

Financial Results Briefing for the First Half of the Fiscal Year Ending March 31, 2020

Foster Electric Company, Limited
(Stock code: 6794, First Section, Tokyo Stock Exchange)
November 8, 2019

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I. Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2020

1H FY03/20 Results

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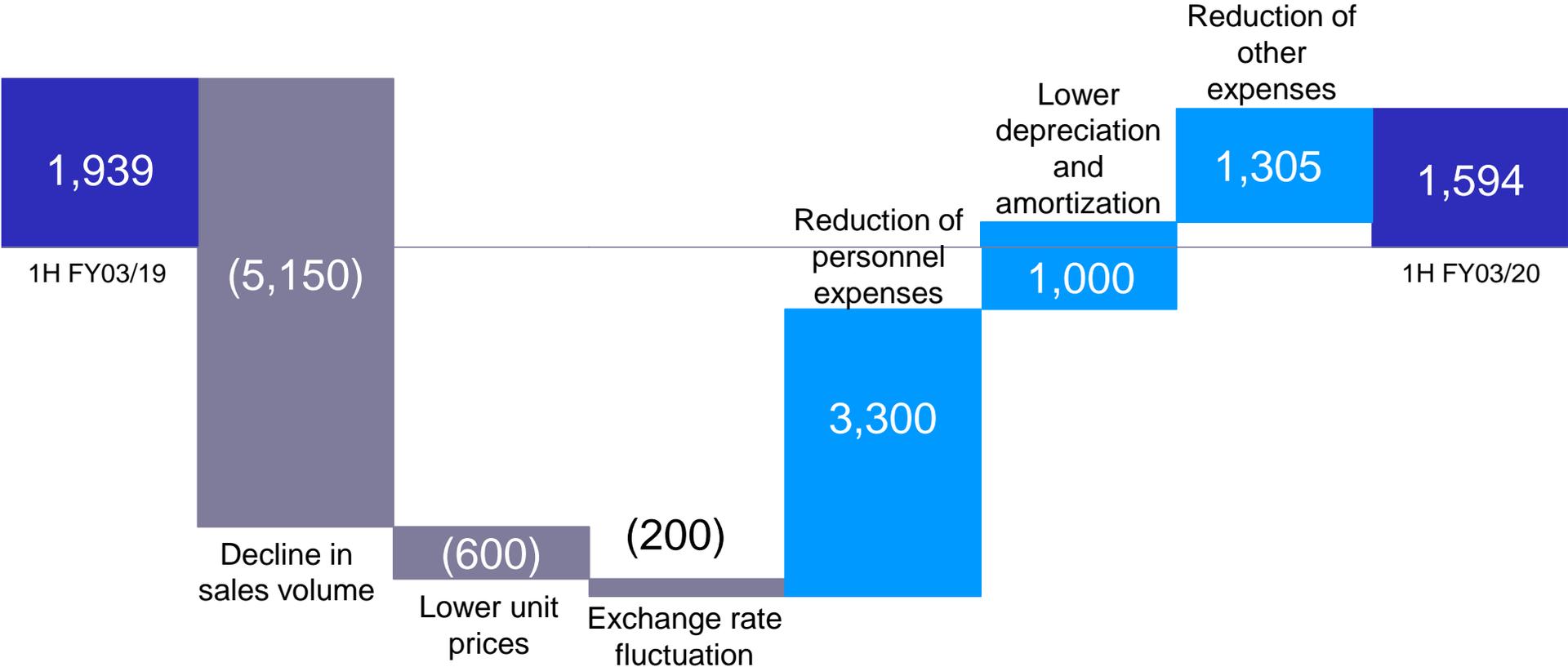
| | 1H FY03/19 | 1H FY03/20 (Actual) | | |
|---|----------------------------------|----------------------------------|---------------------------|----------------------------|
| | | | Amount of change (YoY) | Percentage change (YoY) |
| Net sales | 68,758 | 55,277 | (13,481) | (19.6%) |
| Operating income | 1,938 | 1,594 | (344) | (17.7%) |
| <i>Operating income to net sales</i> | 2.8% | 2.9% | | |
| Ordinary income | 2,198 | 1,668 | (530) | (24.1%) |
| <i>Ordinary income to net sales</i> | 3.2% | 3.0% | | |
| Net income (loss)* | (1,776) | 2,090 | 3,866 | — |
| <i>Net income (loss) to net sales**</i> | (2.6%) | 3.8% | | |
| Dividend per share (in exact yen) | 10.00 | 20.00 | 10.00 | 100.0% |
| Exchange rates | 110.71 yen/USD 129.75 yen/EUR | 108.68 yen/USD 120.90 yen/EUR | | |

*Net income (loss) attributable to owners of the parent. **Net income (loss) to net sales attributable to owners of the parent.

Breakdown of YoY Change in Operating Income



(Millions of yen)



Segment Performance

FOSTER

(Millions of yen)

| | | 1H FY03/19 | Composition ratio | 1H FY03/20 | Composition ratio | Percentage change (YoY) |
|--------------|---------------------|------------|-------------------|------------|-------------------|-------------------------|
| | Net sales | 68,758 | | 55,277 | | (19.6%) |
| | Operating income | 1,938 | | 1,594 | | (17.7%) |
| | <i>Income ratio</i> | 2.8% | | 2.9% | | |
| Speaker | Sales | 34,450 | 50.1% | 32,631 | 59.0% | (5.3%) |
| | Operating income | 2,050 | — | 1,754 | — | (14.4%) |
| | <i>Income ratio</i> | 6.0% | | 5.4% | | |
| Mobile Audio | Sales | 31,407 | 45.7% | 19,603 | 35.4% | (37.6%) |
| | Operating income | (254) | — | (170) | — | — |
| | <i>Income ratio</i> | (0.8%) | | (0.9%) | | |
| Other | Sales | 2,990 | 4.2% | 3,107 | 5.6% | 3.9% |
| | Operating income | 143 | — | 10 | — | (92.4%) |
| | <i>Income ratio</i> | 4.8% | | 0.3% | | |

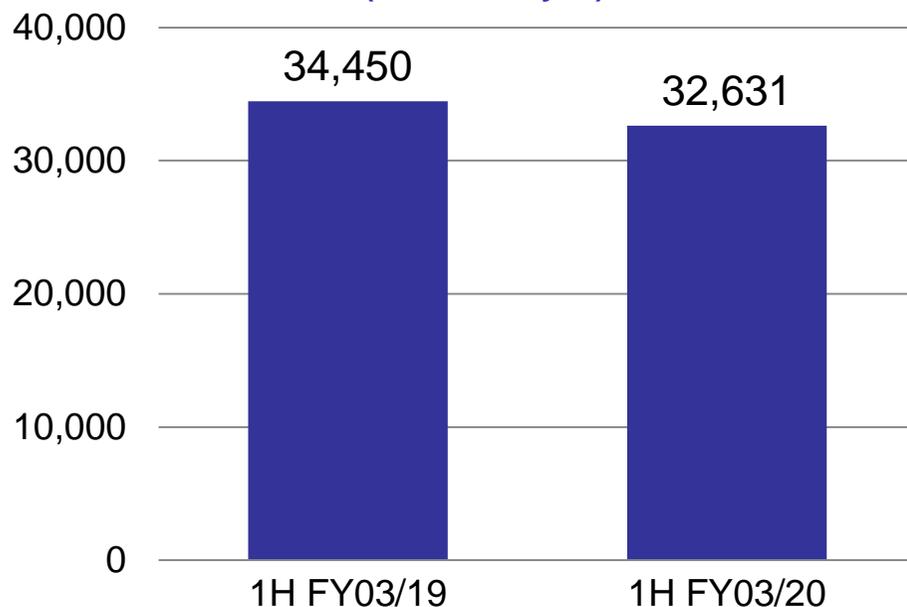
Segment sales and operating income declined YoY.

➤ Sales of car speakers and speaker systems fell owing to a drop in new car sales worldwide.

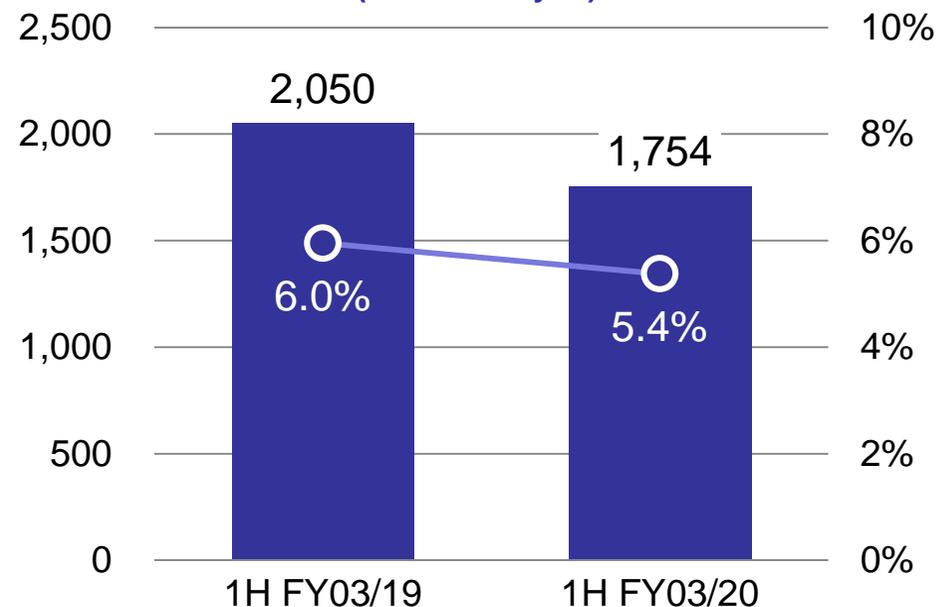
(Millions of yen)

| | | 1H FY03/19 | 1H FY03/20 | Composition ratio | Percentage change (YoY) |
|---------|---------------------|------------|------------|-------------------|-------------------------|
| Speaker | Sales | 34,450 | 32,631 | 59.0% | (5.3%) |
| | Operating income | 2,050 | 1,754 | — | (14.4%) |
| | <i>Income ratio</i> | 6.0% | 5.4% | | |

Sales
(Millions of yen)



Operating income and income ratio
(Millions of yen)



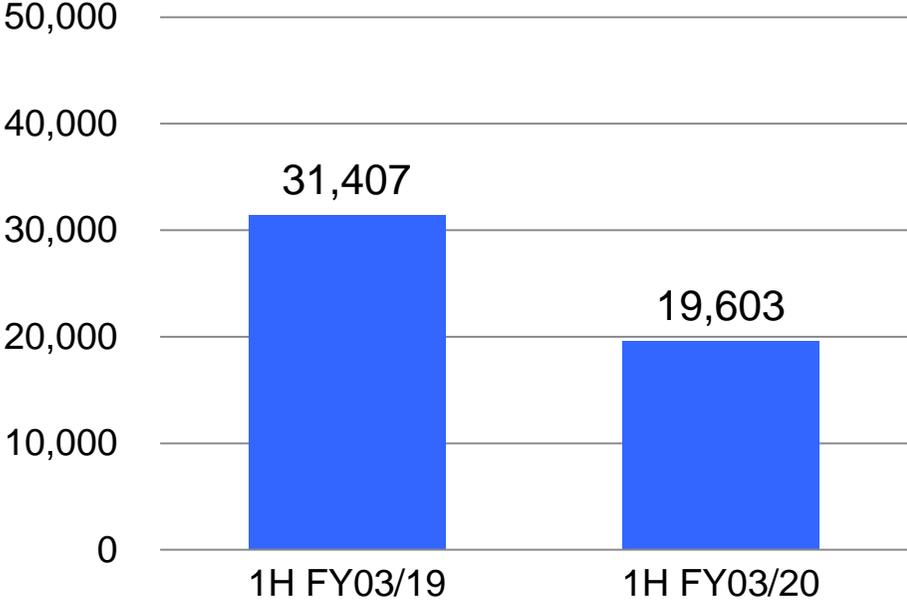
Segment sales declined YoY.

➤ The decrease was mainly due to a decline in sales volume of headsets for a major customer.

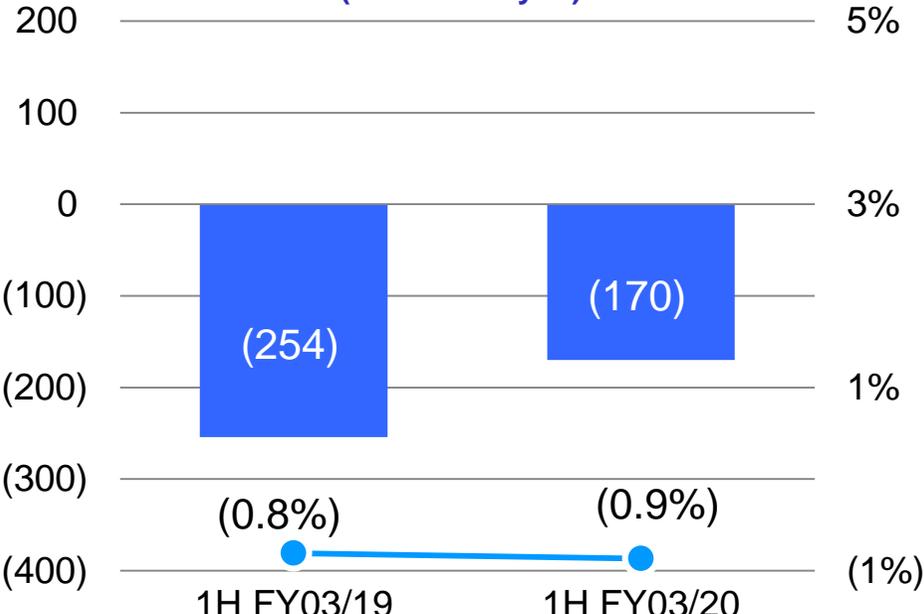
(Millions of yen)

| | | 1H FY03/19 | 1H FY03/20 | Composition ratio | Percentage change (YoY) |
|--------------|---------------------|---------------|---------------|-------------------|-------------------------|
| Mobile Audio | Sales | 31,407 | 19,603 | 35.4% | (37.6%) |
| | Operating income | (254) | (170) | — | — |
| | <i>Income ratio</i> | <i>(0.8%)</i> | <i>(0.9%)</i> | | |

Sales
(Millions of yen)



Operating income and income ratio
(Millions of yen)



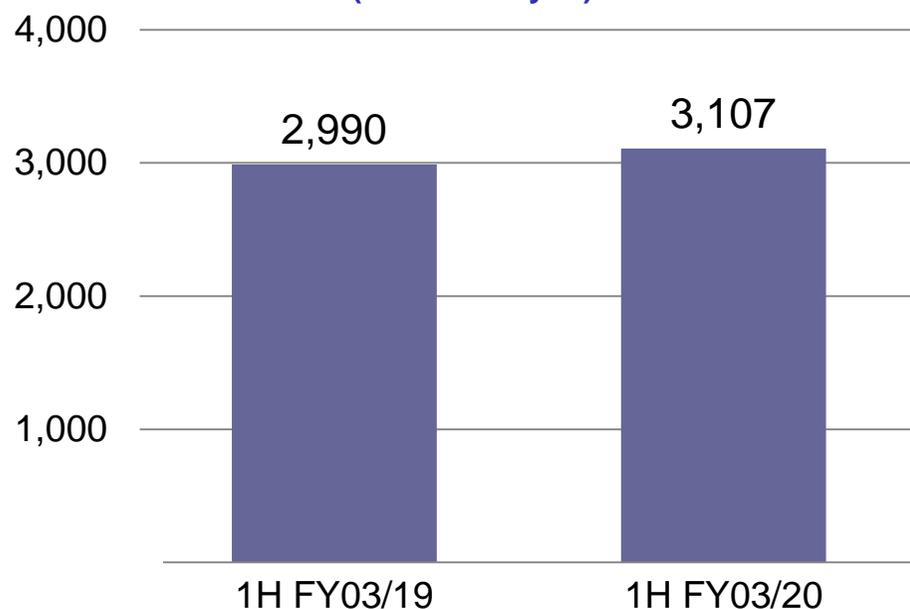
Segment sales rose but operating income declined YoY.

- Core products of the segment include micro-acoustic components and FOSTEX brand products.

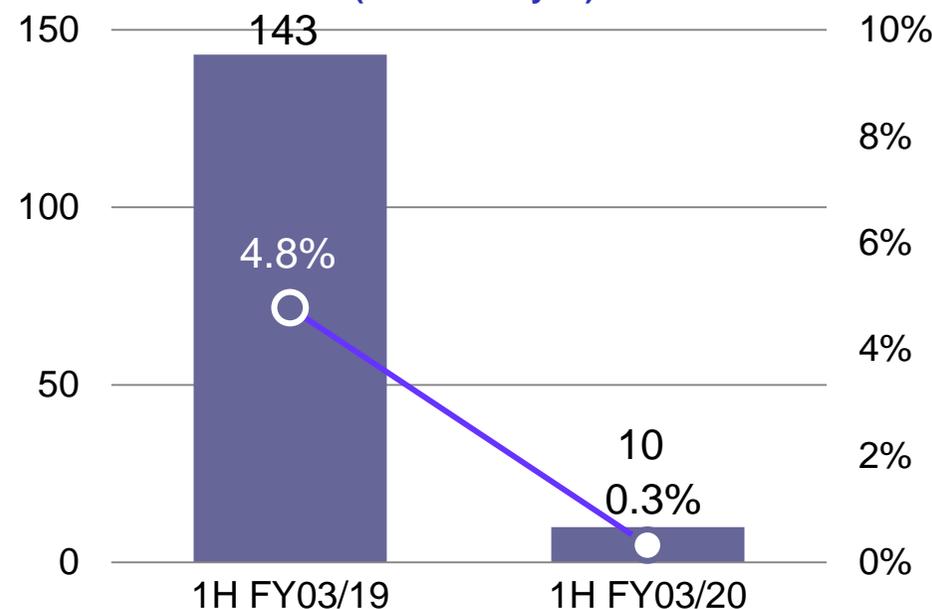
(Millions of yen)

| | | 1H FY03/19 | 1H FY03/20 | Composition ratio | Percentage change (YoY) |
|-------|---------------------|------------|------------|-------------------|-------------------------|
| Other | Sales | 2,990 | 3,107 | 5.6% | 3.9% |
| | Operating income | 143 | 10 | — | (92.4%) |
| | <i>Income ratio</i> | 4.8% | 0.3% | | |

Sales
(Millions of yen)



Operating income and income ratio
(Millions of yen)



Consolidated Balance Sheet

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Equity ratio as of September 30, 2019 was 62.4% (59.5% as of March 31, 2019).

(Millions of yen)

| | End-FY03/19 | End-1H FY03/20 | Amount of change |
|--|-------------|----------------|------------------|
| Current assets | 67,773 | 65,381 | (2,392) |
| Cash and deposits | 11,854 | 12,575 | 721 |
| Notes and accounts receivable – trade | 19,261 | 19,289 | 28 |
| Inventories | 22,967 | 19,596 | (3,371) |
| Other | 13,691 | 13,921 | 230 |
| Non-current assets | 23,497 | 22,227 | (1,270) |
| Property, plant and equipment | 18,475 | 18,116 | (359) |
| Intangible assets | 1,171 | 433 | (738) |
| Investments and other assets | 3,851 | 3,677 | (174) |
| Total assets | 91,271 | 87,609 | (3,662) |
| Current liabilities | 25,453 | 22,439 | (3,014) |
| Notes and accounts payable – trade | 8,334 | 8,067 | (267) |
| Short-term bank loans | 2,634 | 2,295 | (339) |
| Current portion of long-term debt | 6,863 | 5,291 | (1,572) |
| Other | 7,622 | 6,786 | (836) |
| Non-current liabilities | 6,523 | 5,567 | (956) |
| Long-term debt | 5,108 | 3,918 | (1,190) |
| Other | 1,415 | 1,649 | 234 |
| Net assets | 59,294 | 59,602 | 308 |
| Shareholders' equity | 54,322 | 56,185 | 1,863 |
| Total accumulated other comprehensive income | 27 | (1,474) | (1,501) |
| Non-controlling interests | 4,944 | 4,891 | (53) |
| Total liabilities and net assets | 91,271 | 87,609 | (3,662) |

Statement of Cash Flows

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Free cash flow for 1H FY03/20 was 4.42 billion yen.

(Millions of yen)

| | 1H FY03/19 | 1H FY03/20 | Amount of change |
|--|------------|------------|------------------|
| Operating activities | 3,617 | 3,248 | (369) |
| Investing activities | (2,154) | 1,172 | 3,326 |
| Free cash flow* | 1,463 | 4,420 | 2,957 |
| Financing activities | 1,158 | (3,331) | (4,489) |
| Net increase (decrease) in cash and cash equivalents | 2,812 | 590 | (2,222) |
| Cash and cash equivalents at the end of the period | 12,962 | 22,114 | 9,152 |

*Free cash flow = Cash flow from operating activities + cash flow from investing activities

II. Forecasts for Fiscal Year Ending March 31, 2020

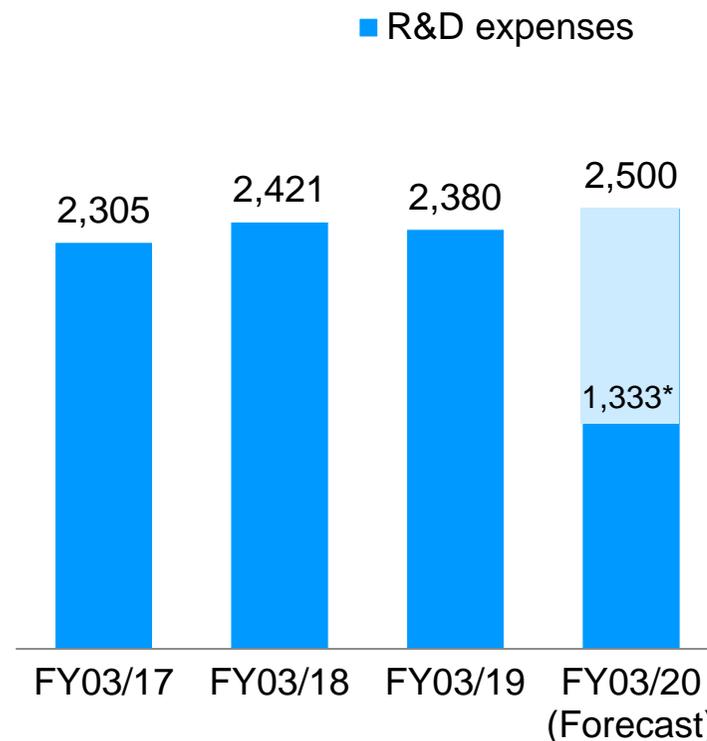
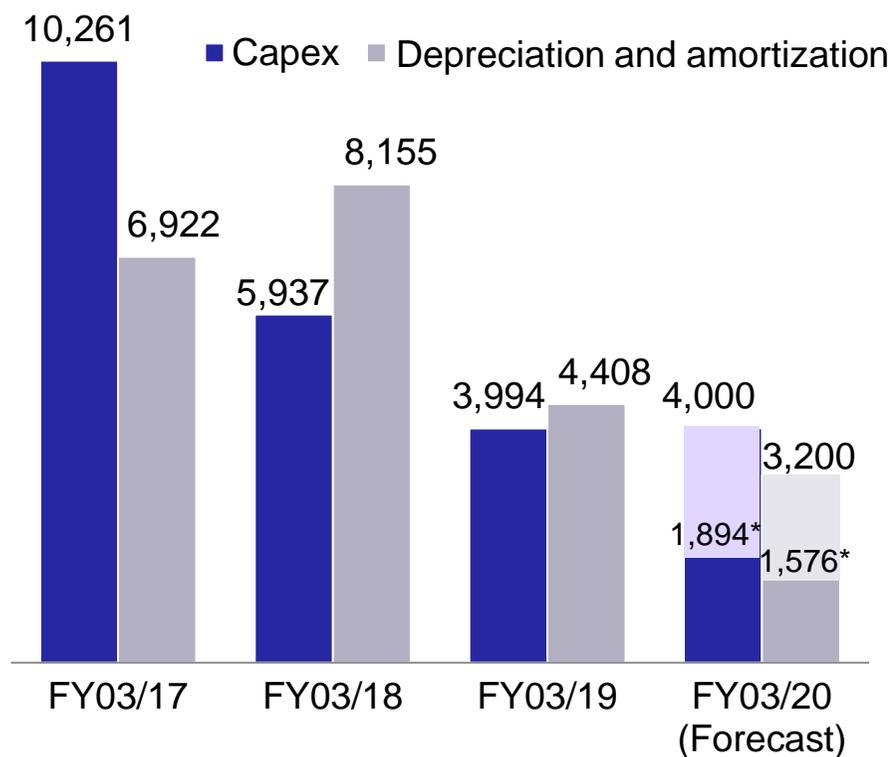
(Millions of yen)

| | FY03/19 | FY03/20 (Forecast) | Amount of change | Percentage change (YoY) |
|---|----------------------------------|----------------------------------|------------------|-------------------------|
| Net sales | 140,303 | 120,000 | (20,303) | (14.5%) |
| Operating income | 3,937 | 3,500 | (437) | (11.1%) |
| <i>Operating income to net sales</i> | 2.8% | 2.9% | | |
| Ordinary income | 4,318 | 3,500 | (818) | (18.9%) |
| <i>Ordinary income to net sales</i> | 3.1% | 2.9% | | |
| Net income (loss)* | (2,026) | 2,800 | 4,826 | — |
| <i>Net income (loss) to net sales**</i> | (1.4%) | 2.3% | | |
| Net income per share (in exact yen) | (83.21) | 123.85 | 207.06 | — |
| Dividend per share (in exact yen) | 20.0 | 35.0 | 15.0 | 75.0% |
| Dividend payout ratio | — | 28.3% | | |
| Exchange rates | 111.07 yen/USD 128.24 yen/EUR | 110.00 yen/USD 125.00 yen/EUR | | |

*Net income (loss) attributable to owners of the parent. **Net income (loss) to net sales attributable to owners of the parent.

Capex, depreciation and amortization (Millions of yen)

R&D expenses (Millions of yen)



*1H FY03/20 (Actual)

III. Summary of the First Half and Future Initiatives

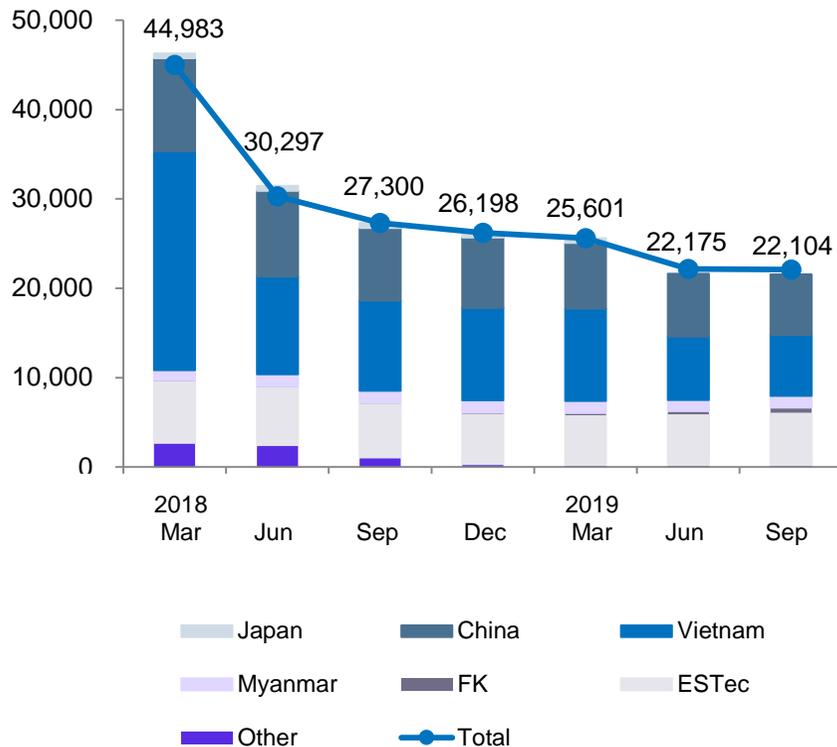
1 Restructured headset production

2 Implemented business reforms to focus on automotive products

3 Made steady progress in launching new products (new businesses)

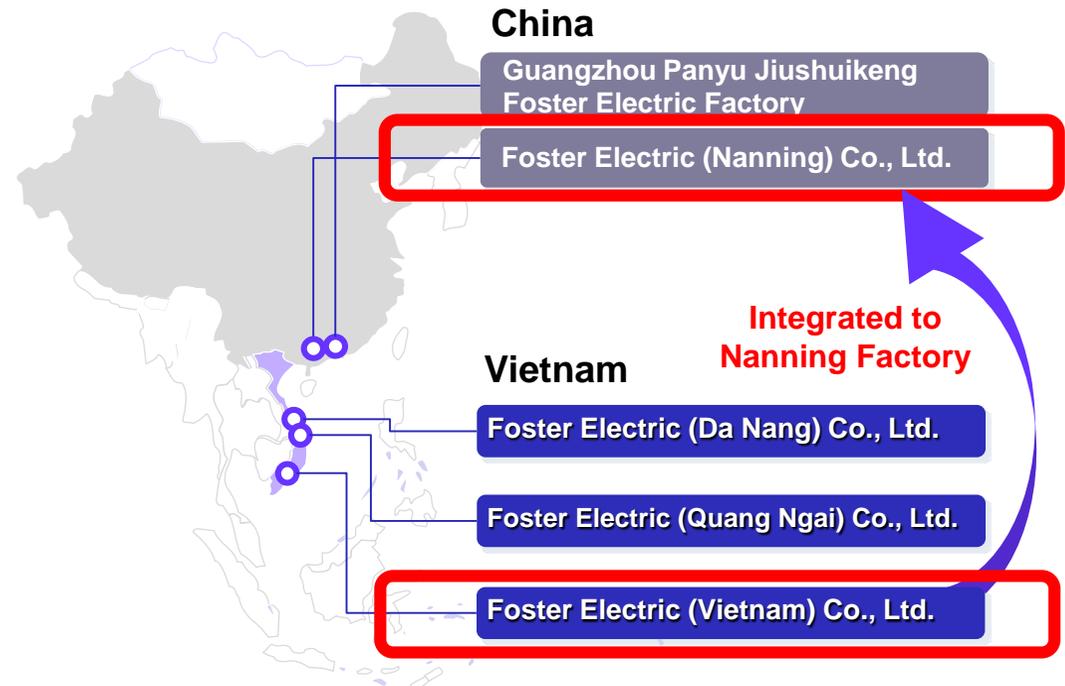
- Addressed falling reliance on our packaged headsets. Business environment remained challenging
- ↔ Advanced streamlining measures such as reducing personnel and optimizing production

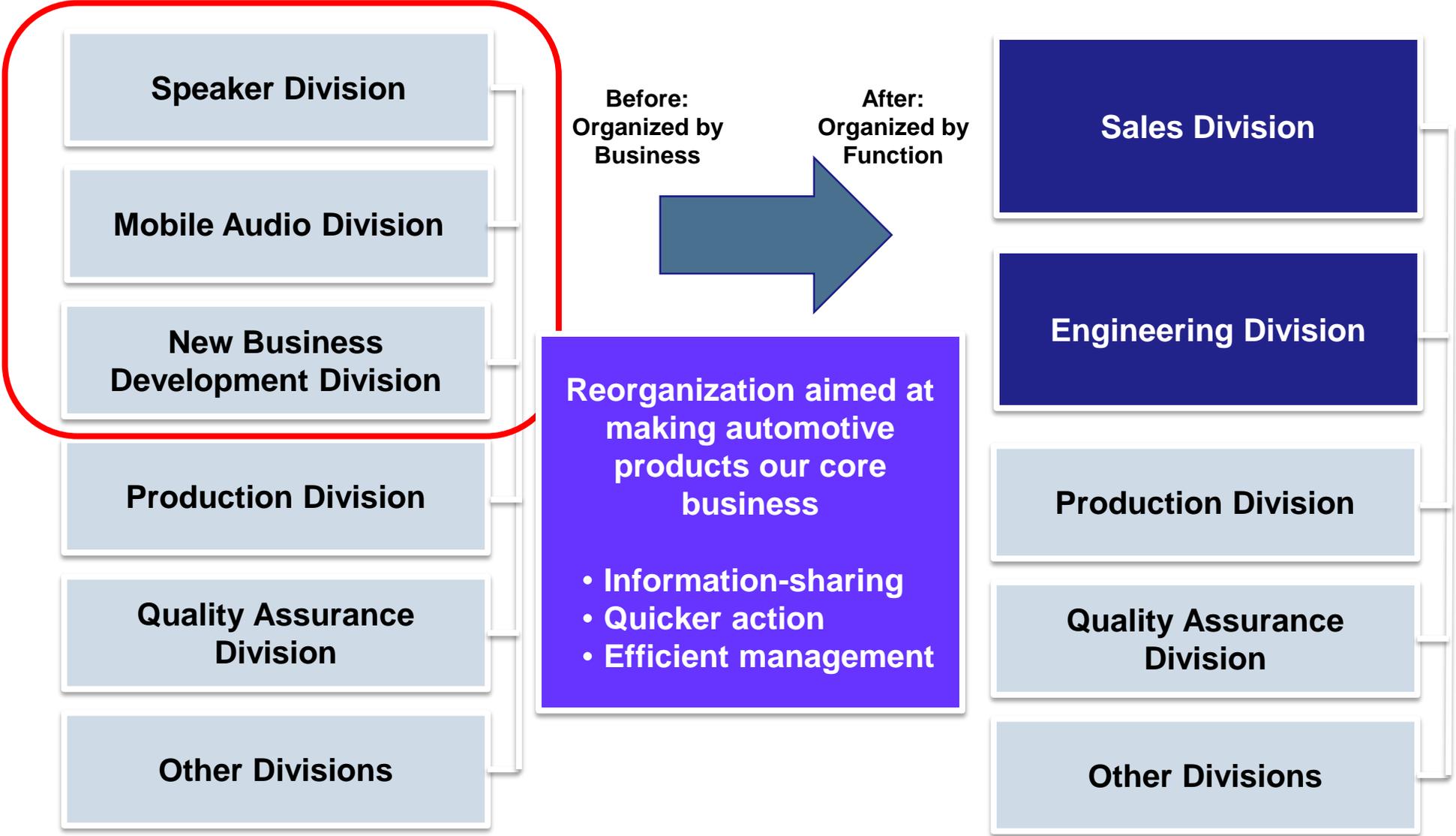
Number of Foster Group Personnel



(As of September 30, 2019)

Foster Electric Production Sites for Headphones and Headsets





(From August 1, 2019)

| Business domain | Market trend | Product | Status |
|---------------------|---|--|--------------------------------|
| Automotive Products | Rise in demand for in-car entertainment | Automotive headphones  | Mass production begins in 2019 |
| | ADAS Autonomous driving | HMI (Human Machine Interface) Actuator  | Project in progress |
| Devices | Growing population, aging society in advanced countries; AR/VR market | Micro speakers Vibration actuators  | Foster Alliance Program |
| | Increase in demand for haptic devices | Vibration actuators  | Mass production begins in 2020 |

Measures in response to technological trends such as CASE

Speaker

Reinforce measures for autonomous driving and EV

Further weight reduction and environmental performance

Additional improvements to vibration actuators and application to cars

Mobile Audio

Enhance sales promotion of automotive headphones

Establish device business (VR/AR, Medical)

Take on new challenges



Establish robust position in automotive products



Our strength

Sound and vibration solutions

We plan an annual dividend of 35 yen per share.

- Includes 5 yen per share of commemorative dividend for the 70th anniversary of founding.

[Dividend policy]

The Group recognizes the enhancement of corporate value as an important business objective and aims to improve the comprehensive benefit to shareholders while keeping a sound balance between profit allocation and longer-term financial stability.

| | FY03/17 | FY03/18 | FY03/19 | FY03/20 (Forecast) |
|--|---------|---------|---------|-----------------------|
| Net income per share (in exact yen) | 41.16 | 165.78 | (83.21) | 123.85 |
| Dividend per share (in exact yen) | 40.0 | 55.0 | 20.0 | 35.0 |
| Dividend payout ratio | 97.2% | 33.2% | — | 28.3% |

Develop and offer products that have little environmental impact.

At Foster Group, we design and develop products with a keen eye on their entire lifecycle, ranging from the procurement of raw materials to manufacturing, use, disposal, and recycling. We develop and offer products with little environmental impact—such as those that curb the use of hazardous chemical substances and lightweight items engineered to cut CO₂ emissions.



Lightweight car speakers

We developed a lightweight speaker that is optimal for next-generation environmentally friendly cars such as electric vehicles. We succeeded in weight reduction by about 50% compared to past models, realizing the mass production of speakers that are 17cm in diameter and weigh only 140g. The design addresses the need to reduce CO₂ emissions from cars.



**Environmentally friendly microspeaker
(Example)**
(Headphone microspeaker with a 35mm diameter)

We introduced the use of toluene-free adhesives in our new microspeakers for headphones and headsets with a view to reducing volatile organic compounds (VOCs).



Active speakers

While the previous model, NF01R, was equipped with an analog amplifier, the NF04R active speaker is equipped with a digital amplifier. Power consumption has been reduced from 50W to 30W, saving energy and cutting CO₂.

IV. Reference Materials

Our Corporate Creed is “Sincerity.”

Our Vision is “To make contributions to future society through acoustics.”

| | |
|----------------------------|--|
| Company name | Foster Electric Company, Limited |
| Representative | Hiromi Yoshizawa, President & Representative Director |
| Founded | June 20, 1949 |
| Headquarters | 1-1-109 Tsutsujigaoka, Akishima, Tokyo 196-8550 |
| Stock exchange | Second Section of the Tokyo Stock Exchange (May 1962) First Section of the Tokyo Stock Exchange (September 1999) |
| Common stock | 6,770 million yen (as of September 30, 2019) |
| Business domain | Production and sales of speakers, audio equipment, and electronic equipment |
| Number of employees | Consolidated: 22,104 (including employees at a contract manufacturer in Panyu, China) Non-consolidated: 482 (as of September 30, 2019 for both consolidated and non-consolidated) |

We provide acoustic products, leveraging our original analog technologies mainly through ODMs and OEMs.

Speaker Segment

- Audio and TV speakers and speaker systems; car speakers and speaker systems

TV speakers



Car speakers



Car speaker systems



Mobile Audio Segment

- Headsets, headphones, micro speakers, and commercial microphones

Headphones



Headsets



Micro speakers for PCs and smartphones



Microphones



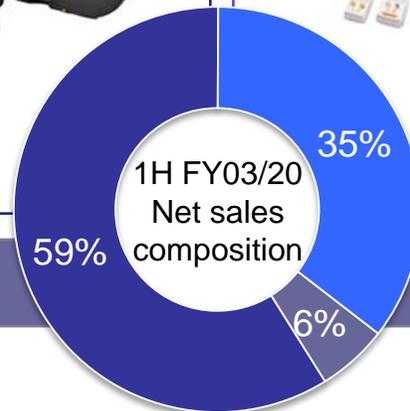
Other Segment

- Alarm buzzers and sounders, FOSTEX brand products, and logistics services

Micro acoustic components



FOSTEX products

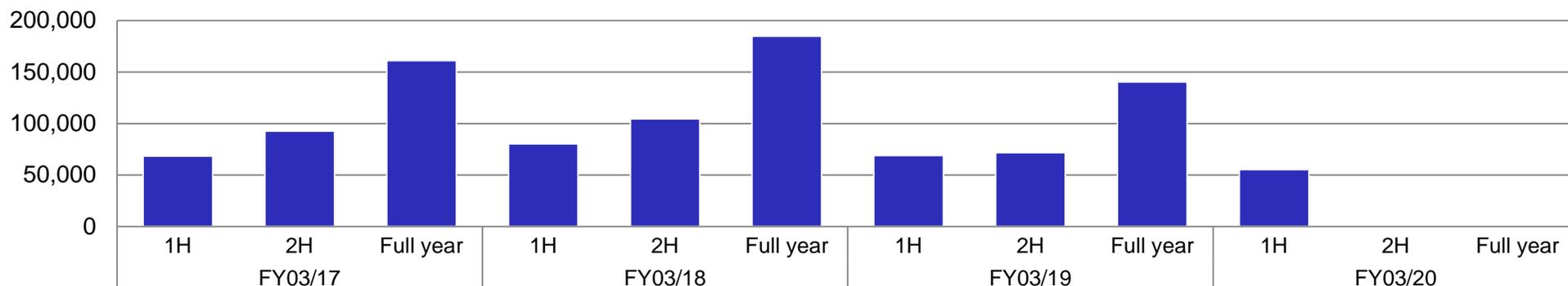


Half-Year and Full-Year Results

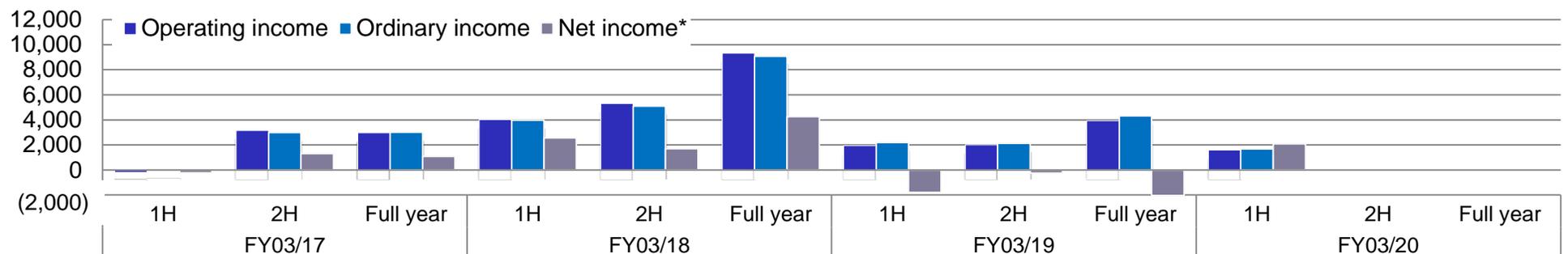
Results (Millions of yen)

| | FY03/17 | | | FY03/18 | | | FY03/19 | | | FY03/20 | | |
|------------------------------|---------|--------|-----------|---------|---------|-----------|---------|--------|-----------|---------|----|-----------|
| | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H | Full year |
| Net sales | 68,342 | 92,554 | 160,896 | 80,286 | 104,514 | 184,800 | 68,758 | 71,545 | 140,303 | 55,277 | | |
| Operating income | (182) | 3,145 | 2,963 | 4,015 | 5,292 | 9,307 | 1,938 | 1,999 | 3,937 | 1,594 | | |
| Ordinary income | 28 | 2,989 | 3,017 | 3,973 | 5,089 | 9,062 | 2,198 | 2,120 | 4,318 | 1,668 | | |
| Net income* | (227) | 1,315 | 1,088 | 2,559 | 1,706 | 4,265 | (1,776) | (250) | (2,026) | 2,090 | | |
| Income ratio | (0.3%) | 3.4% | 1.8% | 5.0% | 5.1% | 5.0% | 2.8% | 2.8% | 2.8% | 2.9% | | |
| Ordinary income to net sales | 0.0% | 3.2% | 1.9% | 4.9% | 4.9% | 4.9% | 3.2% | 3.0% | 3.1% | 3.0% | | |
| Net income to net sales** | (0.3%) | 1.4% | 0.7% | 3.2% | 1.6% | 2.3% | (2.6%) | (0.3%) | (1.4%) | 3.8% | | |

Net sales (Millions of yen)



Profits (Millions of yen)



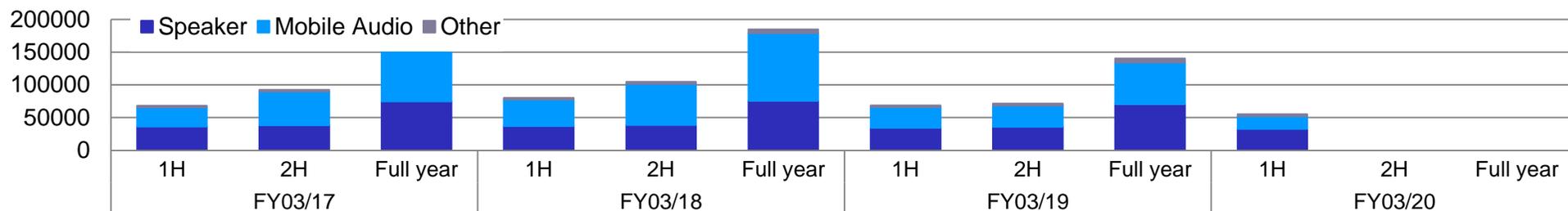
*Net income (loss) attributable to owners of the parent. **Net income (loss) to net sales attributable to owners of the parent.

Half-Year and Full-Year Results by Segment

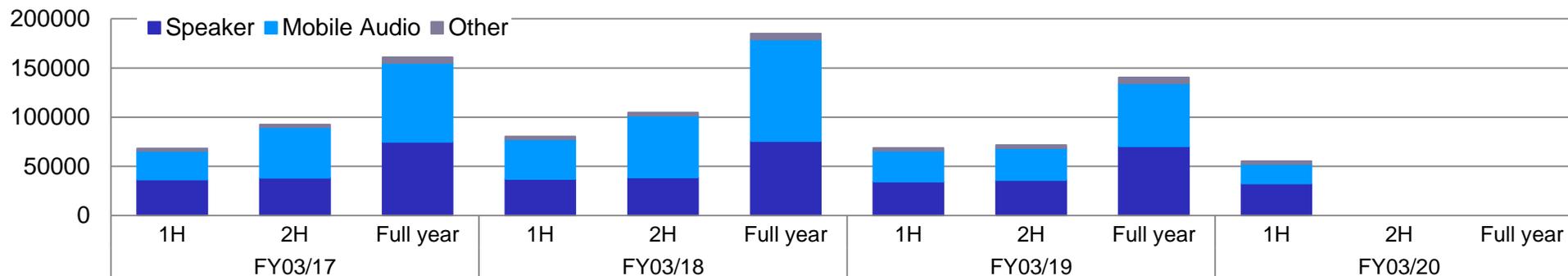
Results (Millions of yen)

| | FY03/17 | | | FY03/18 | | | FY03/19 | | | FY03/20 | | |
|-------------------------|---------|--------|-----------|---------|--------|-----------|---------|--------|-----------|---------|----|-----------|
| | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H | Full year |
| Sales | | | | | | | | | | | | |
| Speaker | 36,437 | 38,403 | 74,840 | 36,946 | 38,574 | 75,520 | 34,450 | 35,953 | 70,403 | 32,631 | | |
| Mobile Audio | 29,050 | 51,243 | 80,293 | 40,440 | 63,073 | 103,513 | 31,407 | 32,444 | 63,851 | 19,603 | | |
| Other | 2,853 | 2,909 | 5,762 | 2,900 | 2,986 | 5,886 | 2,990 | 3,234 | 6,224 | 3,107 | | |
| Operating income | | | | | | | | | | | | |
| Speaker | 2,396 | 2,892 | 5,288 | 2,579 | 2,057 | 4,636 | 2,050 | 2,293 | 4,343 | 1,754 | | |
| Mobile Audio | (2,620) | 295 | (2,325) | 1,212 | 3,047 | 4,259 | (254) | (416) | (670) | (170) | | |
| Other | 42 | (41) | 1 | 223 | 190 | 413 | 143 | 122 | 265 | 10 | | |

Sales (Millions of yen)



Operating income (Millions of yen)

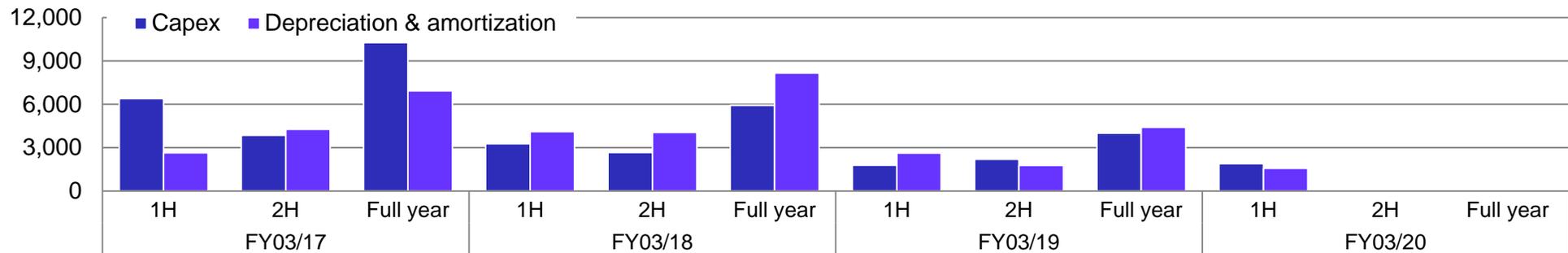


Half-Year and Full-Year Capex, Depreciation and Amortization, and R&D Expenses

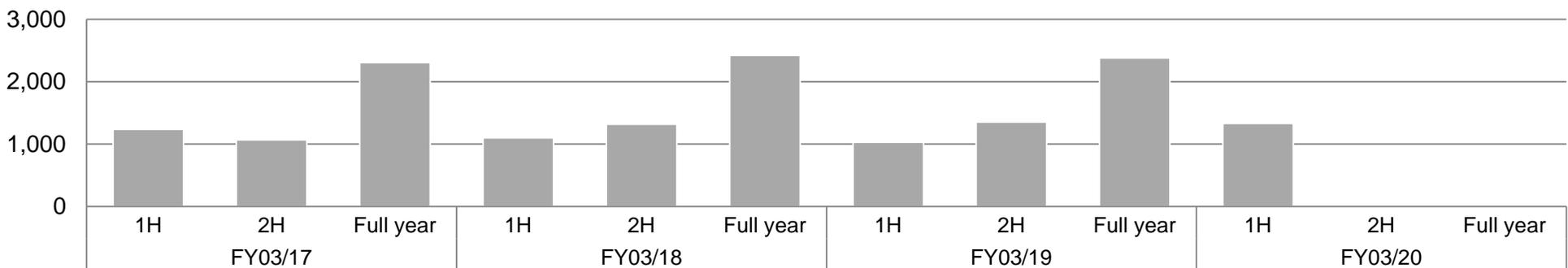
Capex, depreciation & amortization, and R&D expenses (Millions of yen)

| | FY03/17 | | | FY03/18 | | | FY03/19 | | | FY03/20 | | |
|-----------------------------|---------|-------|-----------|---------|-------|-----------|---------|-------|-----------|---------|----|-----------|
| | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H | Full year |
| Capex | 6,395 | 3,866 | 10,261 | 3,266 | 2,671 | 5,937 | 1,786 | 2,208 | 3,994 | 1,894 | | |
| Depreciation & amortization | 2,651 | 4,271 | 6,922 | 4,102 | 4,053 | 8,155 | 2,631 | 1,777 | 4,408 | 1,576 | | |
| R&D expenses | 1,238 | 1,067 | 2,305 | 1,101 | 1,320 | 2,421 | 1,029 | 1,351 | 2,380 | 1,333 | | |

Capex, depreciation & amortization (Millions of yen)



R&D expenses (Millions of yen)

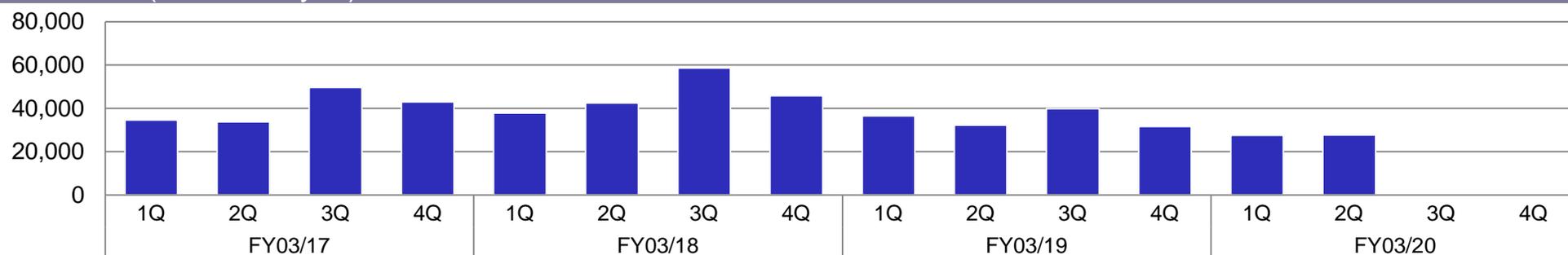


Quarterly Results

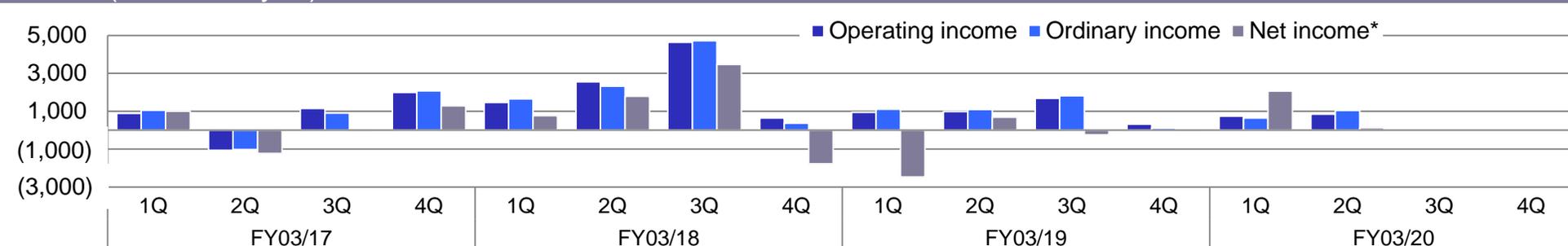
Results (Millions of yen)

| | FY03/17 | | | | FY03/18 | | | | FY03/19 | | | | FY03/20 | | | |
|------------------------------|---------|---------|--------|--------|---------|--------|--------|---------|---------|--------|--------|--------|---------|--------|----|----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Net sales | 34,555 | 33,787 | 49,645 | 42,909 | 37,800 | 42,486 | 58,660 | 45,854 | 36,512 | 32,246 | 39,894 | 31,651 | 27,561 | 27,716 | | |
| Operating income | 885 | (1,067) | 1,148 | 1,997 | 1,468 | 2,547 | 4,647 | 645 | 947 | 991 | 1,682 | 317 | 741 | 853 | | |
| Ordinary income | 1,048 | (1,020) | 908 | 2,081 | 1,656 | 2,317 | 4,722 | 367 | 1,101 | 1,097 | 1,815 | 105 | 648 | 1,020 | | |
| Net income* | 997 | (1,224) | 28 | 1,287 | 770 | 1,789 | 3,474 | (1,768) | (2,464) | 688 | (244) | (6) | 2,067 | 23 | | |
| Income ratio | 2.6% | (3.2%) | 2.3% | 4.7% | 3.9% | 6.0% | 7.9% | 1.4% | 2.6% | 3.1% | 4.2% | 1.0% | 2.7% | 3.1% | | |
| Ordinary income to net sales | 3.0% | (3.0%) | 1.8% | 4.8% | 4.4% | 5.5% | 8.0% | 0.8% | 3.0% | 3.4% | 4.5% | 0.3% | 2.4% | 3.7% | | |
| Net income to net sales** | 2.9% | (3.6%) | 0.1% | 3.0% | 2.0% | 4.2% | 5.9% | (3.9%) | (6.7%) | 2.1% | (0.6%) | (0.0%) | 7.5% | 0.1% | | |

Net sales (Millions of yen)



Profits (Millions of yen)



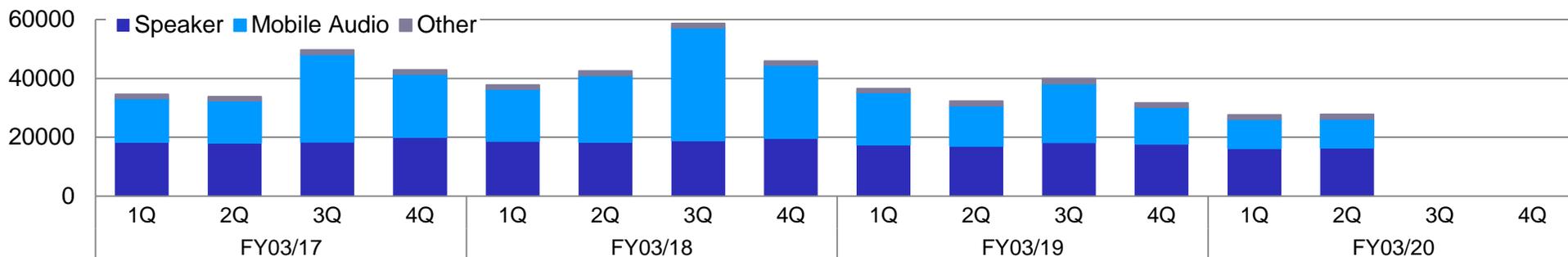
*Net income (loss) attributable to owners of the parent. **Net income (loss) to net sales attributable to owners of the parent.

Quarterly Results by Segment

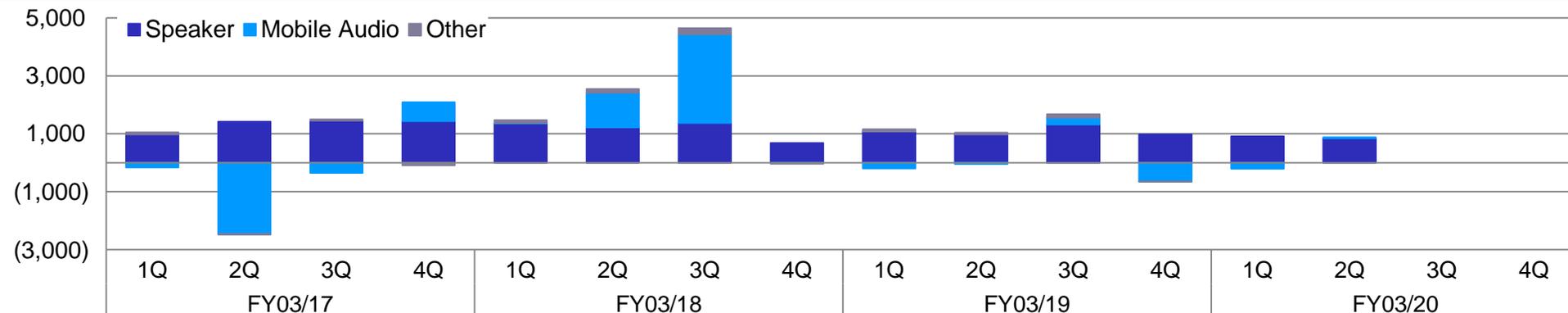
Results (Millions of yen)

| Sales | FY03/17 | | | | FY03/18 | | | | FY03/19 | | | | FY03/20 | | | |
|------------------|---------|---------|--------|--------|---------|--------|--------|--------|---------|--------|--------|--------|---------|--------|----|----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Speaker | 18,351 | 18,086 | 18,412 | 19,991 | 18,647 | 18,299 | 18,879 | 19,695 | 17,462 | 16,988 | 18,269 | 17,684 | 16,253 | 16,378 | | |
| Mobile Audio | 14,799 | 14,251 | 29,767 | 21,476 | 17,719 | 22,721 | 38,306 | 24,767 | 17,693 | 13,714 | 19,941 | 12,503 | 9,826 | 9,777 | | |
| Other | 1,404 | 1,449 | 1,467 | 1,442 | 1,434 | 1,466 | 1,536 | 1,450 | 1,399 | 1,591 | 1,731 | 1,503 | 1,511 | 1,596 | | |
| Operating income | | | | | | | | | | | | | | | | |
| Speaker | 979 | 1,417 | 1,453 | 1,439 | 1,359 | 1,220 | 1,375 | 682 | 1,077 | 973 | 1,315 | 978 | 915 | 839 | | |
| Mobile Audio | (161) | (2,459) | (353) | 648 | 16 | 1,196 | 3,059 | (12) | (203) | (51) | 235 | (651) | (205) | 35 | | |
| Other | 67 | (25) | 48 | (89) | 92 | 131 | 214 | (24) | 76 | 67 | 130 | (8) | 30 | (20) | | |

Sales (Millions of yen)



Operating income (Millions of yen)



Quarterly Balance Sheet and Statement of Cash Flows



Balance sheet (Millions of yen)

| | FY03/17 | | | | FY03/18 | | | | FY03/19 | | | | FY03/20 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|--------|---------|---------|----|----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Total current assets | 63,208 | 65,776 | 75,523 | 69,315 | 70,265 | 76,770 | 82,913 | 73,614 | 73,361 | 73,013 | 70,263 | 67,773 | 67,221 | 65,381 | | |
| Cash and deposits | 10,588 | 9,419 | 10,583 | 10,258 | 6,992 | 7,233 | 9,239 | 9,704 | 11,003 | 13,108 | 15,255 | 11,854 | 19,839 | 12,575 | | |
| Notes and accounts receivable – trade | 22,779 | 22,031 | 27,396 | 19,479 | 18,817 | 20,534 | 27,107 | 22,243 | 19,939 | 19,324 | 22,174 | 19,261 | 18,721 | 19,289 | | |
| Other | 29,841 | 34,326 | 37,544 | 39,578 | 44,456 | 49,003 | 46,567 | 41,667 | 42,419 | 40,581 | 32,834 | 36,658 | 28,661 | 33,517 | | |
| Total non-current assets | 29,566 | 31,781 | 34,587 | 33,094 | 31,910 | 31,701 | 30,349 | 27,255 | 24,231 | 24,332 | 23,340 | 23,497 | 22,840 | 22,227 | | |
| Net property, plant and equipment | 23,335 | 23,749 | 26,445 | 25,945 | 25,157 | 24,914 | 23,727 | 21,120 | 18,768 | 18,922 | 18,357 | 18,475 | 18,927 | 18,116 | | |
| Total intangible assets | 1,436 | 1,383 | 1,435 | 1,429 | 1,451 | 1,435 | 1,409 | 1,300 | 1,259 | 1,182 | 1,139 | 1,171 | 314 | 433 | | |
| Total investments and other assets | 4,794 | 6,648 | 6,706 | 5,718 | 5,301 | 5,351 | 5,212 | 4,835 | 4,203 | 4,227 | 3,844 | 3,851 | 3,598 | 3,677 | | |
| Total assets | 92,775 | 97,557 | 110,111 | 102,409 | 102,175 | 108,471 | 113,263 | 100,870 | 97,593 | 97,346 | 93,604 | 91,271 | 90,062 | 87,609 | | |
| Total current liabilities | 27,062 | 32,087 | 37,073 | 29,390 | 29,106 | 33,227 | 34,594 | 25,953 | 25,748 | 24,338 | 26,788 | 25,453 | 23,802 | 22,439 | | |
| Notes and accounts payable – trade | 10,939 | 15,425 | 19,428 | 15,512 | 14,605 | 16,103 | 19,157 | 13,113 | 11,295 | 9,535 | 9,184 | 8,334 | 7,507 | 8,067 | | |
| Short-term loans and bonds payable | 7,757 | 8,296 | 7,233 | 5,240 | 7,011 | 8,170 | 5,728 | 4,603 | 7,322 | 6,952 | 9,953 | 9,497 | 9,473 | 7,586 | | |
| Other | 8,366 | 8,366 | 10,412 | 8,638 | 7,490 | 8,954 | 9,709 | 8,237 | 7,131 | 7,851 | 7,651 | 7,622 | 6,822 | 6,786 | | |
| Total non-current liabilities | 2,427 | 4,556 | 9,590 | 9,116 | 9,147 | 8,855 | 8,592 | 8,124 | 8,555 | 9,293 | 7,380 | 6,523 | 6,088 | 5,567 | | |
| Long-term debt and bonds payable | 1,241 | 3,428 | 8,238 | 8,135 | 8,095 | 7,726 | 7,507 | 7,098 | 7,529 | 8,243 | 5,455 | 5,108 | 4,490 | 3,918 | | |
| Other | 1,186 | 1,128 | 1,352 | 981 | 1,052 | 1,129 | 1,085 | 1,026 | 1,026 | 1,050 | 1,925 | 1,415 | 1,598 | 1,649 | | |
| Total net assets | 63,285 | 60,913 | 63,447 | 63,901 | 63,922 | 66,388 | 70,076 | 66,792 | 63,289 | 63,714 | 59,436 | 59,294 | 60,171 | 59,602 | | |
| Shareholders' equity | 61,282 | 60,057 | 58,247 | 58,972 | 59,099 | 60,887 | 63,845 | 62,077 | 58,634 | 58,155 | 54,328 | 54,322 | 56,162 | 56,185 | | |
| Accumulated other comprehensive income | (1,961) | (2,857) | 1,393 | 620 | 633 | 1,230 | 1,691 | (15) | 263 | 975 | 154 | 27 | (931) | (1,474) | | |
| Non-controlling interests | 3,964 | 3,713 | 3,807 | 4,309 | 4,188 | 4,270 | 4,539 | 4,731 | 4,391 | 4,583 | 4,952 | 4,944 | 4,939 | 4,891 | | |
| Total liabilities and net assets | 92,775 | 97,557 | 110,111 | 102,409 | 102,175 | 108,471 | 113,263 | 100,870 | 97,593 | 97,346 | 93,604 | 91,271 | 90,062 | 87,609 | | |

Statement of cash flows (Millions of yen)

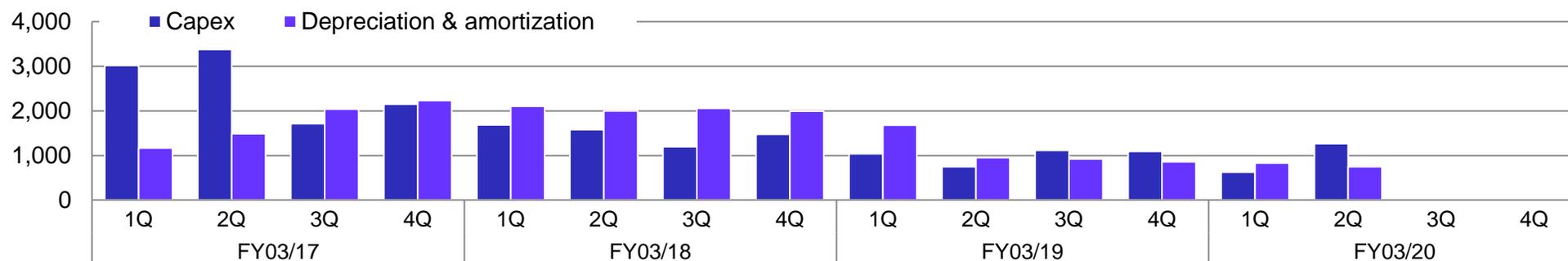
| | FY03/17 | | | | FY03/18 | | | | FY03/19 | | | | FY03/20 | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|---------|---------|----|----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Operating activities | (1,015) | 1,260 | (106) | 4,233 | (2,243) | 884 | 6,742 | 2,770 | 675 | 2,942 | 7,373 | 6,971 | 873 | 2,375 | | |
| Investing activities | (3,080) | (5,137) | (1,837) | (1,035) | (1,738) | (1,927) | (2,311) | (1,155) | (556) | (1,598) | (533) | (738) | 1,862 | (690) | | |
| Financing activities | (330) | 2,665 | 1,940 | (2,585) | 859 | 801 | (3,188) | (1,331) | 2,043 | (885) | (3,315) | (780) | (1,023) | (2,308) | | |
| Foreign exchange impact | (1,493) | (332) | 1,089 | (59) | (420) | 140 | 377 | (146) | (320) | 510 | (318) | (96) | (229) | (269) | | |
| Net increase (decrease) in cash flow | (5,920) | (1,541) | 1,085 | 556 | (3,541) | (104) | 1,622 | 137 | 1,840 | 972 | 3,204 | 5,357 | 1,482 | (892) | | |
| Cash flow at the end of period | 11,938 | 10,397 | 11,481 | 12,037 | 8,495 | 8,392 | 10,013 | 10,150 | 11,991 | 12,962 | 16,167 | 21,514 | 23,007 | 22,114 | | |

Quarterly Capex, Depreciation and Amortization, and R&D Expenses

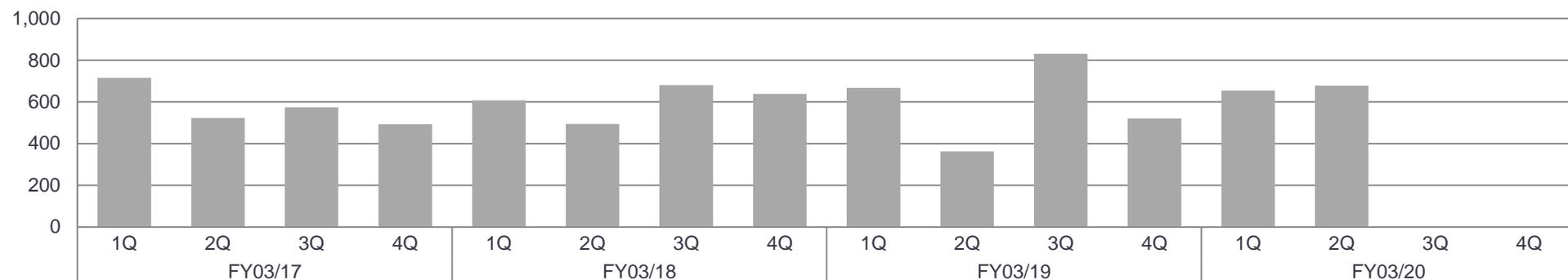
Capex, depreciation & amortization, and R&D expenses (Millions of yen)

| | FY03/17 | | | | FY03/18 | | | | FY03/19 | | | | FY03/20 | | | |
|-----------------------------|---------|-------|-------|-------|---------|-------|-------|-------|---------|-----|-------|-------|---------|-------|----|----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Capex | 3,018 | 3,377 | 1,713 | 2,153 | 1,687 | 1,579 | 1,198 | 1,473 | 1,036 | 750 | 1,116 | 1,092 | 627 | 1,267 | | |
| Depreciation & amortization | 1,166 | 1,485 | 2,037 | 2,234 | 2,103 | 1,999 | 2,057 | 1,996 | 1,680 | 951 | 921 | 856 | 826 | 750 | | |
| R&D expenses | 715 | 523 | 574 | 493 | 607 | 494 | 681 | 639 | 667 | 362 | 831 | 520 | 655 | 678 | | |

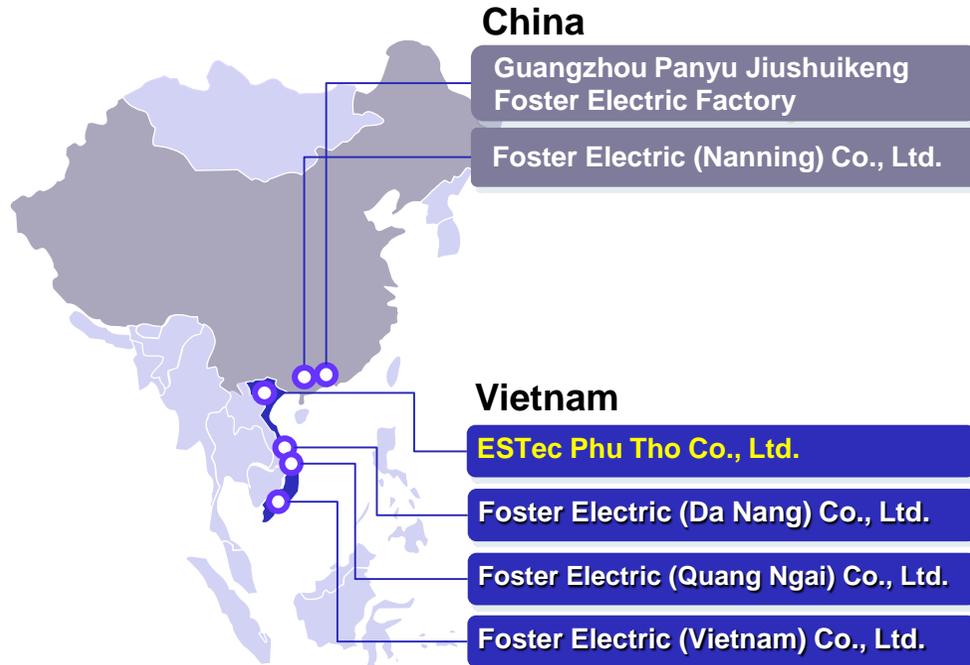
Capex, depreciation & amortization (Millions of yen)



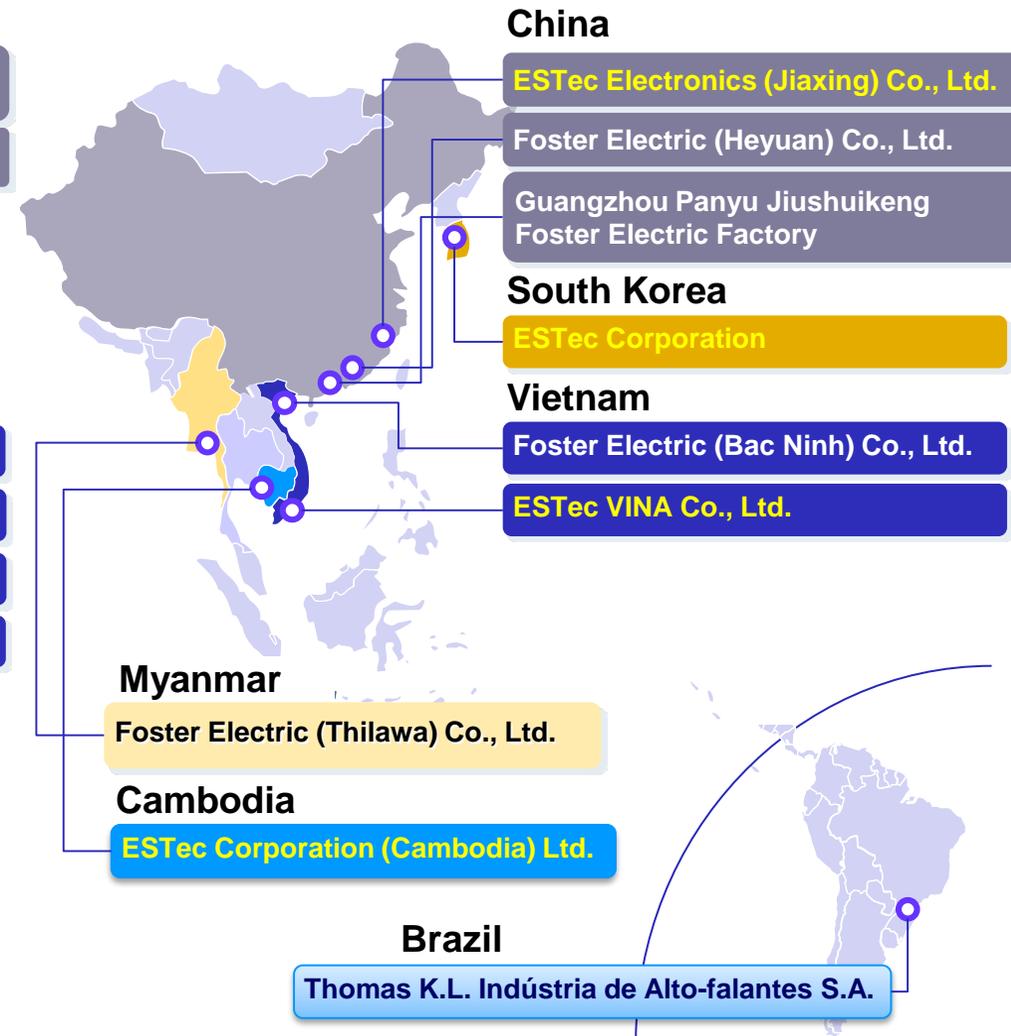
R&D expenses (Millions of yen)



Headphones and Headsets



Speakers



(As of September 30, 2019)

[Precautionary Statement]

All forward-looking statements contained in this material, including forecasts, plans, and outlooks on current or future earnings, are based on currently available information and assumptions on risks and uncertainties that may affect future earnings. Actual results may differ from forecasts or estimates due to a range of factors, including economic conditions surrounding the Group's operations, business conditions of related markets and at OEM customers, the competitive environment and pricing competition in Japan and overseas, raw material prices, foreign exchange rates, risks affecting overseas business, regulations in Japan and overseas, disasters or accidents, and share prices.

[Inquiries]

IR Section, IR and Legal Affairs Department, Foster Electric Company, Limited

TEL: +81-42-546-2305 / FAX: +81-42-546-2317

1-1-109 Tsutsujigaoka, Akishima, Tokyo 196-8550, Japan