

Translation

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## Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

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 Stock exchange listing: Tokyo  
 Stock code: 6794 URL <https://www.foster-electric.com/>  
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 Scheduled date to file Quarterly Securities Report: February 14, 2024  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	90,844	2.5	3,862	433.9	4,007	228.5	2,480	–
Nine months ended December 31, 2022	88,612	35.1	723	–	1,219	–	(241)	–

Note: Comprehensive income: Nine months ended December 31, 2023 ¥6,506 million [97.9%]  
 Nine months ended December 31, 2022 ¥3,287 million [-%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	111.65		–	
Nine months ended December 31, 2022	(10.91)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of December 31, 2023	101,360		62,611		55.3		2,522.17	
As of March 31, 2023	92,871		56,515		55.0		2,302.49	

Reference: Equity capital: As of December 31, 2023 ¥56,098 million  
 As of March 31, 2023 ¥51,095 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2023	–	10.00	–	10.00	20.00
Year ending March 31, 2024	–	10.00	–		
Year ending March 31, 2024 (Forecast)				15.00	25.00

Note: Changes in dividend forecast subsequent to the most recent announcement: None

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	120,000	(1.1)	4,000	63.5	3,500	50.3	2,000	135.7	90.05

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

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2023  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	25,000,000 shares	As of March 31, 2023	25,000,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	2,757,705 shares	As of March 31, 2023	2,808,421 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	22,221,109 shares	Nine months ended December 31, 2022	22,187,031 shares
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\* 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 3 of the Attachment.

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## 1. Overview of operating results, etc.

### (1) Operating results for the period under review

During the nine months ended December 31, 2023, the outlook for the global economy remained in a state of flux. The end of the over three-year-long COVID-19 pandemic triggered a full-fledged resumption of economic activities, but uncertainties continued to persist amid intensified geopolitical tensions caused by the prolonged Russia-Ukraine war and Hamas' surprise attack on Israel. The situation is further exacerbated by persistently high policy interest rates in the US and Europe and uncertainties surrounding the Chinese economy, despite subsiding inflation in developed countries.

The automotive market, the Foster Group (the "Group")'s focus, has been seeing a recovery in sales, owing to the easing of semiconductor shortages and the increase in production and sales of electric vehicles (EVs).

Under these circumstances, the Group has pressed forward with its "partner strategy" set forth in the medium-term business plan, under which it has strived to establish an optimal production system by improving the accuracy of demand forecasts while maintaining appropriate inventory levels. The Group has also continued to advance cost reduction measures. Further, progress has been made as planned in preparing for the launch of speaker production at our plant in Binh Duong Province, Vietnam to mitigate the potential impact of geopolitical risks and for the establishment of the Hungary plant with the goal of reducing CO2 emissions through local production and consumption and on the logistics front.

As a result, consolidated net sales for the nine months ended December 31, 2023 increased to ¥90,844 million (up 2.5% YoY). On the profit front, operating profit increased to ¥3,862 million (up 433.9% YoY), ordinary profit to ¥4,007 million (up 228.5% YoY), and profit attributable to owners of parent to ¥2,480 million (in the previous year, loss attributable to owners of parent of ¥241 million).

Results by segment were as follows.

#### [Speaker Segment]

While sales continued to recover in the automotive market, in the first quarter, some customers adjusted their inventory that was built up during periods of supply chain disruption, leading to a decrease in shipment volume. Regardless, net sales in the nine months ended December 31, 2023 increased to ¥72,649 million (up 0.8% YoY), reflecting a steady recovery in sales during the second and third quarters. On the profit front, the absence of over ¥700 million in air freight charges, which had been incurred by a consolidated subsidiary in South Korea in the first quarter of the last fiscal year (ended December 31\*), along with reductions in sea freight costs and the successful implementation of ongoing cost improvement measures, contributed positively. As a result, operating profit grew significantly to ¥3,585 million (up 465.5% YoY).

\*Because the fiscal year end of the Korean consolidated subsidiary is December 31, the profit and loss of the subsidiary for the period from January to September 2023 is combined with that of the Group for the first nine months of the consolidated fiscal year.

#### [Mobile Audio Segment]

While shipments of consumer actuators proceeded as planned through the second quarter, there were shipment volume adjustments in the third quarter. Accordingly, net sales increased to ¥11,477 million (up 5.2% YoY). On the profit front, however, operating profit fell to ¥592 million (down 2.6% YoY).

#### [Other Segment]

In the Other segment, which includes micro acoustic components and FOSTEX brand products, net sales increased to ¥9,140 million (up 19.4% YoY), owing in part to sales of speakers for acoustic vehicle alerting systems. On the profit front, the operating loss came to ¥315 million (in the previous year, operating loss of ¥518 million) due to the recording of expenses related to the production relocation plan for NAM WAH STAR ELECTRONICS (SHENZHEN) CO., LTD., to which the Company has outsourced the production of micro acoustic components; according to the plan, production facilities will be relocated to our plant in China.

### (2) Financial position for the period under review

As of December 31, 2023, total assets amounted to ¥101,360 million, up ¥8,489 million compared to March 31, 2023, mainly because of increases in cash and deposits and property, plant and equipment. Owing chiefly to increases in accounts payable-trade and long-term borrowings, total liabilities grew ¥2,393 million to ¥38,749 million. Net assets came to ¥62,611 million, up ¥6,096 million, mainly as the result of increases in retained earnings and foreign currency translation adjustment. The equity ratio was 55.3% as of December 31, 2023, up 0.3 percentage points from March 31, 2023.

(Cash flows for the period under review)

Cash and cash equivalents as of December 31, 2023 totaled ¥18,868 million, up ¥5,221 million from the level on March 31, 2023, as a result of the cash flows described below.

[Operating activities]

Net cash provided by operating activities was ¥12,440 million, chiefly due to an increase in trade payables.

[Investing activities]

Net cash used in investing activities totaled ¥4,113 million, mainly due to capital investments.

[Financing activities]

Net cash used in financing activities totaled ¥3,687 million, primarily due to a decrease in short-term borrowings.

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

Our full-year forecast remains unchanged at this time.

## 2. Quarterly consolidated financial statements

### (1) Consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	13,646	18,868
Notes and accounts receivable - trade	24,988	24,087
Electronically recorded monetary claims - operating	482	494
Securities	-	215
Finished goods	20,037	20,265
Raw materials	8,195	8,395
Work in process	1,492	1,348
Supplies	137	129
Accounts receivable - other	813	1,704
Advance payments to suppliers	3,096	588
Other	1,173	1,939
Allowance for doubtful accounts	(169)	(134)
Total current assets	73,893	77,901
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,718	8,071
Machinery, equipment and vehicles, net	4,122	4,595
Tools, furniture and fixtures, net	1,764	1,880
Land	1,575	3,372
Construction in progress	848	1,031
Total property, plant and equipment	15,030	18,951
Intangible assets		
Software	81	106
Other	132	149
Total intangible assets	214	255
Investments and other assets		
Investment securities	1,446	1,971
Long-term prepaid expenses	82	152
Retirement benefit asset	1,313	1,401
Deferred tax assets	669	527
Other	221	198
Total investments and other assets	3,732	4,251
Total non-current assets	18,977	23,458
Total assets	92,871	101,360

(Millions of yen)

As of March 31, 2023

As of December 31, 2023

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,380	12,734
Short-term borrowings	17,156	11,648
Current portion of long-term borrowings	300	575
Accounts payable - other	2,909	2,886
Lease liabilities	137	463
Income taxes payable	839	652
Accrued expenses	2,274	2,104
Provision for bonuses	432	540
Other	1,369	1,384
Total current liabilities	34,799	32,990
Non-current liabilities		
Long-term borrowings	–	3,175
Deferred tax liabilities	564	634
Lease liabilities	131	1,367
Retirement benefit liability	81	87
Provision for retirement benefits for directors (and other officers)	24	26
Provision for share awards	188	139
Asset retirement obligations	264	–
Other	302	327
Total non-current liabilities	1,556	5,758
Total liabilities	36,356	38,749
Net assets		
Shareholders' equity		
Share capital	6,770	6,770
Capital surplus	6,896	6,896
Retained earnings	34,531	36,565
Treasury shares	(4,152)	(4,077)
Total shareholders' equity	44,045	46,154
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	385	670
Foreign currency translation adjustment	6,687	9,297
Remeasurements of defined benefit plans	(22)	(24)
Total accumulated other comprehensive income	7,050	9,943
Non-controlling interests	5,419	6,512
Total net assets	56,515	62,611
Total liabilities and net assets	92,871	101,360

**(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	88,612	90,844
Cost of sales	77,615	76,883
Gross profit	10,996	13,960
Selling, general and administrative expenses	10,273	10,098
Operating profit	723	3,862
Non-operating income		
Interest income	67	115
Dividend income	30	37
Subsidy income	66	4
Foreign exchange gains	561	481
Miscellaneous income	251	212
Total non-operating income	978	852
Non-operating expenses		
Interest expenses	333	543
Miscellaneous losses	148	163
Total non-operating expenses	481	707
Ordinary profit	1,219	4,007
Extraordinary income		
Gain on sale of non-current assets	–	701
Gain on reversal of asset retirement obligations	–	133
Total extraordinary income	–	835
Extraordinary losses		
Extra retirement payments	254	–
Severance payments	–	488
Total extraordinary losses	254	488
Profit before income taxes	964	4,354
Income taxes - current	993	1,003
Income taxes - deferred	(120)	(13)
Total income taxes	872	989
Profit	92	3,364
Profit attributable to non-controlling interests	334	884
Profit (loss) attributable to owners of parent	(241)	2,480



**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	92	3,364
Other comprehensive income		
Valuation difference on available-for-sale securities	19	285
Foreign currency translation adjustment	3,180	2,857
Remeasurements of defined benefit plans, net of tax	(5)	(2)
Total other comprehensive income	3,194	3,141
Comprehensive income	3,287	6,506
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,592	5,374
Comprehensive income attributable to non-controlling interests	694	1,131

**(3) Consolidated statements of cash flows**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	964	4,354
Depreciation	2,729	2,353
Decrease (increase) in retirement benefit asset	139	(54)
Increase (decrease) in retirement benefit liability	10	2
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2	2
Increase (decrease) in allowance for doubtful accounts	(17)	(46)
Increase (decrease) in provision for bonuses	150	110
Subsidy income	(66)	(4)
Gain on sale of non-current assets	–	(701)
Severance payments	–	488
Extra retirement payments	254	–
Gain on reversal of asset retirement obligations	–	(133)
Interest and dividend income	(98)	(153)
Interest expenses	333	543
Foreign exchange losses (gains)	1,492	274
Decrease (increase) in trade receivables	(3,940)	1,949
Decrease (increase) in inventories	(2,421)	1,175
Increase (decrease) in trade payables	(477)	2,799
Decrease (increase) in accounts receivable - other	(150)	(821)
Increase (decrease) in accounts payable - other	(968)	(138)
Decrease (increase) in advance payments to suppliers	(3,078)	2,725
Other, net	1,714	(204)
Subtotal	(3,428)	14,520
Interest and dividends received	98	153
Interest paid	(333)	(543)
Subsidies received	66	4
Severance payments	–	(488)
Extra retirement payments	(254)	–
Income taxes paid	(642)	(1,206)
Income taxes refund	438	–
Net cash provided by (used in) operating activities	(4,055)	12,440
Cash flows from investing activities		
Purchase of securities	–	(207)
Proceeds from redemption of securities	839	–
Purchase of investment securities	(0)	(149)
Purchase of property, plant and equipment	(1,974)	(3,932)
Purchase of intangible assets	(19)	(43)
Proceeds from sale of property, plant and equipment	–	330
Purchase of long-term prepaid expenses	(56)	(128)
Decrease (increase) in time deposits	112	–
Other, net	(161)	16
Net cash provided by (used in) investing activities	(1,261)	(4,113)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,154	(6,342)
Proceeds from long-term borrowings	–	3,750
Repayments of long-term borrowings	(668)	(300)
Dividends paid	(223)	(447)
Dividends paid to non-controlling interests	–	(92)
Purchase of treasury shares	–	(0)
Other, net	–	(254)
Net cash provided by (used in) financing activities	6,262	(3,687)
Effect of exchange rate change on cash and cash equivalents	489	581
Net increase (decrease) in cash and cash equivalents	1,435	5,221
Cash and cash equivalents at beginning of period	12,089	13,646
Cash and cash equivalents at end of period	13,525	18,868

**(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.

**(Changes in accounting policies)**

Not applicable.

**(Additional information)**

From the second quarter of the fiscal year ending March 31, 2024, "Lease liabilities," which were included in "Other" under "Current liabilities" and "Non-current liabilities" in the fiscal year ended March 31, 2023, will be reported as an independent item due to an increase in their monetary importance. To reflect this change in presentation, the Company has reconfigured its consolidated financial statements for the previous fiscal year.

As a result, in the consolidated balance sheet for the previous fiscal year, the Company has reclassified ¥137 million previously included in "Other" under "Current liabilities" and ¥131 million previously included in "Other" under "Non-current liabilities" as "Lease liabilities."

**(Segment information, etc.)**

[Segment information]

I. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on amount of net sales and profit (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	72,037	10,907	5,667	88,612	—	88,612
Inter-segment sales or transfers	—	—	1,985	1,985	(1,985)	—
Total	72,037	10,907	7,653	90,598	(1,985)	88,612
Segment profit (loss)	633	608	(518)	723	(0)	723

Notes: 1. Adjustments to segment profit (loss) reflect the elimination of inter-segment transactions.

2. Total segment profit (loss) is adjusted with the operating profit 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. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on amount of net sales and profit (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	72,649	11,477	6,717	90,844	—	90,844
Inter-segment sales or transfers	—	—	2,422	2,422	(2,422)	—
Total	72,649	11,477	9,140	93,266	(2,422)	90,844
Segment profit (loss)	3,585	592	(315)	3,862	—	3,862

Notes: 1. Adjustments to segment profit (loss) reflect the elimination of inter-segment transactions.

2. Total segment profit (loss) is adjusted with the operating profit 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.