

# **Financial Results Briefing for the First Quarter of the Fiscal Year Ending March 31, 2021**

**Foster Electric Company, Limited**  
(Stock code: 6794, First Section, Tokyo Stock Exchange)  
**September 3, 2020**

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# I. Overview of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021

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# 1Q FY03/21 Results Summary

**FOSTER**

(Millions of yen)

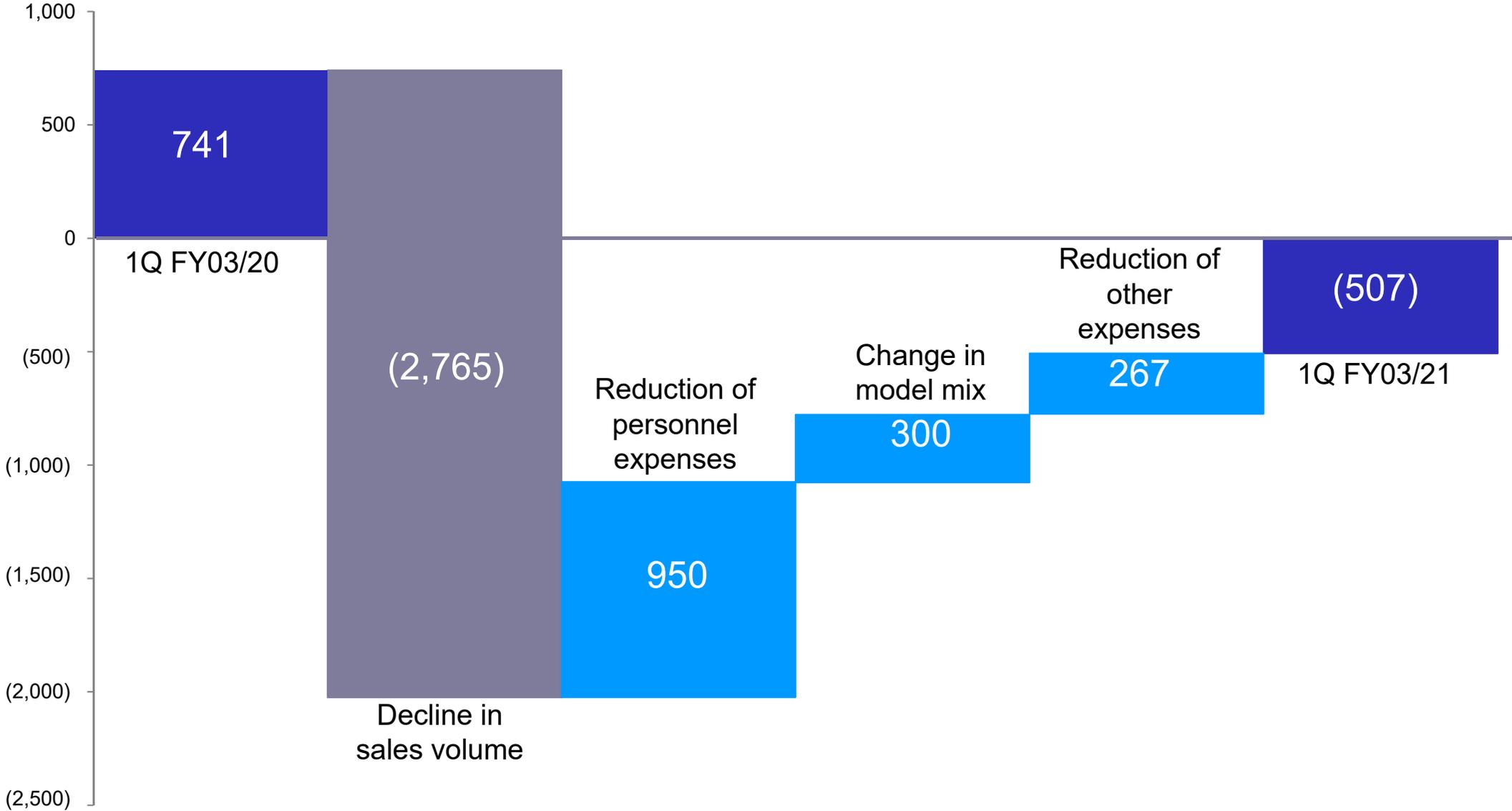
	1Q FY03/20	1Q FY03/21 (Actual)		
			Amount of change (YoY)	Percentage change (YoY)
Net sales	27,561	18,480	(9,081)	(32.9%)
Operating income (loss)	741	(507)	(1,248)	—
<i>Operating income (loss) to net sales</i>	2.7%	(2.7%)		
Ordinary income (loss)	648	(518)	(1,166)	—
<i>Ordinary income (loss) to net sales</i>	2.4%	(2.8%)		
Net income (loss)*	2,067	(791)	(2,858)	—
<i>Net income (loss) to net sales**</i>	7.5%	(4.3%)		
Exchange rates	109.66 yen/USD 122.86 yen/EUR	107.38 yen/USD 118.71 yen/EUR		

\*Net income (loss) attributable to owners of the parent. \*\*Net income (loss) to net sales attributable to owners of the parent.

# Breakdown of YoY Change in Operating Income



(Millions of yen)



# Segment Performance

**FOSTER**

(Millions of yen)

		1Q FY03/20	Composition ratio	1Q FY03/21	Composition ratio	Percentage change (YoY)
Net sales		27,561		18,480		(32.9%)
Operating income		741		(507)		—
<i>Income ratio</i>		<i>2.7%</i>		<i>(2.7%)</i>		
Speaker	Sales	16,253	59.0%	10,619	57.5%	(34.7%)
	Operating income	915	—	(448)	—	—
	<i>Income ratio</i>	<i>5.6%</i>		<i>(4.2%)</i>		
Mobile Audio	Sales	9,826	35.7%	6,633	35.9%	(32.5%)
	Operating income	(205)	—	6	—	—
	<i>Income ratio</i>	<i>(2.1%)</i>		<i>0.1%</i>		
Other	Sales	1,511	5.5%	1,321	7.1%	(12.6%)
	Operating income	30	—	(65)	—	—
	<i>Income ratio</i>	<i>2.0%</i>		<i>(4.9%)</i>		

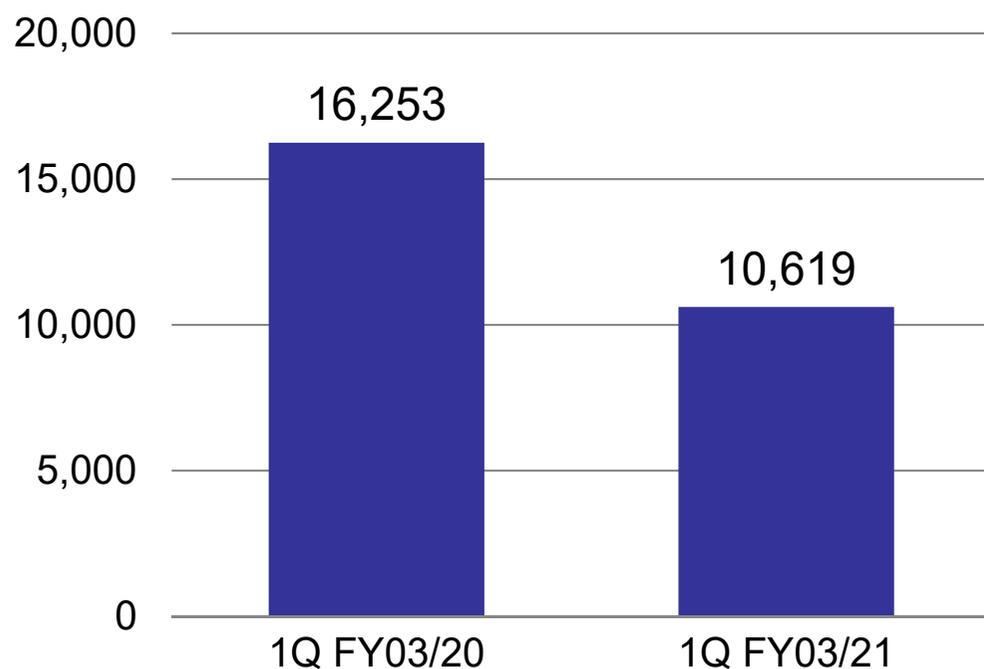
## Segment sales and operating income declined YoY.

- Sales of car speakers and speaker systems fell as COVID-19 caused a global contraction in the auto market.

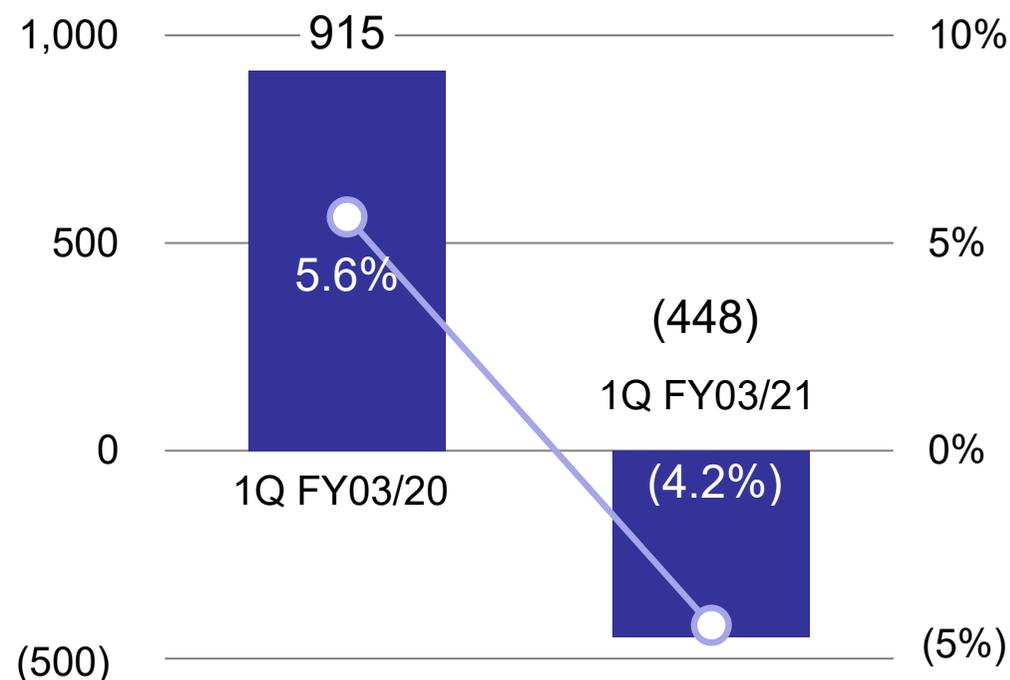
(Millions of yen)

		1Q FY03/20	1Q FY03/21	Composition ratio	Percentage change (YoY)
Speaker	Sales	16,253	10,619	57.5%	(34.7%)
	Operating income	915	(448)	—	—
	Income ratio	5.6%	(4.2%)		

**Sales**  
(Millions of yen)



**Operating income and income ratio**  
(Millions of yen)



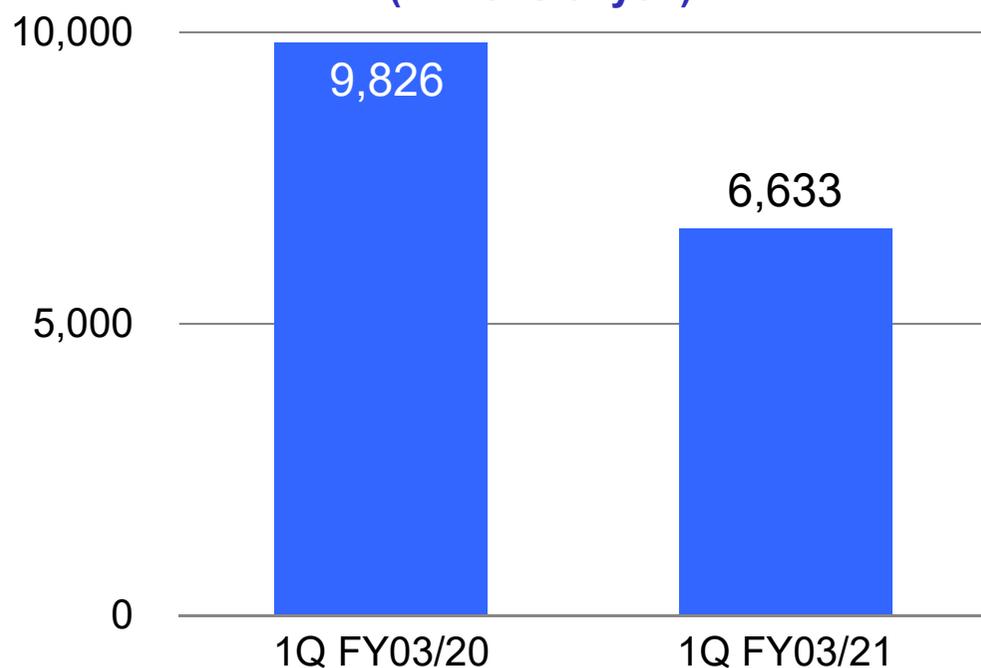
## Segment sales declined but operating income improved YoY.

- Sales declined due to a drop in sales volume of headsets for a major customer, but operating income improved as a result of the progress in rationalization measures.

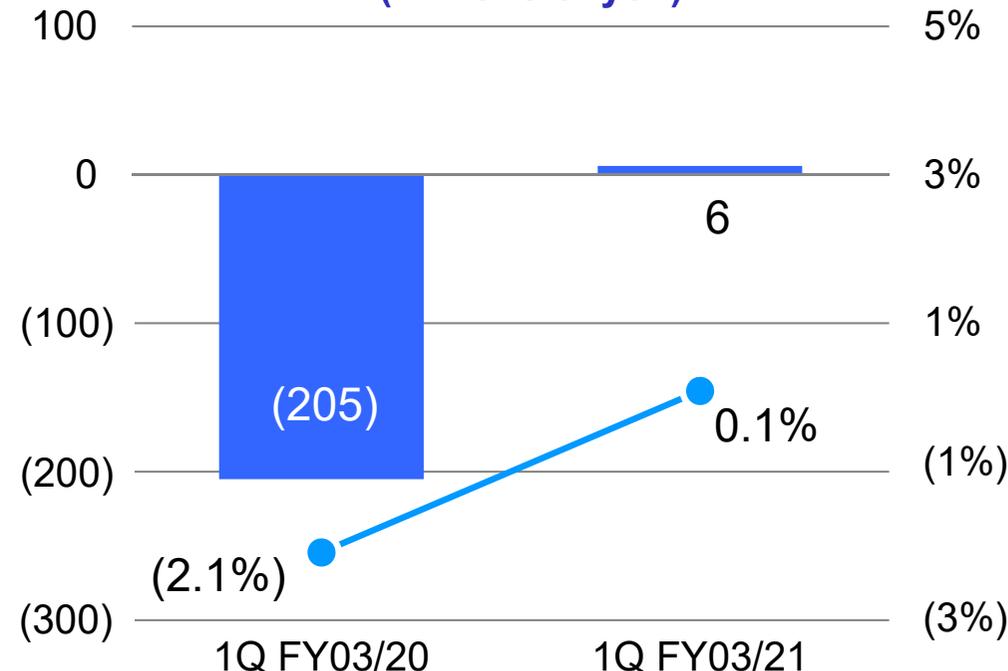
(Millions of yen)

		1Q FY03/20	1Q FY03/21	Composition ratio	Percentage change (YoY)
Mobile Audio	Sales	9,826	6,633	35.9%	(32.5%)
	Operating income	(205)	6	—	—
	Income ratio	(2.1%)	0.1%		

**Sales**  
(Millions of yen)



**Operating income and income ratio**  
(Millions of yen)



## Segment sales and operating income declined YoY.

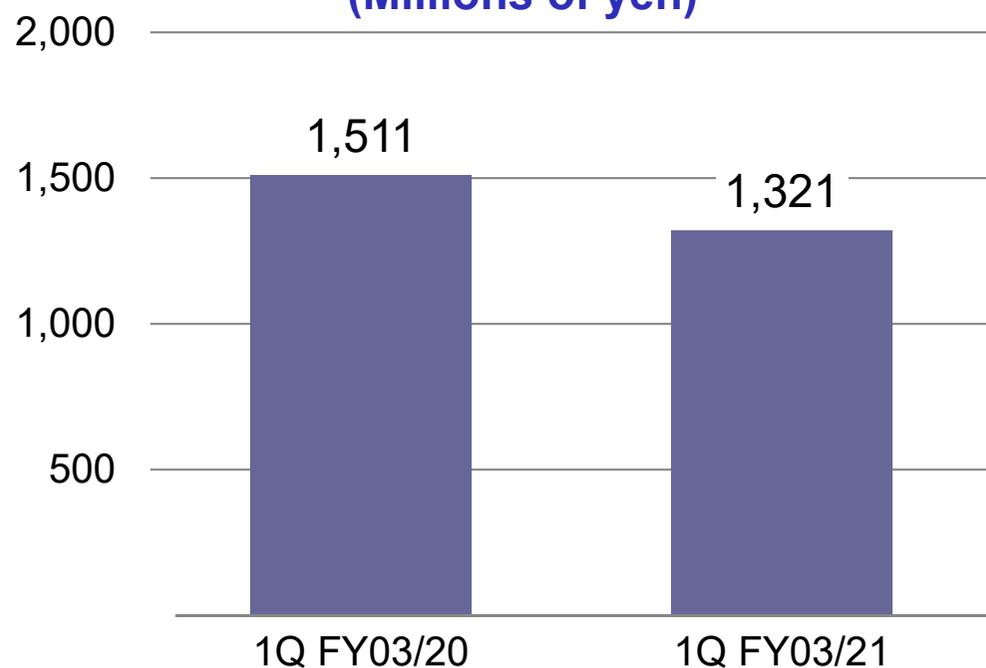
➤ Core products of the segment include micro-acoustic components and FOSTEX brand products.

(Millions of yen)

		1Q FY03/20	1Q FY03/21	Composition ratio	Percentage change (YoY)
Other	Sales	1,511	1,321	7.1%	(12.6%)
	Operating income	30	(65)	—	—
	Income ratio	2.0%	(4.9%)		

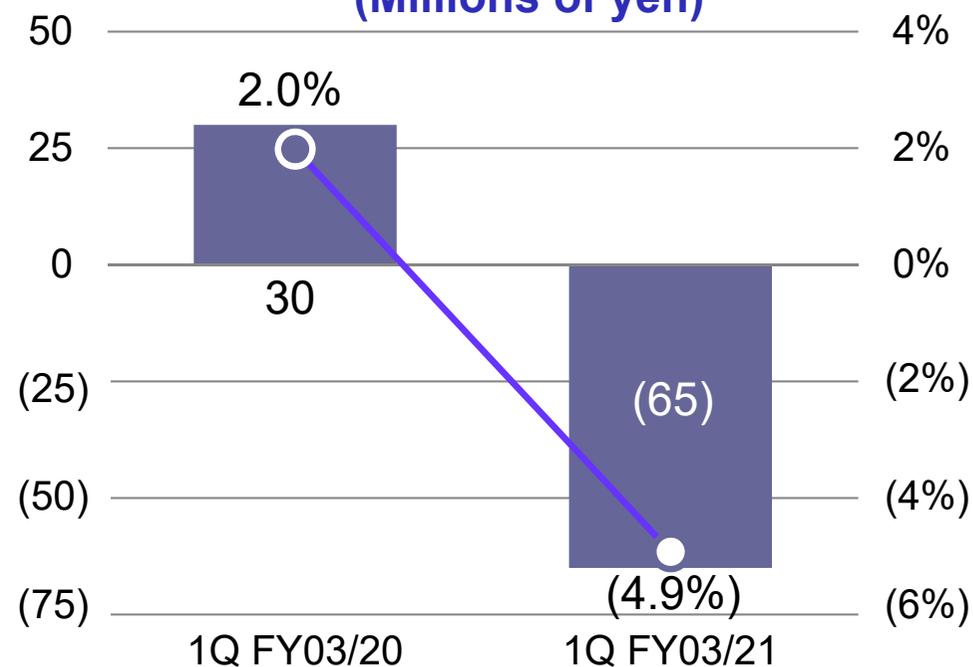
### Sales

(Millions of yen)



### Operating income and income ratio

(Millions of yen)



# Consolidated Balance Sheet

**FOSTER**

**Equity ratio as of June 30, 2020 was 69.1% (66.5% as of March 31, 2020).**

(Millions of yen)

	End-FY03/20	End-1Q FY03/21	Amount of change
<b>Current assets</b>	59,952	55,066	(4,886)
Cash and deposits	14,770	17,985	3,215
Notes and accounts receivable – trade	15,145	15,351	206
Inventories	17,622	16,848	(774)
Other	12,415	4,882	(7,533)
<b>Non-current assets</b>	20,872	20,524	(348)
Property, plant and equipment	17,980	17,673	(307)
Intangible assets	217	201	(16)
Investments and other assets	2,675	2,649	(26)
<b>Total assets</b>	80,825	75,590	(5,235)
<b>Current liabilities</b>	17,783	15,241	(2,542)
Notes and accounts payable – trade	7,390	5,604	(1,786)
Short-term bank loans	2,138	2,808	670
Current portion of long-term debt	1,766	1,671	(95)
Other	6,489	5,158	(1,331)
<b>Non-current liabilities</b>	4,047	3,144	(903)
Long-term debt	2,637	1,850	(787)
Other	1,410	1,294	(116)
<b>Net assets</b>	58,995	57,205	(1,790)
Shareholders' equity	55,335	54,201	(1,134)
Total accumulated other comprehensive income	(1,563)	(1,952)	(389)
Non-controlling interests	5,224	4,956	(268)
<b>Total liabilities and net assets</b>	80,825	75,590	(5,235)

# Statement of Cash Flows

**FOSTER**

**Free cash flow for 1Q FY03/21 was -3.5 billion yen.**

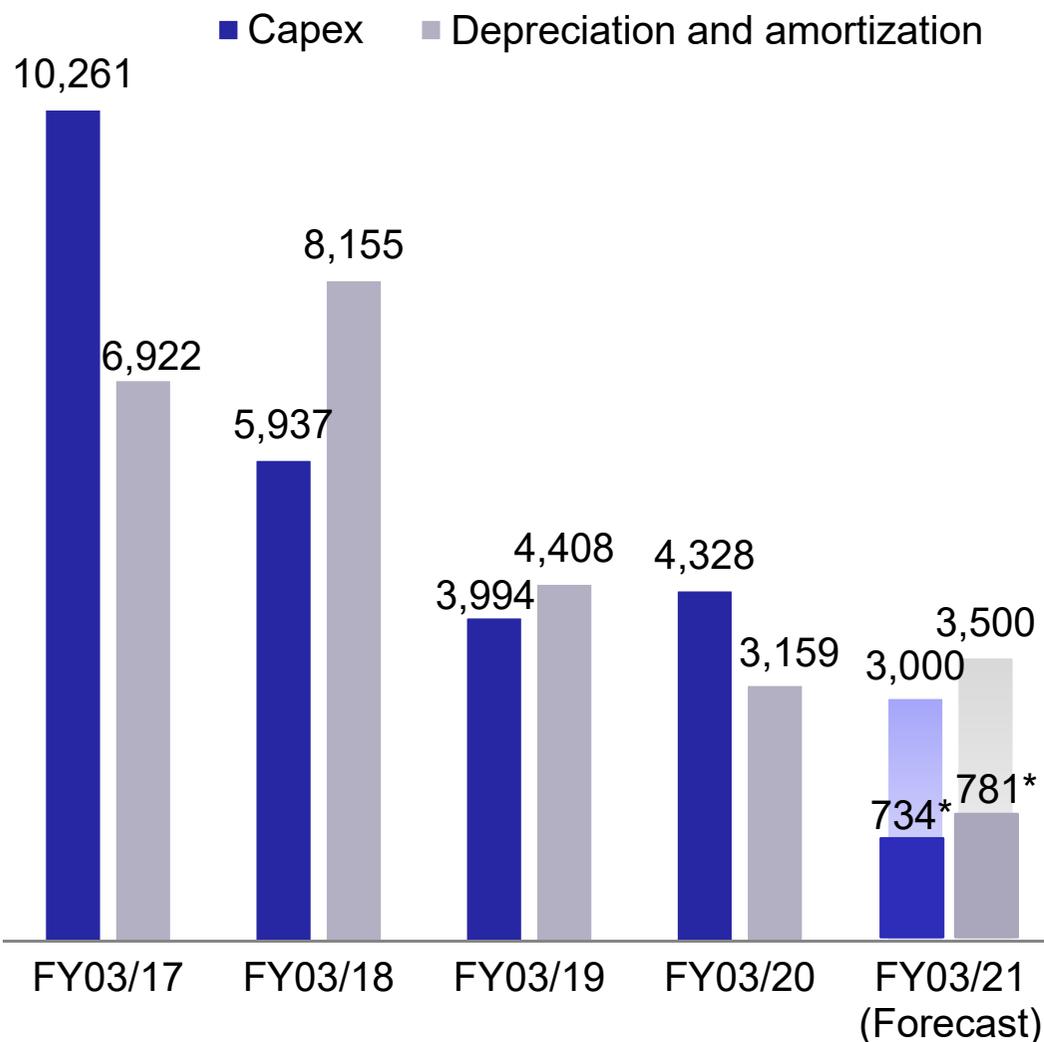
(Millions of yen)

	1Q FY03/20	1Q FY03/21	Amount of change
Operating activities	873	(2,309)	(3,182)
Investing activities	1,862	(1,246)	(3,108)
Free cash flow*	2,735	(3,555)	(6,290)
Financing activities	(1,023)	(691)	332
Net increase (decrease) in cash and cash equivalents	1,482	(4,622)	(6,104)
Cash and cash equivalents at the end of the period	23,007	19,307	(3,700)

\*Free cash flow = Cash flow from operating activities + cash flow from investing activities

## Capex, depreciation and amortization

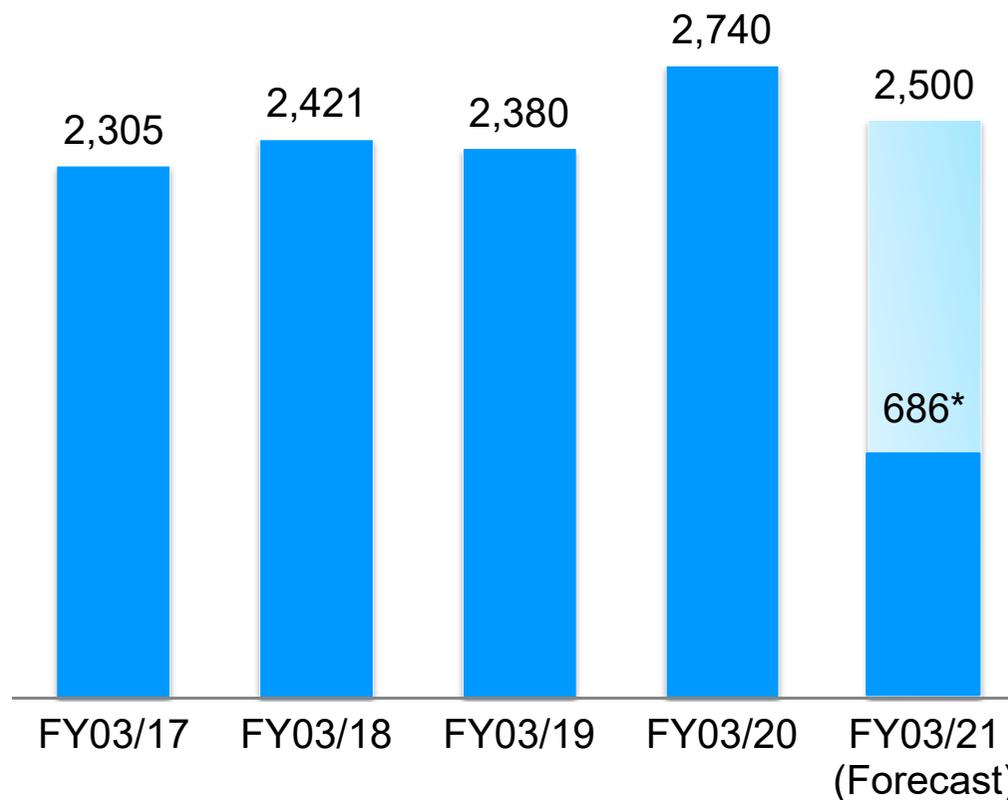
(Millions of yen)



\*1Q FY03/21 (Actual)

## R&D expenses

(Millions of yen)



## II. Summary of the First Quarter and Forecasts for Fiscal Year Ending March 31, 2021

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## Impact of the COVID-19 outbreak

### Orders and Sales

- Speaker: Orders dropped significantly due to the impact of a prolonged suspension of customer plants.
- Mobile Audio: COVID-19 had limited impact. Orders declined for a major customer as scheduled. Orders for a new product (vibration actuator) were roughly in line with the plan.

### Manufacturing

- Activity restrictions in each country and suspensions of customer plants forced us to make production adjustments for speakers.
- The China plant recovered at an early stage. The employees at the Vietnam and Myanmar plants were placed on furlough.

### Procurement

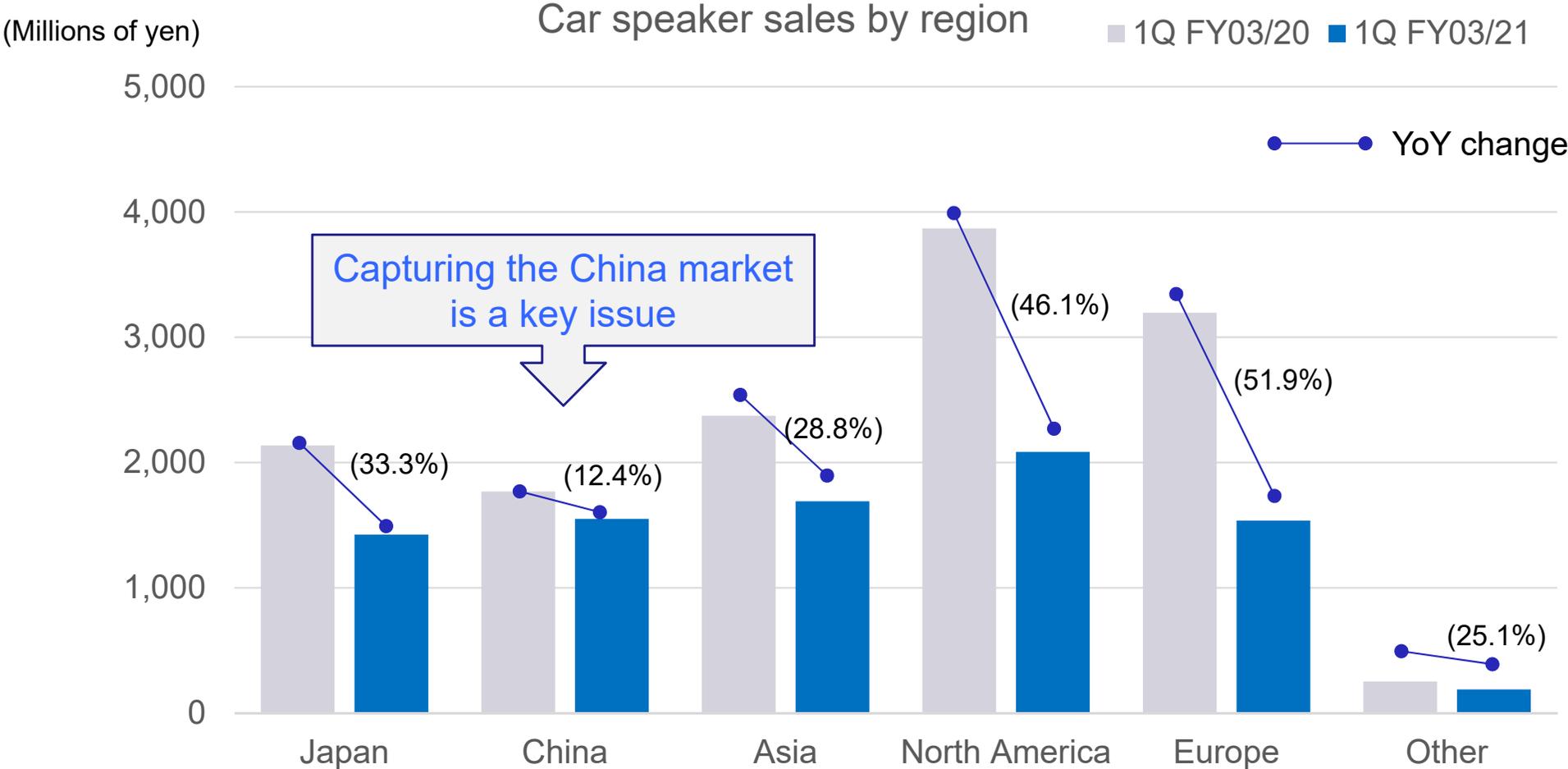
- So far, there have been no problems at suppliers of materials and parts.
- We will consider a further shift to in-house production of core parts.

### Other

- We implemented work-style reforms in view of the “new normal” (e.g., reinforcing a remote work system).
- At the China plant, we produced face masks for employees.

# Car Speaker Sales by Region

The sales decline was modest for China, which recovered early on. But the decline was considerable for Europe and the US due to the large impact of lockdowns.



# FY03/21 Forecasts

**FOSTER**

(Millions of yen)

	FY03/20	FY03/21 (Forecast)	Amount of change	Percentage change (YoY)
Net sales	107,298	80,000	(27,298)	(25.4%)
		to 90,000	(17,298)	to (16.1%)
Operating income	2,064	500	(1,564)	(75.7%)
		to 1,000	(1,064)	to (51.5%)
<i>Operating income to net sales</i>	1.9%	0.6%		
		to 1.1%		
Ordinary income	2,599	500	(2,099)	(80.7%)
		to 1,000	(1,599)	(61.5%)
<i>Ordinary income to net sales</i>	2.4%	0.6%		
		to 1.1%		
Net income*	1,565	—	—	—
<i>Net income to net sales**</i>	1.5%	—		
Net income per share (in exact yen)	69.15	—	—	—
Dividends per share (in exact yen)	35.0	—	—	—
Dividend payout ratio	50.6%	—		
Exchange rates	108.95 yen/USD 120.85 yen/EUR	110.00 yen/USD 120.00 yen/EUR		

\*Net income (loss) attributable to owners of the parent. \*\*Net income (loss) to net sales attributable to owners of the parent.

We left the forecast for net income attributable to owners of the parent undetermined, as it is difficult to make a reasonable estimate at this point.

## ■ Assumptions for Full-Year Forecasts

Assumptions for net sales of 80.0 billion to 90.0 billion yen  
(the target range is premised on the following three scenarios)

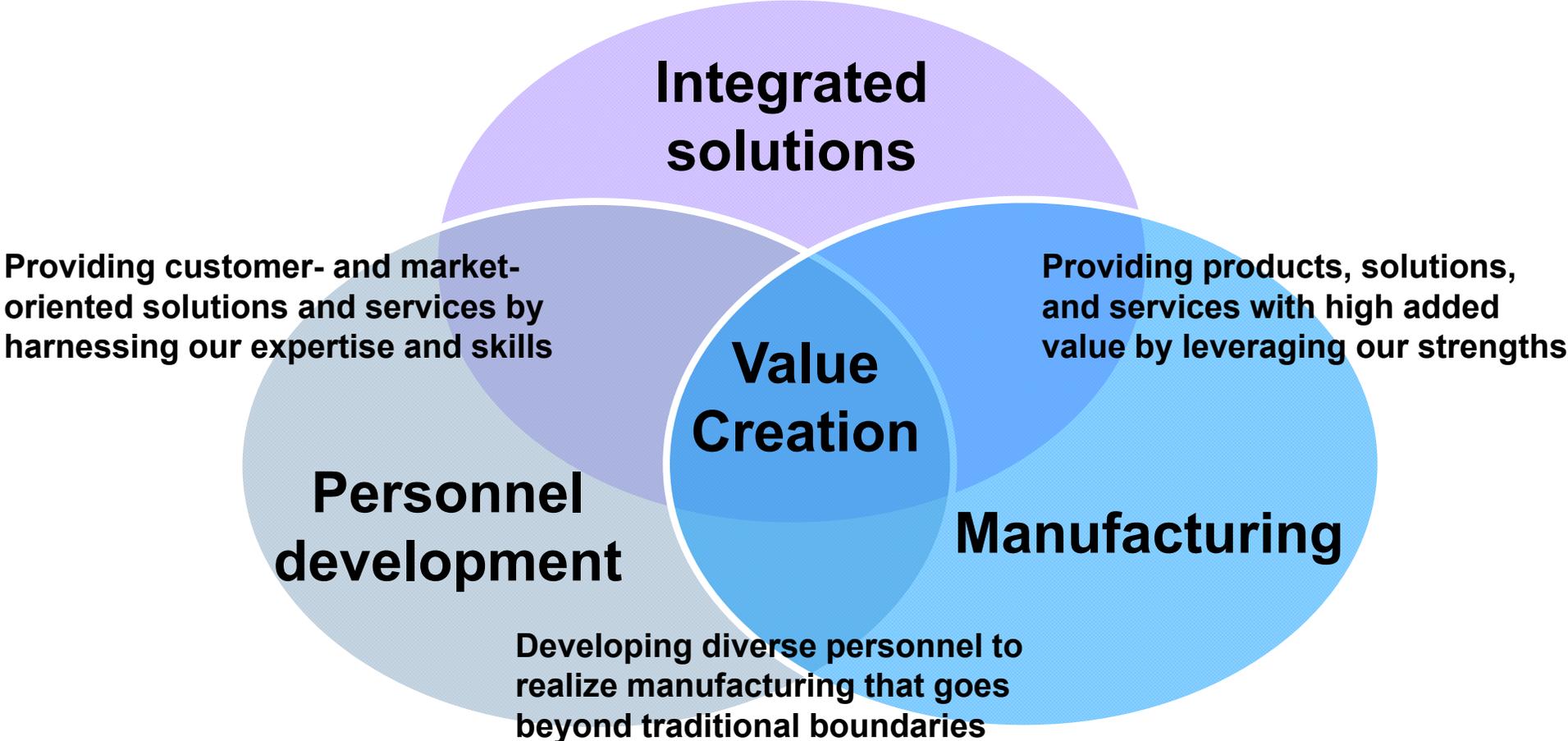
1. Steady recovery from 2Q through the end of the fiscal year
2. Gradual recovery despite lingering concerns over a second wave
3. Sluggish recovery (full-fledged recovery in 2021 or later)

\*The target range for operating income is linked to net sales but also takes stock of other factors, such as rationalization measures taken in each of the above-mentioned scenarios.

## III. Future Initiatives

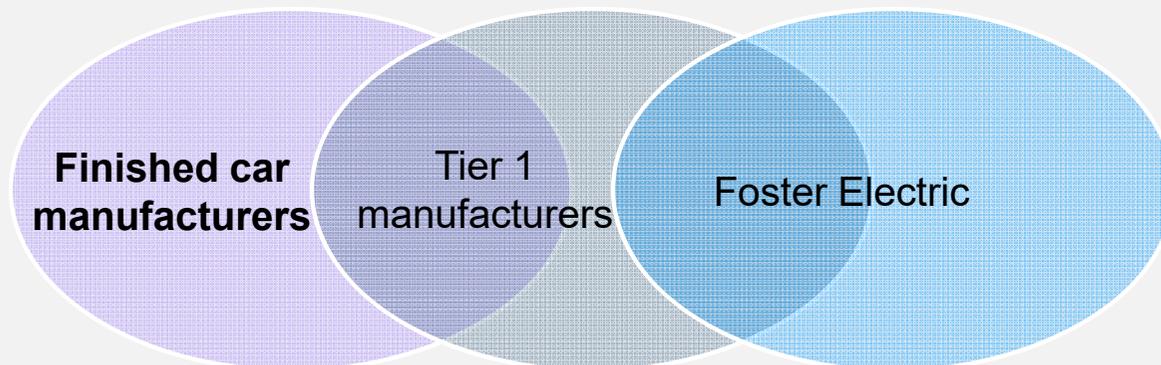
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# Towards a Foster Electric that “strives for change” and “creates transformation”



## Building presence as a strategic partner

Rising in status from OEM to strategic partner



## New era in the automotive industry as represented by “CASE”

- Technological development in new domains
- Faster development timelines, huge development costs
- Selection and concentration of domains
- Construction of a new value chain
- Strengthening of a partnership system



**Foster will build presence in new domains**

## Reinforce manufacturing and integrated solutions → Strengthen proposal capabilities

Drawing on core technology (e.g., vibration plate development) and analysis techniques to develop and design products

**Core technology**

Making proposals based on industry trends learned through transactions with OEMs

**Industry trends**

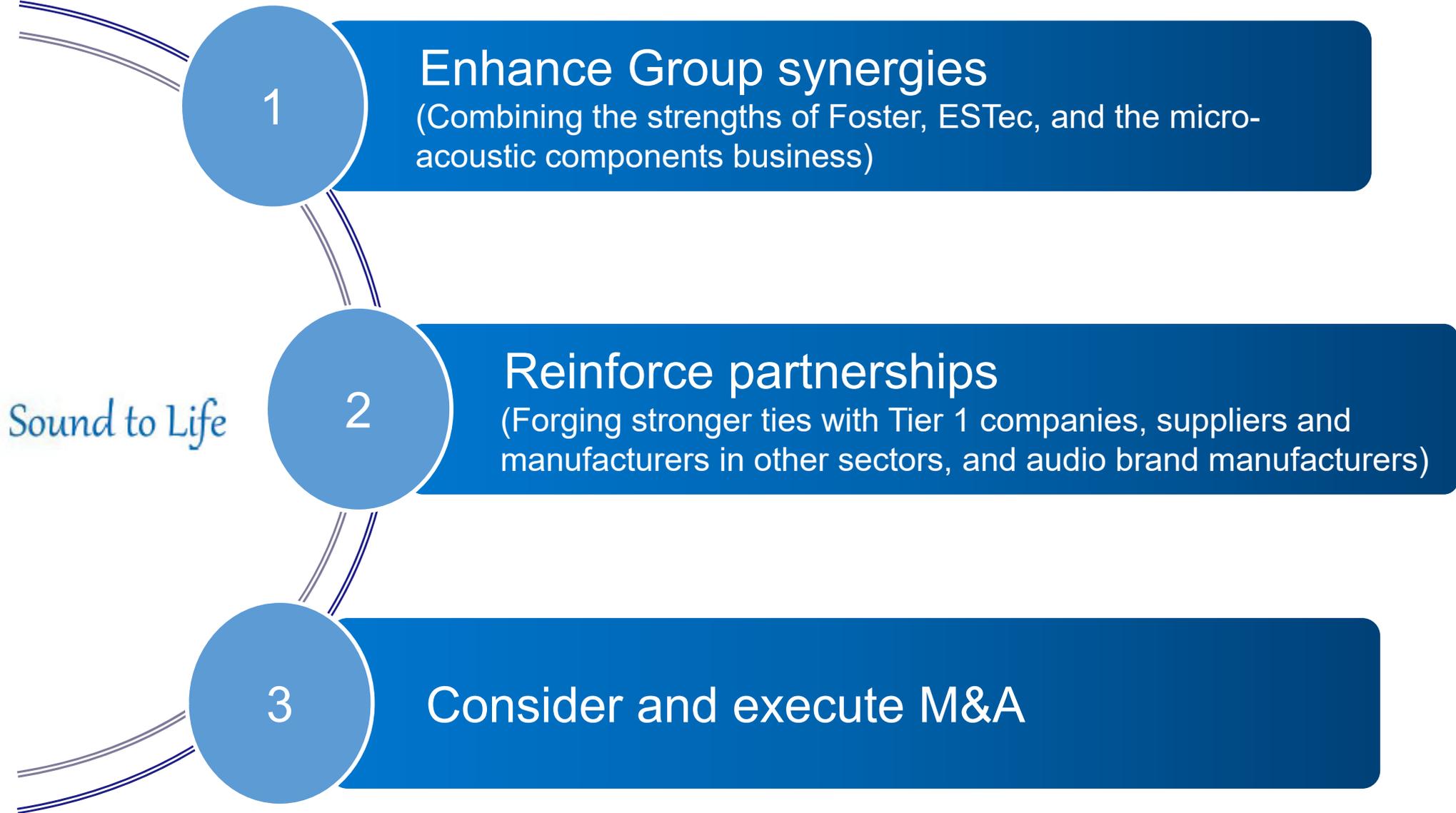
Enhancing proposals, including new technologies, to gain recognition as an audio brand manufacturer

**New technologies and services**

Strengthening proposals for sound creation based on knowledge such as of vehicle structure

**New technologies and services**

Providing “aesthetic value”



Strengthen sales to Chinese and Korean smartphone manufacturers

- Intentionally reduce sales to a major US customer
- Strong demand from Chinese and Korean manufacturers

Robotics

- Voice and other devices in the robot market
- Initially target the last-one-mile market

Wearables

- Smart glasses, 5G, and new demand fueled by COVID-19
- Device for biometrics (ear acoustic authentication)

Medical/  
Healthcare

- Biological monitoring device
- Initiatives for hearables (e.g., hearing aids)

Measuring  
instrument

- Our peripheral domains
- Technology to measure and analyze sound

Noise reduction /  
Noise cancellation

- Strong potential demand (EV, public space, etc.)
- The key will be to develop technology with cost-effective applications

**Sustainable value creation**



**Take on new challenges**



**Establish robust position in  
automotive products**



**Our strength**

**Sound and vibration solutions**

## IV. Reference Materials

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**Our Corporate Creed is “Sincerity.”**

**Our Vision is “To make contributions to future society through acoustics.”**

<b>Company name</b>	Foster Electric Company, Limited
<b>Representative</b>	Hiroshi Yoshizawa, CEO Atsushi Narikawa, COO
<b>Founded</b>	June 20, 1949
<b>Headquarters</b>	1-1-109 Tsutsujigaoka, Akishima, Tokyo 196-8550
<b>Stock exchange</b>	Second Section of the Tokyo Stock Exchange (May 1962) First Section of the Tokyo Stock Exchange (September 1999)
<b>Common stock</b>	6,770 million yen (as of June 30, 2020)
<b>Business domain</b>	Production and sales of speakers, audio equipment, and electronic equipment
<b>Number of employees</b>	Consolidated: 19,370 (including employees at a contract manufacturer in Panyu, China) Non-consolidated: 494 (as of June 30, 2020 for both consolidated and non-consolidated)

We provide acoustic products, leveraging our original analog technologies mainly through ODMs and OEMs.

## Speaker Segment

- Audio and TV speakers and speaker systems; car speakers and speaker systems

TV speakers

Car speakers

Car speaker systems



## Mobile Audio Segment

- Headsets, headphones, micro speakers, and commercial microphones

Headphones

Headsets

Micro speakers for PCs and smartphones

Microphones

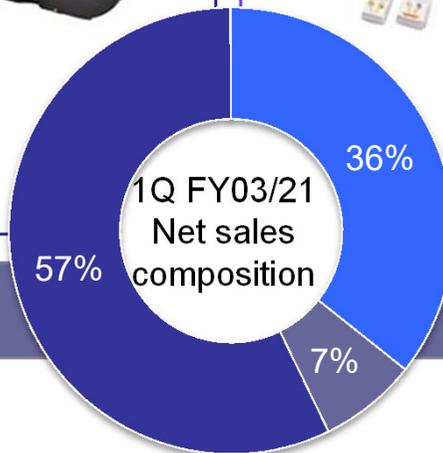


## Other Segment

- Alarm buzzers and sounders, FOSTEX brand products, and logistics services

Micro acoustic components

FOSTEX products

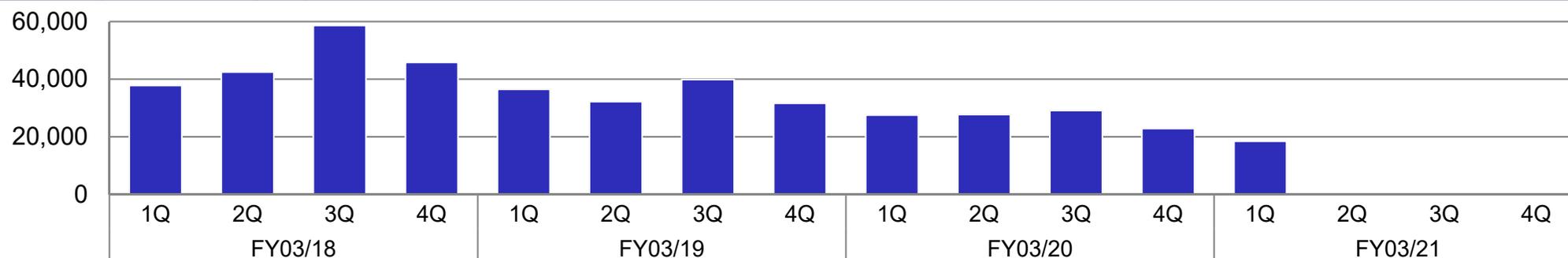


# Quarterly Results

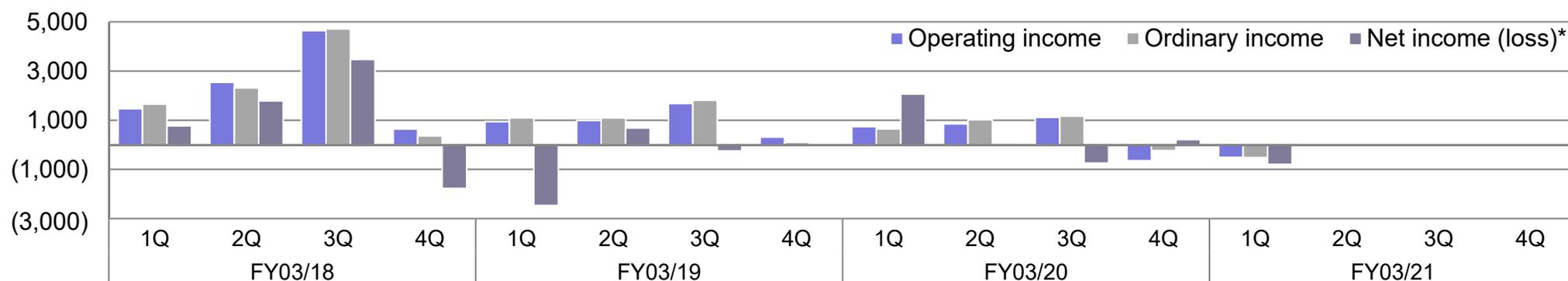
## Results (Millions of yen)

	FY03/18				FY03/19				FY03/20				FY03/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	37,800	42,486	58,660	45,854	36,512	32,246	39,894	31,651	27,561	27,716	29,132	22,889	18,480			
Operating income	1,468	2,547	4,647	645	947	991	1,682	317	741	853	1,117	(647)	(507)			
Ordinary income	1,656	2,317	4,722	367	1,101	1,097	1,815	305	648	1,020	1,166	(235)	(518)			
Net income*	770	1,789	3,474	(1,768)	(2,464)	688	(244)	(6)	2,067	23	(740)	215	(791)			
Income ratio	3.9%	6.0%	7.9%	1.4%	2.6%	3.1%	4.2%	1.0%	2.7%	3.1%	3.8%	(2.8%)	(2.7%)			
Ordinary income to net sales	4.4%	5.5%	8.0%	0.8%	3.0%	3.4%	4.5%	0.3%	2.4%	3.7%	4.0%	(1.0%)	(2.8%)			
Net income to net sales**	2.0%	4.2%	5.9%	(3.9%)	(6.7%)	2.1%	(0.6%)	(0.0%)	7.5%	0.1%	(2.5%)	0.9%	(4.3%)			

## Net sales (Millions of yen)



## Profits (Millions of yen)



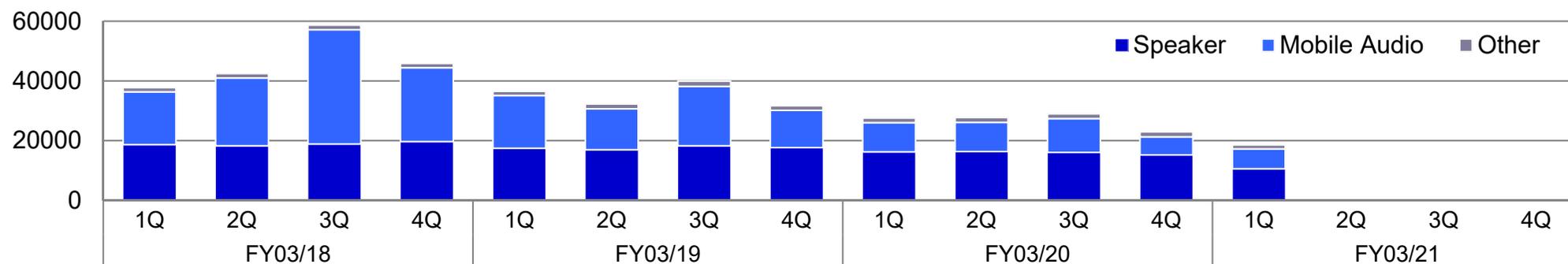
\*Net income (loss) attributable to owners of the parent. \*\*Net income (loss) to net sales attributable to owners of the parent.

# Quarterly Results by Segment

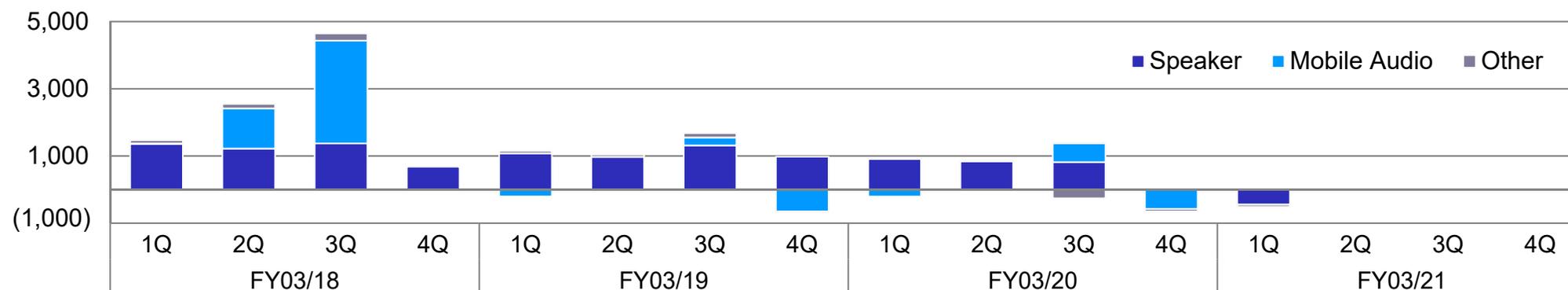
## Results (Millions of yen)

Sales	FY03/18				FY03/19				FY03/20				FY03/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Speaker	18,647	18,299	18,879	19,695	17,462	16,988	18,269	17,684	16,253	16,378	16,097	15,227	10,619			
Mobile Audio	17,719	22,721	38,306	24,767	17,693	13,714	19,941	12,503	9,826	9,777	11,374	6,082	6,633			
Other	1,434	1,466	1,536	1,450	1,399	1,591	1,731	1,503	1,511	1,596	1,706	1,641	1,321			
Operating income																
Speaker	1,359	1,220	1,375	682	1,077	973	1,315	978	915	839	817	0	(448)			
Mobile Audio	16	1,196	3,059	(12)	(203)	(51)	235	(651)	(205)	35	558	(575)	6			
Other	92	131	214	(24)	76	67	130	(8)	30	(20)	(258)	(72)	(65)			

## Sales (Millions of yen)



## Operating income (Millions of yen)



# Quarterly Balance Sheet and Statement of Cash Flows



## Balance sheet (Millions of yen)

	FY03/18				FY03/19				FY03/20				FY03/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total current assets	70,265	76,770	82,913	73,614	73,361	73,013	70,263	67,773	67,221	65,381	60,986	59,952	55,066			
Cash and deposits	6,992	7,233	9,239	9,704	11,003	13,108	15,255	11,854	19,839	12,575	18,295	14,770	17,985			
Notes and accounts receivable – trade	18,817	20,534	27,107	22,243	19,939	19,324	22,174	19,261	18,721	19,289	19,187	15,145	15,351			
Other	44,456	49,003	46,567	41,667	42,419	40,581	32,834	36,658	28,661	33,517	23,504	30,037	21,730			
Total non-current assets	31,910	31,701	30,349	27,255	24,231	24,332	23,340	23,497	22,840	22,227	22,847	20,872	20,524			
Net property, plant and equipment	25,157	24,914	23,727	21,120	18,768	18,922	18,357	18,475	18,927	18,116	18,013	17,980	17,673			
Total intangible assets	1,451	1,435	1,409	1,300	1,259	1,182	1,139	1,171	314	433	212	217	201			
Total investments and other assets	5,301	5,351	5,212	4,835	4,203	4,227	3,844	3,851	3,598	3,677	4,621	2,675	2,649			
Total assets	102,175	108,471	113,263	100,870	97,593	97,346	93,604	91,271	90,062	87,609	83,833	80,825	75,590			
Total current liabilities	29,106	33,227	34,594	25,953	25,748	24,338	26,788	25,453	23,802	22,439	18,816	17,783	15,241			
Notes and accounts payable – trade	14,605	16,103	19,157	13,113	11,295	9,535	9,184	8,334	7,507	8,067	8,086	7,390	5,604			
Short-term loans and bonds payable	7,011	8,170	5,728	4,603	7,322	6,952	9,953	9,497	9,473	7,586	3,859	3,904	4,479			
Other	7,490	8,954	9,709	8,237	7,131	7,851	7,651	7,622	6,822	6,786	6,871	6,489	5,158			
Total non-current liabilities	9,147	8,855	8,592	8,124	8,555	9,293	7,380	6,523	6,088	5,567	5,232	4,047	3,144			
Long-term debt and bonds payable	8,095	7,726	7,507	7,098	7,529	8,243	5,455	5,108	4,490	3,918	3,365	2,637	1,850			
Other	1,052	1,129	1,085	1,026	1,026	1,050	1,925	1,415	1,598	1,649	1,867	1,410	1,294			
Total net assets	63,922	66,388	70,076	66,792	63,289	63,714	59,436	59,294	60,171	59,602	59,785	58,995	57,205			
Shareholders' equity	59,099	60,887	63,845	62,077	58,634	58,155	54,328	54,322	56,162	56,185	55,120	55,335	54,201			
Accumulated other comprehensive income	633	1,230	1,691	(15)	263	975	154	27	(931)	(1,474)	(310)	(1,563)	(1,952)			
Non-controlling interests	4,188	4,270	4,539	4,731	4,391	4,583	4,952	4,944	4,939	4,891	4,975	5,224	4,956			
Total liabilities and net assets	102,175	108,471	113,263	100,870	97,593	97,346	93,604	91,271	90,062	87,609	83,833	80,825	75,590			

## Statement of cash flows (Millions of yen)

	FY03/18				FY03/19				FY03/20				FY03/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Operating activities	(2,243)	884	6,742	2,770	675	2,942	7,373	6,971	873	2,375	4,250	3,595	(2,309)			
Investing activities	(1,738)	(1,927)	(2,311)	(1,155)	(556)	(1,598)	(533)	(738)	1,862	(690)	(1,322)	666	(1,246)			
Financing activities	859	801	(3,188)	(1,331)	2,043	(885)	(3,315)	(780)	(1,023)	(2,308)	(4,758)	(734)	(691)			
Foreign exchange impact	(420)	140	377	(146)	(320)	510	(318)	(96)	(229)	(269)	(75)	195	(375)			
Net increase (decrease) in cash flow	(3,541)	(104)	1,622	137	1,840	972	3,204	5,357	1,482	(892)	(1,905)	3,721	(4,622)			
Cash at the end of period	8,495	8,392	10,013	10,150	11,991	12,962	16,167	21,514	23,007	22,114	20,209	23,930	19,307			

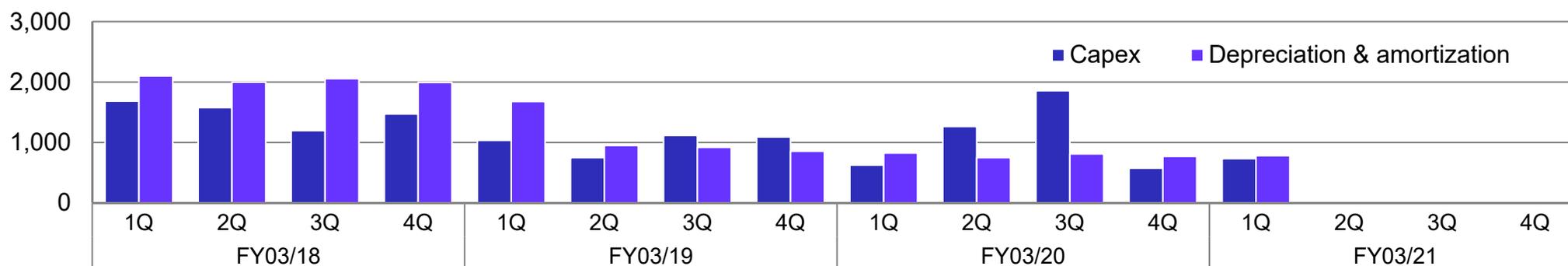
# Quarterly Capex, Depreciation and Amortization, and R&D Expenses



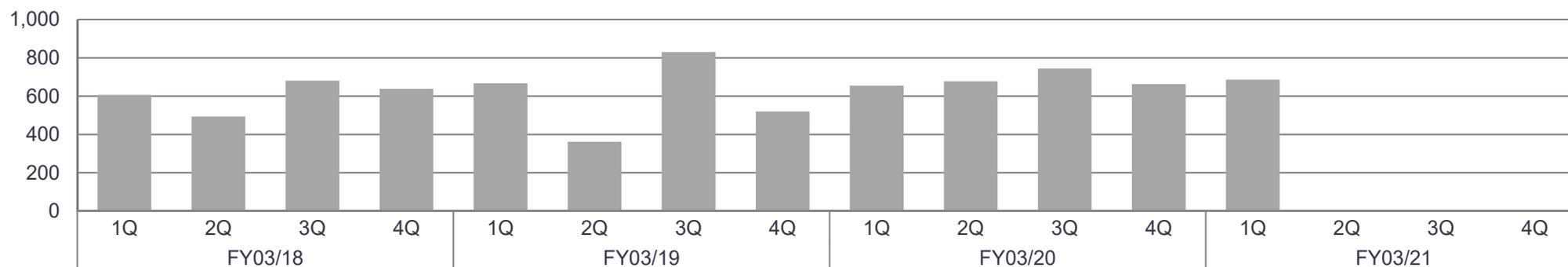
Capex, depreciation & amortization, and R&D expenses (Millions of yen)

	FY03/18				FY03/19				FY03/20				FY03/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Capex	1,687	1,579	1,198	1,473	1,036	750	1,116	1,092	627	1,267	1,858	576	734			
Depreciation & amortization	2,103	1,999	2,057	1,996	1,680	951	921	856	826	750	812	771	781			
R&D expenses	607	494	681	639	667	362	831	520	655	678	744	663	686			

Capex, depreciation & amortization (Millions of yen)



R&D expenses (Millions of yen)

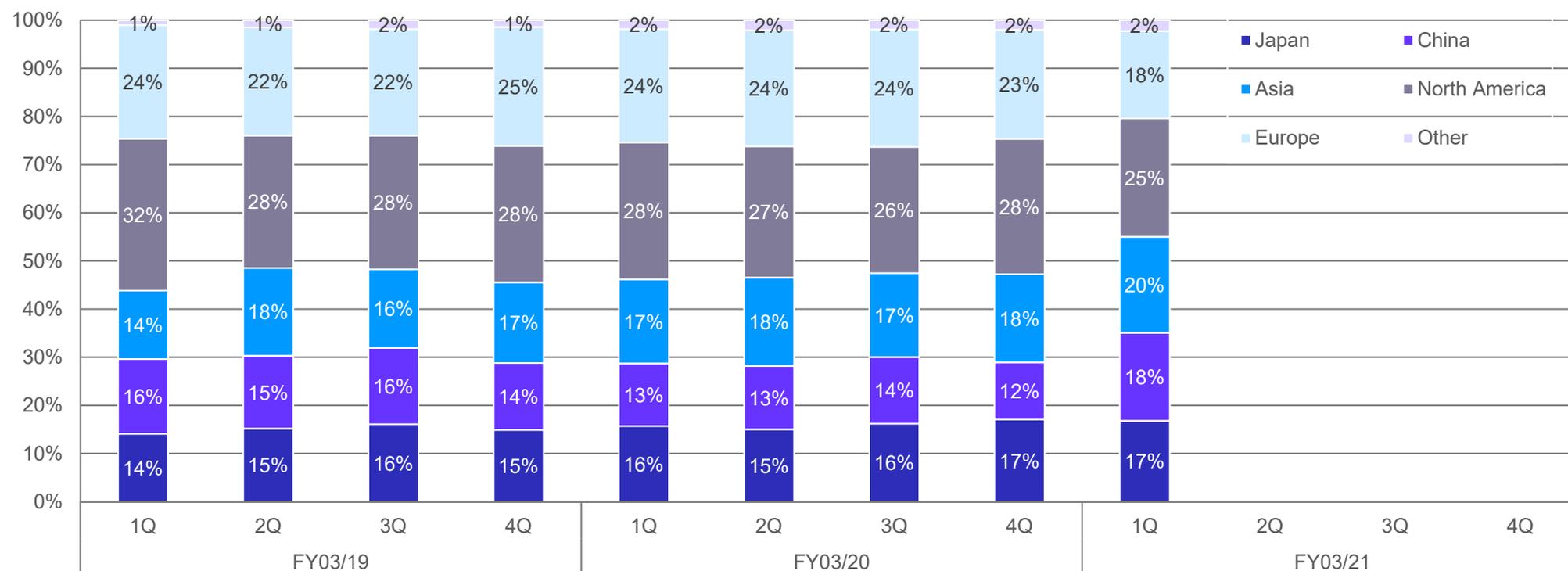


# Quarterly Sales Weighting of Car Speakers by Region

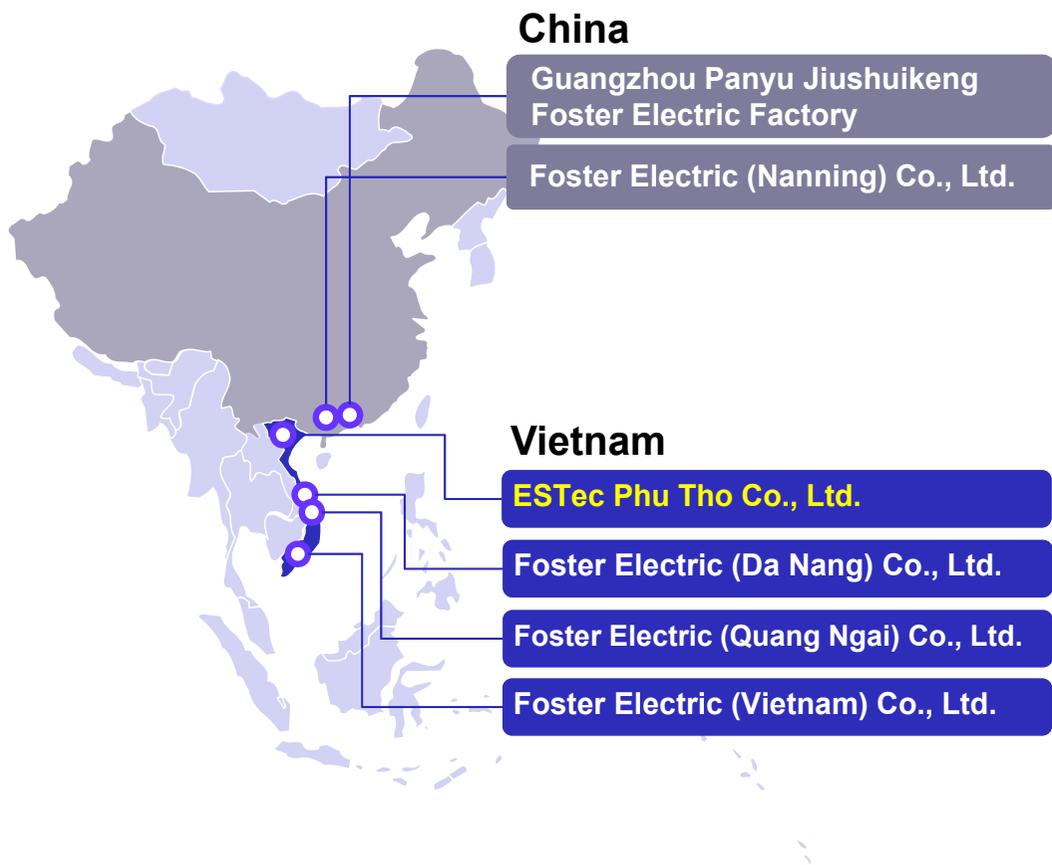


Sales weighting of car speakers by region

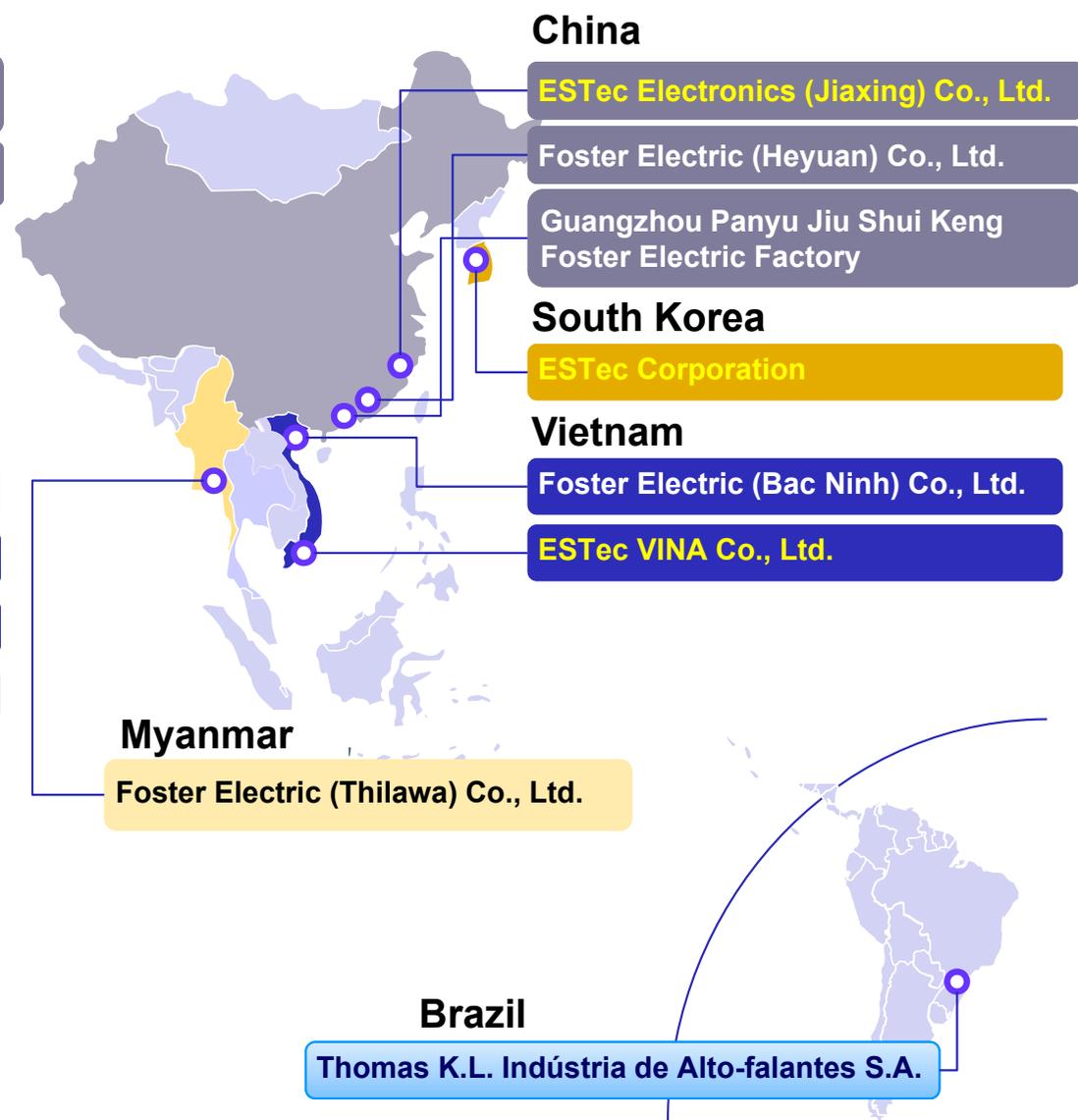
	FY03/19				FY03/20				FY03/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Japan	14%	15%	16%	15%	16%	15%	16%	17%	17%			
China	16%	15%	16%	14%	13%	13%	14%	12%	18%			
Asia	14%	18%	16%	17%	17%	18%	17%	18%	20%			
North America	32%	28%	28%	28%	28%	27%	26%	28%	25%			
Europe	24%	22%	22%	25%	24%	24%	24%	23%	18%			
Other	1%	1%	2%	1%	2%	2%	2%	2%	2%			
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%			
Total sales ( Millions of yen)	15,165	14,611	14,820	14,739	13,598	13,735	13,233	12,840	8,478			



## Headphones and Headsets



## Speakers



(As of September 3, 2020)

### **[Precautionary Statement]**

All forward-looking statements contained in this material, including forecasts, plans, and outlooks on current or future earnings, are based on currently available information and assumptions on risks and uncertainties that may affect future earnings. Actual results may differ from forecasts or estimates due to a range of factors, including economic conditions surrounding the Group's operations, business conditions of related markets and at OEM customers, the competitive environment and pricing competition in Japan and overseas, raw material prices, foreign exchange rates, risks affecting overseas business, regulations in Japan and overseas, disasters or accidents, and share prices.

### **[Inquiries]**

IR Section, IR and Legal Affairs Department, Foster Electric Company, Limited

TEL: +81-42-546-2305 / FAX: +81-42-546-2317

1-1-109 Tsutsujigaoka, Akishima, Tokyo 196-8550, Japan