FORWARD INDUSTRIES INC
Form 10-Q
August 14, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to ____.

Commission File Number: 001-34780

FORWARD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New York	**13-1950672**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

477 S. Rosemary Ave., Suite 219, West Palm Beach, FL 33401

(Address of principal executive offices, including zip code)

(561) 465-0030

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [**X**] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [**X**] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[**X**]
(Do not check if a smaller reporting company)		Emerging growth company	[ ]

If an emerging growth company, indicate by checkmark if the registrant has not elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [**X**]

The number of shares outstanding of the registrant s common stock, par value $0.01 per share, on August 11, 2017, which is the latest practical date prior to the filing of this report, was 8,920,830 shares.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

Note Regarding Use of Certain Terms

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the following terms have the meanings assigned to them as set forth below:

Forward , Forward Industries , we , our , and the Company refer to Forward Industries, Inc., a New York corporation, together with its consolid subsidiaries;

Common stock refers to the common stock, $.01 par value per share, of Forward Industries, Inc.;

Forward US refers to Forward Industries wholly owned subsidiary Forward Industries (IN), Inc., an Indiana corporation;

Forward Switzerland refers to Forward Industries wholly owned subsidiary Forward Industries (Switzerland) GmbH, a Swiss corporation;

Forward China refers to Forward Industries Asia-Pacific Corporation (f/k/a Seaton Global Corporation), a British Virgin Islands registered corporation that is Forward s exclusive sourcing agent in the Asia Pacific Region;

U.S. GAAP refers to accounting principles generally accepted in the United States of America;

Commission refers to the United States Securities and Exchange Commission;

Exchange Act refers to the United States Securities Exchange Act of 1934, as amended;

Fiscal 2017 refers to our fiscal year ending September 30, 2017;

Fiscal 2016 refers to our fiscal year ended September 30, 2016;

Europe refers to the countries included in the European Union;

EMEA Region refers to the geographic area encompassing Europe, the Middle East and Africa;

APAC Region refers to the Asia Pacific Region, consisting of Australia, New Zealand, Hong Kong, Taiwan, China, South Korea, Japan, Singapore, Malaysia, Thailand, Indonesia, India, the Philippines and Vietnam;

Americas refers to the geographic area encompassing North America, Central America, and South America; and

OEM refers to Original Equipment Manufacturer.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017 (Unaudited)	September 30, 2016 (Note 1)
Assets		
Current assets:		
Cash	$ 4,061,277	$ 4,760,620
Accounts receivable	6,637,431	4,864,423
Inventories	1,829,016	2,572,980
Prepaid expenses and other current assets	205,348	141,421
Total current assets	12,733,072	12,339,444
Property and equipment, net	26,116	43,030
Other assets	12,843	12,843
Total assets	$ 12,772,031	$ 12,395,317
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 74,311	$ 62,136
Due to Forward China	3,578,281	3,519,676
Accrued expenses and other current liabilities	341,740	587,741
Total current liabilities	3,994,332	4,169,553
Other liabilities	40,918	51,486
Total liabilities	4,035,250	4,221,039
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.01 per share; 40,000,000 shares authorized;		
8,920,830 and 8,780,830 shares, issued and outstanding, respectively	89,208	87,808
Additional paid-in capital	17,878,276	17,783,060
Accumulated deficit	(9,208,918)	(9,674,805)

Accumulated other comprehensive loss	(21,785)	(21,785)
Total shareholders' equity	8,736,781	8,174,278
Total liabilities and shareholders' equity	$ 12,772,031	$ 12,395,317

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2017	2016	2017	2016
Net revenues	$ 7,332,722	$ 6,664,700	$ 18,456,846	$ 20,828,036
Cost of goods sold	6,054,812	5,586,460	15,304,021	17,026,895
Gross profit	1,277,910	1,078,240	3,152,825	3,801,141
Operating expenses:				
Sales and marketing	309,000	452,691	1,116,221	1,317,725
General and administrative	419,836	540,631	1,576,495	2,005,477
Total operating expenses	728,836	993,322	2,692,716	3,323,202
Income from operations	549,074	84,918	460,109	477,939
Other income (expense):				
Other income (expense), net	2,851	(6,962)	5,778	(11,600)
Total other income (expense), net	2,851	(6,962)	5,778	(11,600)
Net income	$ 551,925	$ 77,956	$ 465,887	$ 466,339
Net income	$ 551,925	$ 77,956	$ 465,887	$ 466,339
Other comprehensive income:				
Translation adjustments	-	918	-	2
Comprehensive income	$ 551,925	$ 78,874	$ 465,887	$ 466,341
Net income per basic common share	$ 0.06	$ 0.01	$ 0.05	$ 0.05
Net income per diluted common share	$ 0.06	$ 0.01	$ 0.05	$ 0.05
Weighted average number of common and				
common equivalent shares outstanding:				
Basic	8,855,885	8,586,879	8,716,030	8,492,222
Diluted	8,906,846	8,679,619	8,816,432	8,661,542

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Loss	Total
Balance - September 30, 2016	8,780,830	$ 87,808	$ 17,783,060	$ (9,674,805)	$ (21,785)	$ 8,174,278
Share-based compensation	140,000	1,400	95,216	-	-	96,616
Net income	-	-	-	465,887	-	465,887
Balance - June 30, 2017	8,920,830	$ 89,208	$ 17,878,276	$ (9,208,918)	$ (21,785)	$ 8,736,781

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended June 30,	
	2017	**2016**
Cash Flows From Operating Activities:		
Net income	$ 465,887	$ 466,339
Adjustments to reconcile net income to net cash		
provided by (used in) operating activities:		
Share-based compensation	96,616	184,989
Depreciation and amortization	16,914	43,638
Deferred rent	(8,666)	(12,693)
Loss on disposal of property and equipment	-	1,476
Changes in operating assets and liabilities:		
Accounts receivable	(1,773,008)	724,937
Inventories	743,964	207,916
Prepaid expenses and other current assets	(63,927)	5,794
Other assets	-	28,119
Accounts payable and due to Forward China	70,780	(27,945)
Accrued expenses and other current liabilities	(247,903)	(345,398)
Other liabilities	-	(34,306)
Net cash provided by (used in) operating activities	(699,343)	1,242,866
Cash Flows From Investing Activities:		
Purchases of property and equipment	-	(48,121)
Net cash used in investing activities	-	(48,121)
Cash Flows From Financing Activities:		
Restricted stock repurchased and retired	-	(1,667)
Net cash used in financing activities	-	(1,667)
Net increase (decrease) in cash	(699,343)	1,193,078
Cash at beginning of period	4,760,620	4,042,124
Cash at end of period	$ 4,061,277	$ 5,235,202
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 OVERVIEW

Forward Industries, Inc. (Forward or the Company) designs and distributes carry and protective solutions, primarily for hand held electronic devices. The Company s principal customer market is original equipment manufacturers, or OEMs (or the contract manufacturing firms of these OEM customers), that either package their products as accessories in box together with their branded product offerings, or sell them through their retail distribution channels. The Company s OEM products include carrying cases and other accessories for medical monitoring and diagnostic kits and a variety of other portable electronic and non-electronic products (such as sporting and recreational products, bar code scanners, smartphones, GPS location devices, tablets, and firearms). The Company s OEM customers are located in: (i) the Asia-Pacific Region, which we refer to as the APAC Region ; (ii) Europe, the Middle East, and Africa, which we refer to as the EMEA Region ; and (iii) the Americas. The Company does not manufacture any of its OEM products and sources substantially all of its OEM products from independent suppliers in China, through Forward China (refer to Note 7 Buying Agency and Supply Agreement).

In the opinion of management, the accompanying condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q reflect all normal recurring adjustments necessary to present fairly the financial position and results of operations and cash flows for the interim periods presented herein, but are not necessarily indicative of the results of operations for the year ending September 30, 2017. These condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended September 30, 2016, and with the disclosures and risk factors presented therein. The September 30, 2016 condensed consolidated balance sheet has been derived from the audited consolidated financial statements.

NOTE 2 ACCOUNTING POLICIES

Accounting Estimates

The preparation of the Company s condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Forward Industries, Inc. and its wholly owned subsidiaries (Forward US and Forward Switzerland). All significant intercompany transactions and balances have been eliminated in consolidation.

Income Taxes

The Company recognizes future tax benefits and liabilities measured at enacted rates attributable to temporary differences between financial statement and income tax bases of assets and liabilities and to net tax operating loss carryforwards to the extent that realization of these benefits is more likely than not. As of June 30, 2017, there was no change to our assessment that a full valuation allowance was required against all net deferred tax assets. Accordingly, any deferred tax provision or benefit was offset by an equal and opposite change to the valuation allowance. No current book income tax provision was recorded against book net income due to the existence of significant net operating loss carryforwards.

Revenue Recognition

The Company generally recognizes revenue from product sales to its customers when: (i) title and risk of loss are transferred (in general, these conditions occur at either point of shipment or point of destination, depending on the terms of sale); (ii) persuasive evidence of an arrangement exists; (iii) the Company has no continuing obligations to the customer; and (iv) collection of the related accounts receivable is reasonably assured. The Company defers revenue when it receives consideration before achieving the criteria previously mentioned.

Reclassifications

Certain amounts in the accompanying fiscal 2016 financial statements have been reclassified to conform to the fiscal 2017 presentation.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Share-Based Compensation Expense

The Company recognizes employee and director share-based compensation in its condensed consolidated statements of operations and comprehensive income at the grant-date fair value of stock options and other equity-based compensation. The determination of stock option grant-date fair value is estimated using the Black-Scholes option pricing model, which includes variables such as the expected volatility of the Company s share price, the exercise behavior of its grantees, interest rates, and dividend yields. These variables are projected based on the Company s historical data, experience, and other factors. In the case of awards with multiple vesting periods, the Company has elected to use the graded vesting attribution method, which recognizes compensation cost on a straight-line basis over each separately vesting portion of the award as if the award was, in-substance, multiple awards. Refer to Note 4 - Share-Based Compensation. In addition, the Company recognizes share-based compensation to non-employees based upon the fair value, using the Black-Scholes option pricing model, determined at the deemed measurement dates over the related contract service period.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605-Revenue Recognition and most industry-specific guidance throughout the ASC. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods). Early adoption is permitted to the original effective date for annual reporting periods beginning after December 15, 2016 (including interim reporting periods within those periods). The amendments may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). The Company will adopt ASU 2014-09 in the first quarter of fiscal 2018 and plans to apply the full retrospective approach. Because the Company's primary source of revenues is from the sale of finished goods, the Company does not anticipate that the adoption of ASU 2014-09 will have a material impact on its consolidated financial statements, disclosures or processes.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern , which requires management to assess a company s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in U.S. GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company s ability to continue as a going concern within one year from the financial statement issuance date. The new standard applies to all companies and is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter. The Company will adopt this standard in its fiscal year ended September 30, 2017 consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which applies to inventory that is measured using first-in, first-out (FIFO) or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, first-out (LIFO). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company does not anticipate that the adoption of ASU 2015-11 will have a material impact on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which applies to the classification of deferred tax assets and liabilities. The update eliminates the requirement to classify deferred tax assets and liabilities as noncurrent or current within a classified statement of financial position. This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company does not anticipate that the adoption of ASU 2015-17 will have a material impact on its consolidated financial statements.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to report most leases as assets and liabilities on the balance sheet, while lessor accounting will remain substantially unchanged. This ASU requires a modified retrospective transition approach for existing leases, whereby the new rules will be applied to the earliest year presented. The new standard is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the potential impact of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company does not anticipate that the adoption of ASU 2016-09 will have a material impact on its consolidated financial statements.

NOTE 3 SHAREHOLDERS EQUITY

Stock Repurchase

In September 2002 and January 2004, the Board authorized the repurchase of up to an aggregate of 486,200 shares of outstanding common stock. Under those authorizations, through June 30, 2017, the Company repurchased an aggregate of 224,690 shares at a cost of approximately $487,000. During the nine months ended June 30, 2017, the Company did not repurchase or retire any shares of its outstanding restricted common stock.

NOTE 4 SHARE-BASED COMPENSATION

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the following assumptions. The expected term represents the period over which the stock option awards are expected to be outstanding. The Company utilizes the simplified method to develop an estimate of the expected term of plain vanilla employee option grants. The expected volatility used is based on the historical price of the Company s stock over the most recent period commensurate with the expected term of the award. The risk-free interest rate used is based on the implied yield of U.S. Treasury zero-coupon issues with a remaining term equivalent to the award s expected term. The Company historically has not paid any dividends on its common stock and had no intention to do so on the date the share-based awards were granted. The estimated annual forfeiture rate is based on management s expectations and will reduce expense ratably over the vesting period. The forfeiture rate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material.

There were no options granted during the nine months ended June 30, 2017 and 2016.

The following table summarizes stock option activity during the nine months ended June 30, 2017:

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 SHARE-BASED COMPENSATION (CONTINUED)

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, September 30, 2016	266,000	$ 2.27		
Granted	-			
Exercised	-			
Forfeited	(10,000)	3.73		
Expired	-			
Outstanding, June 30, 2017	256,000	$ 2.22	4.0	$ 23,350
Exercisable, June 30, 2017	230,999	$ 2.39	3.6	$ 13,250

The Company recognized compensation expense of approximately $2,000 and $(1,000) during the three months ended June 30, 2017 and 2016, respectively, and approximately $5,000 and $9,000 during the nine months ended June 30, 2017 and 2016, respectively, for stock option awards in its condensed consolidated statements of operations and comprehensive income.

As of June 30, 2017, there was approximately $4,000 of total unrecognized compensation cost related to nonvested stock option awards. That cost is expected to be recognized over a weighted average period of 1.0 years.

The following table provides additional information regarding stock option awards that were outstanding and exercisable at June 30, 2017:

Options Outstanding			Options Exercisable		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
$0.64 to $1.99	$ 1.00	97,500	$ 1.12	5.5	72,499
$2.00 to $2.99	2.46	96,000	2.46	2.1	96,000
$3.00 to $3.79	3.74	62,500	3.74	3.6	62,500
		256,000		3.6	230,999

Restricted Stock Awards

The Company recognized compensation expense of approximately $15,000 and $52,000 during the three months ended June 30, 2017 and 2016, respectively, and approximately $92,000 and $174,000 during the nine months ended June 30, 2017 and 2016, respectively, for restricted stock awards in its condensed consolidated statements of operations and comprehensive income.

As of June 30, 2017, there was approximately $143,000 of total unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted average period of 0.7 years.

The following table summarizes restricted stock activity during the nine months ended June 30, 2017:

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 SHARE-BASED COMPENSATION (CONTINUED)

	Number of Shares		Weighted Average Grant Date Fair Value		Total Grant Date Fair Value
Non-vested, September 30, 2016	159,317	$	1.29	$	205,146
Granted	140,000		1.07		149,800
Vested	(139,317)		1.38		(192,346)
Forfeited	-				
Non-vested, June 30, 2017	160,000	$	1.02	$	162,600

NOTE 5 INCOME PER SHARE

Basic income per share data for each period presented is computed using the weighted-average number of shares of common stock outstanding during each such period. Diluted income per share data is computed using the weighted-average number of common and dilutive common-equivalent shares outstanding during each period. Dilutive common-equivalent shares consist of: (i) shares that would be issued upon the exercise of stock options and warrants, computed using the treasury stock method; and (ii) shares of nonvested restricted stock. The Company calculated the potential diluted earnings per share in accordance with ASC 260, as follows:

	For the Three Months Ended June 30,				For the Nine Months Ended June 30,			
		2017		2016		2017		2016
Numerator:								
Net income (numerator for basic and diluted earnings per share)	$	551,925	$	77,956	$	465,887	$	466,339
Weighted average shares outstanding (denominator for basic earnings per share)		8,855,885		8,586,879		8,716,030		8,492,222
Effects of dilutive securities:								
Assumed exercise of stock options, treasury stock method		20,165		22,988		21,404		28,403
Assumed vesting of restricted stock, treasury stock method		30,796		69,752		78,998		140,917
Dilutive potential common shares		50,961		92,740		100,402		169,320
Denominator for diluted earnings per share - weighted average shares and assumed potential common shares		8,906,846		8,679,619		8,816,432		8,661,542
Basic earnings per share	$	0.06	$	0.01	$	0.05	$	0.05
Diluted earnings per share	$	0.06	$	0.01	$	0.05	$	0.05

The following securities were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

	As of June 30,	
	2017	**2016**
Options	198,500	188,500
Warrants	723,846	723,846
Total potentially dilutive shares	922,346	912,346

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 CONCENTRATIONS

Concentration of Revenues and Accounts Receivable

For the three and nine months ended June 30, 2017 and 2016, the Company had significant customers with individual percentage of total revenues equaling 10% or greater as follows:

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2017	2016	2017	2016
Customer 1	26.3 %	20.0 %	23.5 %	23.3 %
Customer 2	22.2 %	31.4 %	22.5 %	33.1 %
Customer 3	21.8 %	17.8 %	24.7 %	18.2 %
Customer 4	11.8 %	17.0 %	11.8 %	13.7 %
Totals	82.1 %	86.2 %	82.5 %	88.3 %

At June 30, 2017 and September 30, 2016, concentration of accounts receivable with significant customers representing 10% or greater of accounts receivable was as follows:

	June 30, 2017	September 30, 2016
Customer 3	27.9 %	33.0 %
Customer 2	25.7 %	19.6 %
Customer 1	17.2 %	16.0 %
Customer 4	15.1 %	14.7 %
Totals	85.9 %	83.3 %

NOTE 7 RELATED PARTY TRANSACTIONS

Buying Agency and Supply Agreement

On March 12, 2012, the Company entered into a Buying Agency and Supply Agreement (the Supply Agreement) with Forward Industries Asia-Pacific Corporation, a British Virgin Islands corporation (Forward China). The Supply Agreement, as amended, provides that, upon the terms and subject to the conditions set forth therein, Forward China will act as the Company s exclusive buying agent and supplier of Products (as defined in the Supply Agreement) in the Asia Pacific region. The Company purchases products at Forward China s cost and also pays to Forward China a monthly service fee equal to the sum of: (i) $100,000; and (ii) 4% of Adjusted Gross Profit , which is defined as the selling price less the cost from Forward China. The amended Supply Agreement expires on September 8, 2018, subject to renewal. Terence Bernard Wise, Chief Executive Officer and Chairman of the Company, is a principal of Forward China. In addition, Jenny P. Yu, a Managing Director of Forward China, beneficially owns more than 5% of the Company s shares of common stock. The Company recognized approximately $300,000 and $362,000 during the three months ended June 30, 2017 and 2016, respectively, and approximately $1,007,000 and $1,101,000 during the nine months ended June 30, 2017 and 2016, respectively, in service fees paid to Forward China, which are included as a component of cost of goods sold in the accompanying condensed consolidated statements of operations and comprehensive income. During the three and nine months ended June 30, 2017, the Company received commissions from Forward China of $0 and $12,904, respectively, which is included in net revenues. As a result of the continued decrease in the Company s net revenues, Forward China has agreed to forgo its rights to the 4% portion of the service fee under the Supply Agreement beginning with the third fiscal quarter until the end of fiscal year 2017. The Company and Forward China are currently negotiating a revised service fee under the Agreement.

NOTE 8 LEGAL PROCEEDINGS

From time to time, the Company may become a party to legal actions or proceedings in the ordinary course of its business. As of June 30, 2017, there were no such actions or proceedings, either individually or in the aggregate, that, if decided adversely to the Company s interests, the Company believes would be material to its business.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements, and the notes thereto, and other financial information appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. The following discussion and analysis compares our consolidated results of operations for the three and nine months ended June 30, 2017 (the 2017 Quarter and 2017 Period , respectively) with those for the three and nine months ended June 30, 2016 (the 2016 Quarter and 2016 Period , respectively). All figures in the following discussion are presented on a consolidated basis. All dollar amounts and percentages presented herein have been rounded to approximate values.

Business Overview

Forward Industries, Inc. designs and distributes carry and protective solutions, primarily for hand held electronic devices, including soft-sided carrying cases, bags, clips, hand straps, protective plates and other accessories made of leather, nylon, vinyl, plastic, PVC and other synthetic materials. Our principal customer market is original equipment manufacturers, or OEMs (or the contract manufacturing firms of these OEM customers), that either package our products as accessories in box together with their branded product offerings, or sell them through their retail distribution channels. Our OEM products include carrying cases and other accessories for blood glucose monitoring kits and a variety of other portable electronic and non-electronic products (such as sporting and recreational products, bar code scanners, smartphones, GPS and location devices, tablets, firearms and other products). Our carrying cases are designed to enable these devices to be stowed in a pocket, handbag, briefcase, or backpack, clipped to a belt or shoulder strap, or strapped to an arm, while protecting the consumer s electronic or other product from scratches, dust, and mishandling. Our OEM customers are located in: (i) the Asia-Pacific Region, which we refer to as the APAC Region ; (ii) Europe, the Middle East, and Africa, which we refer to as the EMEA Region ; and (iii) the Americas. We do not manufacture any of our OEM products and source substantially all of our OEM products from independent suppliers in China, through Forward China (refer to Note 7 to the unaudited condensed consolidated financial statements Buying Agency and Supply Agreement).

During the second quarter of fiscal 2016, we began entering into supply agreements with our major healthcare customers. By the end of fiscal 2016, we had entered into supply agreements with all four of our major healthcare customers. Although there are no minimum purchase requirements, the agreements provide the framework and pricing for supplying the customers with our carrying cases.

Variability of Revenues and Results of Operations

Because a high percentage of our net revenues is highly concentrated in four large customers, and because the volumes of these customers order flows to us are highly variable, having short lead times, our quarterly revenues, and consequently our results of operations, are susceptible to significant variability over a relatively short period of time.

Critical Accounting Policies and Estimates

We discuss the material accounting policies that are critical in making the estimates and judgments in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, under the caption Management s Discussion and Analysis Critical Accounting Policies and Estimates . There has been no material change in critical accounting policies or estimates since September 30, 2016.

Recent Accounting Pronouncements

For information on recent accounting pronouncements, see Note 2 to the unaudited condensed consolidated financial statements.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2017 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2016 Net Income

Net income in the 2017 Quarter was approximately $552,000 compared to net income of approximately $78,000 in the 2016 Quarter. The 2017 Quarter increase in net income is primarily due to: (i) an increase in net revenues of approximately $668,000 as well as an increase in gross margin of 1.2%, which resulted in an increase in gross profit of approximately $200,000; (ii) a decrease in sales and marketing expenses of approximately $144,000; and (iii) a decrease in general and administrative expenses of approximately $120,000.

Main Components of Net Income

(amounts in thousands)

	2017 Quarter	2016 Quarter	Increase (Decrease)
Net revenues	$ 7,333	$ 6,665	$ 668
Gross profit	$ 1,278	$ 1,078	$ 200
Less:			
Sales and marketing expenses	309	453	(144)
General and administrative expenses	420	540	(120)
Other expense (income), net	(3)	7	(10)
Net Income	$ 552	$ 78	$ 474

Net income per basic and diluted share was $0.06 per share for the 2017 Quarter and $0.01 per share for the 2016 Quarter.

Net Revenues

Net revenues in the 2017 Quarter increased $0.7 million, or 10%, to $7.3 million from $6.7 million in the 2016 Quarter primarily due to a change in terms with two of our major Diabetic Products customers whereby products shipped to a shipping hub located in the United States will no longer be sold on consignment effective May 1, 2017. Prior to this change, products to these two major Diabetics Products customers were sold by both consignment and FOB shipping point. Going forward, all products sold to these two major Diabetics Products customers shall be sold FOB shipping point. As a result of this change, additional net revenues of approximately $808,000 were recognized in the 2017 Quarter that would not have been recognized if the change in terms had not occurred. Moreover, had the change in terms not occurred, our net revenues for the 2017 Quarter would have declined compared to the 2016 Quarter. It is important that investors understand that as a result of this change in terms from consignment to FOB shipping point for a portion of the revenues from two of our large Diabetics Products customers, the recognition of revenues for these two customers was permanently accelerated thereby increasing our revenues by approximately $808,000 this quarter. The remainder of the goods originally sold on consignment (prior to the change in terms) shall be recognized in the fourth quarter of fiscal 2017 and potentially increase revenues that quarter as well. By fiscal year end, it is expected there will be no more consignment goods for these two Diabetics Customers and thus revenues from these customers will revert to normal levels. Separately, net revenues from Other Products were higher as well during the 2017 Quarter. Excluding the effects of the aforementioned change in terms, the net revenues derived from our core diabetes kit cases continues to decline, primarily because our major customers face significant pricing pressure from competitors commercializing less expensive meters and also new innovative diabetic products which are not being sold with a meter case. As a result of the continued decrease in our net revenues, Forward China, which is controlled by our Chairman and Chief Executive Officer, has agreed to forgo its rights to the 4% portion of the service fee under the Forward China Supply Agreement (the Agreement) beginning with the third fiscal quarter until the end of fiscal year 2017. The base monthly service fee payment of $100,000 will still be due to Forward China. In the 2017 Quarter, the 4% portion of the service fee would have amounted to approximately $69,000. The Company and Forward China are currently negotiating a revised service fee under the Agreement.

The tables below set forth revenues by channel, product line, and geographic location of our customers for the periods indicated:

Net Revenues for 2017 Quarter

(amounts in thousands)

	Americas	APAC	EMEA	Total
Diabetic products	$ 2,197	$ 1,731	$ 2,295	$ 6,223
Other products	575	491	44	1,110
Total net revenues	$ 2,772	$ 2,222	$ 2,339	$ 7,333

Net Revenues for 2016 Quarter

(amounts in thousands)

	Americas	APAC	EMEA	Total
Diabetic products	$ 1,219	$ 2,207	$ 2,349	$ 5,775
Other products	359	454	77	890
Total net revenues	$ 1,578	$ 2,661	$ 2,426	$ 6,665

Diabetic Product Revenues

We design and sell carrying cases for blood glucose diagnostic kits directly to OEMs (or their contract manufacturers). The OEM customer or its contract manufacturer packages our carry cases in box as a custom accessory for the OEM s blood glucose testing and monitoring kits, or to a lesser extent, sells them through its retail distribution channels.

Revenues from Diabetic Products increased $0.4 million to $6.2 million in the 2017 Quarter, from $5.8 million in the 2016 Quarter. The increase was primarily due to higher revenues derived from two of our major Diabetic Products customers.

The following table sets forth our revenues by Diabetic Products customers for the periods indicated:

(amounts in thousands)

	2017 Quarter	2016 Quarter	Increase (Decrease)
Diabetic Products Customer A	$ 1,928	$ 1,335	$ 593
Diabetic Products Customer B	1,630	2,092	(462)
Diabetic Products Customer C	1,602	1,185	417
Diabetic Products Customer D	863	1,135	(272)
All other Diabetic Products Customers	200	28	172
Totals	$ 6,223	$ 5,775	$ 448

Revenues from Diabetic Products represented 85% of our total net revenues in the 2017 Quarter compared to 87% of our total net revenues in the 2016 Quarter.

Other Product Revenues

We design and sell cases and protective solutions to OEMs for a diverse array of portable electronic devices (such as bar code scanners, GPS devices, cellular phones, tablets and cameras), as well as a variety of other products (such as sporting and recreational products and firearms) on a made-to-order basis that are customized to fit the products sold by our OEM customers.

Revenues of Other Products increased $0.2 million to $1.1 million in the 2017 Quarter from $0.9 million in the 2016 Quarter. This is primarily due to the addition of $0.3 million from some new customers, partially offset by overall net decreases of $0.1 million from existing customers. We will continue to focus on our sales and sales support teams in our attempt to expand and diversify our Other Products customer base.

Revenues from Other Products represented 15% of our net revenues in the 2017 Quarter compared to 13% of our total net revenues in the 2016 Quarter.

Gross Profit

The increase in gross profit of approximately $200,000 was driven by a year over year increase in net revenues of 10% as well as an increase in gross margins. The increase in gross margins results primarily from the election of Forward China, which is controlled by our Chairman and Chief Executive Officer, to forgo its rights to the 4% portion of the service fee under the Forward China Supply Agreement beginning with the third fiscal quarter until the end of fiscal year 2017. Our gross margin increased to 17.4% in the 2017 Quarter compared to 16.2% in the 2016 Quarter. We believe gross margin will decrease in the event that Forward China does not continue to forgo the 4% portion of its service fee.

Sales and Marketing Expenses

Sales and marketing expenses decreased approximately $144,000, or 32%, to approximately $309,000 in the 2017 Quarter compared to approximately $453,000 in the 2016 Quarter, primarily due to decreased personnel expenses of approximately $131,000 and decreased travel expenses of approximately $23,000, partially offset by increased other expenses of approximately $11,000. Fluctuations in other components of Sales and Marketing Expenses were not material individually or in the aggregate.

General and Administrative Expenses

General and administrative expenses decreased approximately $120,000, or 22%, to approximately $420,000 in the 2017 Quarter from approximately $540,000 in the 2016 Quarter, primarily due to New York State tax refunds of approximately $49,000 stemming from amended returns as well as decreased director share based compensation of approximately $39,000, directors and officers insurance of approximately $14,000, professional fees of approximately $12,000, and depreciation of approximately $10,000. Fluctuations in other components of General and Administrative Expenses were not individually material.

Other Expense (Income), Net

Other expense (income), net, consisting primarily of foreign exchange losses (gains), was approximately $(3,000) in the 2017 Quarter compared to approximately $7,000 in the 2016 Quarter.

For the three months ended June 30, 2017, the Company generated net income of approximately $552,000. While the Company maintains significant net operating loss carryforwards, no income tax expense (benefit) was recognized as the Company s deferred tax provision is completely offset by a full valuation allowance.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED JUNE 30, 2017 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2016

Net Income

Net income in the 2017 Period was approximately $466,000 compared to net income of approximately $466,000 in the 2016 Period. Although our net income remained consistent from the prior year, our net revenues materially decreased, but this was offset by significant decreases in our general and administrative expenses and our sales and marketing expenses, as described in further detail below.

Main Components of Net Income

(amounts in thousands)

	2017 Period	2016 Period	Increase (Decrease)
Net revenues	$ 18,457	$ 20,828	$ (2,371)
Gross profit	$ 3,153	$ 3,801	$ (648)
Less:			
Sales and marketing expenses	1,116	1,318	(202)
General and administrative expenses	1,577	2,005	(428)
Other expense (income), net	(6)	12	(18)
Net Income	$ 466	$ 466	$ -

Net income per basic and diluted share was $0.05 per share for the 2017 Period and the 2016 Period.

Net Revenues

Net revenues in the 2017 Period decreased $2.4 million, or 11%, to $18.4 million from $20.8 million in the 2016 Period primarily due to lower revenues from Diabetic Products, partially offset by higher revenues from Other Products. As mentioned above, there was a change in terms with two of our major Diabetic Products customers whereby products shipped to a shipping hub located in the United States will no longer be sold on consignment effective May 1, 2017. Prior to this change, products to these two major Diabetics Products customers were sold by both consignment and FOB shipping point. Going forward, all products sold to these two major Diabetics Products customers shall be sold FOB shipping point. As a result of this change, additional net revenues of approximately $808,000 were recognized in the 2017 Period that would not have been recognized if the change in terms had not occurred. It is important that investors understand that as a result of this change in terms from consignment to FOB shipping point for a portion of the revenues from two of our large Diabetics Products customers, the recognition of revenues for these two customers was permanently accelerated thereby increasing our revenues by approximately $808,000 this Period. The remainder of the goods originally sold on consignment (prior to the change in terms) shall be recognized in the fourth quarter of fiscal 2017 and potentially increase revenues that quarter as well. By fiscal year end, it is expected there will be no more consignment goods for these two Diabetics Customers and thus revenues from these customers will revert to normal levels. Moreover, had the change in terms not occurred, our net revenues for the 2017 Period would have declined further when compared to the 2016 Period. The net revenues derived from our core diabetes kit cases continues to decline, primarily because our major customers face significant pricing pressure from competitors bringing out less expensive meters and also new innovative diabetic products which are not being sold with a meter case. As mentioned above, as a result of the continued decrease in our net revenues, Forward China, which is controlled by our Chairman and Chief Executive Officer, has agreed to forgo its rights to the 4% portion of the service fee under the Agreement beginning with the third fiscal quarter until the end of fiscal year 2017. The base monthly service fee payment of $100,000 will still be due to Forward China. In the 2017 Period, the 4% portion of the service fee amounted to approximately $107,000, but would have been greater by approximately $69,000. The Company and Forward China are currently negotiating a revised service fee under the Agreement.

The tables below set forth revenues by channel, product line, and geographic location of our customers for the periods indicated:

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Net Revenues for 2017 Period

(amounts in thousands)

	Americas	APAC	EMEA	Total
Diabetic products	$ 6,279	$ 4,363	$ 4,900	$ 15,542
Other products	1,048	1,604	263	2,915
Total net revenues	$ 7,327	$ 5,967	$ 5,163	$ 18,457

Net Revenues for 2016 Period

(amounts in thousands)

	Americas	APAC	EMEA	Total
Diabetic products	$ 4,311	$ 7,108	$ 7,052	$ 18,471
Other products	1,177	809	371	2,357
Total net revenues	$ 5,488	$ 7,917	$ 7,423	$ 20,828

Diabetic Product Revenues

We design and sell carrying cases for blood glucose diagnostic kits directly to OEMs (or their contract manufacturers). The OEM customer or its contract manufacturer packages our carry cases in box as a custom accessory for the OEM s blood glucose testing and monitoring kits, or to a lesser extent, sells them through its retail distribution channels.

Revenues from Diabetic Products decreased $2.9 million to $15.5 million in the 2017 Period, from $18.4 million in the 2016 Period. The decrease was primarily due to lower revenues derived from three of our major Diabetic Products customers (Diabetic Products Customers A, B and D). The decrease was offset, in part, by higher revenues derived from our largest major Diabetic Products customers (Diabetic Products Customer C).

The following table sets forth our revenues by Diabetic Products customers for the periods indicated:

	(amounts in thousands)		
	2017 Period	2016 Period	Increase (Decrease)
Diabetic Products Customer C	$ 4,565	$ 3,792	$ 773
Diabetic Products Customer A	4,330	4,844	(514)
Diabetic Products Customer B	4,145	6,895	(2,750)
Diabetic Products Customer D	2,172	2,857	(685)
All other Diabetic Products Customers	330	83	247
Totals	$ 15,542	$ 18,471	$ (2,929)

Revenues from Diabetic Products represented 84% of our total net revenues in the 2017 Period compared to 89% of our total net revenues in the 2016 Period.

Other Product Revenues

We design and sell cases and protective solutions to OEMs for a diverse array of portable electronic devices (such as bar code scanners, GPS devices, cellular phones, tablets and cameras), as well as a variety of other products (such as sporting and recreational products and firearms) on a made-to-order basis that are customized to fit the products sold by our OEM customers.

Revenues of Other Products increased $0.6 million to $2.9 million in the 2017 Period from $2.3 million in the 2016 Period. This is primarily due to the addition of $0.5 million from some new customers and overall net increases of $0.1 million from existing customers. We will continue to focus on our sales and sales support teams in our attempt to expand and diversify our Other Products customer base.

Revenues from Other Products represented 16% of our net revenues in the 2017 Period compared to 11% of our total net revenues in the 2016 Period.

Gross Profit

The decrease in gross profit of approximately $648,000 was driven by a year over year decline in net revenues of 11% as well as a decline in gross margins. The decline in gross margins results from pricing pressures from our customers. Our gross margin decreased to 17.1% in the 2017 Period compared to 18.3% in the 2016 Period. We believe gross margin will decrease further in the event that Forward China does not continue to forgo the 4% portion of its service fee.

Sales and Marketing Expenses

Sales and marketing expenses decreased approximately $202,000, or 15%, to approximately $1,116,000 in the 2017 Period compared to approximately $1,318,000 in the 2016 Period, primarily due to decreased personnel expenses of approximately $244,000, partially offset by increased other expenses of approximately $48,000. Fluctuations in other components of Sales and Marketing Expenses were not material individually or in the aggregate.

General and Administrative Expenses

General and administrative expenses decreased approximately $428,000, or 21%, to approximately $1,577,000 in the 2017 Period from approximately $2,005,000 in the 2016 Period, primarily due to decreased professional fees of approximately $91,000, personnel expenses of approximately $67,000, director share-based compensation of approximately $61,000, director fees of approximately $52,000, directors and officers insurance of approximately $43,000, director expense reimbursement of approximately $38,000, and depreciation of approximately $27,000 as well as New York State tax refunds of approximately $49,000 stemming from amended returns. Fluctuations in other components of General and Administrative Expenses were not individually material.

Other Expense (Income), Net

Other expense (income), net, consisting primarily of foreign exchange losses (gains), was approximately $(6,000) in the 2017 Period compared to approximately $12,000 in the 2016 Period.

For the nine months ended June 30, 2017, the Company generated net income of approximately $466,000. While the Company maintains significant net operating loss carryforwards, no income tax expense (benefit) was recognized as the Company s deferred tax provision is completely offset by a full valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is from operations. Our working capital would be adversely affected by any: (i) operating losses; (ii) increases in accounts receivable and inventories arising in the ordinary course of business; and (iii) material increases in expenses. Historically, our sources of liquidity have been adequate to satisfy working capital requirements arising in the ordinary course of business. We anticipate that our liquidity and financial resources for the next twelve months from the date of the filing of this Form 10-Q will be adequate to manage our operating and financial requirements.

At June 30, 2017, our current ratio (current assets divided by current liabilities) was 3.2; our quick ratio (current assets less inventories divided by current liabilities) was 2.7; and our working capital (current assets less current liabilities) was $8.7 million. As of June 30, 2017, we had no short or long-term debt outstanding. We do not anticipate the need to purchase additional material capital assets in order to carry out our business.

During the nine months ended June 30, 2017 and 2016, our sources and uses of cash were as follows:

Cash Flows from Operating Activities

During the 2017 Period, cash used in operating activities of approximately $699,000 resulted primarily from an increase in accounts receivable of approximately $1,773,000, a decrease in accrued expenses and other current liabilities of approximately $248,000, and an increase in prepaid expenses and other current assets of approximately $64,000, partially offset by a decrease in inventories of approximately $744,000, net income of approximately $466,000, the add back of non-cash share-based compensation of approximately $97,000, and an increase in accounts payable (including due to Forward China) of approximately $71,000.

During the 2016 Period, cash provided operating activities of approximately $1,243,000 resulted primarily from a decrease in accounts receivable of approximately $725,000, net income of approximately $466,000, a decrease in inventories of approximately $208,000, the add back of non-cash share-based compensation of approximately $185,000, the add back of depreciation and amortization of approximately $44,000, partially offset by a decrease in accounts payable (including due to Forward China) of approximately $345,000, and a decrease in other liabilities of approximately $34,000.

Cash Flows from Investing Activities

In the 2017 Period, there was no cash used in investing activities.

In the 2016 Period, cash used in investing activities of approximately $48,000 resulted from purchases of property and equipment.

Cash Flows from Financing Activities

In the 2017 Period, there was no cash used in financing activities.

In the 2016 Period, cash used in financing activities of approximately $2,000 resulted from the repurchase of restricted stock.

Related Party Transactions

For information on related party transactions and their financial impact, see Note 7 to the unaudited condensed consolidated financial statements contained herein.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements , as such term is used within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our liquidity and working capital. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects and similar references to future periods. Forward-looking statements are our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include the failure to receive material orders, failure to diversify the industries in which we sell our products, potential imposed tariffs or other restrictions placed on Chinese imports by the U.S. government, and continued pricing pressure on our products. Further information on our risk factors is contained in our filings with the SEC, including our Form 10-K for the year ended September 30, 2016. Any forward-looking statement made by us speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934 (the Exchange Act) of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act. Based on their evaluation, our management has concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Controls and Procedures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations of any control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may become a party to legal actions or proceedings in the ordinary course of its business. As of June 30, 2017, there were no such actions or proceedings, either individually or in the aggregate, that, if decided adversely to the Company s interests, the Company believes would be material to its business.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this Form 10-Q.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: August 14, 2017

FORWARD INDUSTRIES, INC.

By: /s/ Terence Wise

Terence Wise

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Michael Matte

Michael Matte

Chief Financial Officer

(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

No.	Exhibit Description	Incorporated by Reference Form	Incorporated by Reference Date	Incorporated by Reference Number	Filed or Furnished Herewith
3.1	Restated Certificate of Incorporation	10-K	12/8/10	3(i)	
3.2	Certificate of Amendment to the Certificate of Incorporation, April 26, 2013	8-K	4/26/13	3.1	
3.3	Certificate of Amendment to the Certificate of Incorporation, June 28, 2013	8-K	7/3/13	3.1	
3.4	Third Amended and Restated Bylaws, as of May 28, 2014	10-K	12/10/14	3(ii)	
4.1	Rights Agreement, dated as of April 26, 2013	8-K	4/26/13	4.1	
10.1	Buying Agency and Supply Agreement with Forward Industries (Asia-Pacific), Corporation, dated as of September 9, 2015	10-K	12/16/15	10.7	
10.2	Temporary Amendment, dated as of May 14, 2017 to the Buying Agency and Supply Agreement with Forward Industries (Asia-Pacific), Corporation, dated as of September 9, 2015				Filed
31.1	Certification of Principal Executive Officer (Section 302)				Filed
31.2	Certification of Principal Financial Officer (Section 302)				Filed
32.1	Certification of Principal Executive Officer and Principal Financial Officer (Section 906)				Furnished*
101 INS	XBRL Instance Document				Filed
101 SCH	XBRL Taxonomy Extension Schema				Filed
101 CAL	XBRL Taxonomy Extension Calculation Linkbase				Filed
101 LAB	XBRL Taxonomy Extension Label Linkbase				Filed
101 PRE	XBRL Taxonomy Extension Presentation Linkbase				Filed
101 DEF	XBRL Taxonomy Extension Definition Linkbase				Filed

* This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to Forward Industries, Inc., 477 S. Rosemary Ave. Ste. 219, West Palm Beach, Florida 33401, Attention: Corporate Secretary.