

Translation

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## Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

August 9, 2023

Company name: Foster Electric Company, Limited  
 Stock exchange listing: Tokyo  
 Stock code: 6794 URL <https://www.foster-electric.com/>  
 Representative: CEO Kazuhiro Kishi  
 General Manager, IR and Governance  
 Inquiries: Management Dept. Ichiro Kosuge TEL +81-42-546-2305  
 Scheduled date to file Quarterly Securities Report: August 9, 2023  
 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 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	%
Three months ended June 30, 2023	27,750	(0.5)	602	331.4	509	394.7	(36)	–
Three months ended June 30, 2022	27,894	27.6	139	–	102	–	(183)	–

Note: Comprehensive income: Three months ended June 30, 2023 ¥2,733 million [(17.7)%]  
 Three months ended June 30, 2022 ¥3,322 million [1,545.0%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2023	(1.63)		–	
Three months ended June 30, 2022	(8.26)		–	

#### (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, 2023	93,849	58,984	57.1	2,413.43
As of March 31, 2023	92,871	56,515	55.0	2,302.49

Reference: Equity capital: As of June 30, 2023 ¥53,557 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	–	–	–	–	–
Year ending March 31, 2024 (Forecast)	–	10.00	–	10.00	20.00

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)	3,000	22.7	2,500	7.4	1,300	53.2	58.59

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

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 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 June 30, 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 June 30, 2023	2,808,421 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)

Three months ended June 30, 2023	22,191,579 shares	Three months ended June 30, 2022	22,186,109 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 three months ended June 30, 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, while price hikes in energy and raw materials stemming from the Russian invasion of Ukraine began to stabilize. However, there remains ongoing uncertainty due to factors such as accelerated inflation in developed countries, rapid interest rate hikes in the US and Europe, which have led to financial instability and subsequent ripples throughout the financial market, and concerns over an economic slowdown in China.

The automotive market, on which the Foster Group (the “Group”) focuses, has been seeing a recovery trend 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 strived to secure an optimal production system by improving the accuracy of demand forecasts, in tandem with maintaining appropriate inventory levels. Furthermore, we have continued to advance cost reduction measures.

As a result, consolidated net sales for the three months ended June 30, 2023 declined slightly to ¥27,750 million (down 0.5% YoY). On the profit front, the Group posted operating profit of ¥602 million (up 331.4% YoY) and ordinary profit of ¥509 million (up 394.7% YoY). Meanwhile, the loss attributable to owners of parent amounted to ¥36 million (in the previous year, loss attributable to owners of parent of ¥183 million). Profits grew from the same period of the previous year, when costs were temporarily higher.

Results by segment were as follows.

#### [Speaker Segment]

While the sales recovery trend continues in the automotive market, some customers have been adjusting their inventory that was built up during periods of supply chain disruption, which has led to a decrease in shipment volume. Consequently, net sales amounted to ¥22,154 million (down 2.9% YoY). On the profit front, the absence of over ¥700 million in air freight charges, which had been incurred by a consolidated subsidiary in Korea at the beginning of the previous 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, the overall operating profit increased to ¥639 million (in the previous year, operating loss of ¥156 million).

\*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 March 2023 is combined with that of the Group for the first quarter of the consolidated fiscal year.

#### [Mobile Audio Segment]

Shipments of consumer actuators and car headphones proceeded as planned. We also saw a contribution to sales from the R&D-oriented business that was introduced and promoted from the same period of the previous year. As a result, net sales increased to ¥3,644 million (up 13.4% YoY). However, on the profit front, due to a change in the product mix which resulted in a decrease in sales of high-margin products, operating profit declined to ¥37 million (down 66.9% YoY).

#### [Other Segment]

In the Other segment, which includes micro acoustic components and FOSTEX brand products, net sales amounted to ¥2,679 million (up 5.3% YoY). On the profit front, due to a decline in the profitability of the FOSTEX business, the impact of a weaker yen on the micro acoustic components business, and the effects of inventory adjustments by certain customers, the operating loss came to ¥74 million (in the previous year, operating profit of ¥182 million).

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

As of June 30, 2023, total assets amounted to ¥93,849 million, up ¥978 million from their level on March 31, 2023, mainly because of an increase in cash and deposits, despite a decrease in notes and accounts receivable-trade as well as inventories. Owing chiefly to a decrease in short-term borrowings, total liabilities decreased ¥1,491 million to ¥34,865 million. Net assets came to ¥58,984 million, up ¥2,469 million, mainly as the result of an increase in foreign currency translation adjustment. The equity ratio was 57.1% as of June 30, 2023, up 2.1 percentage points from March 31, 2023.

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

Cash and cash equivalents as of June 30, 2023 totaled ¥16,218 million, up ¥2,571 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 ¥5,334 million, chiefly due to a decrease in inventories.

#### [Investing activities]

Net cash used in investing activities totaled ¥537 million, mainly due to capital investments.

[Financing activities]

Net cash used in financing activities totaled ¥2,584 million, primarily due to a decrease in short-term borrowings.

**(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 11, 2023.

## 2. Quarterly consolidated financial statements

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	13,646	16,218
Notes and accounts receivable - trade	24,988	24,026
Electronically recorded monetary claims - operating	482	470
Finished goods	20,037	19,113
Raw materials	8,195	7,652
Work in process	1,492	1,424
Supplies	137	137
Accounts receivable - other	813	1,248
Advance payments to suppliers	3,096	2,379
Other	1,173	1,550
Allowance for doubtful accounts	(169)	(186)
Total current assets	73,893	74,035
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,718	7,135
Machinery, equipment and vehicles, net	4,122	4,425
Tools, furniture and fixtures, net	1,764	1,755
Land	1,575	1,622
Construction in progress	848	907
Total property, plant and equipment	15,030	15,846
Intangible assets		
Software	81	94
Other	132	127
Total intangible assets	214	221
Investments and other assets		
Investment securities	1,446	1,614
Long-term prepaid expenses	82	82
Retirement benefit asset	1,313	1,264
Deferred tax assets	669	567
Other	221	217
Total investments and other assets	3,732	3,745
Total non-current assets	18,977	19,813
Total assets	92,871	93,849

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,380	9,876
Short-term borrowings	17,156	15,778
Current portion of long-term borrowings	300	150
Accounts payable - other	2,909	2,880
Income taxes payable	839	655
Accrued expenses	2,274	2,068
Provision for bonuses	432	379
Other	1,506	1,267
Total current liabilities	34,799	33,055
Non-current liabilities		
Deferred tax liabilities	564	587
Retirement benefit liability	81	85
Provision for retirement benefits for directors (and other officers)	24	25
Provision for share awards	188	197
Asset retirement obligations	264	288
Other	433	626
Total non-current liabilities	1,556	1,809
Total liabilities	36,356	34,865
Net assets		
Shareholders' equity		
Share capital	6,770	6,770
Capital surplus	6,896	6,896
Retained earnings	34,531	34,271
Treasury shares	(4,152)	(4,152)
Total shareholders' equity	44,045	43,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	385	536
Foreign currency translation adjustment	6,687	9,250
Remeasurements of defined benefit plans	(22)	(14)
Total accumulated other comprehensive income	7,050	9,771
Non-controlling interests	5,419	5,426
Total net assets	56,515	58,984
Total liabilities and net assets	92,871	93,849

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	27,894	27,750
Cost of sales	24,141	23,988
Gross profit	3,752	3,761
Selling, general and administrative expenses	3,612	3,158
Operating profit	139	602
Non-operating income		
Interest income	22	27
Dividend income	13	14
Subsidy income	27	–
Foreign exchange gains	–	60
Miscellaneous income	53	79
Total non-operating income	116	183
Non-operating expenses		
Interest expenses	62	210
Foreign exchange losses	47	–
Miscellaneous losses	44	66
Total non-operating expenses	153	277
Ordinary profit	102	509
Extraordinary losses		
Extra retirement payments	253	–
Total extraordinary losses	253	–
Profit (loss) before income taxes	(150)	509
Income taxes - current	312	279
Income taxes - deferred	(63)	74
Total income taxes	249	354
Profit (loss)	(399)	154
Profit (loss) attributable to non-controlling interests	(216)	190
Loss attributable to owners of parent	(183)	(36)



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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit (loss)	(399)	154
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	150
Foreign currency translation adjustment	3,810	2,421
Remeasurements of defined benefit plans, net of tax	(9)	6
Total other comprehensive income	3,722	2,579
Comprehensive income	3,322	2,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,357	2,685
Comprehensive income attributable to non-controlling interests	(34)	48

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(150)	509
Depreciation	875	731
Decrease (increase) in retirement benefit asset	42	35
Increase (decrease) in retirement benefit liability	5	0
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	0
Increase (decrease) in allowance for doubtful accounts	2	2
Increase (decrease) in provision for bonuses	(59)	(59)
Subsidy income	(27)	–
Extra retirement payments	253	–
Interest and dividend income	(36)	(42)
Interest expenses	62	210
Foreign exchange losses (gains)	705	361
Decrease (increase) in trade receivables	(2,681)	1,567
Decrease (increase) in inventories	(1,557)	2,568
Increase (decrease) in trade payables	324	273
Decrease (increase) in accounts receivable - other	(306)	(444)
Increase (decrease) in accounts payable - other	(951)	(133)
Decrease (increase) in advance payments to suppliers	(1,552)	913
Other, net	103	(508)
Subtotal	(4,947)	5,987
Interest and dividends received	36	42
Interest paid	(62)	(210)
Subsidies received	27	–
Extra retirement payments	(85)	–
Income taxes paid	(581)	(485)
Net cash provided by (used in) operating activities	(5,612)	5,334
Cash flows from investing activities		
Proceeds from redemption of securities	48	–
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(808)	(566)
Purchase of intangible assets	(9)	(18)
Purchase of long-term prepaid expenses	(12)	(20)
Other, net	(42)	68
Net cash provided by (used in) investing activities	(824)	(537)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,208	(2,117)
Repayments of long-term borrowings	(243)	(150)
Dividends paid	–	(223)
Dividends paid to non-controlling interests	–	(92)
Net cash provided by (used in) financing activities	4,964	(2,584)
Effect of exchange rate change on cash and cash equivalents	691	358
Net increase (decrease) in cash and cash equivalents	(781)	2,571
Cash and cash equivalents at beginning of period	12,089	13,646
Cash and cash equivalents at end of period	11,308	16,218

**(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.

**(Segment information, etc.)**

[Segment information]

I. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 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	22,804	3,213	1,875	27,894	—	27,894
Inter-segment sales or transfers	—	—	669	669	(669)	—
Total	22,804	3,213	2,545	28,564	(669)	27,894
Segment profit (loss)	(156)	113	182	139	(0)	139

- 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. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 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	22,154	3,644	1,951	27,750	—	27,750
Inter-segment sales or transfers	—	—	727	727	(727)	—
Total	22,154	3,644	2,679	28,478	(727)	27,750
Segment profit (loss)	639	37	(74)	602	(0)	602

- 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.