corporate Auditor (reappointment). We would like to give complementary explanation about the reasons for selecting Mr. Takuma Ino as a candidate for reappointment.

- (1) We concluded a tax advisory agreement with Mr. Takuma Ino in September 2010, separately from tax advisors who give us advice on taxation in general. In June 2012, we had Mr. Takuma Ino assume the position of our Outside Corporate Auditor, since we wished he would make good use of his experience and knowledge in strengthening the function of our auditors as well as Board of Corporate Auditors, which will lead to reinforcement of our corporate governance, as Mr. Ino had given us appropriate advice from an objective viewpoint capitalizing on his experience obtained through performing tax administration-related business for many years based on the tax advisory agreement as well as experience of involving in corporate management.
We terminated the advisory agreement mentioned above in March 2012. The contract amount on an average does not surpass ¥5 million annually and is less than 0.0001% of total consolidated sales of our company for fiscal 2011; as the amount is small in light of our business scale, it does not affect Mr. Takuma Ino's independence. We have made notification to the Tokyo Stock Exchange as an Independent Outside Corporate Auditor.
- (2) During his term of office of four years as the Outside Corporate Auditor of our company, on no occasion Mr. Takuma Ino failed to attend the meetings of the Board of Directors and the Board of Corporate Auditors held during the period as a Standing Outside Corporate Auditor, where he made concrete comments and proposals as required. At the same time, through his visiting audits of the group companies, he made concrete comments and proposals concerning the management system of group companies. Furthermore, Mr. Ino also made proposals concerning the improvement of the compliance system and risk management system of the group as a whole, when attending meetings of our Compliance Committee and Risk and Crisis Management Committee.
Mr. Takuma Ino has contributed in this way to further improving the quality of our company's audit and strengthening our corporate governance, by strictly auditing our management's decision makings and business administration and by making a lot of comments and proposals.

We have thus selected Mr. Takuma Ino as a candidate for reappointment, in a belief that it will contribute to the common benefits of shareholders if his abundance of experience and the results of his performance with us as an auditor are reflected in the audit of our company in the future and if he acts to help our fair and proper decision makings in light of general shareholders' benefits from an independent standpoint.

We would appreciate it very much if you shareholders would give your approval to the above-mentioned Item and continue your support to us.