

Sound to Life

For the **88**th Fiscal Year**BUSINESS REPORT**

From April 1, 2021 to September 30, 2021 (Interim Period)

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Foster Electric IR

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Foster Electric Company, Limited

Code Number: 6794

To our shareholders

Foster aims to become a new-age company that is loved throughout society.

During the six months ended September 30, 2021, the global economy showed a general recovery trend. However, shortages in the supply of components from Southeast Asia, where the COVID-19 pandemic continues to spread, have weakened automobile production activities, making the outlook once again uncertain.

The Foster Group (the "Group") steadily captured the recovery in automobile sales, leading to an increase in net sales. However, the shortage of semiconductor chips, the sharp rise in global container freight rates, soaring raw material prices, and supply chain disruptions, all continuing factors from the previous fiscal year, significantly impacted results, causing a decline in profits.

To meet the challenge of the harsh operating environment, the Group will make every effort to strengthen its corporate system and fundamentally reform the cost structure, while shifting its focus to the automotive business and pushing ahead on the development of new businesses and products. In accordance with its philosophy of embracing perpetual change, the Group will continue to conduct ESG management as it steadily moves forward with its efforts to become a new-age company that is trusted and loved throughout society and the market.

We modestly request your continued support as we move forward.

December 2021

Hiromi Yoshizawa
CEO

Atsushi Narikawa
COO

TOPICS

Establishment of a Joint Venture Company in Vietnam for the Manufacture of Ferrite Magnets

We procure most of the ferrite magnets, which are the key parts for speakers, from China. With the aim of reducing the dependency to China and ensuring stable procurement, we have resolved to establish a joint venture in Vietnam, which is our main base for speaker production, with Hengdian Group DMEGC Magnetics Co., Ltd, the industry's largest magnet company (See press release issued on June 10, 2021).

Overview of the joint venture (as of June 10, 2021)

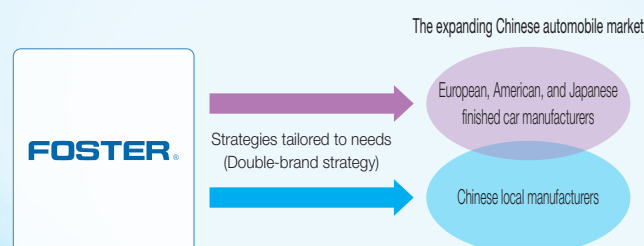
| | |
|------------------------|--|
| Trade name: | Hengdian Group DMEGC Magnetics (Vietnam) Co., Ltd (planned) |
| Date of establishment: | December 2021 (planned) *Establishment of the entity is subject to the approval from relevant authorities, etc. There may be changes to the plan depending on the state of the COVID-19 pandemic. |
| Initial Capital: | US \$5,000,000 (approx. ¥550 million) |
| Investment ratio: | Foster 19.9%, Hengdian Group DMEGC Magnetics Co., Ltd. 80.1% |
| Business: | Manufacture and sale of magnetic products |
| Location: | An Phat 1 High-Tech Industrial Park, Hai Duong Province, Vietnam |



Ferrite Magnets

Establishment of a New Company Focusing on Business with Local Chinese Automakers

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, in September 2021, the Company established “Guangzhou Fourstar Electroacoustic Tech Co., Ltd.” which handles the manufacture and sale of products while maintaining competitiveness in terms of quality and price.



Foster Electric Co., Ltd. Selected as a Constituent of the “FTSE Blossom Japan Index”

The Company has for the first time been selected as a constituent of “FTSE Blossom Japan Index” by FTSE Russell, a global index provider, for its outstanding practices in meeting various evaluation criteria in E (Environment), S (Social) and G (Governance). The ESG index provides a performance benchmark and tool for the creation of index-tracking investments, financial instruments or fund products focused on sustainable investment, and it has been adopted as an ESG index by the Government Pension Investment Fund (GPIF), which manages Japan's public pension funds.



FTSE Blossom Japan

Financial Highlights Consolidated financial results for the six months ended September 30, 2021

| | | | | |
|--|--|---|---|--|
| Net sales ¥43,976 million (up 11.3% y-o-y) | Operating profit ¥(1,568) million (¥(688) million in the same period of previous FY) | Ordinary profit ¥(1,433) million (¥(488) million in the same period of previous FY) | Profit attributable to owners of parent ¥(2,093) million (¥(829) million in the same period of previous FY) | |
| Net assets ¥55,063 million (¥55,993 million at the end of previous FY) | Total assets ¥81,062 million (¥77,233 million at the end of previous FY) | Earnings per share ¥(94.08) (¥(36.55) in the same period of previous FY) | Net assets per share ¥2,221.47 (¥2,276.20 at the end of previous FY) | Equity ratio 61.0% (65.6% at the end of previous FY) |

PRODUCTS

RP headphone assembly kit RPKIT50



The RPKIT50 headphone assembly kit allows you to assemble headphones equipped with a traditional planar diaphragm using our proprietary regular phase (RP) technology while adjusting the format and sound quality to your liking.

Standard price: ¥33,000 (tax included) / 1 kit

Stereo Rack Monitor RM-3DT



The RM-3DT stereo rack monitor is equipped with Dante® audio networking capability to monitor Dante® network signals and analog audio signals.

*Dante® is a registered trademark of Audinate Pty. Ltd.

Standard price: ¥110,000 (tax included) / 1 unit

Full range speaker FE108SS-HP



Employing a powerful low-distortion external magnetic circuit with two layers of large ferrite magnets and a proprietary cellulose nanofiber-coated HP shell diaphragm, the FE108SS-HP is a limited-edition full-range speaker unit that was developed based on the fundamentals of acoustics and making full use of our proprietary technologies.

Reference price: ¥27,500 (tax included) / limited production

4-Channel Speaker System



This 3D acoustic system integrates four speakers that play separate audio channels from the four corners of a listening space, allowing you to hear differently depending on where you are positioned. The resulting effect is as if you were walking through a forest, noticing the chirping of birds or the murmuring of a brook becoming closer or more distant as you move.

Overview by Segment (Consolidated)

Speaker Segment



Net sales increased against the backdrop of a recovery in automobile sales from the COVID-19 pandemic.



Mobile Audio Segment



Despite strong shipments of new actuator products, sales of headsets bundled with smartphones were nearing an end, resulting in a decrease in net sales.



Other Segment



In the Other Segment, which includes FOSTEX brand products, net sales increased due to the steady growth in the micro acoustic components business as automobile sales recovered.

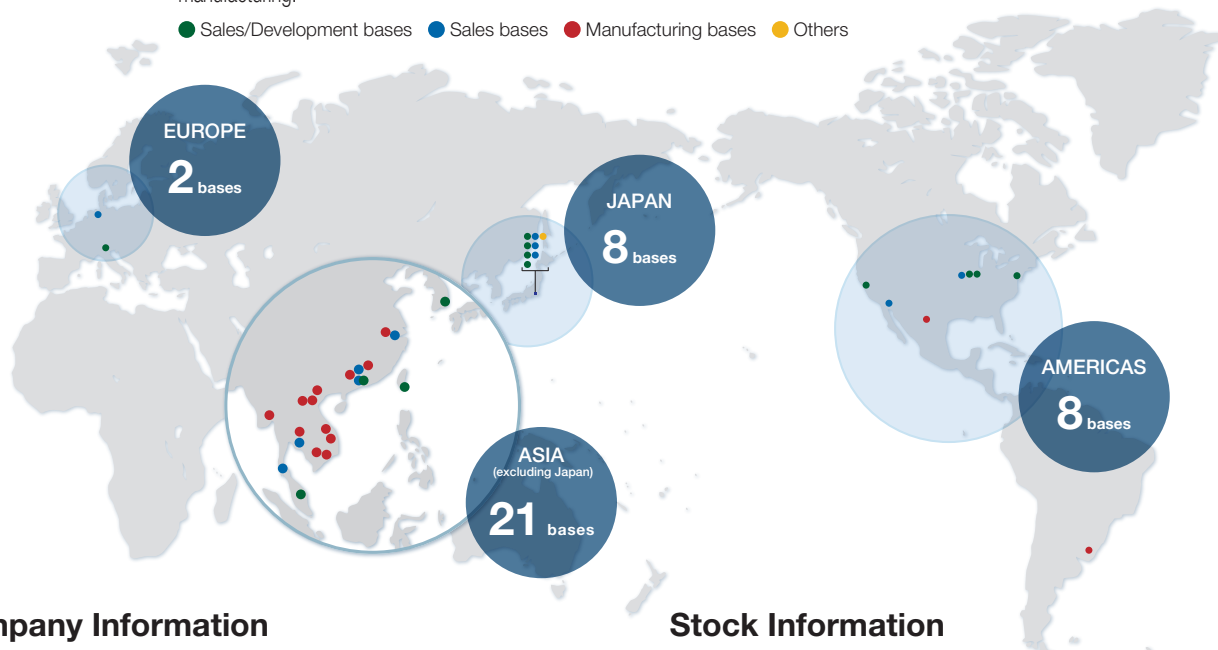


Note: The figures above include intersegment sales.

Group Companies

The Group operates 39 bases in 12 countries and regions worldwide as bases for development, manufacturing, and sales activities. We have established a sophisticated production system integrating processes from components manufacturing to finished goods manufacturing.

● Sales/Development bases ● Sales bases ● Manufacturing bases ● Others



Company Information

Company Profile (As of September 30, 2021)

| | |
|----------------------|--|
| Company Name: | Foster Electric Company, Limited |
| Founded: | June 20, 1949 |
| Common Stock: | ¥6,770,360,135 Listed on the First Section of the Tokyo Stock Exchange |
| Headquarters: | 1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan Phone: +81-42-546-2311 (switchboard) |
| Number of employees: | 17,446 (Number includes our outsourcee in Panyu, China) |
| URL: | https://www.foster-electric.com |

Directors and Corporate Auditors (As of September 30, 2021)

| | | | |
|---|-------------------|---------------------------|---------------------|
| CEO: | Hiroshi Yoshizawa | Senior Executive Officer: | Hidetoshi Shirakawa |
| COO: | Atsushi Narikawa | Senior Executive Officer: | Tatsuhito Tanaka |
| Senior Managing Director: | Lu San Tie | Senior Executive Officer: | Yasuhide Takahara |
| Managing Director: | Kazuhiro Kishi | Senior Executive Officer: | Akihito Mochizuki |
| Director: | Hiroki Miura | Executive Officer: | Terushige Nagasawa |
| Independent Director: | Minoru Matsumoto | Executive Officer: | Naoki Kanai |
| Independent Director: | Yasuhiro Goto | Executive Officer: | Yuji Harada |
| Independent Director: | Kaoru Chujo | Executive Officer: | Yuji Sakuta |
| Standing Corporate Auditor (Independent): | Satoko Kimoto | Executive Officer: | Hiroyuki Asada |
| Corporate Auditor: | Tsutomu Inokuma | Executive Officer: | Oh In-Yong |
| Independent Corporate Auditor: | Takuma Ino | Executive Officer: | Nguyen Quan Hoang |
| Independent Corporate Auditor: | Takashi Suzuki | Executive Officer: | Tan GuiHai |
| | | Executive Officer: | Wong Wing Chung |

Stock Information

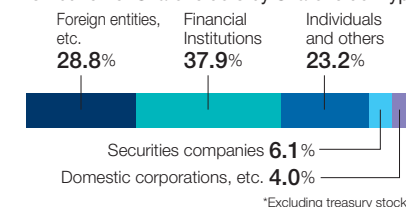
Status of Shares (As of September 30, 2021)

Total number of shares authorized to be issued by the Company:
80,000,000 shares

Total number of shares issued:
25,000,000 shares

Number of shareholders:
7,417

Distribution of Shareholders by Shareholder Type



Major Shareholders

| Shareholder's Name | Number of Shares Held (Thousands) | Ratio of Shares Held (%) |
|--|-----------------------------------|--------------------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 3,726 | 16.6 |
| Custody Bank of Japan, Ltd. (trust account) | 1,183 | 5.2 |
| Mizuho Bank, Ltd. | 1,016 | 4.5 |
| MUFG Bank, Ltd. | 945 | 4.2 |
| Mizuho Trust & Banking Co., Ltd. | 405 | 1.8 |
| JPMorgan Securities Japan Co., Ltd. | 399 | 1.7 |
| The Bank of New York Mellon 140042 | 374 | 1.6 |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 367 | 1.6 |
| DFA INTL SMALL CAP VALUE PORTFOLIO | 364 | 1.6 |
| Morgan Stanley MUFG Securities Co., Ltd. | 358 | 1.6 |

Treasury stock (2,646,024 shares) is excluded for the calculation of the "Ratio of Shares Held."

Information for Shareholders

| | |
|---|---|
| Fiscal Year: | From April 1 to March 31 of each year |
| Ordinary General Meeting of Shareholders: | June of each year |
| Record date: | Ordinary General Meeting of Shareholders: March 31 Year-end dividends: March 31 Interim dividends: September 30 |
| Number of Unit ("tangen") Shares: | 100 |
| Transfer Agent: | Stock Transfer Agency Department, Head Office of Mizuho Trust & Banking Co., Ltd. |
| Transfer Agent Branch: | 1-3-3, Marunouchi, Chiyoda-ku, Tokyo |

Inquiries for Handling of Stocks

| | |
|---|--|
| Shareholders who have an account at a securities company | The securities company with which you have a business connection |
| Shareholders who have a special account *Shareholders are not allowed to make any stock transactions other than the purchase of shares less than one unit ("tangen"). | Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo, 168-8507, Japan Tel: 0120-288-324 (toll-free telephone service in Japan) |
| Payment of unpaid dividends | Head office and branches nationwide of Mizuho Trust & Banking Co., Ltd. and Mizuho Bank, Ltd. |

Notice

Information on Individual Number System relating to stocks

Your Individual Number notified by your local government is required for tax procedures relating to stocks. For this reason, shareholders must notify their stockbrokers of their Individual Numbers.

Contract Information for Inquiries about Individual Number Notifications

If your shares are in an account managed by a securities company or stockbroker: Please contact your broker.

If your shares are not managed through a securities company or stockbroker:

Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.

0120-84-0178
(toll-free telephone service in Japan)