

Foster Electric Company, Limited
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June 23, 2021

Notice Regarding Establishment of Affiliated Company in China

At the board of directors meeting held on June 23, 2021, Foster Electric Co., Ltd. (hereafter “the Company”) made a resolution regarding the establishment of an affiliated company and co-investment by subsidiary employees therein, as follows.

1. Purpose of establishing the affiliated company

For the Company whose primary focus is on the automotive-related business, cultivating the Chinese market—the world’s largest market—is of utmost importance. China is leading the shift to electric vehicles, and is seeing many local Chinese automakers, including joint ventures of local companies and Japanese, American, and European automakers, rise in prominence. To secure business from these local automakers, the Company needs to enhance the competitiveness of its products in terms of quality and price, and build a team of Chinese personnel that can proactively and flexibly respond to the needs of the local market to win orders and manufacture products. To achieve these goals, the Company has decided to establish a new company, in which the employees of a second-tier subsidiary in China co-invest. By offering these employees an opportunity to invest in the new company, the Company also expects to increase their motivation and create synergies through effective utilization of resources within the Foster Group.

2. Method of establishing the affiliated company

The Company’s second-tier subsidiary, Foster Electric Co., (Guangzhou) Ltd., will establish a new company whose main business will involve the manufacture and sale of products for local Chinese automakers. The new company will accept investment from the second-tier subsidiary’s employees, etc. through an employee investment fund. Those employees of Foster Electric Co., (Guangzhou) Ltd., who engage in the business to be succeeded to the new company, will be transferred to the new company. The Company will enter into a business alliance with the new company to expand the automotive-related business in China with the new company.

3. Overview of the new company

Company name: Guangzhou Fourstar Electroacoustic Tech Co., Ltd.

Date to be established: Scheduled for July 2021 (under the assumption that all necessary regulatory approvals will have been obtained by then)

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Capital:	7,844,000 Chinese yuan (approximately 130 million Japanese yen)
Ownership:	Foster Electric Co., (Guangzhou) Ltd.: 49%, Employee Investment Fund: 51%
Business:	Manufacture and sale of speakers to Chinese local automakers, and manufacture and sale of parts to Foster Group companies
Address:	No. 3, Kaifa Road, Jiushuikeng Village, Dalong Subdistrict, Panyu District, Guangzhou, Guangdong Province
Number of employees:	520 planned for the first year

4. Investment by employees, etc.

Employees, etc. will invest in the new company through the Employee Investment Fund (participation expected from about 30 employees).

Name of the Employee Investment Fund: Guangzhou Starfish Investment Partnership

5. Impact on earnings performance

The establishment of the new company is expected to have a marginal impact on the Company's earnings outlook for the fiscal year ending March 31, 2022. However, the Company expects the new company to contribute to fortifying its automotive-related business by helping to win orders in China, the world's largest automobile market.