

Foster Electric Company, Limited
 1-1-109 Tsutsujigaoka, Akishima City, Tokyo, Japan
 Tel: +81(42) 546-2305

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Announcement on Recording of Extraordinary Loss and Revisions to Full-Year Financial Results and Dividend Forecasts

Foster Electric Company, Limited (hereinafter “the Company”) announces the recording of an extraordinary loss as described below. Furthermore, in view of recent earnings trends, the Company announces the following revisions to the full-year financial results forecast and the dividend forecast (previously undecided) released on May 18, 2020 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2020.”

1. Recording of extraordinary loss in the third quarter of the fiscal year ending March 31, 2021

The Foster Group is conducting business reforms that place the automotive business at the center of its operations. In this context, it has been rebuilding the earnings foundation and examining the recoverability of non-current assets, and as a result, has decided to record ¥891 million in impairment losses on non-current assets (extraordinary loss).

2. Revisions to the full-year financial results forecast

(1) Revisions to the forecast of the consolidated financial results for the fiscal year ending March 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	80,000– 90,000	500– 1,000	500– 1,000	–	–
Revised forecast (B)	85,000	50	200	(2,500)	(110.16) yen
Change (B)-(A)	5,000– (5,000)	(450)- (950)	(300) – (800)	–	
Percentage change (%)	6.3– (5.6)	(90.0) – (95.0)	(60.0) – (80.0)	–	
(Reference) Results in the previous fiscal year (ended March 31, 2020)	107,298	2,064	2,599	1,565	69.15 yen

(2) Reasons for the revisions

In the first half of the period under review, the spread of the COVID-19 pandemic caused components demand to slump. However, driven by the Chinese economy's recovery thereafter, components demand in the automotive industry is showing signs of improvement.

The Foster Group has focused on securing orders in the recovering automotive market and expects to achieve net sales within the initial forecast range. Yet, the spike in container freight rates globally since November 2020 has weighed heavily on income. We estimate this impact will last at least until the end of the fiscal year.

Based on the above, the Company expects operating income and ordinary income to fall short of the initial forecast. It previously left the forecast for net income attributable to owners of the parent undecided. However, based on the above-mentioned recording of an extraordinary loss and the possibility of booking additional losses from rationalization measures in the fourth quarter, the Company revised the forecast as above. While the rationalization measures are under discussion and details are not finalized, the extraordinary loss from these measures is estimated at around ¥1.0 billion in the revised forecast.

3. Revisions to Dividend Forecast

(1) Details of revisions to dividend forecast

	Dividend per share		
	End of 2nd quarter	Year-end	Total
Previous forecast (announced May 18, 2020)		Undecided	Undecided
Revised forecast		¥5.00	¥15.00
Results in the current fiscal year	¥10.00		
Results in the previous fiscal year (ended March 31, 2020)	¥20.00 (commemorative dividend of ¥5)	¥15.00	¥35.00

(2) Reasons for the revision

The Company's fundamental policy is to improve comprehensive shareholder returns while pursuing enhancement of enterprise value as a corporate challenge, and keeping the balance between profit distribution based on performance results and financial sustainability based on a long-term perspective.

In accordance with this policy, the Company forecasts a year-end dividend of ¥5.00 per share in consideration of recent earnings trends, including the above-mentioned revisions to the financial results forecast.

[Note] Considerations regarding the financial results forecast

The financial results forecast described above is calculated based on currently available information, which consists of numerous uncertainties. Please be advised that actual results may vary from the above-mentioned forecast or estimates depending on changes in circumstances or various other factors.