



## Consolidated Financial Results for the Three Months Ended June 30, 2021 (Japanese GAAP)

July 29, 2021

Tokyo Stock Exchange

Company name	Foster Electric Company, Limited	
Code Number	6794	
URL	<a href="https://www.foster-electric.com/">https://www.foster-electric.com/</a>	
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Scheduled date of submitting quarterly report		August 12, 2021
Scheduled date of commencing dividend payment		—
Preparation of supplementary materials on quarterly financial results:		Yes
Holding of a briefing on quarterly financial results:		No

(Amounts less than one million yen are omitted)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

(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	%
Three months ended June 30, 2021	21,860	18.3	(511)	—	(345)	—	(857)	—
June 30, 2020	18,480	(32.9)	(507)	—	(518)	—	(791)	—

Note: Comprehensive income (loss):	Three months ended June 30, 2021	¥202 million	[-%]
	Three months ended June 30, 2020	¥(1,310) million	[-%]

	Net income per share	Diluted net income per share
Three months ended June 30, 2021	Yen (38.53)	Yen —
June 30, 2020	(34.89)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2021	78,256	55,962	64.3	2,262.88
As of March 31, 2021	77,233	55,993	65.6	2,276.20

Reference: Equity capital:	As of June 30, 2021	¥50,341 million
	As of March 31, 2021	¥50,638 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, 2021	Yen —	Yen 10.00	Yen —	Yen 5.00	Yen 15.00
Fiscal year ending March 31, 2022	—	—	—	—	—
Fiscal year ending March 31, 2022 (Forecast)	—	10.00	—	10.00	20.00

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

### 3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(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, 2022	90,000	5.6	1,000	—	1,000	356.3	300	—	13.48

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

#### \* Notes

(1) Changes in major subsidiaries during the three months ended June 30, 2021 (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. : Yes

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

(iii) Changes in accounting estimates : No

(iv) Restatement : No

Note: For details, please refer to "2. Quarterly consolidated financial statements and important notes (4) Notes to the quarterly consolidated financial statements (Changes in accounting policies)" on page 10 of the Attachment.

(4) Number of shares outstanding (common stock)

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

June 30, 2021: 25,000,000

March 31, 2021: 25,000,000

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

June 30, 2021: 2,753,447

March 31, 2021: 2,752,847

(iii) Average number of shares outstanding for the period

Three months ended June 30, 2021: 22,246,553

Three months ended June 30, 2020: 22,692,978

\* 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 2 of the Attachment.

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## 1. Overview of operating results, etc.

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

During the three months ended June 30, 2021, the global economy showed increasing resilience, especially in developed countries, due to the spread of vaccinations and measures taken by governments. On the other hand, in emerging and developing countries where vaccination has lagged behind, the situation remained uncertain due to the spread of COVID-19 and the implementation of stay-at-home orders.

In the electronic components industry, particularly in the automobile market where the Foster Group (the "Group") focuses, demand for components continued to improve along with the recovery of automobile production, despite the impact of the global shortage of semiconductor chips. Expectations for medium- to long-term demand for electronic components also increased, as the development of electric vehicles (EVs) accelerated with the full-fledged global efforts to decarbonize.

During the first quarter of the fiscal year ending March 31, 2022, the Group posted a year-on-year increase in net sales as automobile sales recovered, but profits were significantly affected by the following factors: higher transportation costs that has continued since last year; the sharp rise in raw material and component costs; and the drop in plant operating rates and supply chain disruptions due to the resurgence of COVID-19 in Southeast Asia.

As a result, consolidated net sales for the three months ended June 30, 2021 came to ¥21,860 million (up 18.3% YoY). Losses amounted to an operating loss of ¥511 million (in the previous year, operating loss of ¥507 million), an ordinary loss of ¥345 million (in the previous year, ordinary loss of ¥518 million), and a net loss attributable to owners of the parent of ¥857 million (in the previous year, net loss attributable to owners of the parent of ¥791 million).

Under these circumstances, the Group has been working to build a strong position in the automotive business under the medium-term business plan. We decided to establish an affiliated company to win orders from local automobile manufacturers in China, and also decided to form a joint venture in Vietnam with a major Chinese magnet manufacturer to ensure the stable procurement of magnets, our core material.

We expect these measures to contribute to the future growth of the Group.

Results by segment were as follows.

#### [Speaker Segment]

Against the backdrop of a global recovery in automobile sales from the COVID-19 pandemic, net sales came to ¥16,553 million (up 55.9% YoY). The operating loss amounted to ¥279 million (in the previous year, operating loss of ¥448 million), mainly attributable to the following factors: a continued increase in transportation costs (mainly container freight rates), soaring raw material and component costs, and lower operating rates due to COVID-19's impact on production bases.

#### [Mobile Audio Segment]

Despite strong shipments of new actuator products, sales of headsets bundled with smartphones are nearing an end. As a result, net sales came to ¥3,508 million (down 47.1% YoY) and the operating loss amounted to ¥323 million (in the previous year, operating income of ¥6 million).

#### [Other Segment]

In the Other Segment, which includes FOSTEX brand products, net sales were ¥1,947 million (up 47.4% YoY) and operating income was ¥91 million (in the previous year, operating loss of ¥65 million), due to the steady growth in the micro acoustic components business as automobile sales recovered.

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

As of June 30, 2021, total assets amounted to ¥78,256 million, up ¥1,023 million from their level on March 31, 2021, mainly because of an increase in inventories. Owing chiefly to an increase in short-term bank loans, total liabilities increased ¥1,054 million to ¥22,294 million. Net assets came to ¥55,962 million, down ¥30 million, mainly as the result of a decrease in retained earnings. The equity ratio was 64.3% as of June 30, 2021, down 1.3 percentage points from March 31, 2021.

#### (Cash flows for the period under review)

Cash and cash equivalents as of June 30, 2021 totaled ¥18,653 million, down ¥1,720 million from the level on March 31, 2021, as a result of the cash flows described below.

#### [Operating activities]

Net cash used in operating activities was ¥2,351 million, chiefly due to an increase in inventories.

#### [Investing activities]

Net cash used in investing activities totaled ¥228 million, mainly due to capital investments.

#### [Financing activities]

Net cash provided by financing activities totaled ¥658 million, primarily due to an increase in short-term bank loans.

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

At this time, we have not made changes to the full-year forecast announced in the consolidated financial results on May 17, 2021.

## 2. Quarterly consolidated financial statements and important notes

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	15,470	18,556
Notes and accounts receivable–trade	16,768	16,165
Electronically recorded monetary claims–operating	177	406
Securities	5,622	385
Finished goods	11,517	13,350
Raw materials	5,656	6,814
Work in process	1,159	1,472
Supplies	147	187
Accounts receivable–other	831	733
Other	1,721	1,912
Allowance for doubtful receivables	(32)	(38)
Total current assets	59,040	59,947
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,758	6,787
Machinery, equipment and vehicles, net	4,594	4,602
Tools, furniture and fixtures, net	1,533	1,642
Land	1,442	1,460
Construction in progress	883	741
Net property, plant and equipment	15,213	15,234
Intangible assets		
Software	69	73
Other	119	123
Total intangible assets	189	196
Investments and other assets		
Investment securities	1,482	1,493
Long-term prepaid expenses	83	73
Asset for employees' retirement benefits	791	877
Deferred tax assets	199	200
Other	234	233
Total investments and other assets	2,790	2,877
Total non-current assets	18,193	18,309
Total assets	77,233	78,256

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	8,735	8,969
Short-term bank loans	2,556	3,719
Current portion of long-term debt	1,528	1,528
Accounts payable–other	2,768	2,564
Income taxes payable	301	384
Accrued expenses	1,719	1,731
Reserve for bonuses	362	303
Other	766	752
Total current liabilities	18,738	19,953
Non-current liabilities		
Long-term debt	1,118	875
Deferred tax liabilities	588	594
Liability for employees' retirement benefits	74	77
Liability for directors' retirement benefits	16	17
Provisions for stock benefit program	146	155
Asset retirement obligations	254	255
Other	301	364
Total non-current liabilities	2,501	2,341
Total liabilities	21,239	22,294
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	6,896	6,896
Retained earnings	41,299	40,330
Treasury stock	(4,129)	(4,129)
Total shareholders' equity	50,837	49,868
Accumulated other comprehensive income		
Unrealized gain on investment securities	298	303
Foreign currency translation adjustment	(82)	493
Remeasurements of defined benefit plans	(414)	(324)
Total accumulated other comprehensive income	(198)	473
Non-controlling interests	5,354	5,621
Total net assets	55,993	55,962
Total liabilities and net assets	77,233	78,256

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

**(Quarterly consolidated statement of income)**

(Three months ended June 30, 2021)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	18,480	21,860
Cost of sales	16,508	19,213
Gross profit	1,972	2,647
Selling, general and administrative expenses	2,479	3,158
Operating loss	(507)	(511)
Non-operating income		
Interest income	43	16
Dividend income	9	8
Foreign currency exchange gain	—	82
Miscellaneous income	69	120
Total non-operating income	122	228
Non-operating expenses		
Interest expense	21	20
Foreign currency exchange loss	19	—
Miscellaneous loss	93	42
Total non-operating expenses	133	63
Ordinary loss	(518)	(345)
Extraordinary losses		
Special retirement payments	85	324
Total extraordinary losses	85	324
Loss before income taxes	(604)	(669)
Income taxes - current	140	106
Income taxes - deferred	(44)	(29)
Total income taxes	96	76
Net loss	(700)	(746)
Net income attributable to non-controlling interests	91	110
Net loss attributable to owners of the parent	(791)	(857)

**(Quarterly consolidated statement of comprehensive income)**  
(Three months ended June 30, 2021)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net loss	(700)	(746)
Other comprehensive income		
Unrealized gain on investment securities	36	5
Foreign currency translation adjustment	(539)	855
Remeasurements of defined benefit plans	(105)	87
Total other comprehensive income(loss)	(609)	948
Comprehensive income(loss)	(1,310)	202
(Breakdown)		
Total comprehensive income attributable to owners of the parent	(1,180)	(185)
Total comprehensive income attributable to non-controlling interests	(129)	387



**(3) Quarterly consolidated statement of cash flows**

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Operating activities</b>		
Loss before income taxes	(604)	(669)
Depreciation and amortization	781	763
(Increase) decrease in asset for employees' retirement benefits	32	(85)
Increase (decrease) in liability for employees' retirement benefits	(0)	4
Increase (decrease) in directors' retirement benefits	(2)	0
Increase (decrease) in allowance for doubtful receivables	0	6
Increase (decrease) in reserve for bonuses	(155)	(59)
Special retirement payments	86	324
Interest and dividend income	(53)	(25)
Interest expense	21	20
Foreign exchange loss (gain)	60	51
Decrease (increase) in trade notes and accounts receivable	(196)	391
Decrease (increase) in inventories	757	(3,348)
Increase (decrease) in trade notes and accounts payable	(1,748)	232
Decrease (increase) in other accounts receivable	231	97
Increase (decrease) in other accounts payable	(500)	(204)
Other	(423)	395
<b>Subtotal</b>	<b>(1,711)</b>	<b>(2,103)</b>
Interest and dividend income received	53	25
Interest expenses paid	(21)	(20)
Payments for special retirement expenses	(86)	(181)
Income taxes - paid	(543)	(71)
<b>Net cash provided by (used in) operating activities</b>	<b>(2,309)</b>	<b>(2,351)</b>
<b>Investing activities</b>		
Purchases of securities	(800)	(186)
Proceeds from redemption of securities	297	624
Purchases of investment securities	—	(0)
Purchases of property, plant and equipment	(732)	(575)
Purchases of intangible assets	(2)	(73)
Payment for long-term prepaid expenses	(8)	(6)
Other	(0)	(11)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,246)</b>	<b>(228)</b>

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans payable, net	681	1,129
Repayments of long-term debt	(870)	(243)
Dividends paid	(342)	(111)
Dividends paid to non-controlling interests	(159)	(116)
Net cash provided by (used in) financing activities	(691)	658
Effect of exchange rate changes on cash and cash equivalents	(375)	201
Net increase (decrease) in cash and cash equivalents	(4,622)	(1,720)
Cash and cash equivalents, beginning of period	23,930	20,373
Cash and cash equivalents, end of period	19,307	18,653

**(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)**

**(Application of Accounting Standard for Revenue Recognition, etc.)**

The Company applied the Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the fiscal year ending March 31, 2022. Accordingly, the Company has decided to recognize revenue in the amount expected to be received in exchange for goods or services at the time when control of the promised goods or services is transferred to the customer.

The Company applied the accounting standard in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting standard prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 was reflected in retained earnings at the beginning of the period. The new accounting standard has been applied starting from the relevant beginning balance, but there has been no impact on the relevant beginning balance.

Note that the effect of applying the accounting standard on the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2022 is immaterial

**(Application of Accounting Standard for Fair Value Measurement, etc.)**

The Company applied the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the fiscal year ending March 31, 2022. The Company will prospectively apply the new accounting standard set forth in the Accounting Standard for Fair Value Measurement in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

Note that the application of the accounting standard had no effect on the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2022.

**(Segment information, etc.)**

[Segment information]

## I. Three months ended June 30, 2020 (from April 1, 2020 to June 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	10,619	6,633	1,227	18,480	—	18,480
Inter-segment sales or transfers	—	—	93	93	(93)	—
Total	10,619	6,633	1,321	18,574	(93)	18,480
Segment income (loss)	(448)	6	(65)	(507)	(0)	(507)

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

## II. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

## 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	16,553	3,508	1,798	21,860	—	21,860
Inter-segment sales or transfers	—	—	149	149	(149)	—
Total	16,553	3,508	1,947	22,009	(149)	21,860
Segment income (loss)	(279)	(323)	91	(511)	(0)	(511)

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