



Consolidated Financial Results for the Three Months Ended June 30, 2020 (Japanese GAAP)

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Tokyo Stock Exchange

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 Scheduled date of commencing dividend payment —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of a briefing on quarterly financial results: Yes (for analysts and institutional investors)

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	18,480	(32.9)	(507)	—	(518)	—	(791)	—
June 30, 2019	27,561	(24.5)	741	(21.8)	648	(41.1)	2,067	—

Note: Comprehensive income (loss):
 Three months ended June 30, 2020 ¥(1,310) million [-%]
 Three months ended June 30, 2019 ¥1,310 million [-%]

	Net income per share	Diluted net income per share
Three months ended June 30, 2020	Yen (34.89)	Yen —
June 30, 2019	91.45	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2020	75,590	57,205	69.1	2,300.52
As of March 31, 2020	80,825	58,995	66.5	2,369.46

Reference: Equity capital: As of June 30, 2020 ¥52,249 million
 As of March 31, 2020 ¥53,771 million

2. Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
Fiscal year ended March 31, 2020	Yen —	Yen 20.00	Yen —	Yen 15.00	Yen 35.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		—	—	—	—

Note: Changes in dividend forecast subsequent to the most recent announcement: No

Note: The dividend paid at the end of the second quarter of the fiscal year ended March 31, 2020 comprised an ordinary dividend of ¥15.00 and a commemorative dividend of ¥5.00.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of	%	Yen
Fiscal year ending March 31, 2021	80,000– 90,000	(25.4) – (16.1)	500– 1,000	(75.7) – (51.5)	500– 1,000	(80.7) – (61.5)	–	–	–

Note: Changes in forecast of financial results subsequent to the most recent announcement: None

Note: We left the forecast for net income attributable to owners of the parent undetermined due to the difficulty of developing a reasonable estimate at this point, given the impact of the global outbreak of COVID-19. We will announce the forecast promptly as soon as it becomes possible to make a reasonable estimate.

* Notes

(1) Changes in major subsidiaries during the three months ended June 30, 2020 (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Newly added: - subsidiaries (Company name) -
Excluded: - subsidiaries (Company name) -

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies due to amendment of accounting standards, etc. : No
(ii) Changes in accounting policies other than (i) : No
(iii) Changes in accounting estimates : No
(iv) Restatement : No

(4) Number of shares outstanding (common stock)

(i) Number of issued shares at the end of the period (including treasury stock)

June 30, 2020: 26,000,000

March 31, 2020: 26,000,000

(ii) Number of treasury stock at the end of the period

June 30, 2020: 3,307,088

March 31, 2020: 3,306,288

(iii) Average number of shares outstanding for the period

Three months ended June 30, 2020: 22,692,978

Three months ended June 30, 2019: 22,607,296

* Quarterly consolidated financial statements are not subject to quarterly audit by a certified public accountant or audit corporation.

* Information on proper use of the projected financial results and other notes

(Precautionary notes on forward-looking statements)

Forward-looking statements in this document, including earnings projections, are based on currently available information and certain assumptions that the Company regards as reasonable at the time of writing, and the Company does not in any way guarantee the achievement of the projections. Actual results may differ substantially from the forecast figures depending on various factors. For the preconditions of and precautions in using the earnings projections, please refer to "Explanation of forecast of consolidated financial results and other forward-looking information" on page 2 of the Attachment.

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1. Overview of operating results, etc.

(1) Operating results for the period under review

During the three months ended June 30, 2020, the global economy continued to face severe challenges, as the outbreak of COVID-19 resulted in heavy restrictions on economic and social activities around the world.

In the electronic components industry, a key sector for the Foster Group (the "Group"), new demand was created due to factors such as the increasing adoption of teleworking. However, demand was sluggish overall owing to factors such as stagnant production activities in the automotive market and other key markets.

Under these circumstances, the Group has set out to cope with the tough market environment through measures aimed at strengthening the corporate structure, such as cost reduction, freezing capital investments in non-priority items, and the rationalization of operations.

As a result, consolidated net sales for the three months ended June 30, 2020 came to ¥18,480 million (down 32.9% YoY). Losses amounted to an operating loss of ¥507 million (in the previous year, operating income of ¥741 million), an ordinary loss of ¥518 million (in the previous year, ordinary income of ¥648 million), and a net loss attributable to owners of the parent of ¥791 million (in the previous year, net income attributable to owners of the parent of ¥2,067 million).

Results by segment were as follows.

[Speaker Segment]

The outbreak of COVID-19 caused a global contraction in the automobile market. In particular, restrictions on economic activities in Europe and the US caused carmakers to halt plant operations, resulting in a sharp drop in car sales. In consideration of these situations, we implemented production adjustments such as placing employees on furlough at the Vietnam and Myanmar plants. As a result, net sales came to ¥10,619 million (down 34.7% YoY) and the operating loss to ¥448 million (in the previous year, operating income of ¥915 million).

[Mobile Audio Segment]

Net sales were ¥6,633 million (down 32.5% YoY), as the sales volume of headsets sold to a major customer continued to decline from the previous year. Operating income was ¥6 million (in the previous year, operating loss of ¥205 million) owing to the effects of ongoing efforts in rationalization measures.

[Other Segment]

In the Other Segment, including the micro acoustic components and FOSTEX brand products, net sales amounted to ¥1,321 million (down 12.6% YoY) and the operating loss to ¥65 million (in the previous year, operating income of ¥30 million).

(2) Financial position for the period under review

As of June 30, 2020, total assets amounted to ¥75,590 million, down ¥5,235 million from their level on March 31, 2020, mainly because of a decrease in securities. Owing chiefly to a decrease in trade notes and accounts payable, total liabilities declined ¥3,444 million to ¥18,385 million. Net assets came to ¥57,205 million, down ¥1,790 million, mainly as the result of a decrease in retained earnings. The equity ratio was 69.1% as of June 30, 2020, up 2.6 percentage points from March 31, 2020.

(Cash flows for the period under review)

Cash and cash equivalents as of June 30, 2020 totaled ¥19,307 million, down ¥4,622 million from the level on March 31, 2020, as a result of the cash flows described below.

[Operating activities]

Net cash used in operating activities was ¥2,309 million, chiefly due to a decrease in trade notes and accounts payable.

[Investing activities]

Net cash used in investing activities totaled ¥1,246 million, mainly due to capital investments.

[Financing activities]

Net cash used in financing activities totaled ¥691 million, primarily due to repayments of long-term debt.

(3) Explanation of forecast of consolidated financial results and other forward-looking information

Although the activity restrictions associated with the COVID-19 outbreak have now been relaxed in many countries, the number of infection cases continues to trend upward, and the business environment remains highly unpredictable. In consideration of this, at this moment, we leave unchanged the full-year forecast (range values) announced in the consolidated financial results on May 18, 2020. Further, we continue to leave the forecast for net income attributable to owners of the parent undetermined, since it is still subject to sharp fluctuations depending on the implementation status of rationalization measures going forward and other factors.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	14,770	17,985
Notes and accounts receivable–trade	14,852	15,126
Electronically recorded monetary claims–operating	293	225
Securities	10,098	2,690
Finished goods	11,856	11,842
Raw materials	4,342	3,435
Work in process	1,293	1,392
Supplies	131	179
Accounts receivable–other	921	687
Other	1,424	1,533
Allowance for doubtful receivables	(31)	(31)
Total current assets	59,952	55,066
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,127	7,967
Machinery, equipment and vehicles, net	5,382	5,146
Tools, furniture and fixtures, net	1,787	1,752
Land	1,435	1,413
Construction in progress	1,247	1,392
Net property, plant and equipment	17,980	17,673
Intangible assets		
Software	98	89
Other	118	112
Total intangible assets	217	201
Investments and other assets		
Investment securities	1,297	1,327
Long-term prepaid expenses	112	104
Asset for employees' retirement benefits	715	680
Deferred tax assets	263	270
Other	286	267
Total investments and other assets	2,675	2,649
Total non-current assets	20,872	20,524
Total assets	80,825	75,590

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	7,390	5,604
Short-term bank loans	2,138	2,808
Current portion of long-term debt	1,766	1,671
Accounts payable–other	2,782	2,137
Income taxes payable	646	275
Accrued expenses	1,739	1,474
Reserve for bonuses	549	392
Other	770	877
Total current liabilities	17,783	15,241
Non-current liabilities		
Long-term debt	2,637	1,850
Deferred tax liabilities	633	514
Liability for employees' retirement benefits	63	64
Liability for directors' retirement benefits	16	14
Provisions for stock benefit program	121	127
Asset retirement obligations	249	250
Other	323	323
Total non-current liabilities	4,047	3,144
Total liabilities	21,830	18,385
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	7,957	7,957
Retained earnings	45,696	44,562
Treasury stock	(5,089)	(5,089)
Total shareholders' equity	55,335	54,201
Accumulated other comprehensive income		
Unrealized gain on investment securities	126	162
Foreign currency translation adjustment	(1,281)	(1,645)
Remeasurements of defined benefit plans	(409)	(469)
Total accumulated other comprehensive income	(1,563)	(1,952)
Non-controlling interests	5,224	4,956
Total net assets	58,995	57,205
Total liabilities and net assets	80,825	75,590

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(Three months ended June 30, 2020)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	27,561	18,480
Cost of sales	23,716	16,508
Gross profit	3,844	1,972
Selling, general and administrative expenses	3,103	2,479
Operating income (loss)	741	(507)
Non-operating income		
Interest income	61	43
Dividend income	15	9
Miscellaneous income	84	69
Total non-operating income	162	122
Non-operating expenses		
Interest expense	38	21
Foreign currency exchange loss	158	19
Miscellaneous loss	57	93
Total non-operating expenses	254	133
Ordinary income (loss)	648	(518)
Extraordinary income		
Gain on sales of non-current assets	2,706	—
Total extraordinary income	2,706	—
Extraordinary losses		
Special retirement payments	587	85
Total extraordinary losses	587	85
Income (loss) before income taxes	2,767	(604)
Income taxes - current	487	140
Income taxes - deferred	58	(44)
Total income taxes	546	96
Net income (loss)	2,221	(700)
Net income attributable to non-controlling interests	153	91
Net income (loss) attributable to owners of the parent	2,067	(791)

(Quarterly consolidated statement of comprehensive income)
(Three months ended June 30, 2020)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income (loss)	2,221	(700)
Other comprehensive income		
Unrealized gain on investment securities	(99)	36
Foreign currency translation adjustment	(985)	(539)
Remeasurements of defined benefit plans	174	(105)
Total other comprehensive income	(911)	(609)
Comprehensive income	1,310	(1,310)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	1,108	(1,180)
Total comprehensive income attributable to non-controlling interests	201	(129)

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Operating activities		
Income (loss) before income taxes	2,767	(604)
Depreciation and amortization	826	781
(Increase) decrease in asset for employees' retirement benefits	(11)	32
Increase (decrease) in liability for employees' retirement benefits	78	(0)
Increase (decrease) in directors' retirement benefits	1	(2)
Increase (decrease) in allowance for doubtful receivables	3	0
Increase (decrease) in reserve for bonuses	(231)	(155)
Loss (gain) on sales of property, plant and equipment	(2,706)	—
Special retirement payments	587	86
Interest and dividend income	(77)	(53)
Interest expense	38	21
Foreign exchange loss (gain)	17	60
Decrease (increase) in trade notes and accounts receivable	290	(196)
Decrease (increase) in inventories	1,786	757
Increase (decrease) in trade notes and accounts payable	(650)	(1,748)
Decrease (increase) in other accounts receivable	132	231
Increase (decrease) in other accounts payable	(270)	(500)
Other	(1,065)	(423)
Subtotal	1,515	(1,711)
Interest and dividend income received	77	53
Interest expenses paid	(38)	(21)
Payments for special retirement expenses	(198)	(86)
Income taxes - paid	(482)	(543)
Net cash provided by (used in) operating activities	873	(2,309)
Investing activities		
Purchases of securities	(382)	(800)
Proceeds from redemption of securities	198	297
Purchases of investment securities	(0)	—
Purchases of property, plant and equipment	(619)	(732)
Proceeds from sales of property, plant and equipment	2,595	—
Purchases of intangible assets	(8)	(2)
Decrease (increase) in time deposits	78	—
Payment for long-term prepaid expenses	(20)	(8)
Other	21	(0)
Net cash provided by (used in) investing activities	1,862	(1,246)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Financing activities		
Increase (decrease) in short-term bank loans payable, net	(29)	681
Repayments of long-term debt	(577)	(870)
Dividends paid	(227)	(342)
Dividends paid to non-controlling interests	(148)	(159)
Purchase of treasury stock	(0)	—
Other	(41)	—
Net cash provided by (used in) financing activities	(1,023)	(691)
Effect of exchange rate changes on cash and cash equivalents	(229)	(375)
Net increase (decrease) in cash and cash equivalents	1,482	(4,622)
Cash and cash equivalents, beginning of period	21,524	23,930
Cash and cash equivalents, end of period	23,007	19,307

**(4) Notes to the quarterly consolidated financial statements
(Notes on going concern assumption)**

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Additional information)

In the three months ended June 30, 2020, no material changes have been made to the assumptions described in the Company's securities report for the fiscal year ended March 31, 2020, including how COVID-19 will spread going forward and the timing of its containment.

(Segment information, etc.)

[Segment information]

I. Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

1. Information on amount of net sales and income (loss) for each reportable segment.

(Millions of yen)

	Reportable segments			Total	Adjustments * Note 1	Amounts on consolidated statement of income * Note 2
	Speaker	Mobile Audio	Other			
Net sales						
Sales to external customers	16,253	9,826	1,481	27,561	—	27,561
Inter-segment sales or transfers	—	—	29	29	(29)	—
Total	16,253	9,826	1,511	27,591	(29)	27,561
Segment income (loss)	915	(205)	30	741	(0)	741

- Notes: 1. Adjustments to segment income (loss) reflect the elimination of inter-segment transactions.
2. Total segment income (loss) is adjusted with the operating income in the quarterly consolidated statement of income.

2. Information on impairment losses of non-current assets or goodwill, etc. for each reportable segment.

(Important impairment losses of non-current assets)

Not applicable.

II. Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

1. Information on amount of net sales and income (loss) for each reportable segment.

(Millions of yen)

	Reportable segments			Total	Adjustments * Note 1	Amounts on consolidated statement of income * Note 2
	Speaker	Mobile Audio	Other			
Net sales						
Sales to external customers	10,619	6,633	1,227	18,480	—	18,480
Inter-segment sales or transfers	—	—	93	93	(93)	—
Total	10,619	6,633	1,321	18,574	(93)	18,480
Segment income (loss)	(448)	6	(65)	(507)	(0)	(507)

- Notes: 1. Adjustments to segment income (loss) reflect the elimination of inter-segment transactions.
2. Total segment income (loss) is adjusted with the operating income in the quarterly consolidated statement of income.

2. Information on impairment losses of non-current assets or goodwill, etc. for each reportable segment.

(Important impairment losses of non-current assets)

Not applicable.