August 7, 2026

To Whom It May Concern

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Responses to Anticipated Questions Regarding the Financial Results for the Three Months Ended June 30, 2026

Foster Electric Company, Limited hereby provides the following anticipated questions and responses regarding the financial results for the three months ended June 30, 2026, announced on August 7, 2026.

Q1 In the explanation of the profitability of the Speaker segment, reference is made to a “temporary burden of U.S. tariffs.” However, at the financial results briefing in May, we were told that the U.S. tariffs were no longer applicable. Has the situation changed?

A1 The U.S. reciprocal tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were suspended following a court ruling that they were unconstitutional. However, some of the tariffs paid before the suspension have continued to be recognized as expenses as the related inventory was sold through the first quarter of the current fiscal year. Meanwhile, amounts that we had initially expected to recover from customers will instead be recovered through refunds from the U.S. government as a result of the ruling, creating a timing difference. However, on a full-year basis, there has been no change from the explanation provided at the financial results briefing in May. Regarding the impact of the additional U.S. tariffs reported recently, we are currently assessing the potential effects.

Q2 In the explanation of the profitability of the Speaker segment, reference is made to a “temporary burden of additional costs arising from soaring material costs.” Specifically, how significant has the impact been, and should these additional costs not be borne by customers?

A2 Prices of raw materials used in speaker manufacturing and other operations are rising due to higher prices for crude oil and other resources caused by the situation in the Middle East. To ensure stable procurement, we and our suppliers have both built up inventories through advance purchases. As concerns remain about its ongoing impact, we are prioritizing procurement to avoid delivery delays and are discussing with customers the possibility of having them bear the additional costs. We will continue to closely monitor developments in the Middle East and elsewhere and take all possible measures available to us to prepare for contingencies.

Q3 In the explanation of the profitability of the Speaker segment, reference is made to the “impact of the appreciation of the Chinese yuan.” Could you explain this in plain terms? Also, how significant is the impact, and what measures to address foreign exchange risk are you considering going forward?

A3 Regarding products manufactured at Chinese manufacturing bases and exported, procurement and sales have traditionally been conducted primarily in U.S. dollars. However, as we have diversified the materials we procure and our supplier base in recent years, procurement denominated in Chinese yuan has been increasing. At the same time, the Chinese yuan has appreciated against the U.S. dollar, resulting in higher foreign exchange costs. As a countermeasure, we would like to ask our customers to bear the additional costs, plan to transfer transactions involving procurement in Chinese yuan and sales in U.S. dollars to other manufacturing locations. We will also reorient our manufacturing operations in China toward local business, thereby reducing the likelihood of currency mismatches. In addition, we will consider further reductions in fixed costs and the flexible use of foreign exchange hedging.

Q4 ESTec's first quarter results, which have already been disclosed, showed a significant year-on-year decline in profit. What caused the decline?

A4 As explained at the financial results briefing in May, ESTec's sales to some manufacturers in China have continued to slow in the current fiscal year, mirroring the trend seen in the previous fiscal year. In addition, sales of relatively high-margin products have decreased, resulting in significant declines in both sales and profit. However, this downturn was anticipated at the beginning of the fiscal year.

Q5 Considering ESTec's first-quarter results together with the fact that Foster Electric itself recorded a loss and that the Speaker segment posted a substantial loss, have there been any developments indicating that progress in the second year of the medium-term business plan is not proceeding as planned?

A5 Foster Electric recorded a loss because the Speaker segment's performance deteriorated significantly due to the factors described in Q1 through Q3. However, as explained in those responses, we view the decline as temporary. The branded and premium-level product business, which serves as our growth strategy in the automotive business, is progressing steadily, and new businesses are also expected to contribute to earnings as planned. Accordingly, there is no change to the full-year earnings forecast announced at the beginning of the fiscal year.

<u>[Note] Disclaimer</u>

The above information contains forward-looking statements, which are based on information available at the time they were prepared. These forward-looking statements do not guarantee future results or performance, and actual results or performance may differ due to changes in circumstances and various other factors.

Regarding this matter, we have published the "Supplementary Document Ended June 30, 2026" on our corporate website. Please refer to it for further details.
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