



Consolidated Financial Results for the Nine Months Ended December 31, 2020 (Japanese GAAP)

February 1, 2021
Tokyo Stock Exchange

Company name Foster Electric Company, Limited
 Code Number 6794
 URL <https://www.foster-electric.com/>
 Representative Atsushi Narikawa, COO
 Contact person Yuzo Yamamoto, Department Manager, IR and Legal Affairs Phone: +81-42-546-2305
 Scheduled date of submitting quarterly report February 10, 2021
 Scheduled date of commencing dividend payment -
 Preparation of supplementary materials on quarterly financial results: No
 Holding of a briefing on quarterly financial results: No

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (cumulative) (Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2020	62,169	(26.3)	111	(95.9)	412	(85.5)	(1,202)	—
December 31, 2019	84,409	(22.3)	2,711	(25.1)	2,834	(29.4)	1,350	—

Note: Comprehensive income (loss):
 Nine months ended December 31, 2020 ¥(2,032) million [-%]
 Nine months ended December 31, 2019 ¥1,246 million [-%]

	Net income per share	Diluted net income per share
Nine months ended December 31, 2020	Yen (52.97)	Yen —
December 31, 2019	59.72	—

(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, 2020	77,001	56,260	66.3	2,250.86
As of March 31, 2020	80,825	58,995	66.5	2,369.46

Reference: Equity capital: As of December 31, 2020 ¥51,081 million
 As of March 31, 2020 ¥53,771 million

2. Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
Fiscal year ended March 31, 2020	Yen —	Yen 20.00	Yen —	Yen 15.00	Yen 35.00
Fiscal year ending March 31, 2021	—	10.00	—		
Fiscal year ending March 31, 2021 (Forecast)				5.00	15.00

Note: Changes in dividend forecast subsequent to the most recent announcement: Yes

Note: The dividend paid at the end of the second quarter of the fiscal year ended March 31, 2020 comprised an ordinary dividend of ¥15.00 and a commemorative dividend of ¥5.00.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	85,000	(20.7)	50	(97.5)	200	(92.3)	(2,500)	—	(110.16)

Note: Changes in forecast of financial results subsequent to the most recent announcement: Yes

* Notes

(1) Changes in major subsidiaries during the six months ended September 30, 2020 (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Newly added: - subsidiaries (Company name) -

Excluded: - subsidiaries (Company name) -

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies due to amendment of accounting standards, etc. : No

(ii) Changes in accounting policies other than (i) : No

(iii) Changes in accounting estimates : No

(iv) Restatement : No

(4) Number of shares outstanding (common stock)

(i) Number of issued shares at the end of the period (including treasury stock)

December 31, 2020: 26,000,000

March 31, 2020: 26,000,000

(ii) Number of treasury stock at the end of the period

December 31, 2020: 3,305,647

March 31, 2020: 3,306,288

(iii) Average number of shares outstanding for the period

Nine months ended December 31, 2020: 22,694,152

Nine months ended December 31, 2019: 22,611,026

* 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

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 2 of the Attachment.

○ Contents of Attachment

1. Overview of operating results, etc.....2

 (1) Operating results for the period under review2

 (2) Financial position for the period under review2

 (3) Explanation of forecast of consolidated financial results and other forward-looking information2

2. Quarterly consolidated financial statements and important notes3

 (1) Quarterly consolidated balance sheet3

 (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income5

 (3) Quarterly consolidated statement of cash flows7

 (4) Notes to the quarterly consolidated financial statements.....9

 (Notes on going concern assumption).....9

 (Notes on significant changes in the amount of shareholders' equity)9

 (Additional information)9

 (Segment information, etc.).....10

1. Overview of operating results, etc.

(1) Operating results for the period under review

During the nine months ended December 31, 2020, the global economy saw a slump due to the spread of COVID-19 in the first half, but staged a recovery driven by each country's economic measures in the second half. However, the economic outlook remains uncertain, as underscored by the resurgence of infections in some countries and regions. In the electronic components industry, a key sector for the Foster Group (the "Group"), the COVID-19 crisis had caused a severe drop in components demand, but demand rebounded particularly in the automotive industry with the Chinese economy's recovery. However, the situation remains unpredictable due to the resurgence of infections.

Under these circumstances, the Group worked to cope with the tough market environment by strengthening the corporate structure through measures such as cost reduction, capital investment cutbacks, and rationalization of operations, while securing orders by capturing the rebounding demand in the automotive market. Hence, sales were picking up, but the global spike in container freight rates since November weighed heavily on earnings, diminishing the income from improved sales significantly. We expect this impact to persist through the end of the fiscal year.

As a result, consolidated net sales for the nine months ended December 31, 2020 came to ¥62,169 million (down 26.3% YoY), operating income was ¥111 million (down 95.9% YoY), ordinary income was ¥412 million (down 85.5% YoY), and the net loss attributable to owners of the parent was ¥1,202 million (in the previous year, net income attributable to owners of the parent of ¥1,350 million).

Results by segment were as follows.

[Speaker Segment]

Sales of car speakers and speaker systems were affected by the COVID-19 crisis. The Group's sales recovered as operating rates picked up at customer car plants subsequent to the first quarter. However, the spike in container freight rates on a global scale in the third quarter weighed heavily on income. As a result, net sales came to ¥39,694 million (down 18.5% YoY) and operating income to ¥138 million (down 94.6% YoY).

[Mobile Audio Segment]

Shipments of consumer actuators were in line with the plan, but the sales volume of headsets sold to a major customer declined sharply. As a result, net sales were ¥17,502 million (down 43.5% YoY) and the operating loss was ¥41 million (in the previous year, operating income of ¥388 million).

[Other Segment]

In the Other Segment, including the micro acoustic components and FOSTEX brand products, net sales were ¥5,186 million (up 7.7% YoY) and operating income was ¥14 million (in the previous year, an operating loss of ¥248 million).

(2) Financial position for the period under review

As of December 31, 2020, total assets amounted to ¥77,001 million, down ¥3,824 million from their level on March 31, 2020, mainly because of a decrease in securities. Owing chiefly to a decrease in debt, total liabilities declined ¥1,089 million to ¥20,740 million. Net assets came to ¥56,260 million, down ¥2,735 million, mainly as the result of a decrease in retained earnings. The equity ratio was 66.3%, down 0.2 percentage points from March 31, 2020.

(Cash flows for the period under review)

Cash and cash equivalents as of December 31, 2020 totaled ¥21,895 million, down ¥2,034 million from the level on March 31, 2020, as a result of the cash flows described below.

[Operating activities]

Net cash provided by operating activities was ¥2,277 million, chiefly due to a decrease in inventories.

[Investing activities]

Net cash used in investing activities totaled ¥1,741 million, mainly due to capital investments.

[Financing activities]

Net cash used in financing activities totaled ¥2,079 million, primarily due to repayments of long-term debt.

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

We revised our financial results forecast in light of recent business trends. For details, please refer to "Announcement on Recording of Extraordinary Loss and Revisions to Full-Year Financial Results and Dividend Forecasts," separately disclosed today.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	14,770	21,987
Notes and accounts receivable—trade	14,852	16,499
Electronically recorded monetary claims—operating	293	295
Securities	10,098	940
Finished goods	11,856	10,912
Raw materials	4,342	4,158
Work in process	1,293	1,120
Supplies	131	168
Accounts receivable—other	921	638
Other	1,424	1,701
Allowance for doubtful receivables	(31)	(29)
Total current assets	59,952	58,394
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,127	7,370
Machinery, equipment and vehicles, net	5,382	4,190
Tools, furniture and fixtures, net	1,787	1,524
Land	1,435	1,387
Construction in progress	1,247	1,314
Net property, plant and equipment	17,980	15,787
Intangible assets		
Software	98	83
Other	118	114
Total intangible assets	217	198
Investments and other assets		
Investment securities	1,297	1,393
Long-term prepaid expenses	112	85
Asset for employees' retirement benefits	715	636
Deferred tax assets	263	282
Other	286	223
Total investments and other assets	2,675	2,621
Total non-current assets	20,872	18,606
Total assets	80,825	77,001

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	7,390	8,491
Short-term bank loans	2,138	2,205
Current portion of long-term debt	1,766	1,492
Accounts payable–other	2,782	2,557
Income taxes payable	646	284
Accrued expenses	1,739	1,733
Reserve for bonuses	549	468
Other	770	807
Total current liabilities	17,783	18,041
Non-current liabilities		
Long-term debt	2,637	1,362
Deferred tax liabilities	633	552
Liability for employees' retirement benefits	63	67
Liability for directors' retirement benefits	16	16
Provisions for stock benefit program	121	138
Asset retirement obligations	249	253
Other	323	309
Total non-current liabilities	4,047	2,699
Total liabilities	21,830	20,740
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	7,957	7,957
Retained earnings	45,696	43,924
Treasury stock	(5,089)	(5,083)
Total shareholders' equity	55,335	53,568
Accumulated other comprehensive income		
Unrealized gain on investment securities	126	218
Foreign currency translation adjustment	(1,281)	(2,279)
Remeasurements of defined benefit plans	(409)	(426)
Total accumulated other comprehensive income	(1,563)	(2,486)
Non-controlling interests	5,224	5,178
Total net assets	58,995	56,260
Total liabilities and net assets	80,825	77,001

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(Nine months ended December 31, 2020)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	84,409	62,169
Cost of sales	72,390	54,181
Gross profit	12,019	7,988
Selling, general and administrative expenses	9,307	7,876
Operating income	2,711	111
Non-operating income		
Interest income	209	103
Dividend income	30	19
Foreign currency exchange gain	—	170
Miscellaneous income	323	313
Total non-operating income	562	607
Non-operating expenses		
Interest expense	103	53
Foreign currency exchange loss	208	—
Miscellaneous loss	129	252
Total non-operating expenses	440	306
Ordinary income	2,834	412
Extraordinary income		
Gain on sales of non-current assets	2,918	—
State subsidy	295	—
Total extraordinary income	3,213	—
Extraordinary losses		
Impairment losses	2,290	891
Special retirement payments	668	154
Total extraordinary losses	2,959	1,046
Income (loss) before income taxes	3,088	(633)
Income taxes - current	1,190	341
Income taxes - deferred	59	(55)
Total income taxes	1,249	286
Net income (loss)	1,838	(920)
Net income attributable to non-controlling interests	488	281
Net income (loss) attributable to owners of the parent	1,350	(1,202)

(Quarterly consolidated statement of comprehensive income)
(Nine months ended December 31, 2020)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income (loss)	1,838	(920)
Other comprehensive income (loss)		
Unrealized gain on investment securities	520	91
Foreign currency translation adjustment	(1,337)	(1,143)
Remeasurements of defined benefit plans	224	(60)
Total other comprehensive income (loss)	(592)	(1,112)
Comprehensive income (loss)	1,246	(2,032)
(Breakdown)		
Total comprehensive income (loss) attributable to owners of the parent	1,011	(2,125)
Total comprehensive income attributable to non-controlling interests	234	92

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Operating activities		
Income (loss) before income taxes	3,088	(633)
Depreciation and amortization	2,388	2,357
(Increase) decrease in asset for employees' retirement benefits	(34)	71
Increase (decrease) in liability for employees' retirement benefits	(10)	3
Increase (decrease) in directors' retirement benefits	3	(0)
Increase (decrease) in allowance for doubtful receivables	7	1
Increase (decrease) in reserve for bonuses	(41)	(84)
Loss (gain) on sales of property, plant and equipment	(2,918)	—
Subsidy income	(295)	—
Impairment losses	2,290	891
Special retirement payments	668	154
Interest and dividend income	(239)	(123)
Interest expense	103	53
Foreign exchange loss (gain)	(4)	11
Decrease (increase) in trade notes and accounts receivable	(513)	(1,580)
Decrease (increase) in inventories	4,117	1,249
Increase (decrease) in trade notes and accounts payable	45	1,072
Decrease (increase) in other accounts receivable	333	278
Increase (decrease) in other accounts payable	(402)	(215)
Other	72	(371)
Subtotal	8,658	3,135
Interest and dividend income received	239	123
Interest expenses paid	(103)	(53)
Proceeds from subsidy income	295	—
Payments for special retirement expenses	(668)	(101)
Income taxes - paid	(923)	(825)
Net cash provided by (used in) operating activities	7,498	2,277
Investing activities		
Purchases of securities	(832)	(760)
Proceeds from redemption of securities	1,458	634
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(3,690)	(1,559)
Proceeds from sales of property, plant and equipment	2,807	—
Purchases of intangible assets	(62)	(33)
Decrease (increase) in time deposits	218	—
Payment for long-term prepaid expenses	(49)	(35)
Other	0	13
Net cash provided by (used in) investing activities	(150)	(1,741)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Financing activities		
Increase (decrease) in short-term bank loans payable, net	(169)	158
Repayments of long-term debt	(7,074)	(1,507)
Dividends paid	(681)	(570)
Dividends paid to non-controlling interests	(148)	(159)
Other	(15)	—
Net cash provided by (used in) financing activities	(8,089)	(2,079)
Effect of exchange rate changes on cash and cash equivalents	(573)	(491)
Net increase (decrease) in cash and cash equivalents	(1,315)	(2,034)
Cash and cash equivalents, beginning of period	21,524	23,930
Cash and cash equivalents, end of period	20,209	21,895

(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.

(Additional information)

The Group initially assumed that the impact of the spread of COVID-19 would largely subside by the end of the fiscal year ending March 31, 2021. However, due to the high level of uncertainty regarding the future spread of the virus and the timing of its containment, we now assume that the impact will persist for some time in the fiscal year ending March 31, 2022. Accordingly, we have revised our accounting estimates, including the booking of impairment losses on non-current assets.

Although these accounting estimates are our best available estimates at this point, there is a high degree of uncertainty in the assumptions used for these estimates. Losses may occur if there are changes in the situation of the pandemic and its impact on the economy.

(Segment information, etc.)

[Segment information]

I. Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

1. Information on amount of net sales and income (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	48,728	30,977	4,703	84,409	—	84,409
Inter-segment sales or transfers	—	—	110	110	(110)	—
Total	48,728	30,977	4,813	84,519	(110)	84,409
Segment income (loss)	2,571	388	(248)	2,711	(0)	2,711

- Notes: 1. Segment adjustments reflect the elimination of inter-segment transactions.
2. Total segment income (loss) is adjusted with the operating income (loss) 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)

In the Speaker Segment, ¥978 million is recognized as impairment losses of non-current assets related to business assets.

In the Mobile Audio Segment, ¥1,050 million is recognized as impairment losses of non-current assets related to business assets.

In the Other Segment, ¥262 million is recognized as impairment losses of non-current assets related to business assets.

II. Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

1. Information on amount of net sales and income (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	39,694	17,502	4,972	62,169	—	62,169
Inter-segment sales or transfers	—	—	213	213	(213)	—
Total	39,694	17,502	5,186	62,382	(213)	62,169
Segment income (loss)	138	(41)	14	111	(0)	111

- Notes: 1. Segment adjustments reflect the elimination of inter-segment transactions.
2. Total segment income (loss) is adjusted with the operating income (loss) 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)

In the Speaker Segment, ¥682 million is recognized as impairment losses of non-current assets related to business assets.

In the Other Segment, ¥209 million is recognized as impairment losses of non-current assets related to business assets.