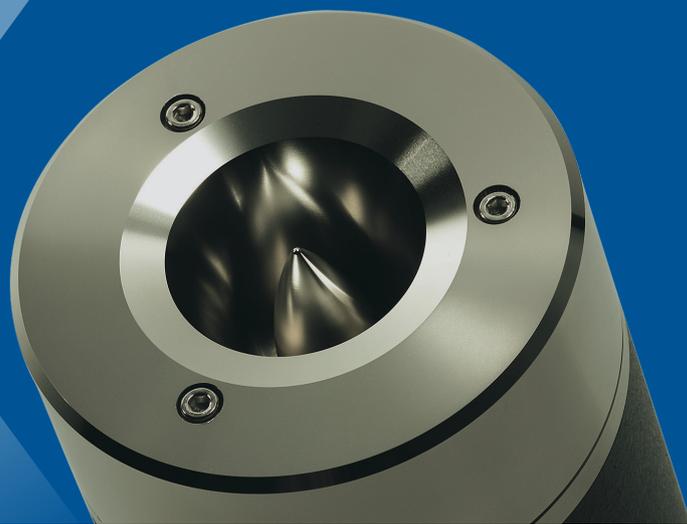


**FOSTER**<sup>®</sup>

Sound to Life

Foster Electric Company, Limited

Code Number: 6794



For the **87**<sup>th</sup> Fiscal Year

## BUSINESS REPORT

From April 1, 2020 to September 30, 2020 (Interim Period)

<https://www.foster-electric.com/investors/>

Foster Electric IR

Search



### To our shareholders

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

During the first half of the fiscal year ending March 31, 2021, the global economy continued to be harshly affected by COVID-19's faster-than-expected spread and widespread impact.

The Foster Group (the "Group") recorded year-on-year declines in net sales and operating income due to lower demand for smartphone headsets and sluggish production and shipments of automotive speakers caused by a sharp drop in auto sales due to the COVID-19 pandemic.

The Group is currently working to transform its businesses and attitudes as it shifts its focus to the automotive business, while endeavoring to develop new businesses and products to usher in a new era. 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 loved throughout society and the market.

We modestly request your continued support as we move forward.

December 2020

**Atsushi Narikawa**  
COO

**Hiromi Yoshizawa**  
CEO

# TOPICS

## Started mass production of vibration actuators

The Group, which has long worked to develop and sell vibration and tactile actuators using its acoustic technology, started mass production of consumer vibration actuators in the first half of the fiscal year.

The product realizes a more realistic and rich tactile sensation by leveraging the Group's strength in acoustic technology, achieving faster response speed and broader vibration frequency.

Acclaimed for these reasons, the product has been adopted in peripheral equipment of next-generation game consoles.

Example of a vibration actuator



## Joint development with NEC Corporation of a true wireless hearable device equipped with biometric authentication technology

We jointly developed with NEC Corporation a true wireless hearable device optimized for use in all business settings. It comes equipped with noise-cancellation features to ensure crisp delivery of spoken voice, in high demand as more people work from home. Embedded with biometric authentication technology, the device is expected to connect with diverse applications. The product embodies a totally new Group concept, and we expect it to contribute to the future development of the Group and society.



## Response to COVID-19 Pandemic

The COVID-19 pandemic continued to take a heavy toll on the Company in the first half of the fiscal year.

The Group has taken countermeasures led by the Risk and Crisis Management Committee.

[Main countermeasures]

- Grasp customer situations accurately and respond to problems
- Keep inventory at appropriate levels by tracking the operating status of each factory
- Understand the supply chain status and respond to problems

\*Lockdowns forced many customers to shut down their factories, especially in the US and Europe. However, the Group mitigated the risk of supply chain disruptions by grasping factory resumption timelines and the statuses of material suppliers.

- Safety and health measures, etc.

At the headquarters, we strove to establish new ways of work that suit the new normal.

We adopted remote work with a target implementation rate of 70% during the state of emergency and 50% at all other times.

We have facilitated the shift to new modes of work by supporting employees who are not accustomed to remote work, in managing their health and communicating smoothly and by conducting HR training for performance-based evaluation.

## Financial Highlights Consolidated Performance for the First Half of the Fiscal Year ending March 31, 2021

<b>Net sales</b>	<b>Operating income</b>	<b>Ordinary income</b>	<b>Net income attributable to owners of the parent</b>	
<b>¥39,528</b> million <small>(down 28.5% y-o-y) ▼</small>	<b>¥(688)</b> million <small>(¥1,594 million in the same period of previous FY) ▼</small>	<b>¥(488)</b> million <small>(¥1,668 million in the same period of previous FY) ▼</small>	<b>¥(829)</b> million <small>(¥2,090 million in the same period of previous FY) ▼</small>	
<b>Net assets</b>	<b>Total assets</b>	<b>Net income per share</b>	<b>Net assets per share</b>	<b>Equity ratio</b>
<b>¥57,015</b> million <small>(¥58,995 million at the end of previous FY)</small>	<b>¥75,556</b> million <small>(¥80,825 million at end-FY03/20)</small>	<b>¥(36.55)</b> <small>(¥92.48 in 1H FY03/20)</small>	<b>¥2,292.82</b> <small>(¥2,369.46 at end-FY03/20)</small>	<b>68.9%</b> <small>(66.5% at end-FY03/20)</small>

# Products

## Horn tweeter T500A MkIII



Further developed from the original T500A model launched in 1992, this maximum-grade horn super tweeter features a pure magnesium ring-shaped diaphragm, a horn and an equalizer that has been precisely cut and processed with brass and a distortion-reducing internal alnico magnetic circuit.

## Network-compatible monitor speaker 6301DT



The 6301 series have been a top seller in the installation market for over 30 years and are widely used at broadcasting stations. This latest model is compatible with the Dante® network.

Note: Dante is a registered trademark of Audinate Pty. Ltd.

## FE108NS, FE208NS & T96A BK208NS, BK108NS

We started to sell the FE108NS and FE208NS full-range speaker components, which inherit the Sol series' development philosophy and proprietary technology, and the T96A high-performance horn super tweeter.

Back-loaded horn speaker enclosures (made in Japan) designed to match the speaker units are also available.



FE108NS  
FE208NS  
T96A

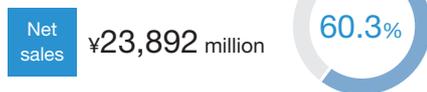


Back-loaded horn speaker enclosures  
BK208NS      BK108NS

※Unit sold separately

## Overview by Segment (Consolidated)

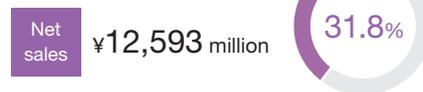
### Speaker Segment



In the first quarter, the COVID-19 pandemic caused auto sales to plunge, dragging down shipments and sales of car speakers. In the second quarter, demand began to recover but hasn't been restored completely. As a result, segment sales decreased.



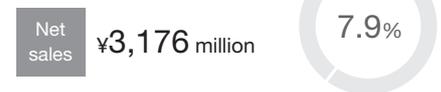
### Mobile Audio Segment



The decrease in segment sales was attributable to an ongoing drop in sales volume of headsets for major customers.



### Other Segment



Segment sales increased slightly. Core products of the segment include micro acoustic components and FOSTEX brand products.

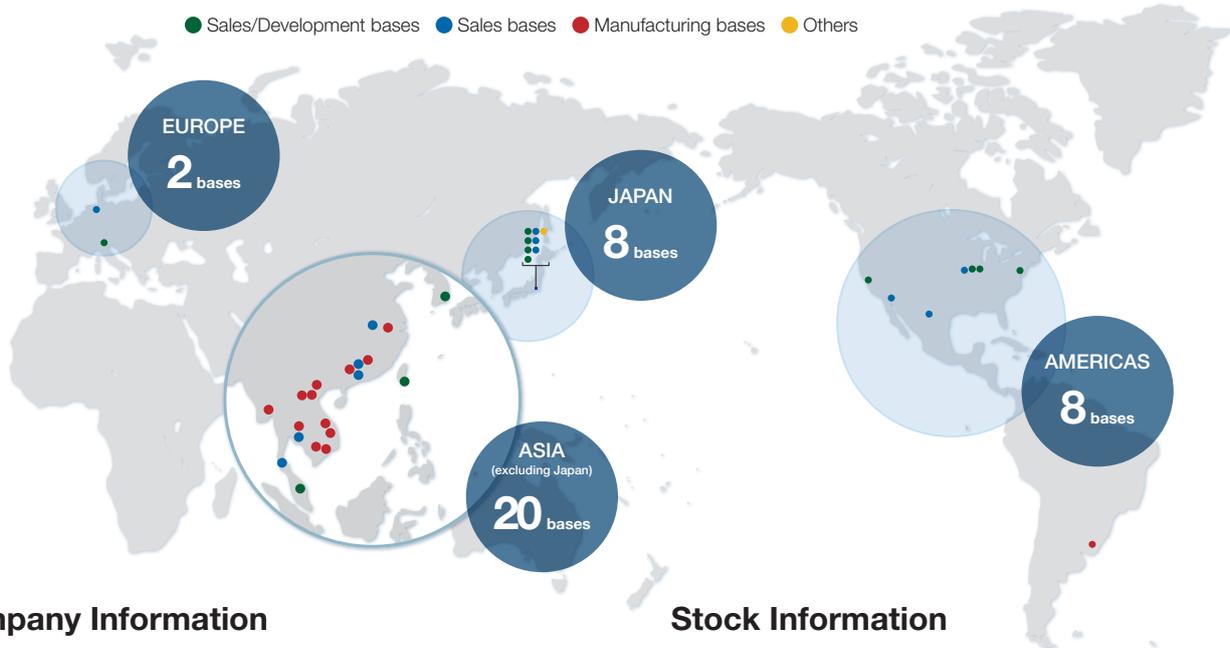


Note: The figures above include intersegment sales.

## Group Companies

The Group operates 38 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, 2020)

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:	18,496 (Number includes our outsourcee in Panyu, China)
URL:	<a href="https://www.foster-electric.com">https://www.foster-electric.com</a>

### Directors and Corporate Auditors (As of September 30, 2020)

CEO:	Hiroshi Yoshizawa	Senior Executive Officer:	Terushige Nagasawa
COO:	Atsushi Narikawa	Senior Executive Officer:	Takuro Yamaguchi
Senior Managing Director:	Lu San Tie	Senior Executive Officer:	Tatsuhito Tanaka
Managing Director:	Kazuhiro Kishi	Senior Executive Officer:	Ryoji Otowa
Director:	Hidetoshi Shirakawa	Senior Executive Officer:	Yasuhide Takahara
Independent Director:	Minoru Matsumoto	Executive Officer:	Naoki Kanai
Independent Director:	Chieko Matsuda	Executive Officer:	Yuji Harada
Independent Director:	Yasuhiro Goto	Executive Officer:	Hiroki Miura
Standing Corporate Auditor:	Tsutomu Inokuma	Executive Officer:	Yuji Sakuta
Independent Corporate Auditor:	Takuma Ino	Executive Officer:	Hirofumi Asada
Independent Corporate Auditor:	Takashi Suzuki	Executive Officer:	Roy Ching-Sheng Chen
Independent Corporate Auditor:	Satoko Kimoto	Executive Officer:	Oh In-Yong

## Stock Information

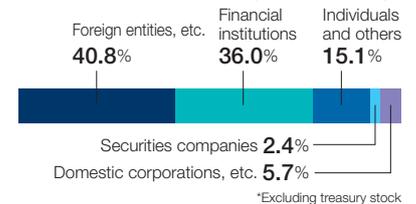
### Status of Shares (As of September 30, 2020)

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

Total number of shares issued:  
**26,000,000 shares**

Number of shareholders  
**5,796**

### 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)	2,082	9.1
Custody Bank of Japan, Ltd. (trust account)	1,375	6.0
Mizuho Bank, Ltd.	1,016	4.4
MUFG Bank, Ltd.	945	4.1
GOVERNMENT OF NORWAY	911	3.9
The Bank of New York Mellon 140044	555	2.4
The Bank of New York Mellon 140042	480	2.1
Showa Aircraft Industry Co., Ltd.	446	1.9
Custody Bank of Japan, Ltd. (trust account 5)	439	1.9
Mizuho Trust & Banking Co., Ltd.	405	1.7

Treasury stock (3,196,624 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:	1-2-1, Yaesu, Chuo-ku, Tokyo
Media for Public Notice:	Nihon Keizai Shimbun (daily newspaper) issued in the Metropolis of Tokyo

## Inquiries for Handling of Stocks

<b>Shareholders who have an account at a securities company</b>	The securities company with which you have a business connection
<b>Shareholders who have a special account</b> *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)
<b>Payment of unpaid dividends</b>	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**