

**FY2020-FY2024
Medium-Term Business Plan**

Foster Electric Company, Limited
(Stock code: 6794, First Section, Tokyo Stock Exchange)
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Medium-Term Business Plan (FY2020-FY2024)

Upon reviewing our business portfolio amid major changes in the operating environment, we decided to withdraw from the “headset business for a major customer” and make a major turn toward the “automotive business.”

Reasons for decision

- (1) Stagnation of demand in the smartphone market, increased business risk stemming from strategic shifts by a major customer
- (2) The large potential of the automotive business. The maximum utilization of the trade relationships with finished car manufacturers and automotive suppliers that our Group has fostered to this day, as well as our know-how in the automotive business

Key topics in the medium-term plan

- To put the finishing touches to the “shift to automotive business”
- To implement the full-scale commercialization of new businesses, such as MaaS, wearables, and wellness products, looking further ahead.

1. Operating Environment

2. Medium- to Long-Term Goals

3. Medium- to Long-Term Strategy

*FY2020-FY2024 (Medium Term)

*FY2020-FY2030 (Long Term)

4. Financial Targets (Medium Term) and ESG Initiatives

The automotive market is in the midst of a “once-in-a-century” turning point.

Mobility and human lifestyle are changing dramatically due to advancements in CASE and MaaS.

Emerging countries: Expansion of auto market due to increased income

Advanced countries: Shifts in profit structure due to new business models

The earnings structure of car manufacturers is changing.

Changes in development layers of the existing car manufacturing process through division of labor (i.e., outsourcing).

While the total volume of cars are expected to decline in advanced countries, the importance of high-quality entertainment speakers will rise as more people seek higher in-vehicle comfort.

Diversification of demand is expected for new functionalities following a shift to ADAS and EVs. This trend will lead to stronger demand for Foster Electric products in the infotainment domain.

Business Opportunities in the Automotive Market and Foster Electric Group's Strengths

The Group's strengths enabling realization of these opportunities

Acoustic technology

Stable quality assurance to realize high quality

Global production and sales networks

Lightweight and thin speakers and headphones with high quality, and sound field tuning for quiet interior space and entertainment

Proximity notification speakers that notify pedestrians of approaching vehicles in lieu of conventional engine sounds, while reaching beyond artificial engine sounds to offer drivers an enjoyable driving experience

Safety alarm buzzers and vibration actuators that notify drivers of danger

eCall speakers to make calls during emergencies

Vibration actuators that accurately detect motion by the movement of your fingertips in a cockpit where all kinds of functions are digitized

Changes in business environment

Peripheral domains of 5G communication in the spotlight

- Services using 5G networks will become the infrastructure of next generations.
- Devices in the following fields will adopt IoT, resulting in further new applications.

Wearables, Wellness, Entertainment, Robotics, etc.

Business opportunities

We will actively engage in new markets as a leading partner for customers in acoustic solutions (reshaping our business portfolio).

Hearable devices equipped with biometric authentication technology

Game controllers that dramatically improve immersive experience

Wearable blood pressure monitors worn on the wrist

Smart glasses that realize AR/VR

Sound

Hearing

Sound to Life

Vibration

Tactile

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Medium term

Elevate position from OEM/ODM supplier to strategic partner

While OEM/ODMs only respond to customers after receiving orders, we aim to become a “strategic partner” that goes above and beyond that role, by partaking in the development and design of products together with customers.

We will make active proposals to enhance the comfort of products through “sound field tuning” and “noise reduction,” which were previously done internally by customers.

By doing so, we will provide “comprehensive and more strategic products that feature high-quality sound and vibration.”

Long term

World’s No. 1 “acoustic” solution partner

We will serve as an “acoustic” solution specialist in areas related to promising industrial fields that contribute to future society, particularly in terms of hearing and touch.

We aim to establish a brand profile where people instantly think of Foster Electric when it comes to matters related to sound or vibration.

Areas of focus:

MaaS, wearables, wellness, entertainment, measuring instruments, noise reduction and noise cancellation

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1. One-stop sales strategy for automotive products and services in the sound and vibration domains

- We aim to increase the number of Foster products installed per vehicle by providing a comprehensive lineup of automotive products such as ADAS-compatible vibration actuators, AVAS/eCall speakers, and car headphones, in addition to audio devices in which we already have a solid track record.
- To realize this, we will enhance services that cater to human sensibilities, such as proposals on tactile solutions applying in-vehicle sound field design and various vibration pattern designs.

2. Regional strategy

- Japan, North America, Europe: We will strengthen our sales capabilities by shifting from the previous divisional sales framework to a regional sales framework, which enables one-stop management of all products.
- China: We will strengthen our sales capabilities by leveraging our brand strength and high-quality local production system.

3. M&A strategy

- In-house production of rare core components, and acquisition of businesses that can complement our lack of expertise in certain technological fields.

Provide solutions that leverage the Group's strengths while focusing on cultivating new business areas

MaaS

- Highly durable products with robust safety aimed at use for robotics and the last mile market

Wearables

- Voice device for AR/VR smart glasses
- Biometric authentication devices headed for broad adoption in the social infrastructure

Wellness

- Biological monitoring device
- Hearing aid device

Entertainment

- High sound quality and vibration devices that provide a new aesthetic value

Noise reduction / Noise cancellation

- Solution of social issues by utilizing our expertise in sound and sound field

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Financial Targets (FY2024)

- Net sales: 120 billion yen**
- Operating income: 5 billion yen**
- Income ratio: 4.2%**

We will further expand net sales, operating income, and the income ratio by steadily implementing the medium-term business plan based on a commitment to absolutely achieve the financial targets.

We will make active investment to realize the strategy. Simultaneously, we will establish a lean corporate structure through labor-saving, automation, and standardization while maintaining a sound financial base.

ESG Initiatives

- Be Happy 80%**
- 2050 environment/
quality targets**

The promotion of ESG hinges on the happiness of all employees. We will put “Employees Be Happy 80%” at the center of all ESG activities.

Along with enhanced products that comply with environmental standards, we aim to achieve “zero emissions” as our environmental target, and “zero defects” as our quality target.

[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.

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