

Translation

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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 8, 2024

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
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	31,687	14.2	1,351	124.1	1,757	245.1	1,106	–
Three months ended June 30, 2023	27,750	(0.5)	602	331.4	509	394.7	(36)	–

Note: Comprehensive income: Three months ended June 30, 2024 ¥4,726 million [72.9%]
 Three months ended June 30, 2023 ¥2,733 million [(17.7)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	49.73	–
Three months ended June 30, 2023	(1.63)	–

(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, 2024	108,142	68,483	57.1	2,775.11
As of March 31, 2024	102,747	64,319	56.5	2,606.90

Reference: Equity capital: As of June 30, 2024 ¥61,747 million
 As of March 31, 2024 ¥58,004 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	–	10.00	–	15.00	25.00
Year ending March 31, 2025	–	–	–	–	–
Year ending March 31, 2025 (Forecast)	–	20.00	–	20.00	40.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

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	130,000	6.1	5,500	24.6	5,000	15.0	3,000	27.3	134.83

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

4. Notes

- (1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: None
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: None
- (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: | Yes |
| Changes in accounting policies due to other reasons: | None |
| Changes in accounting estimates: | None |
| Restatement of prior period financial statements: | None |

(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, 2024	25,000,000 shares	As of March 31, 2024	25,000,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	2,749,532 shares	As of March 31, 2024	2,749,532 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, 2024	22,250,468 shares	Three months ended June 30, 2023	22,191,579 shares
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* Quarterly Consolidated Financial Statements reviewed by certified public accountant or audit firm: None

* 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, 2024, the global economy continued to face heightened geopolitical risks, including conflicts between nations and regime changes. In Europe, interest rates were reduced for the first time in about five years, while the policy interest rate in the US remained unchanged, leading to sharp fluctuations in forex rates. Against this backdrop, global inflation and concerns about an economic slowdown in China, coupled with the extreme weather, rendered the outlook uncertain.

In the automotive market, the Foster Group's (the "Group") focus, amid a slowing transition to electric vehicles (EVs) and an overall stagnation in automobile sales, we focused on growing orders in the automotive business through the partner strategy, leveraging our strengths in providing quality car speakers developed over many years. Further, we strove to improve demand forecasting accuracy to maintain an optimal production system and inventory levels, and continued promoting cost improvement measures.

As a result, consolidated net sales in the three months ended June 30, 2024 were ¥31,687 million (up 14.2% YoY), operating profit was ¥1,351 million (up 124.1% YoY), ordinary profit was ¥1,757 million (up 245.1% YoY), and profit attributable to owners of parent was ¥1,106 million (in the previous year, loss attributable to owners of parent of ¥36 million).

Results by segment were as follows.

[Speaker Segment]

Net sales amounted to ¥25,633 million (up 15.7% YoY) on robust performance, as inventory adjustments at some customers, which weighed on results a year ago, were completed. On the profit front, operating profit was ¥1,236 million (up 93.5% YoY), backed by sales growth and ongoing measures to improve costs.

[Mobile Audio Segment]

Net sales were ¥3,800 million (up 4.3% YoY), due to higher-than-expected shipments of earphones and earphone drivers. On the profit front, operating profit was ¥218 million (up 480.4% YoY), owed to increased sales of high-margin products.

[Other Segment]

In the Other segment, which includes micro acoustic components and FOSTEX brand products, net sales amounted to ¥2,253 million (up 15.5% YoY) driven by robust sales of speakers for acoustic vehicle alerting systems and other automotive products. On the profit front, however, the segment posted an operating loss of ¥104 million (in the previous year, operating loss of ¥74 million), due to lingering impact of structural reforms carried out in the previous fiscal year.

(Note) Net sales by segment shown above reflect figures after the elimination of inter-segment transactions.

(2) Financial position for the period under review

As of June 30, 2024, total assets amounted to ¥108,142 million, up ¥5,394 million from March 31, 2024, mainly due to increases in accounts receivable-trade and finished goods. Owing chiefly to an increase in accounts payable-trade, total liabilities grew ¥1,230 million to ¥39,659 million. Net assets came to ¥68,483 million, up ¥4,163 million, mainly reflecting increases in retained earnings and foreign currency translation adjustment. The equity ratio was 57.1% as of June 30, 2024, up 0.6 percentage points from March 31, 2024.

(Cash flows for the period under review)

Cash and cash equivalents as of June 30, 2024 totaled ¥16,321 million, down ¥712 million from the level on March 31, 2024, as a result of the cash flows described below.

[Operating activities]

Net cash provided by operating activities was ¥1,015 million, chiefly due to an increase in trade payables.

[Investing activities]

Net cash used in investing activities totaled ¥451 million, mainly due to capital investments.

[Financing activities]

Net cash used in financing activities totaled ¥1,890 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 15, 2024.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	20,216	19,708
Notes and accounts receivable - trade	24,934	26,771
Electronically recorded monetary claims - operating	865	741
Securities	649	–
Finished goods	18,357	20,526
Raw materials	7,908	7,802
Work in process	1,539	1,483
Supplies	140	172
Accounts receivable - other	1,673	1,930
Advance payments to suppliers	367	1,578
Other	2,381	2,684
Allowance for doubtful accounts	(109)	(135)
Total current assets	78,925	83,264
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,091	8,235
Machinery, equipment and vehicles, net	4,557	4,941
Tools, furniture and fixtures, net	1,887	2,019
Land	3,404	3,467
Construction in progress	1,437	1,628
Total property, plant and equipment	19,377	20,291
Intangible assets		
Software	189	240
Other	147	147
Total intangible assets	336	388
Investments and other assets		
Investment securities	2,162	2,374
Long-term prepaid expenses	82	96
Retirement benefit asset	1,344	1,328
Deferred tax assets	306	204
Other	212	194
Total investments and other assets	4,108	4,197
Total non-current assets	23,822	24,877
Total assets	102,747	108,142

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,169	14,366
Short-term borrowings	10,571	10,094
Current portion of long-term borrowings	775	775
Accounts payable - other	3,135	2,838
Lease liabilities	483	520
Income taxes payable	762	678
Accrued expenses	2,288	2,092
Provision for bonuses	537	404
Other	1,175	1,447
Total current liabilities	31,899	33,218
Non-current liabilities		
Long-term borrowings	3,781	3,587
Deferred tax liabilities	681	703
Lease liabilities	1,326	1,281
Retirement benefit liability	108	110
Provision for retirement benefits for directors (and other officers)	27	11
Provision for share awards	137	157
Other	466	589
Total non-current liabilities	6,529	6,440
Total liabilities	38,428	39,659
Net assets		
Shareholders' equity		
Share capital	6,770	6,770
Capital surplus	6,896	6,896
Retained earnings	36,364	37,135
Treasury shares	(4,042)	(4,042)
Total shareholders' equity	45,989	46,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	803	951
Foreign currency translation adjustment	11,345	14,170
Remeasurements of defined benefit plans	(134)	(135)
Total accumulated other comprehensive income	12,014	14,987
Non-controlling interests	6,314	6,735
Total net assets	64,319	68,483
Total liabilities and net assets	102,747	108,142

(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, 2023	Three months ended June 30, 2024
Net sales	27,750	31,687
Cost of sales	23,988	26,488
Gross profit	3,761	5,198
Selling, general and administrative expenses	3,158	3,846
Operating profit	602	1,351
Non-operating income		
Interest income	27	75
Dividend income	14	18
Foreign exchange gains	60	525
Miscellaneous income	79	89
Total non-operating income	183	708
Non-operating expenses		
Interest expenses	210	187
Miscellaneous losses	66	115
Total non-operating expenses	277	303
Ordinary profit	509	1,757
Profit before income taxes	509	1,757
Income taxes - current	279	492
Income taxes for prior periods	-	(173)
Income taxes - deferred	74	(50)
Total income taxes	354	268
Profit	154	1,488
Profit attributable to non-controlling interests	190	381
Profit (loss) attributable to owners of parent	(36)	1,106

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	154	1,488
Other comprehensive income		
Valuation difference on available-for-sale securities	150	148
Foreign currency translation adjustment	2,421	3,091
Remeasurements of defined benefit plans, net of tax	6	(1)
Total other comprehensive income	2,579	3,238
Comprehensive income	2,733	4,726
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,685	4,078
Comprehensive income attributable to non-controlling interests	48	648

(3) Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	509	1,757
Depreciation	731	819
Decrease (increase) in retirement benefit asset	35	29
Increase (decrease) in retirement benefit liability	0	(3)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	(16)
Increase (decrease) in allowance for doubtful accounts	2	18
Increase (decrease) in provision for bonuses	(59)	(138)
Interest and dividend income	(42)	(93)
Interest expenses	210	187
Foreign exchange losses (gains)	361	5
Decrease (increase) in trade receivables	1,567	(882)
Decrease (increase) in inventories	2,568	(865)
Increase (decrease) in trade payables	273	1,735
Decrease (increase) in accounts receivable - other	(444)	(220)
Increase (decrease) in accounts payable - other	(133)	(420)
Decrease (increase) in advance payments to suppliers	913	(1,176)
Other, net	(508)	778
Subtotal	5,987	1,514
Interest and dividends received	42	93
Interest paid	(210)	(187)
Income taxes paid	(485)	(578)
Income taxes refund	–	173
Net cash provided by (used in) operating activities	5,334	1,015
Cash flows from investing activities		
Proceeds from redemption of securities	–	660
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(566)	(978)
Purchase of intangible assets	(18)	(63)
Purchase of long-term prepaid expenses	(20)	(55)
Other, net	68	(13)
Net cash provided by (used in) investing activities	(537)	(451)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,117)	(1,062)
Repayments of long-term borrowings	(150)	(193)
Dividends paid	(223)	(336)
Dividends paid to non-controlling interests	(92)	(169)
Other, net	–	(128)
Net cash provided by (used in) financing activities	(2,584)	(1,890)
Effect of exchange rate change on cash and cash equivalents	358	612
Net increase (decrease) in cash and cash equivalents	2,571	(712)
Cash and cash equivalents at beginning of period	13,646	17,034
Cash and cash equivalents at end of period	16,218	16,321

(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)

We have applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022), "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022), and "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) from the beginning of the first quarter of the current fiscal year. These changes had no impact on the quarterly consolidated financial statements.

(Notes on segment information, etc.)

[Segment information]

I. 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.

II. Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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	25,633	3,800	2,253	31,687	—	31,687
Inter-segment sales or transfers	—	—	939	939	(939)	—
Total	25,633	3,800	3,192	32,626	(939)	31,687
Segment profit (loss)	1,236	218	(104)	1,351	—	1,351

- 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.