



Consolidated Financial Results for the Six Months Ended September 30, 2020 (Japanese GAAP)

October 29, 2020
Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
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Scheduled date of submitting quarterly report		November 12, 2020
Scheduled date of commencing dividend payment		December 7, 2020
Preparation of supplementary materials on quarterly financial results:		Yes
Holding of a briefing on quarterly financial results:		Yes (for analysts and institutional investors)

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 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	%
Six months ended September 30, 2020	39,528	(28.5)	(688)	—	(488)	—	(829)	—
September 30, 2019	55,277	(19.6)	1,594	(17.7)	1,668	(24.1)	2,090	—

Note: Comprehensive income (loss):
 Six months ended September 30, 2020 ¥(1,505) million [-%]
 Six months ended September 30, 2019 ¥739 million [-%]

	Net income per share	Diluted net income per share
Six months ended September 30, 2020	Yen (36.55)	Yen —
September 30, 2019	92.48	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	75,556	57,015	68.9	2,292.82
As of March 31, 2020	80,825	58,995	66.5	2,369.46

Reference: Equity capital: As of September 30, 2020 ¥52,036 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	20.00	—	15.00	35.00
Fiscal year ending March 31, 2021	—	10.00	—	—	—
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	—	—

Note: Changes in dividend forecast subsequent to the most recent announcement: No

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
Fiscal year ending March 31, 2021	80,000– 90,000	(25.4)– (16.1)	500– 1,000	(75.7)– (51.5)	500– 1,000	(80.7)– (61.5)	–	–	–

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

Note: We left the forecast for net income attributable to owners of the parent undetermined due to the difficulty of developing a reasonable estimate at this point, given the impact of the global outbreak of COVID-19. We will announce the forecast promptly as soon as it becomes possible to make a reasonable estimate.

* 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)

September 30, 2020: 26,000,000

March 31, 2020: 26,000,000

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

September 30, 2020: 3,304,447

March 31, 2020: 3,306,288

(iii) Average number of shares outstanding for the period

Six months ended September 30, 2020: 22,693,965

Six months ended September 30, 2019: 22,607,258

* 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.

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1. Overview of operating results, etc.

(1) Operating results for the period under review

During the six months ended September 30, 2020, the impact of the spread of COVID-19 caused significant confusion in the global economy. Although a moderate recovery is underway, the economic outlook remains uncertain due to concerns about the resurgence of infections.

In the electronic components industry, a key sector for the Foster Group (the "Group"), automotive components are expected to drive market growth over the medium- to long-term, given the progress in electrification. However, demand for components were sluggish in the period under review, due to economic deterioration caused by COVID-19.

Under these circumstances, the Group worked to cope with the tough market environment, not only by having systems for order acceptance and production in place, but also by strengthening the corporate structure through measures such as cost reduction, capital investment freeze, and rationalization of operations.

As a result, consolidated net sales for the six months ended September 30, 2020 came to ¥39,528 million (down 28.5% YoY). Losses amounted to an operating loss of ¥688 million (in the previous year, operating income of ¥1,594 million), an ordinary loss of ¥488 million (in the previous year, ordinary income of ¥1,668 million), and a net loss attributable to owners of the parent of ¥829 million (in the previous year, net income attributable to owners of the parent of ¥2,090 million).

Results by segment were as follows.

[Speaker Segment]

In the first quarter, car sales dropped sharply due to COVID-19, resulting in a decrease in shipments and sales of car speakers and speaker systems. Although shipments and sales have been recovering since entering the second quarter, a full-fledged recovery has not yet been achieved. As a result, net sales came to ¥23,892 million (down 26.8% YoY) and the operating loss to ¥584 million (in the previous year, operating income of ¥1,754 million).

[Mobile Audio Segment]

Net sales were ¥12,593 million (down 35.8% YoY), as the sales volume of headsets sold to a major customer continued to decline. Operating income was ¥5 million (in the previous year, operating loss of ¥170 million) owing to the effects of ongoing efforts in rationalization measures.

[Other Segment]

In the Other Segment, including the micro acoustic components and FOSTEX brand products, net sales amounted to ¥3,176 million (up 2.2% YoY). Meanwhile, due to the decline in orders for vibration system components stemming from COVID-19, the operating loss was ¥109 million (in the previous year, operating income of ¥10 million).

(2) Financial position for the period under review

As of September 30, 2020, total assets amounted to ¥75,556 million, down ¥5,269 million from their level on March 31, 2020, mainly because of a decrease in inventories. Owing chiefly to a decrease in debt, total liabilities declined ¥3,289 million to ¥18,540 million. Net assets came to ¥57,015 million, down ¥1,980 million, mainly as the result of a decrease in retained earnings. The equity ratio was 68.9% as of September 30, 2020, up 2.4 percentage points from March 31, 2020.

(Cash flows for the period under review)

Cash and cash equivalents as of September 30, 2020 totaled ¥21,539 million, down ¥2,391 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 ¥1,317 million, chiefly due to a decrease in inventories.

[Investing activities]

Net cash used in investing activities totaled ¥1,597 million, mainly due to capital investments.

[Financing activities]

Net cash used in financing activities totaled ¥1,695 million, primarily due to repayments of long-term debt.

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

At this point, there is no change to the full-year earnings forecast (range estimates). We continue to leave the forecast for net income attributable to owners of the parent undetermined, since it is still subject to sharp fluctuations depending on the implementation status of rationalization measures going forward and other factors.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	14,770	21,401
Notes and accounts receivable–trade	14,852	15,800
Electronically recorded monetary claims–operating	293	218
Securities	10,098	1,341
Finished goods	11,856	9,845
Raw materials	4,342	3,505
Work in process	1,293	1,099
Supplies	131	129
Accounts receivable–other	921	579
Other	1,424	1,501
Allowance for doubtful receivables	(31)	(28)
Total current assets	59,952	55,396
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,127	7,787
Machinery, equipment and vehicles, net	5,382	4,825
Tools, furniture and fixtures, net	1,787	1,769
Land	1,435	1,401
Construction in progress	1,247	1,528
Net property, plant and equipment	17,980	17,312
Intangible assets		
Software	98	85
Other	118	112
Total intangible assets	217	198
Investments and other assets		
Investment securities	1,297	1,366
Long-term prepaid expenses	112	100
Asset for employees' retirement benefits	715	655
Deferred tax assets	263	279
Other	286	246
Total investments and other assets	2,675	2,649
Total non-current assets	20,872	20,160
Total assets	80,825	75,556

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	7,390	6,296
Short-term bank loans	2,138	2,108
Current portion of long-term debt	1,766	1,561
Accounts payable–other	2,782	2,341
Income taxes payable	646	331
Accrued expenses	1,739	1,451
Reserve for bonuses	549	697
Other	770	834
Total current liabilities	17,783	15,623
Non-current liabilities		
Long-term debt	2,637	1,606
Deferred tax liabilities	633	521
Liability for employees' retirement benefits	63	63
Liability for directors' retirement benefits	16	15
Provisions for stock benefit program	121	130
Asset retirement obligations	249	251
Other	323	328
Total non-current liabilities	4,047	2,916
Total liabilities	21,830	18,540
Net assets		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	7,957	7,957
Retained earnings	45,696	44,524
Treasury stock	(5,089)	(5,083)
Total shareholders' equity	55,335	54,169
Accumulated other comprehensive income		
Unrealized gain on investment securities	126	199
Foreign currency translation adjustment	(1,281)	(1,883)
Remeasurements of defined benefit plans	(409)	(448)
Total accumulated other comprehensive income	(1,563)	(2,132)
Non-controlling interests	5,224	4,978
Total net assets	58,995	57,015
Total liabilities and net assets	80,825	75,556

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

(Quarterly consolidated statement of income)

(Six months ended September 30, 2020)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	55,277	39,528
Cost of sales	47,473	35,076
Gross profit	7,804	4,452
Selling, general and administrative expenses	6,209	5,141
Operating income (loss)	1,594	(688)
Non-operating income		
Interest income	167	77
Dividend income	18	12
Foreign currency exchange gain	—	106
Miscellaneous income	287	185
Total non-operating income	473	380
Non-operating expenses		
Interest expense	73	41
Foreign currency exchange loss	223	—
Miscellaneous loss	102	138
Total non-operating expenses	399	180
Ordinary income (loss)	1,668	(488)
Extraordinary income		
Gain on sales of non-current assets	2,706	—
State subsidy	295	—
Total extraordinary income	3,001	—
Extraordinary losses		
Impairment losses	663	—
Special retirement payments	616	100
Total extraordinary losses	1,280	100
Income (loss) before income taxes	3,390	(588)
Income taxes - current	964	207
Income taxes - deferred	18	(35)
Total income taxes	983	172
Net income (loss)	2,406	(760)
Net income attributable to non-controlling interests	316	68
Net income (loss) attributable to owners of the parent	2,090	(829)

(Quarterly consolidated statement of comprehensive income)

(Six months ended September 30, 2020)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income (loss)	2,406	(760)
Other comprehensive income		
Unrealized gain on investment securities	(41)	72
Foreign currency translation adjustment	(1,825)	(734)
Remeasurements of defined benefit plans	200	(83)
Total other comprehensive income	(1,666)	(745)
Comprehensive income	739	(1,505)
(Breakdown)		
Total comprehensive income attributable to owners of the parent	588	(1,398)
Total comprehensive income attributable to non-controlling interests	151	(107)

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Operating activities		
Income (loss) before income taxes	3,390	(588)
Depreciation and amortization	1,576	1,560
(Increase) decrease in asset for employees' retirement benefits	(23)	54
Increase (decrease) in liability for employees' retirement benefits	123	0
Increase (decrease) in directors' retirement benefits	2	(1)
Increase (decrease) in allowance for doubtful receivables	4	(0)
Increase (decrease) in reserve for bonuses	128	144
Loss (gain) on sales of property, plant and equipment	(2,706)	—
Subsidy income	(295)	—
Impairment losses	663	—
Special retirement payments	616	100
Interest and dividend income	(185)	(89)
Interest expense	73	41
Foreign exchange loss (gain)	(19)	26
Decrease (increase) in trade notes and accounts receivable	(608)	(839)
Decrease (increase) in inventories	2,615	2,982
Increase (decrease) in trade notes and accounts payable	51	(1,031)
Decrease (increase) in other accounts receivable	(47)	333
Increase (decrease) in other accounts payable	(189)	(330)
Other	(1,084)	(408)
Subtotal	4,086	1,952
Interest and dividend income received	185	89
Interest expenses paid	(73)	(41)
Proceeds from subsidy income	295	—
Payments for special retirement expenses	(616)	(100)
Income taxes - paid	(628)	(582)
Net cash provided by (used in) operating activities	3,248	1,317
Investing activities		
Purchases of securities	(658)	(761)
Proceeds from redemption of securities	885	458
Purchases of investment securities	(0)	(0)
Purchases of property, plant and equipment	(1,884)	(1,256)
Proceeds from sales of property, plant and equipment	2,595	—
Purchases of intangible assets	(10)	(6)
Decrease (increase) in time deposits	239	—
Payment for long-term prepaid expenses	(20)	(26)
Other	25	(3)
Net cash provided by (used in) investing activities	1,172	(1,597)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Financing activities		
Increase (decrease) in short-term bank loans payable, net	(221)	16
Repayments of long-term debt	(2,720)	(1,210)
Dividends paid	(227)	(342)
Dividends paid to non-controlling interests	(148)	(159)
Purchase of treasury stock	(0)	—
Other	(13)	—
Net cash provided by (used in) financing activities	(3,331)	(1,695)
Effect of exchange rate changes on cash and cash equivalents	(498)	(415)
Net increase (decrease) in cash and cash equivalents	590	(2,391)
Cash and cash equivalents, beginning of period	21,524	23,930
Cash and cash equivalents, end of period	22,114	21,539

**(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)

In the six months ended September 30, 2020, no material changes have been made to the assumptions described in the Company's securities report for the fiscal year ended March 31, 2020, including how COVID-19 will spread going forward and the timing of its containment.

(Segment information, etc.)

[Segment information]

I. Six months ended September 30, 2019 (from April 1, 2019 to September 30, 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	32,631	19,603	3,043	55,277	—	55,277
Inter-segment sales or transfers	—	—	64	64	(64)	—
Total	32,631	19,603	3,107	55,341	(64)	55,277
Segment income (loss)	1,754	(170)	10	1,594	(0)	1,594

- Notes: 1. Segment adjustments reflect the elimination of inter-segment transactions.
2. Total segment income (loss) matches 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, ¥487 million is recognized as impairment losses of non-current assets related to business assets.

In the Other Segment, ¥175 million is recognized as impairment losses of non-current assets related to business assets.

II. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 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	23,892	12,593	3,042	39,528	—	39,528
Inter-segment sales or transfers	—	—	133	133	(133)	—
Total	23,892	12,593	3,176	39,662	(133)	39,528
Segment income (loss)	(584)	5	(109)	(688)	(0)	(688)

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

Not applicable.