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November 10, 2026

To Whom It May Concern

Company Name: Foster Electric Company, Limited
Representative: Kazuhiro Kishi, CEO
(Code 6794, Tokyo Stock Exchange Prime Market)
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Notice Regarding Formulation of the Medium-Term Business Plan 2031

Foster Electric Company, Limited (hereinafter, "the Company") hereby announces that it has formulated a new Medium-Term Business Plan for the five-year period from FY2027 to FY2031, as set out below.

1. Background for Early Announcement

With the achievement of the current Medium-Term Business Plan now in sight, the Company has decided to revise its strategy in response to recent changes in the competitive landscape and macroeconomic environment.

2. Reference Materials

- Presentation materials: Medium-Term Business Plan 2031
- Introductory video: https://www.foster.co.jp/investors/library/video/Project_North_Star_Movie2031.mp4

Sound to Life

To be the one and only presence that delivers the emotion, reassurance, and safety that sound brings to the whole world, creating a rich future for people through the power of sound.

FOSTER

Medium-Term Business Plan 2031

Foster Electric Company, Limited | Prime Market 6794

November 10, 2026



Revision of Reporting Segments

Aligning medium-term plan and statutory reporting under two segments: Mobility and Consumer

Background and purpose of the revision of reporting segments

Eliminating dual segment classifications: Until now, the medium-term business plan disclosed performance under the classification "Mobility/Consumer," while statutory disclosure documents such as the securities report and Consolidated Financial Results disclosed it under a different classification, "Speakers/Mobile Audio/Others." Based on feedback that the correspondence between the two classifications was difficult to understand, the classifications will be unified across all disclosure materials

Disclosure segment review details

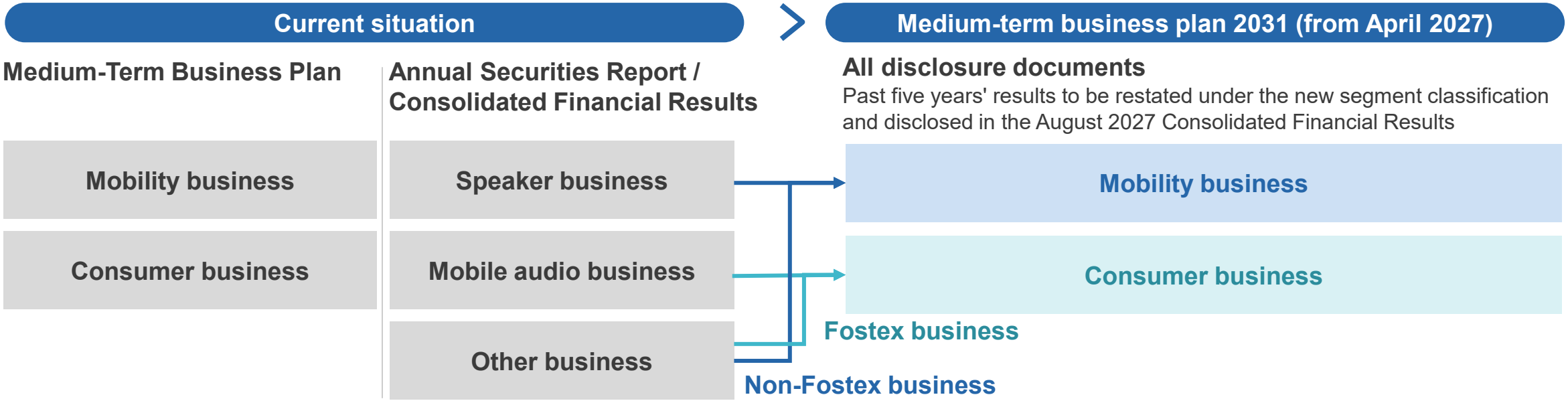


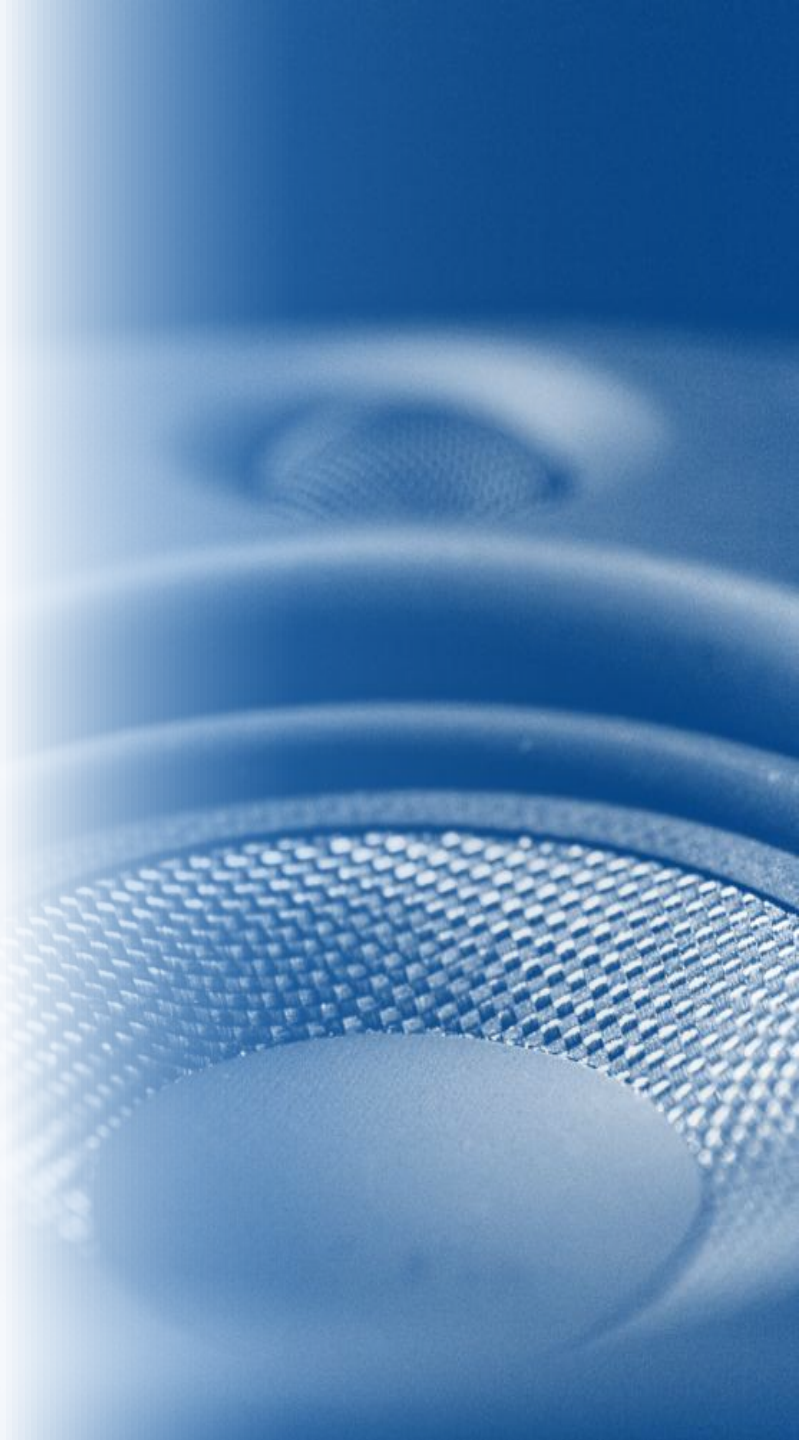
Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031



Overview of the Medium-Term Business Plan 2031

FOSTER

We will tackle our challenges head-on, grow earnings by winning more orders in key growth markets and reforming our cost structure, and enhance corporate value by balancing growth investment with shareholder returns

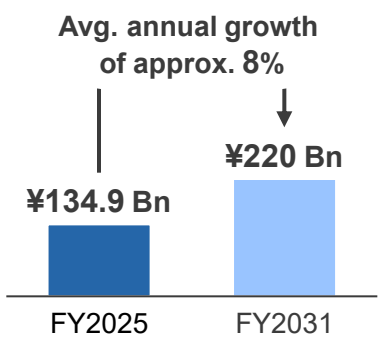
Medium-term business plan: our target vision

Turn the "Ordinary" into Our Strength

- Outstanding reliability built on automotive-grade quality (Q), world-class cost competitiveness (C), and a resilient global supply system (D). By thoroughly refining these fundamentals, we will firmly establish our position as the world's No. 1 in mobility audio equipment
- Furthermore, leveraging our expertise in "sound and vibration," we will expand our proposals from product supply to solving customer challenges, evolving into a solutions company that helps customers create new value. We will deploy this proposal capability into new markets beyond the mobility sector and build new business pillars that will support future growth

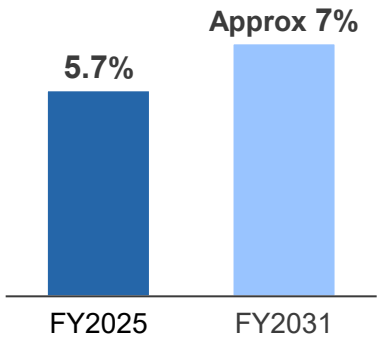
Business expansion to enhance corporate value

Growth Potential — Net Sales



Expand automotive orders, focusing on China and North America

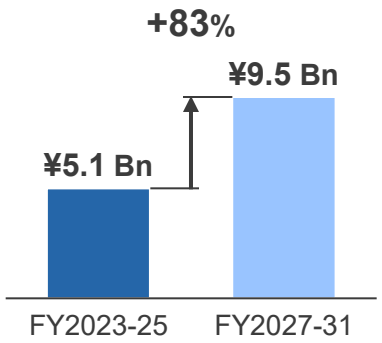
Profitability — Operating Profit Margin



Cost structure reform through production automation and procurement optimization

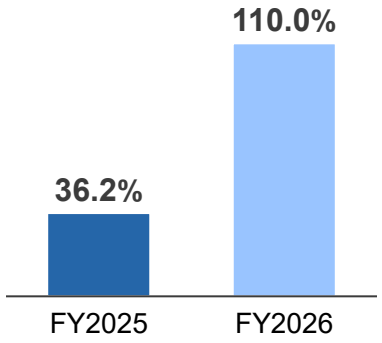
Investment and capital strategy to enhance corporate value

Growth Investment — Annual avg. investment amount



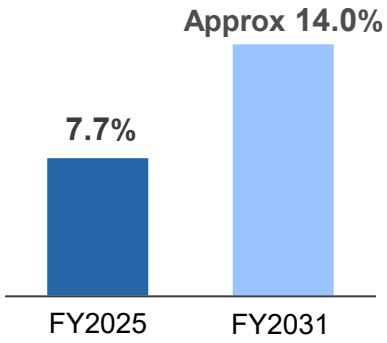
Production automation and focused investment in North American production sites

Shareholder Returns — Dividend payout ratio



Continuous dividend increases in line with profit growth (including some flexible share buybacks)

Capital Efficiency — ROE



Well above the cost of capital

Financial Soundness — Net Debt/EBITDA

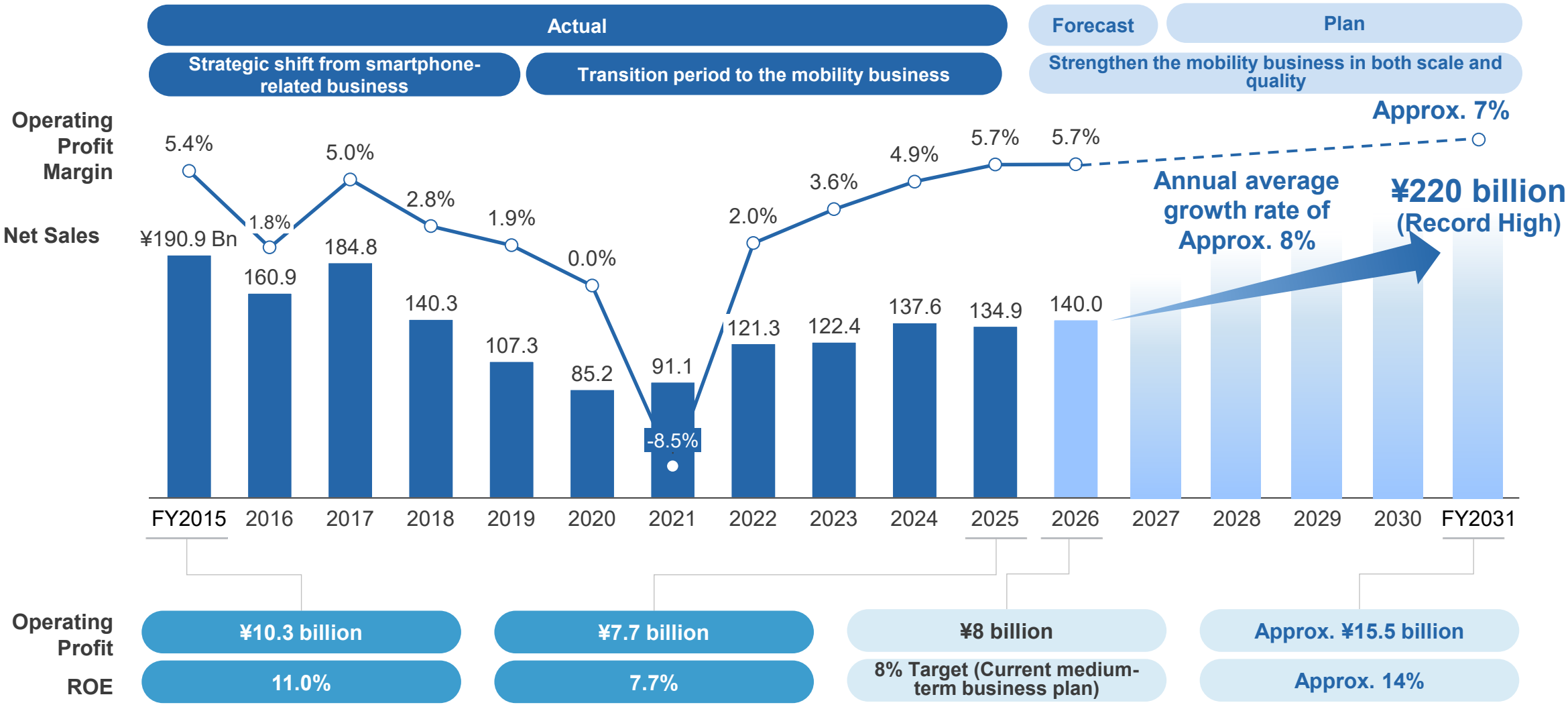
~2.0x

(may temporarily exceed this level during M&A or large-scale investments)

Use debt strategically while maintaining financial discipline

Overview[1] of the Medium-Term Business Plan 2031

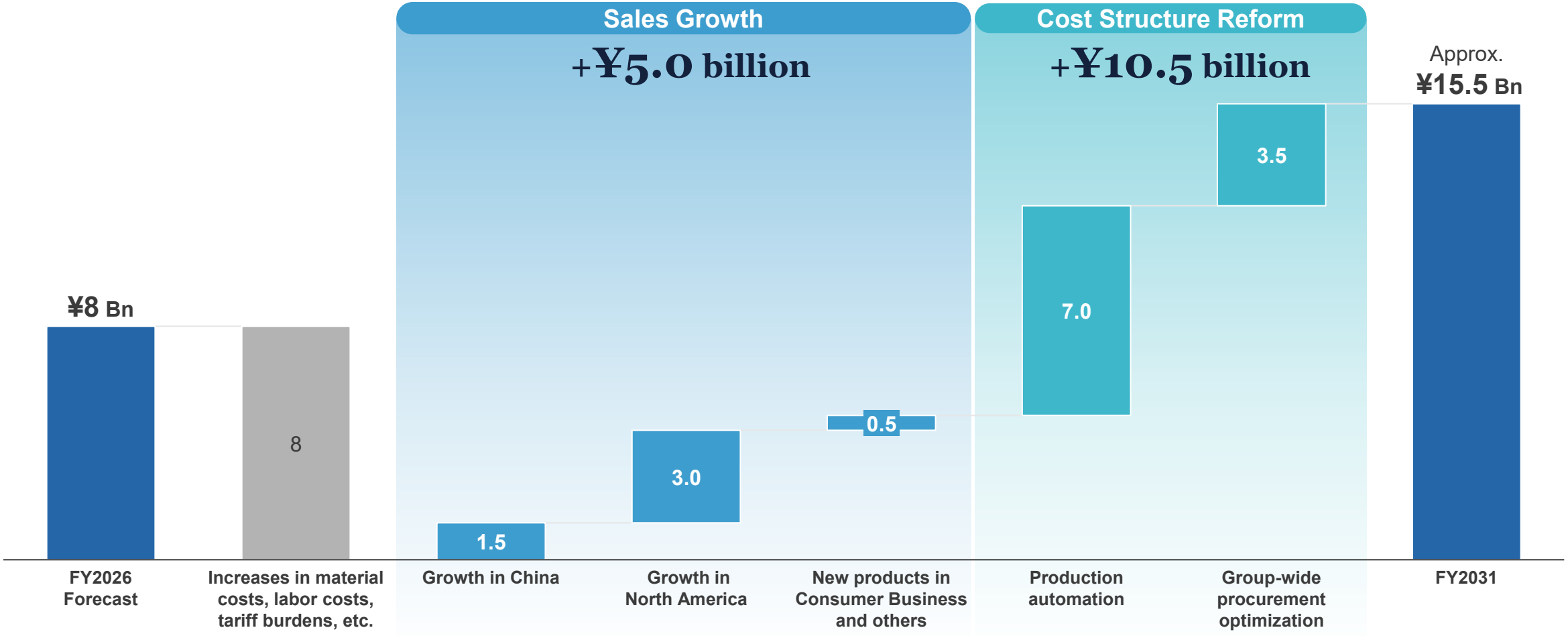
Targeting record revenue of ¥220 billion, an approx. 7% operating margin and 14% ROE



1. Exchange rate assumption for the plan period: US$1 = ¥160

Operating Profit Bridge to FY2031

Despite rising external costs, “sales growth” and “cost structure reform” will nearly double operating profit from ¥8.0 billion to ¥15.5 billion



Key Initiatives of the Medium-Term Business Plan 2031

FOSTER

Enhancing corporate value through winning in growth markets, overhauling our cost structure and shifting capital policy

Expand share in China's rapidly growing automotive speaker market

Drive in-vehicle speaker sales in China through optimal pricing and faster development, and expand into peripheral devices

(P.22)

Strengthen cost competitiveness by raising the production automation rate above 70%

Strengthen cost competitiveness by promoting automation at Foster's core manufacturing bases in China and Vietnam

(P.23)

Penetrate the North American market through the establishment of a production base in the North America

Expand sales to US EV manufacturers and other customers, and build local-for-local production to hedge against geopolitical risks

(P.24)

Accelerate new business creation

Under a new dedicated framework, we will manage everything from idea generation to commercialization and create a new business pillar following mobility, in new areas where our core sound and vibration technologies can be leveraged

(P.29)

Make ESTec a wholly owned subsidiary

To further enhance the corporate value of ESTec, our KOSDAQ-listed subsidiary, and Foster, the group will work as one to optimize resource allocation, improve costs, and achieve capital efficiency

(P.31-32)

Revise capital policy to a dividend payout ratio of 110%

Proactive use of debt to optimize cost of capital, and strengthen shareholder returns from surplus capital after growth investments

(P.34-38)

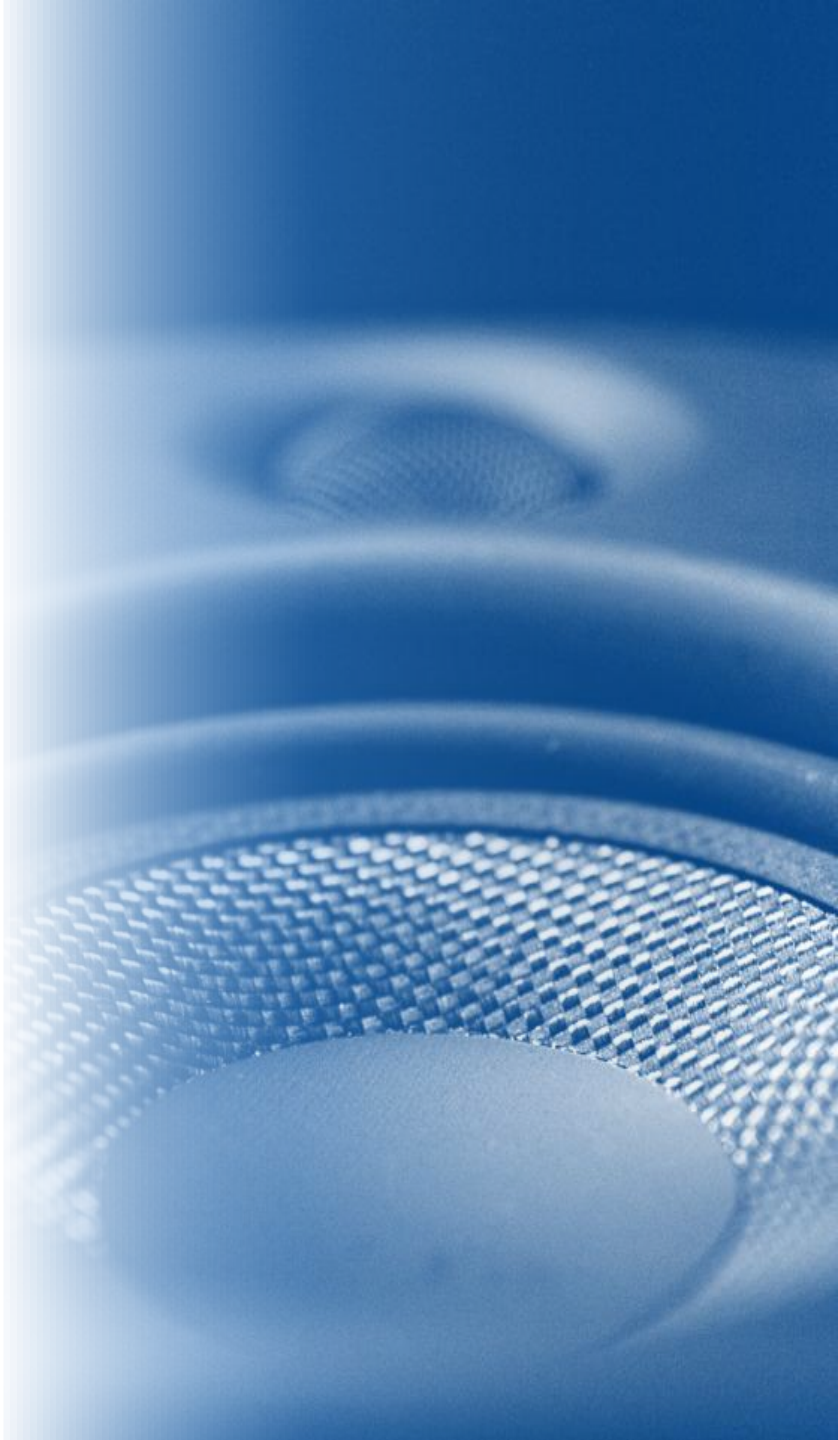
Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031



Foster's History

Founded in 1949 as a specialized audio manufacturer, the company has grown while evolving its core products. Today, automotive speakers are now our core business

One of the world's leading audio manufacturers, focusing primarily on OEM/ODM business

Founding & domestic foundation period
1949–1983

Founded as a dedicated speaker manufacturer, and established overseas bases early on

- **1949** Founded Shinano Acoustics Laboratory and began manufacturing speakers
- **1953** Shinano Sound Co., Ltd. reorganized; "Foster" trademark registered
- **1959** Changed corporate name to Foster Electric Co., Ltd.
- **1962** Listed on the Tokyo Stock Exchange Second Section
- **1965** Established our first overseas base in Hong Kong
- **1972** Established subsidiaries in the United States, Singapore, and Germany (through 1973)
- **1973** Established Fostex

Production expansion & shift to overseas manufacturing
1984–2005

Expanded speaker production with mechanized lines, shifting from domestic to overseas manufacturing

- **1986** Merged with Tonegen Co., Ltd.
- **1988** Started contract manufacturing in China
- **1999** Moved to the First Section of the Tokyo Stock Exchange

Smartphone-related expansion period
2006–2015

Expanded mobile-related businesses such as earphones and headphones

- **2006** Established a subsidiary in Vietnam
- **2009** Acquired Korean company ESTec Corporation as a consolidated subsidiary
- **2012** Relocated headquarters functions to current location in Tsutsujigaoka, Akishima City
- **2014** Acquired the small acoustic components business from Star Micronics
- **2014** Established a subsidiary in Myanmar

Automotive-related business acceleration period
2016–present

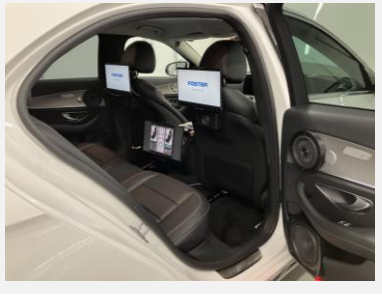
Exited the smartphone business (2015–18) and shifted focus to automotive speakers

- **2022** Moved to the Tokyo Stock Exchange Prime Market
- **2022** Established a subsidiary in Hungary
- **2025** Established a subsidiary in India
- **2026** Transitioned to an Audit and Supervisory Committee Company









Mobility Business Main Products

FOSTER

We supply automakers and Tier 1 suppliers worldwide with a lineup centered on automotive speakers, delivering sound and haptics inside and outside the vehicle

In-vehicle audio speakers

Creating the in-cabin sound experience with door speakers, tweeters, subwoofers, and more



30+ units Max. number of our products installed in a premium-brand vehicle

25-30% Global Share

Recent new products



Approach alert and warning products

Speaker for notifying pedestrians of approaching vehicles and for emergency reporting systems in the event of an accident

AVAS Speaker / AVAS System with Horn / eCall Speaker



Actuator

Compact, thin vibration devices for adding haptic feedback

Touch-panel display / Center console / Steering / Seat



Cockpit-related products

Utility sounds that accurately convey information to drivers

Example: Speakers / sounders / buzzers for voice guidance and warning sounds



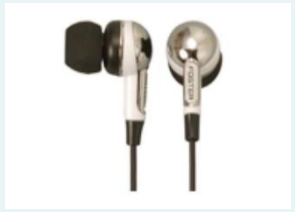
Electronic modules

Road noise cancellation system module (product from Korean subsidiary ESTec)

Acceleration sensor module / microphone module / board modules for ADP, etc.

Consumer Business Main Products

Applying our acoustic and vibration technologies to personal audio, healthcare and haptics



Earphones / Headphones

Leveraging years of accumulated driver technology and planar diaphragm technology (RP), we supply complete products on an OEM basis from in-ear to over-ear types, and also offer premium headphones under the "Fostex" brand



Earphone driver

A compact driver unit at the heart of sound quality, supplying high sound quality and mass-production quality together for earphones from major brands



Biosensing headset

A wearable device equipped with a 9-axis sensor and biosensing (pulse wave and ear canal temperature). It features a unique structure that places the microphone behind the driver unit, enabling biometric data acquisition while maintaining sound quality



Actuator

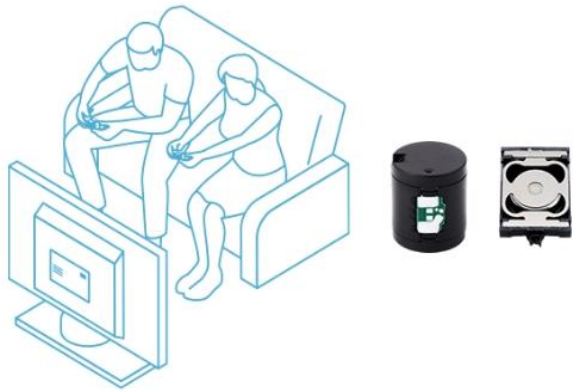
A compact vibration device that uses acoustic technology to realistically reproduce a variety of tactile sensations

Game controller / Wellness-related

Personal Audio



Games & Entertainment



Healthcare & Monitoring



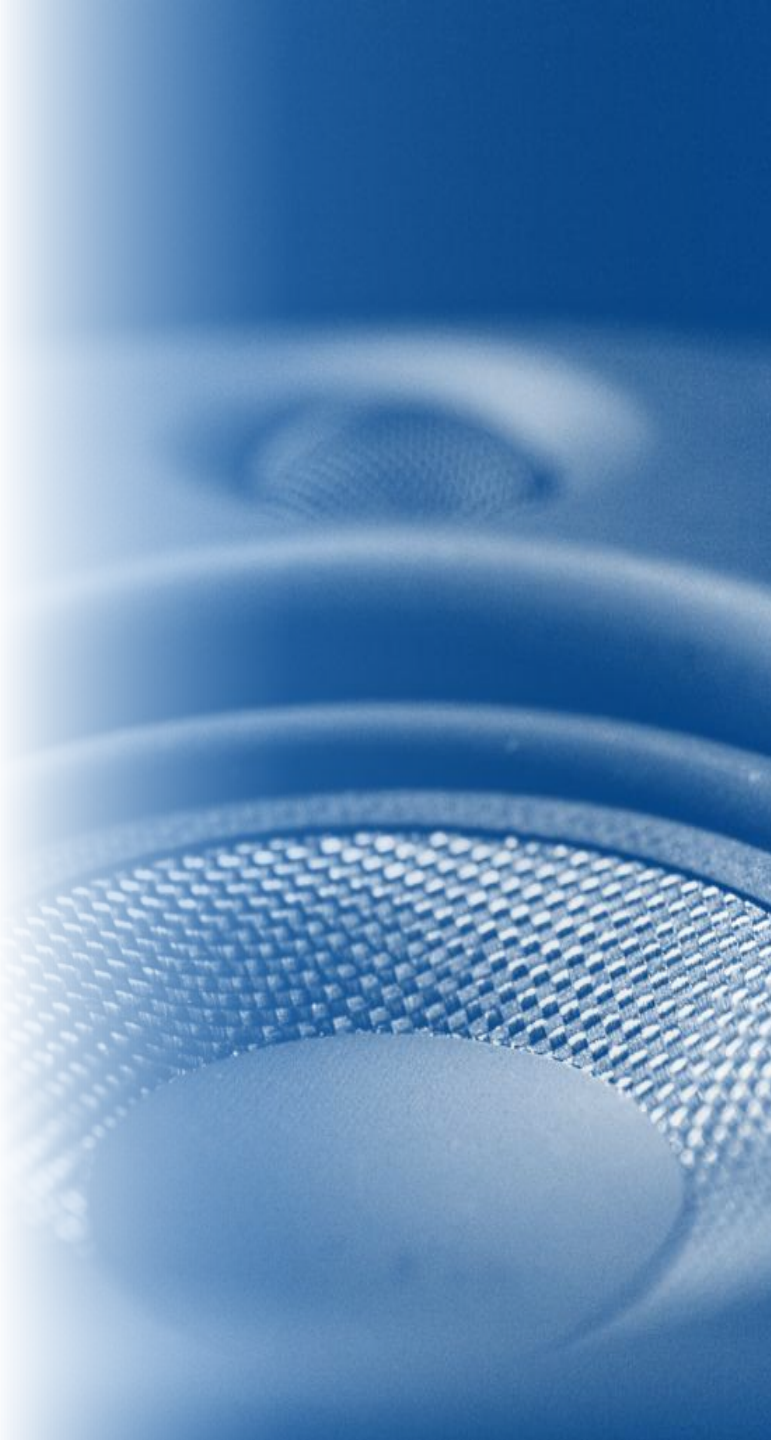
Table of Contents

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II. Introduction to Foster Electric

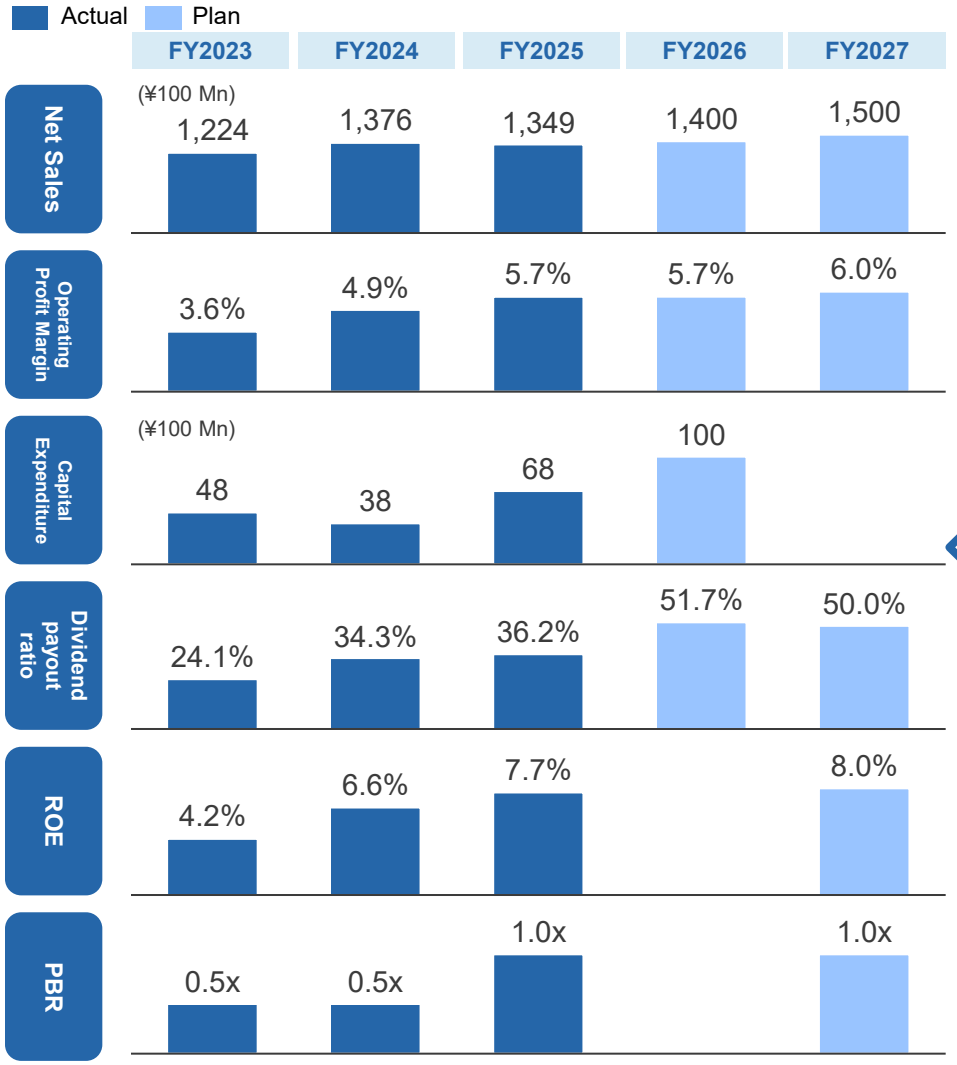
III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031



Review of the Current Med-Term Business Plan (FY2025–FY27)

Our focus on the premium segment, new customers and AVAS[1] products enabled us to hit sales targets ahead of schedule, though higher material costs held back operating margin. PBR reached 1x and ROE is nearing our 8% target. Next, we aim to boost profitability and capital efficiency and create new businesses



Main Initiatives

Focus on premium segments and expand the number of units installed per vehicle

Sales growth of over 20% | More speakers per vehicle

New customer acquisition and product expansion in response to EV adoption

New customer acquisition | external speaker sales expansion

Expansion of the Three Pillars of Beyond2025

Cost Structure Reform

Local Production for Local Consumption

Automation & DX | Insourcing

Capital Policy and Enhanced Shareholder Returns

Dividend payout ratio 40%

PBR 1x | ROE8%

Evaluation and Reflection

- Automotive orders for the plan period are nearly secured, with **growth expected to exceed twice the new vehicle market rate**
- In FY2025, the speaker business saw sales decline 2.3% due to slowing growth in China, but operating profit rose 2.5% driven by **higher-margin premium products**

- **Started new business with one US-based company and five Chinese companies**
- Began selling approaching-vehicle alert speakers to more than 10 companies. **Warning sound speakers are performing well**, and other businesses have turned profitable.

- FY2025 mobile audio business: revenue down 3.3%, profit up 4.9%. **Actuators and small drivers achieved plan**
- Hearable devices for monitoring remain at the trial stage.

- Expanded in-house parts production, previously concentrated in China, to Vietnam; **automation equipment for in-house parts has been introduced, achieving significant labor savings**
- **Began implementing an integrated ERP system** with a total investment of ¥1.5 billion

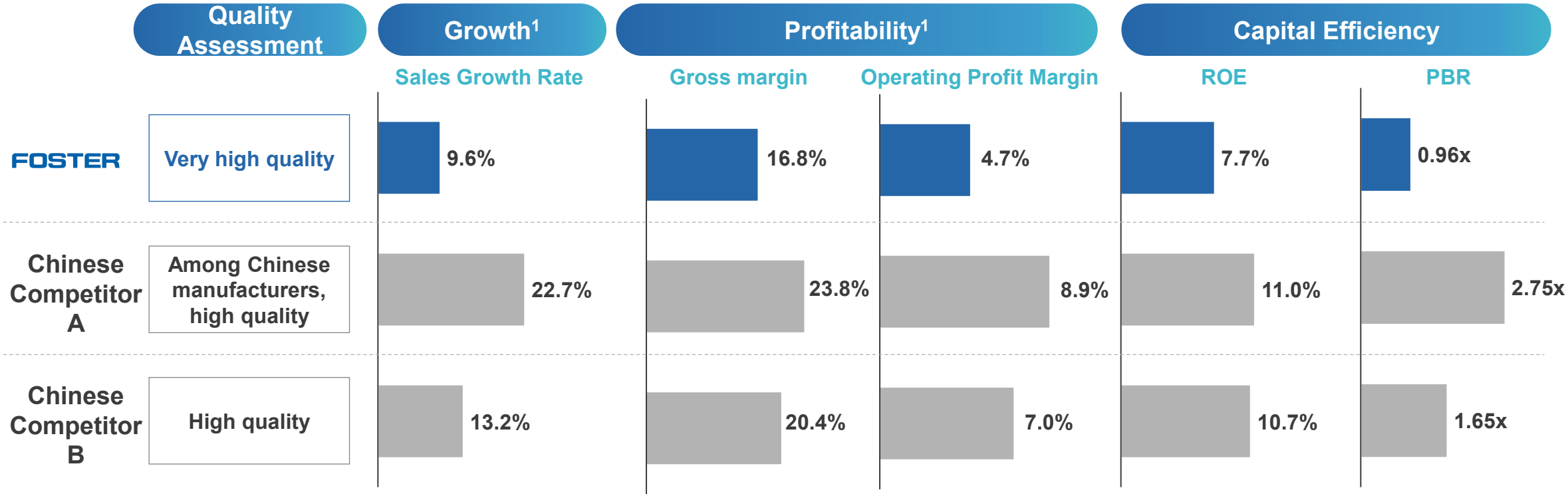
- PBR reached 1x, achieving the target ahead of schedule
- ROE is 7.7%, just short of the 8% target
- Annual dividend per share raised from ¥60 to ¥80. For FY2026, the dividend policy is strengthened to the higher of a 50% payout ratio or DOE of 4%.

1. AVAS (Acoustic Vehicle Alerting System) is a safety system that generates artificial driving sounds (approach warning sounds) to prevent pedestrians from failing to notice electric vehicles (EVs) and hybrid vehicles (HVs) when they travel at low speeds, since they are so quiet.

Comparison with Global Competitors

FOSTER

Competitors using production automation have gained ground over the past decade. We lead on quality but need to improve cost competitiveness and capital efficiency



- Customer ratings show **our quality[2] is at the highest level**
- To leverage our quality advantage for order growth, **cost competitiveness and faster development speed are challenges to address**

- Our ~10% annual growth lags competitors, which have grown with Chinese OEMs and expanded into speaker-adjacent areas
- **Opportunity to accelerate growth by expanding orders in growing markets**

- The gross margin gap of 4–7 pts versus competitors is **an improvement opportunity that can be narrowed by advancing production automation**
- **The gross margin gap translates almost directly into the operating margin gap**

- ROE: At 7.7%, our ROE is below both competitors (approx. 11%) and our cost of equity. **Improving profitability and reviewing our capital structure could raise ROE**
- PBR: **Our PBR remains around 1.0x**, which is below competitor levels.

1. Growth rate uses the annual average growth rate over the past 5 years; profitability uses the average over the past 3 years | 2. Refers to acoustic performance and low individual variation

Source: Company disclosures (figures in local currency), based on research by external research firms

Five Key Challenges for Enhancing Corporate Value

While pursuing stable growth built on quality, we have fallen behind competitors in capturing growth markets, cost structure and capital efficiency, and must prepare for external change. We will tackle five challenges head-on, including developing next-generation businesses

Expanding order potential in the growth market for automotive audio products

- Expansion into fast-growing markets centered on China has been delayed, and **sales growth is below that of competitors**
- Building on strong relationships with existing customers, we will **accelerate expansion into growing markets for automotive speakers**, such as China and India.

1

Refining the cost structure

- **Further automation and group-wide purchasing optimization** create room to **raise gross margin to competitive levels**

2

Preparing for changes in the business environment

- Production is concentrated in China and Vietnam, **a structure highly exposed to RMB appreciation, rising material costs, and U.S. tariffs**
- **Production and sourcing systems need to be reviewed in light of geopolitical risks**

3

Improving capital efficiency

- ROE is 7.7%, below the cost of equity, and **PBR is around 1.0x**
- **Review capital structure and how funds are used**

4

Developing next-generation businesses beyond automotive

- Actuators and small drivers drive revenue, but **market development for monitoring devices and high-value integrated products is taking longer than expected**
- **Initiatives and mechanisms are needed to** elevate new individual businesses into a second pillar alongside the automotive business

5

Source: Company disclosures (figures in local currency), based on research by external research firms

Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031

IV-1. Role of the Medium-Term Business Plan 2031

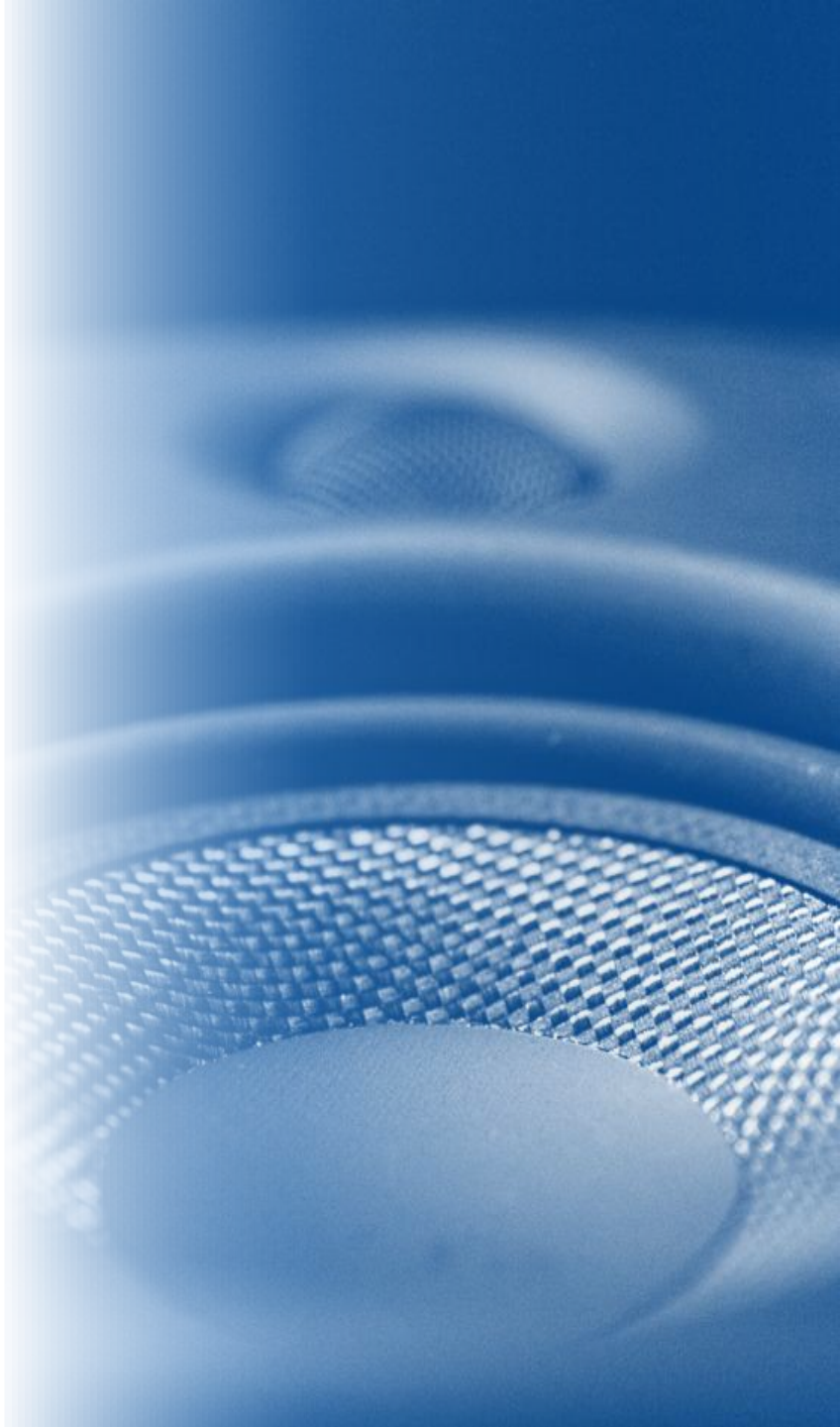
IV-2. Mobility Business

IV-3. Consumer Business

IV-4. Initiatives for New Business and M&A

IV-5. Financial and Capital Strategy

IV-6. Transformation of the Management Foundation



Role of the Medium-Term Business Plan 2031

FOSTER

Enhancing corporate value through aggressive growth investment in mobility to capture growth markets, combined with cost structure reform and a sharp improvement in capital efficiency

Capturing growth markets	Cost structure reform	Fundamental improvement of capital efficiency
Previous Medium-Term Plan (FY2020–FY2024)	*Current Medium-Term Plan (FY2025–FY2027)*	*Next Medium-Term Plan (FY2027–FY2031)*
Final stage of the transformation into a mobility business	**Mobility business growth outpacing the market**	**Active investment in the mobility business**
Remaining challenges: PBR and ROE levels	**New businesses are still in the development stage**	**Cost structure reform through production automation and procurement optimization**
	PBR 1x target achieved	**Improving capital efficiency through borrowings and enhanced shareholder returns**
	ROE has not yet reached 8%	

Net Sales:
¥137.6 billion
Operating profit:
¥6.8 billion

Net Sales:
¥150 billion
Operating profit:
¥9 billion

Net Sales:
¥220 billion
Operating Profit:
¥15.5 billion

With the current plan's targets now within reach, and in light of recent changes in our competitive and macroeconomic environment, we have decided to review our strategy

Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031

IV-1. Role of the Medium-Term Business Plan 2031

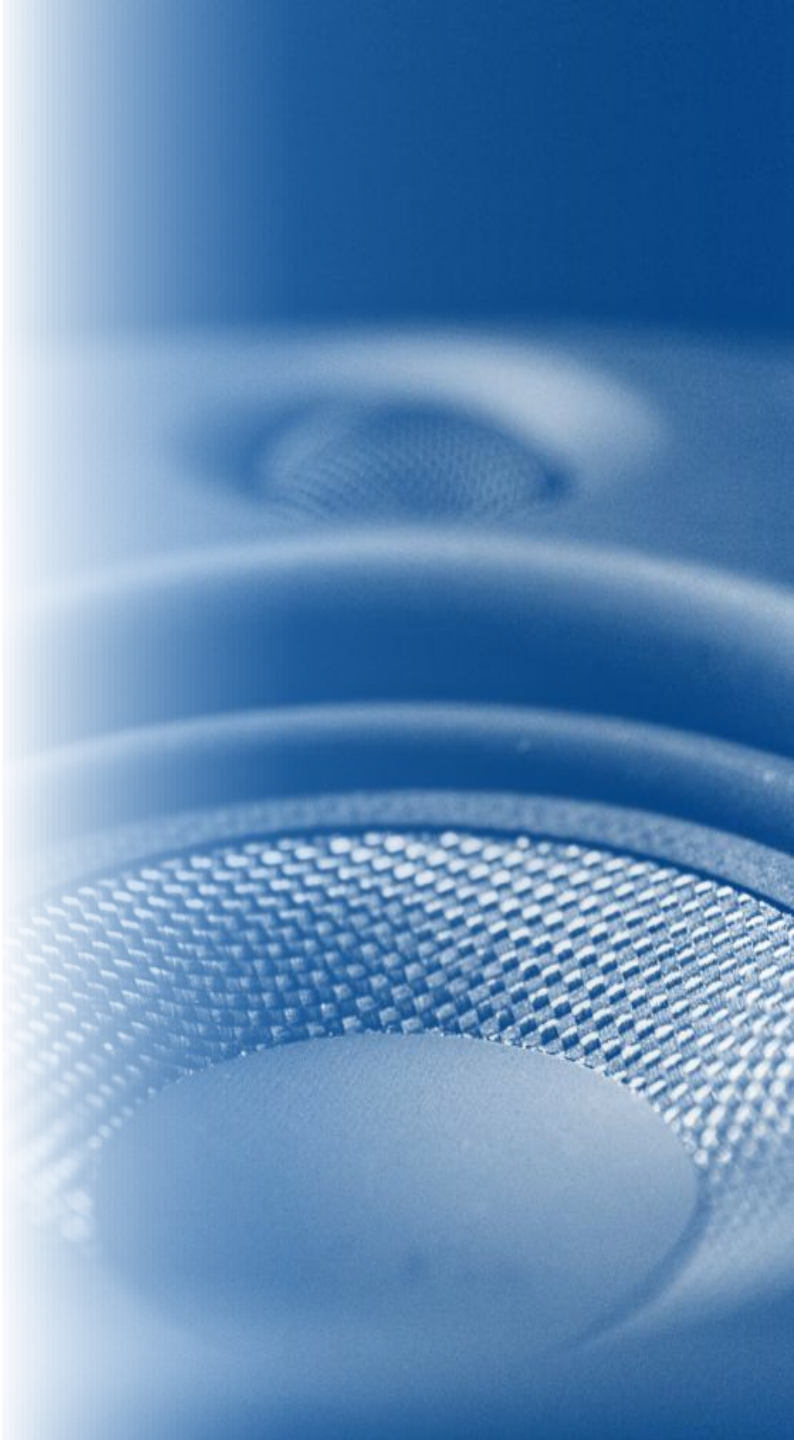
IV-2. Mobility Business

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IV-4. Initiatives for New Business and M&A

IV-5. Financial and Capital Strategy

IV-6. Transformation of the Management Foundation



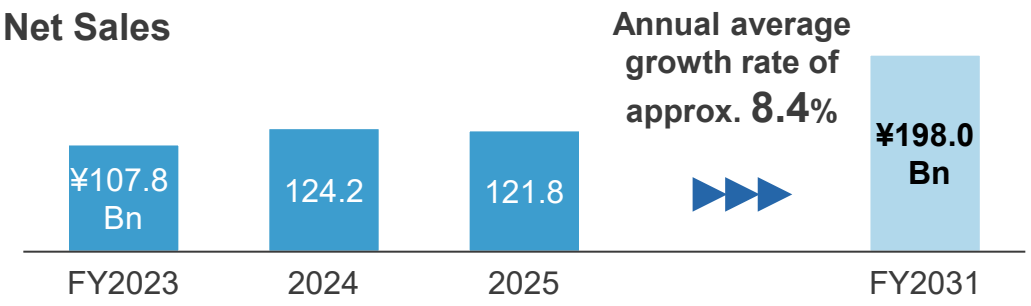
Medium-Term Business Plan for the Mobility Business

FOSTER

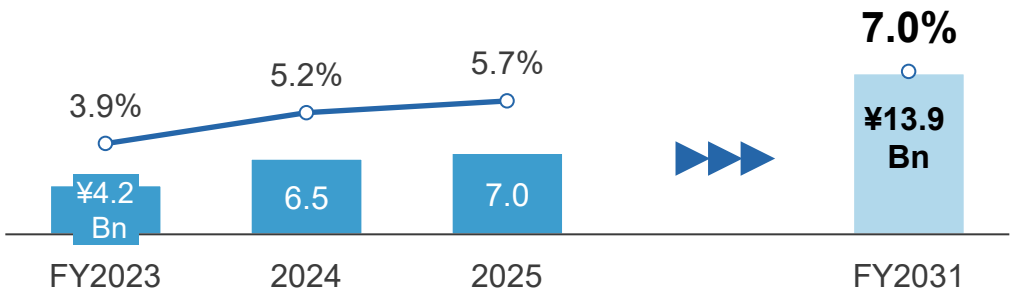
Building on our quality and performance while using automation to cut costs, we aim to grow share in China and North America and achieve both growth and higher profitability as a leading automotive audio supplier

Mobility business sales and profit plan[1]

Net Sales



Operating Profit Amount and Margin



Business ROIC

9.5%
(FY2025)

Raise returns above the cost of capital
(FY2031)

Competitive advantages

- **High quality and high performance:** Manufacturing know-how that delivers industry-leading quality
- **Brand:** Strong industry reputation built on a long track record (Foster brand)
- **Stable supply capability:** Distributed network of sites and stable relationships with suppliers

Business environment

- **Steadily growing automotive speaker market:**
  - — Global auto sales expected to keep growing, led by China and India
  - — ADAS and autonomous driving to boost in-vehicle entertainment and speakers per vehicle
- **Economic fragmentation and currency risk:** Growing fragmentation, including US-China tensions, and shifting exchange rates require a more flexible response

Business strategy

- **Expand orders in the growing Chinese market and the steadily expanding North American market**
- **Dramatically strengthen cost competitiveness**
- **Strengthen resilience to geopolitical risks**

Main initiatives

Cost-competitiveness refinement and accelerated development speed to expand business in the Chinese market	Enhancing cost competitiveness through production automation	New North American production base and deeper engagement with North American customers

The segment sales and profit plan is a simplified restatement of existing business performance into the segments of the Medium-Term Business Plan 2031; accurate historical segment figures will be published at a later date

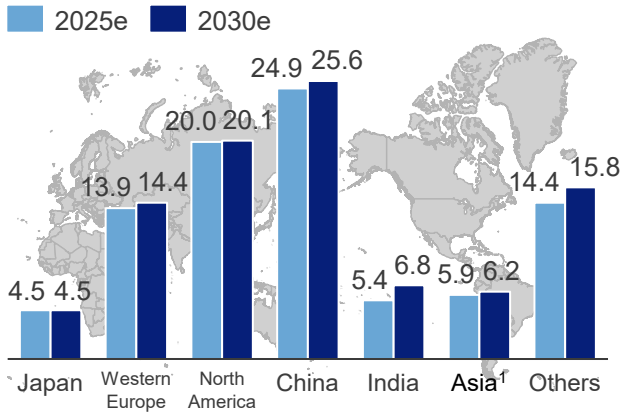
Business Environment

FOSTER

Capturing growth in the expanding automotive speaker market requires a structure resilient to geopolitical risks and currency fluctuations

In-vehicle speaker market expected to grow

Automobile sales by major region; millions of units



Global automobile sales are expected to grow steadily, with particularly strong growth in China and India.

Addressing global economic fragmentation and currency risks is necessary

International tensions and instability

Tariffs on US exports: expected to incur 12.5–25% duties from April 2030 onward

Economic bloc formation: driven by geopolitical rivalry such as US–China tensions

China's local sourcing preference: Suppliers with local development and procurement capabilities tend to be favored.

Growing de-risking efforts by countries to protect domestic industries and reduce geopolitical risks are driving economic bloc formation and localization centered on like-minded countries

Production sites must be located with tariffs in mind

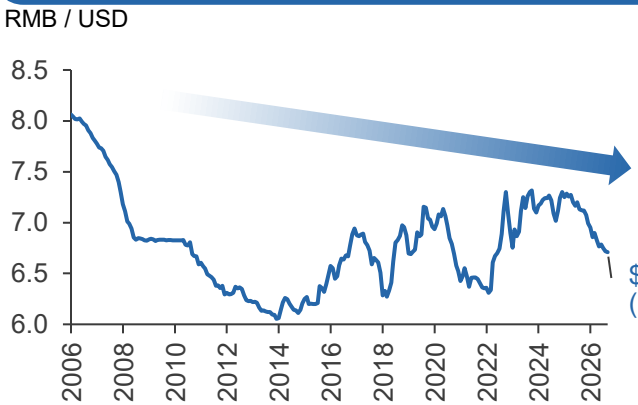
Trend in the number of speakers installed



Speakers per vehicle

With the spread of approach warning speakers and advances in autonomous driving, rising demand for sound quality in premium vehicles has increased

Exchange rate trends



$1=6.71RMB (Sept. 2026)

For our company, which has bases in China and sources heavily from Chinese suppliers, preparing for a stronger RMB is important

1. Asia excluding Japan, China, and India as the base

Source: Mizuho Bank, World Bank, ILOSTAT

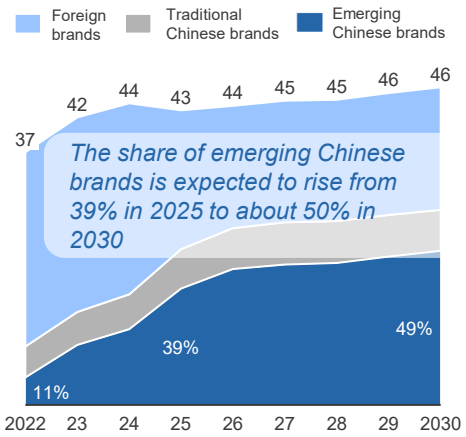
Expanding Our Business in China

Close the gap with competitors in cost, development speed and product range to win business from fast-growing Chinese automakers and gain share in China

Current challenges

- **Growth opportunities in customer segments:** Building on our track record with foreign automakers and traditional Chinese automakers, there is room to expand business with other growing local manufacturers.
- **Cost competitiveness and development speed**: Customer feedback indicates that "technical capability and quality are high, but prices are somewhat high and development speed lags behind."
- **Room to expand product lineup:** While Chinese local competitors are developing peripheral equipment and other products, our company remains limited to speaker-only product offerings.

China automotive speaker market size; 100 million RMB



Product Lineup Comparison

	FOSTER	Main Competitors
Amplifiers (built-in)		✓
DSP		✓
Tuning		✓
Amplifiers (standalone)		✓
Speaker	✓	✓

Initiative details

Achieving optimal cost

Achieve competitive pricing even against local Chinese manufacturers through labor-saving and automation at our China base, along with a review of material and logistics costs.

Improving development speed

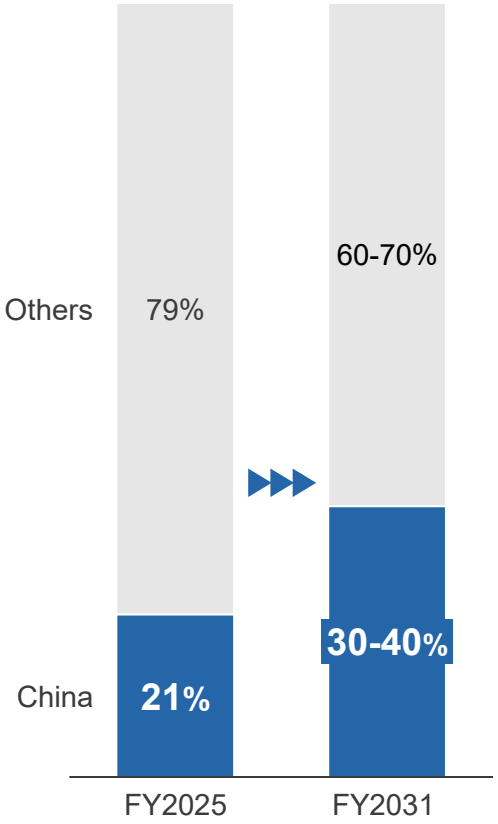
Build an integrated development, sales and procurement system in China, enabling rapid response to a greater number of inquiries

Entering adjacent markets

Expand into audio-related products beyond speakers for Chinese local OEMs, generating cross-selling revenue alongside speakers

(e.g., the market size for OEM factory-fitted amplifiers and similar products for emerging Chinese OEMs is approximately ¥53 billion)

Share of China in the automotive speaker business



Source: Company disclosures (figures in local currency), based on research by external research firms

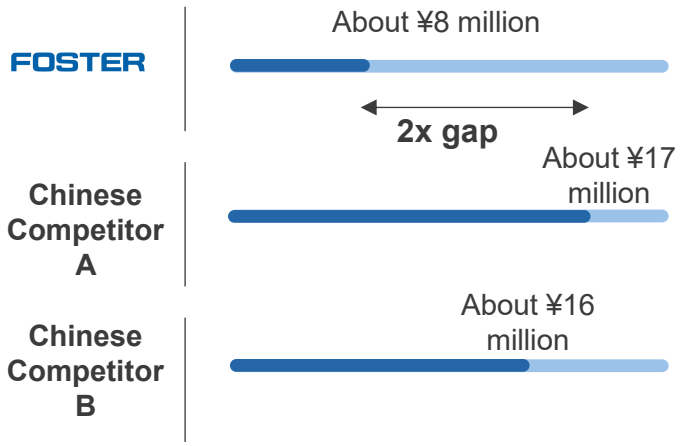
Enhancing Cost Competitiveness Through Production Automation FOSTER

¥9.5 billion in automation investment and design for automation will reduce reliance on skilled labor and build a cost structure less exposed to rising wages

Current challenges

- **Competitive comparison shows lagging production automation:** while our strength has been high-quality manufacturing by skilled workers, further advancing production automation offers significant room to lower costs
- **Rising labor costs:** Labor costs are expected to continue rising in Vietnam and China, where our major factories are located, and countermeasures are needed

Revenue per employee; FY2025



Initiative details

- **Automate the manufacturing lines at major factories in China and Vietnam:** Advance automation from parts production through assembly and inspection, reducing direct production headcount by approximately 30%
- **Design products with automation in mind:** Shift next-generation products to designs that make assembly processes easier to automate
- **Simplify processes:** Eliminate processes and internal rules that add no quality value

Current Situation → **After automation (illustrative)**



Process automation rate (estimated)

65% ▸▸▸ 75%

Investment Amount

¥9.5 billion

Projected Profitability Improvement / Year

+3 %pt

Source: Company disclosures, and company estimates based on interviews with suppliers and customers, etc.

Establishing a North American Production Base to Win Local Customers

FOSTER

Build local-for-local production in North America to reduce tariff and logistics risks and win more orders from North American customers

Current challenges

- **Transportation costs and tariffs:** For North America, production is in Asia, so we recognize the possibility of rising shipping costs and future tariff risks
- **Customer acquisition potential**: Competitors already have production bases in Mexico, and having a production base in North America may further expand our opportunities to receive orders
- **Geopolitical risk response:** Customers aiming to expand into North America may also ask us to address geopolitical risks

Currently exporting from our Vietnam factory to North America



Initiative details

- **Establishment of a factory in Mexico:** consolidating production for multiple North American customers (US audio brands, US automotive OEMs)
  - Reduce US tariff exposure by qualifying under USMCA rules of origin
- **Strengthening the West Coast base**: additionally, enhancing sales and engineering at the West Coast locations to develop new customers, including robotics companies

Investment Amount

¥10.5 billion

Overview of the new factory in Mexico

Location	Mexico
Site & Buildings	Site area: 48,000 m²; floor area: 25,000 m²
Products	Speakers, speaker system, and related components
Main Customers	North American automotive OEMs, audio brands, etc.
Start of Operations	To be announced once confirmed

Status of major speaker manufacturers' expansion into Mexico

Major competitors already have production bases in Mexico

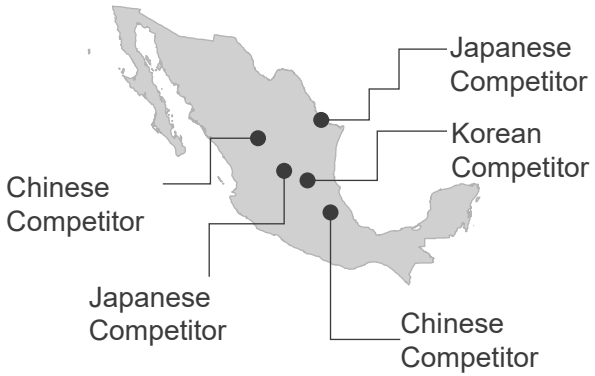


Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031

IV-1. Role of the Medium-Term Business Plan 2031

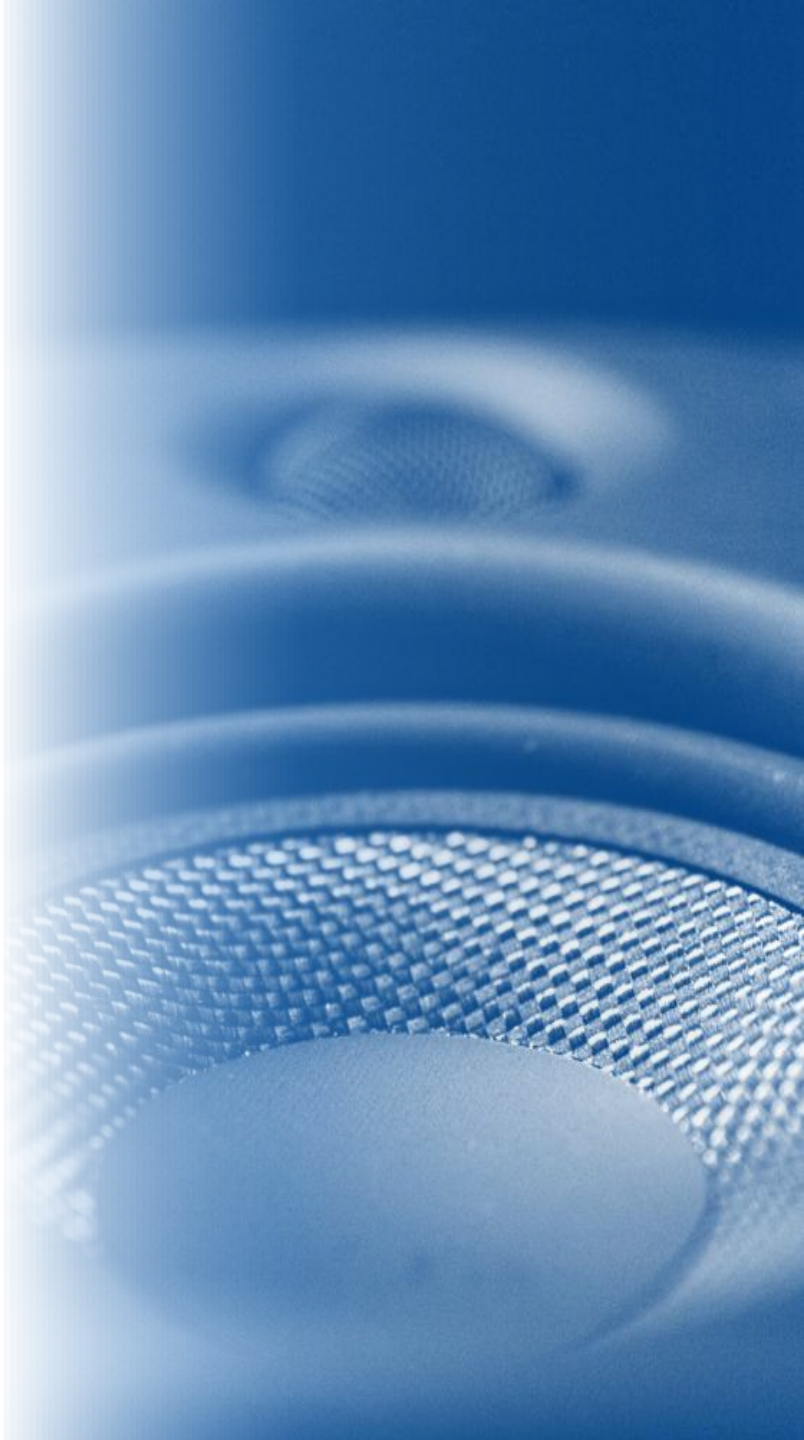
IV-2. Mobility Business

IV-3. Consumer Business

IV-4. Initiatives for New Business and M&A

IV-5. Financial and Capital Strategy

IV-6. Transformation of the Management Foundation



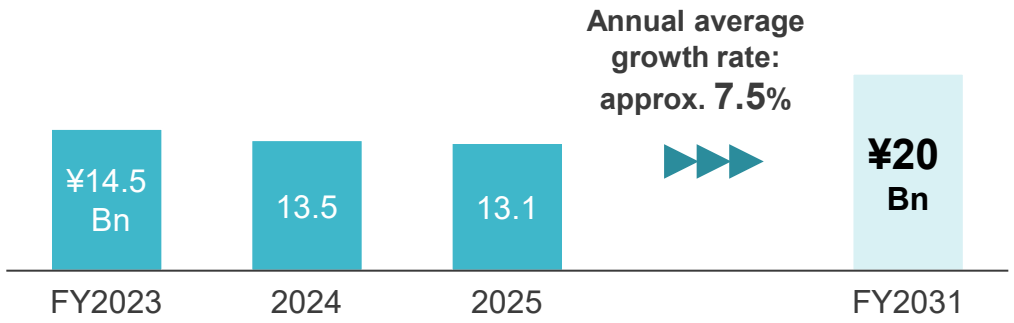
Medium-Term Business Plan for the Consumer Business

FOSTER

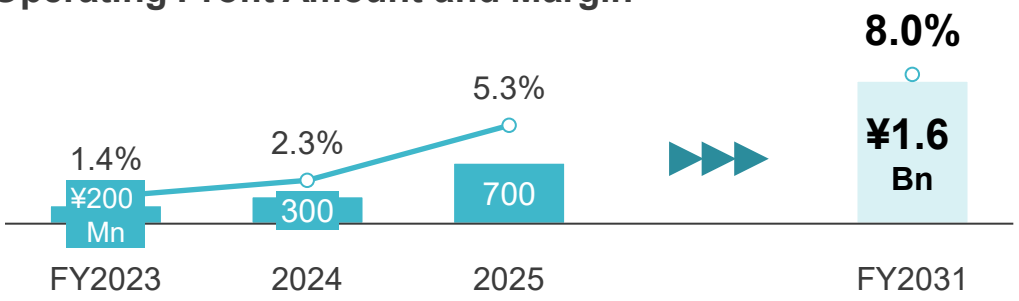
Focus on right-sized segments where our acoustic and vibration technologies give us an edge, improving profitability and business value

Sales and profit plan for consumer business[1]

Net Sales



Operating Profit Amount and Margin



Business ROIC

9.3% (FY2025) ▶▶▶ **Raise returns above the cost of capital** (FY2031)

Competitive advantages

- **Product Performance & Core Technologies**: Unique audio and vibration core technologies, including compact drivers, planar diaphragms, and vibration devices
- **Reliability**: Mass-production quality with minimal unit-to-unit variation, backed by long-standing supply track record to major audio brands
- **Customization Capability**: A production system that designs, develops, and realizes products tailored to customers' applications

Business environment

- **Intense competition in the earphone market**: The market is expanding, but price competition with major EMS companies is intensifying
- **Growing hearing issues:** With hearing loss rising due to aging and noise exposure, demand for hearing support is expected to grow
- **Rising manufacturing labor costs:** Labor costs continue to rise in Vietnam, our main manufacturing base for the Consumer business

Business strategy

- Building a reliable profit-generating model through production automation to enhance business value
- Identifying markets where core technologies enable differentiation, and creating new services and products including through partnerships

Main Initiatives

Enhancing cost competitiveness through promotion of purchasing optimization and automation

Expanding orders for complex products that leverage comprehensive design capabilities, pursuing high value-added products

1. The segment sales and profit plan is a simplified restatement of existing business performance into the segments of the Medium-Term Business Plan 2031; accurate historical segment figures will be published at a later date

Pursuing High Value-Added Products

FOSTER

Leveraging integrated design capabilities honed with world-class brands, we will keep developing new applications and customers and build our next core businesses within five years

Current challenges

- **Diversification of business partners:** While building strong business relationships with world-class companies by leveraging high quality, there is room to develop new customers
- **Value-added product development:** Current sales are centered on components such as drivers, with room to expand into integrated products

Consumer business sales performance

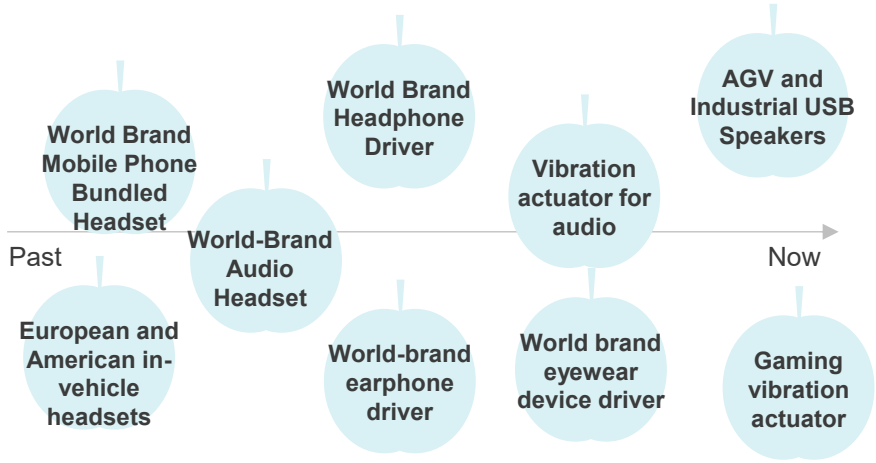
Products \ Uses	Earphones / Headphones	Game	Wellness / Others
Driver	Large	Middle	
Actuator		Large	Small
Finished Products / Others	Large		Small

Initiative details

- **Increasing customer touchpoints:** Website renewal (approx. 50% increase in inquiries), hands-on demos, active participation in trade shows, etc.
- **Leveraging comprehensive product design capability:** Utilizing our strength in consistently designing drivers, mechanisms, and electrical circuits, we aim to win orders for integrated products beyond individual components
- **Exploring new applications for core technologies:** Expanding actuator technology into applications beyond vibration

Past product development results and seeding status

Track record of continuously launching businesses with annual sales of ¥1 billion



Actively pursuing new uses and customer proposals at all times



- Core Technologies
- Customer Challenges
- Value Co-creation Capability

Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031

IV-1. Role of the Medium-Term Business Plan 2031

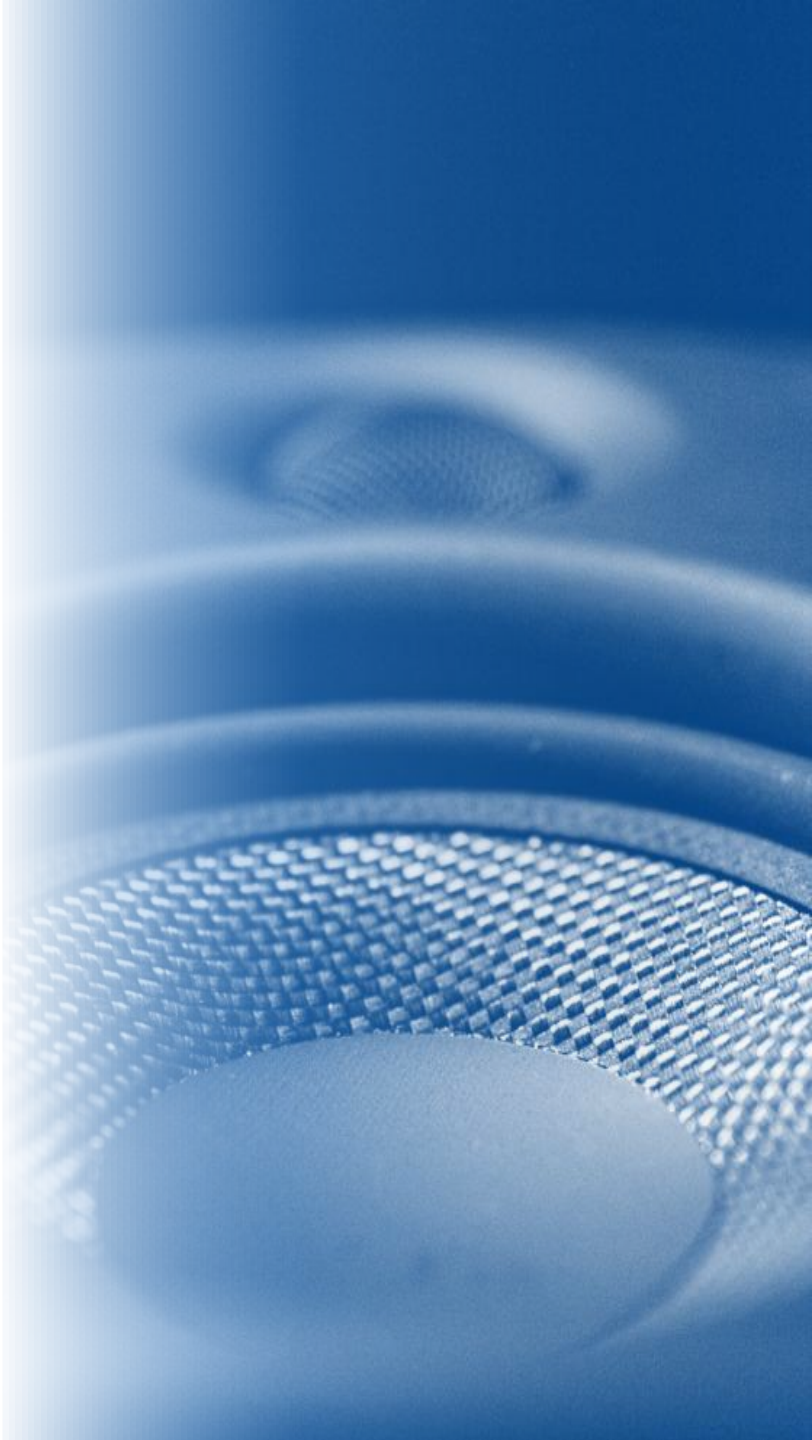
IV-2. Mobility Business

IV-3. Consumer Business

IV-4. Initiatives for New Business and M&A

IV-5. Financial and Capital Strategy

IV-6. Transformation of the Management Foundation



New Business Initiatives

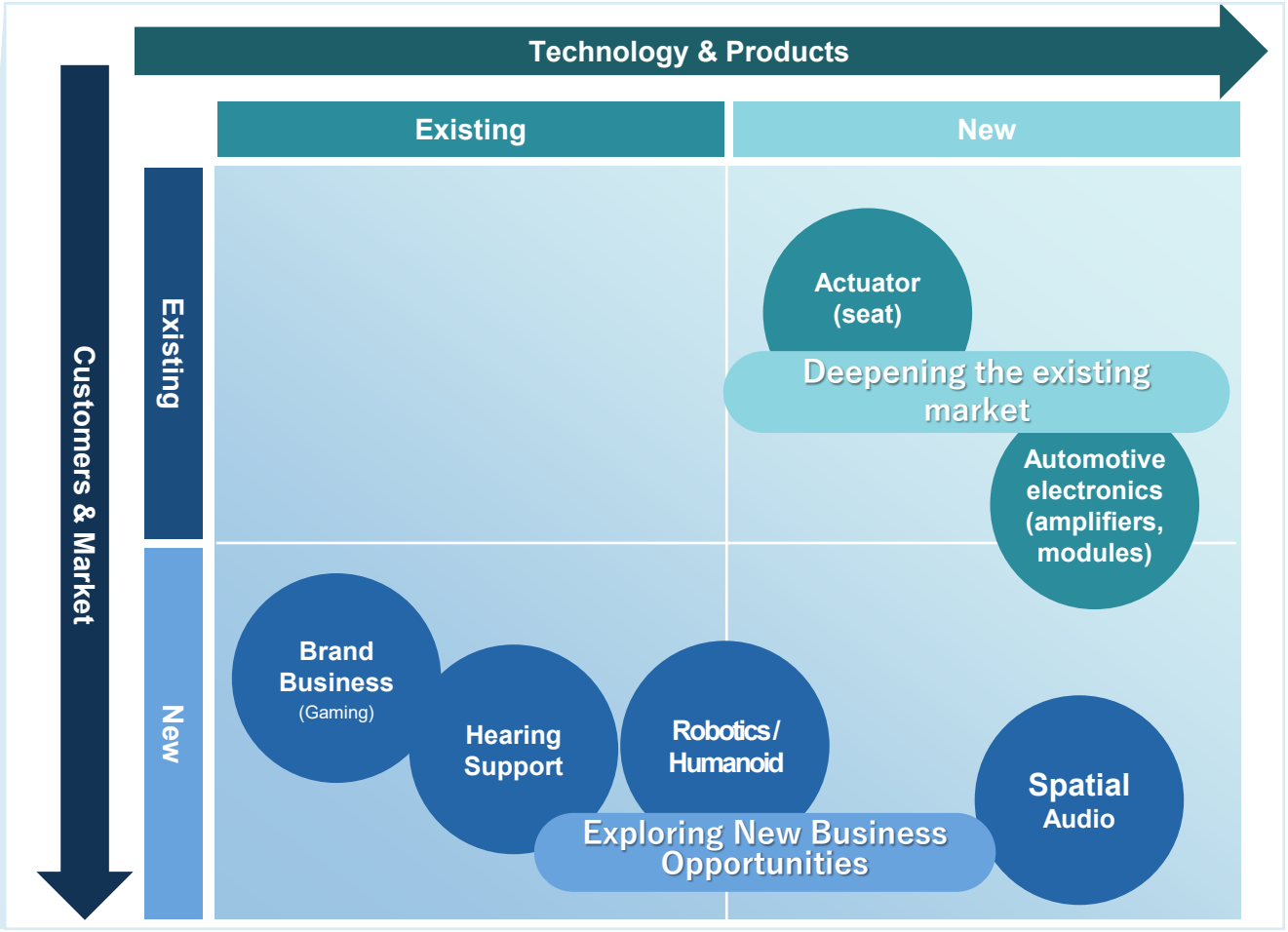
FOSTER

Building on our core sound and vibration technologies and proposal capabilities, we are exploring emerging fields to create new pillars beyond mobility

New business creation at Foster

Purpose of undertaking new business ventures	**Build multiple business pillars beyond the mobility business**, where we hold the No. 1 global share
Positioning in the medium-term business plan 2031	**Explore growth opportunities beyond the mobility framework**, **assessing business feasibility and validating technical aspects of promising themes** that will support future revenue during this period
New business creation accelerator framework	**Establish a management structure that simultaneously expands the pool of ideas and improves the certainty of monetization and commercialization**
Approach to new fields	Over many years of refinement, **our core technologies in sound and vibration, along with our proposal capabilities, can be leveraged as strengths in these fields**

Examples of new business ventures currently under consideration



Strategic Use of M&A

FOSTER

Use debt with financial discipline and invest selectively in deals that accelerate growth and expand our business domains

M&A approach policy

Invest selectively in projects with expected returns above the cost of capital, **using financial leverage**

Enhancing cash flow generation capability through **the realization of synergies** after integration



Investment limit:

Temporarily allow Net Debt/EBITDA > 2.0x during M&A, then **recover to approx. 2.0x** via cash generation

Generate cash and use it to repay borrowings, **maintaining leverage capacity for the next investment**

M&A consideration areas

Consider M&A that contributes to expanding profits in existing business areas as well as entering new business areas

	Objectives	Target profile
Vertical integration	**Cost reduction and stable procurement** • Internalize production of key components with high price volatility to stabilize costs • Build a procurement network less affected by geopolitical risks	Magnets and other core component manufacturers, etc.
Horizontal integration	**Expansion of market share and customer base** • Expand order opportunities by acquiring companies with a presence in regions and customer segments where we are underrepresented	Complementing regions and customers with speaker manufacturers, etc.
Entry into new domains	**Accelerating new business creation and cross-selling with existing businesses** • Acquiring technologies and customers that take time to develop in-house, bringing forward commercialization • Expanding sales through integrated proposals combined with speakers	New business area companies, etc. Audio product manufacturers, etc.

Making ESTec a Wholly Owned Subsidiary

Launching a tender offer to take full ownership of ESTec, our listed Korean subsidiary

FOSTER

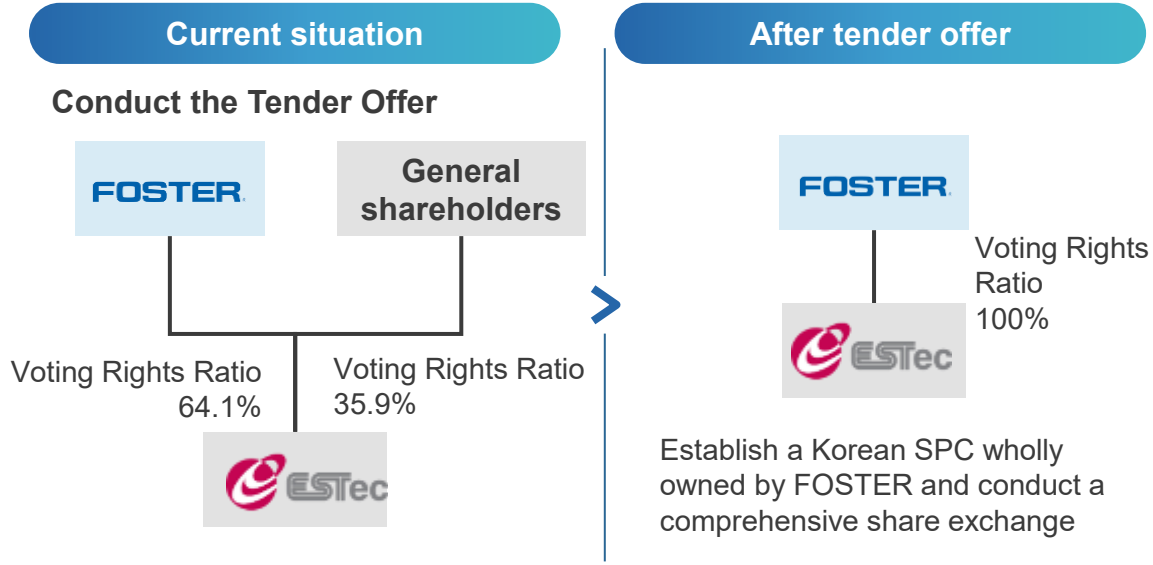
ESTec overview

Company Name	ESTec Corporation (KOSDAQ listed, Stock Code 069510)
Headquarters Location	Yangsan-si, Gyeongsangnam-do, Korea
Listing	KOSDAQ, November 2003
Relationship with Our Company	Became a consolidated subsidiary in 2009. Our shareholding: 49.41% (Voting rights: 64.1%)
Main Business	Manufacturing and sales of audio equipment including automotive speakers, home TV speakers, other speakers, and related parts.
Main Production Bases	Vietnam, China
Performance (FY2025 ending December)	Revenue KRW 468.2 billion; Operating profit KRW 45.8 billion (operating margin 9.8%)
Number of employees	Approx. 4,200

Overview of the acquisition proposal

Tender offer price	KRW approx. 72.5 billion / approx. ¥8.7 billion (KRW24,000 per share)
Acquisition Methods and Process	Acquisition of all shares of the target company through a tender offer (Tender offer period: November 11, 2026 to December 11, 2026)
Financing	Interest-bearing debt

Acquisition Scheme



Creating synergies through the full acquisition of ESTec[1]

FOSTER

To enhance the corporate value of both ESTec and Foster, we will optimize resource allocation across the group, cut costs and improve capital efficiency

Audio-related product value chain

Product Development

- **Cross-utilization of technology and patents**: Consolidate and jointly utilize a total of approximately 400 patents from both companies to strengthen the development structure
- **Mutual exchange of engineers:** Raise development capabilities through personnel exchange and improve product competitiveness

Purchasing

- **Cost reduction through joint purchasing:** Leveraging both companies' procurement scale to achieve cost reductions and stable sourcing of key materials such as magnets and metal parts

Manufacturing

- **Mutual utilization of production bases**: Operate both companies' global bases as one integrated network to optimize production allocation and improve capacity utilization
- **Responding to geopolitical risks:** Strengthen the supply chain, including local production for local consumption in North America

Sales & Marketing

- **Cross-selling enhancement (mutual utilization of customer base and manufacturing capabilities):** Combine our customer relationships with Japanese and Western automakers and audio brands with ESTec's manufacturing capabilities to expand orders

Corporate Functions

- **Consolidating back-office functions to free up management resources**: integrate IT/DX, sustainability, and other functions to eliminate duplication and concentrate management resources on the business

Finance

- **Enhanced fundraising capacity through scale expansion:** Leveraging the group's business scale and creditworthiness to raise funds on favorable terms
- **Centralized management of intra-group funds and improved efficiency:** Pooling surplus funds and funding needs within the group to enhance capital efficiency
- **Expanded resources for shareholder returns:** Consolidating 100% of ESTec's profits for accounting purposes, increasing profit attributable to parent company shareholders and ROE

1. The numerical plan in the Medium-Term Business Plan 2031 does not incorporate all of the synergies intended from this M&A transaction.

Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031

IV-1. Role of the Medium-Term Business Plan 2031

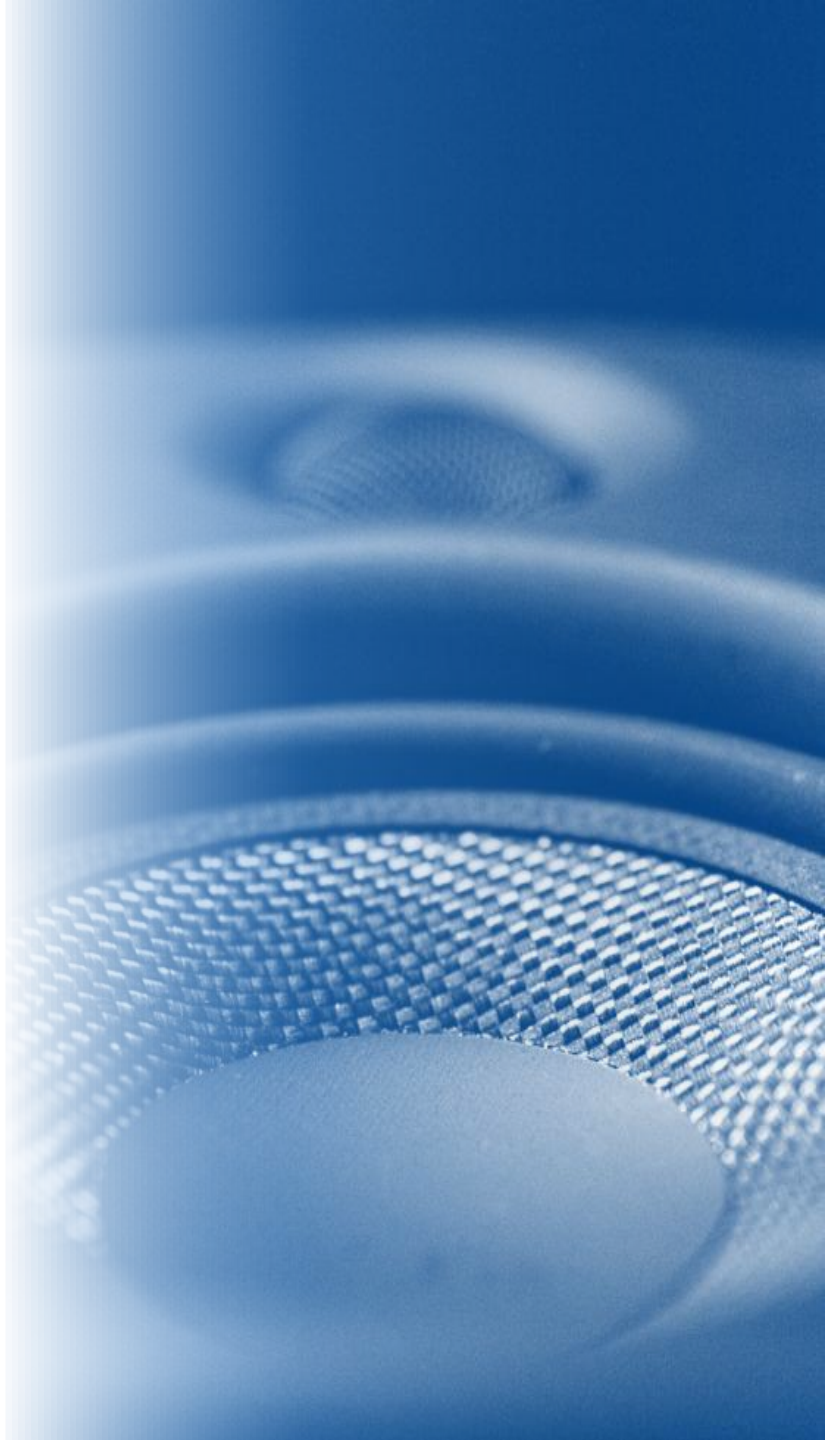
IV-2. Mobility Business

IV-3. Consumer Business

IV-4. Initiatives for New Business and M&A

IV-5. Financial and Capital Strategy

IV-6. Transformation of the Management Foundation



Financial and Capital Strategy Overview

Prioritizing investment in sustainable growth while optimizing the capital structure through borrowing and higher shareholder returns

Current challenges

- **ROE improvement potential:**
  FY2025 ROE was 7.7%, which is below the cost of equity
- **Net cash position**:
  Cash on hand continues to exceed borrowings
- **PBR around 1.0x**:
  Market valuation has room for improvement

Medium- to long-term financial and capital policy

1 Prioritize growth investment

- Invest decisively in the necessary areas to drive further business growth and profitability improvement
- Implement investment decisions and business portfolio strategies that incorporate ROIC and cost of capital

2 Strengthen shareholder returns

- Return 100% of profit to avoid further equity build-up, plus an additional 10% to reduce excess equity

Dividend payout ratio

110%

Additional 10% beyond 100%: flexible share buybacks are also anticipated as a means of returning value to shareholders.

3 Capital structure optimization

- Leverage debt to bring the cost of capital to an appropriate level
- Maintain financial discipline

Shareholders' Equity Ratio **30%**

Net Debt /EBITDA **2.0x**

(M&A or large-scale investments may temporarily exceed this level)

Optimizing the Balance Sheet with Cost of Capital in Mind

Eliminating net cash through borrowing and optimizing equity to lower our cost of capital

Medium- to long-term balance sheet optimization policy[1]

Shift from a net-cash capital structure to a moderate net-debt capital structure

Reduce

Promptly reduce cash holdings to move from net cash to net debt

Cash and deposits: ¥20.7 billion

Interest-bearing debt: ¥9 billion

Net assets: ¥76.9 billion

Increase

Raise net interest-bearing debt to ~2x EBITDA over the medium to long term

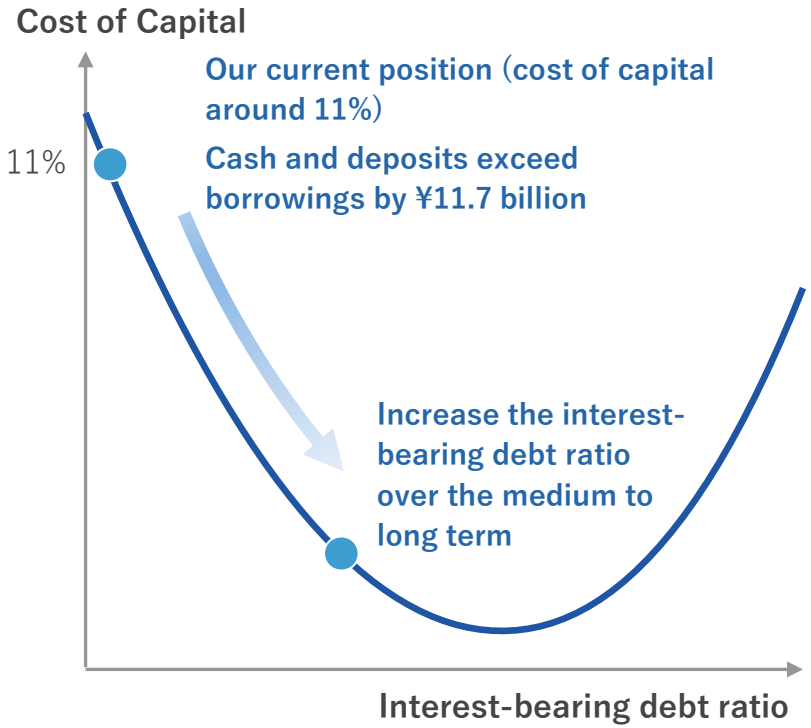
Optimize

Curbing capital buildup and optimizing capital through **shareholder returns with a 110% payout ratio**

Reduction of cost of capital

Use leverage to reduce the cost of capital

Relationship Diagram: Cost of Capital and Interest-Bearing Debt



1. Figures as of March 2026

Capital Allocation (Cumulative FY2027–FY2031)

Funded by operating cash flow and borrowing, we will prioritize growth investment and M&A and return all surplus capital to shareholders

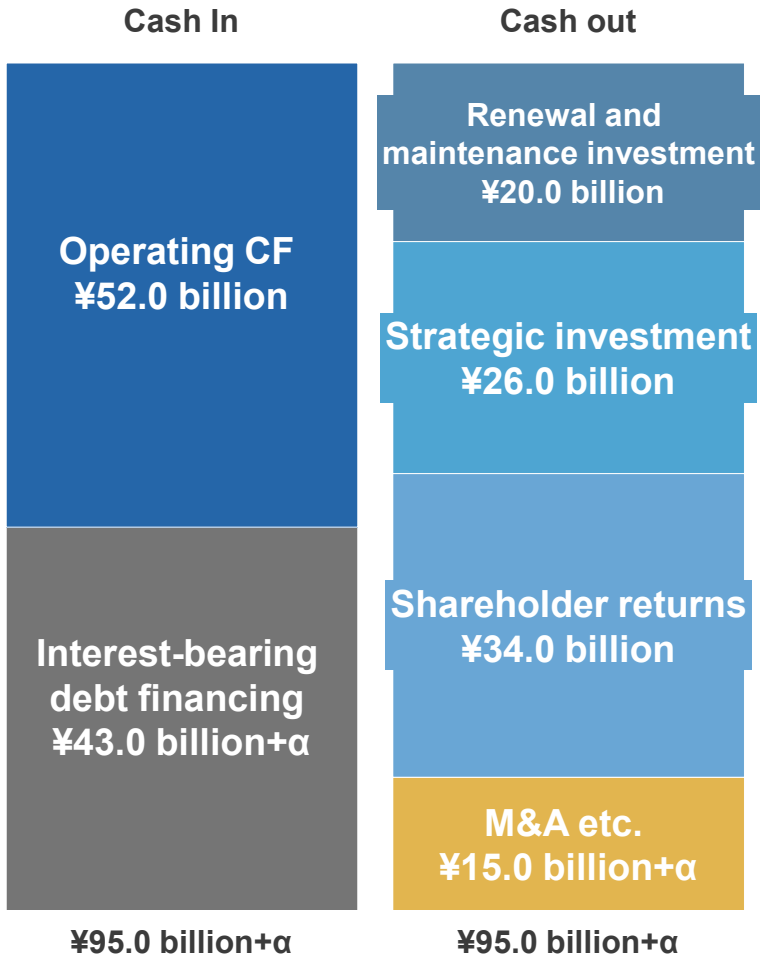
Capital allocation plan

Maximizing operating cash flow

- Expanding orders in China and North America in the mobility business
- Improving operating profit margin to 7% through cost structure reform, including production automation and group procurement optimization

Optimizing cost of capital through active usage of borrowing

- Utilizing interest-bearing debt within limits that do not impair financial stability
- Reducing cost of capital through optimization of capital structure



Update and maintenance investment in existing facilities

Strategic investment for profit growth

- Production automation
- Establishing new production bases in North America and India
- Developing IT and DX infrastructure
- Expansion of development and manufacturing facilities for products, etc.

Strengthening shareholder returns

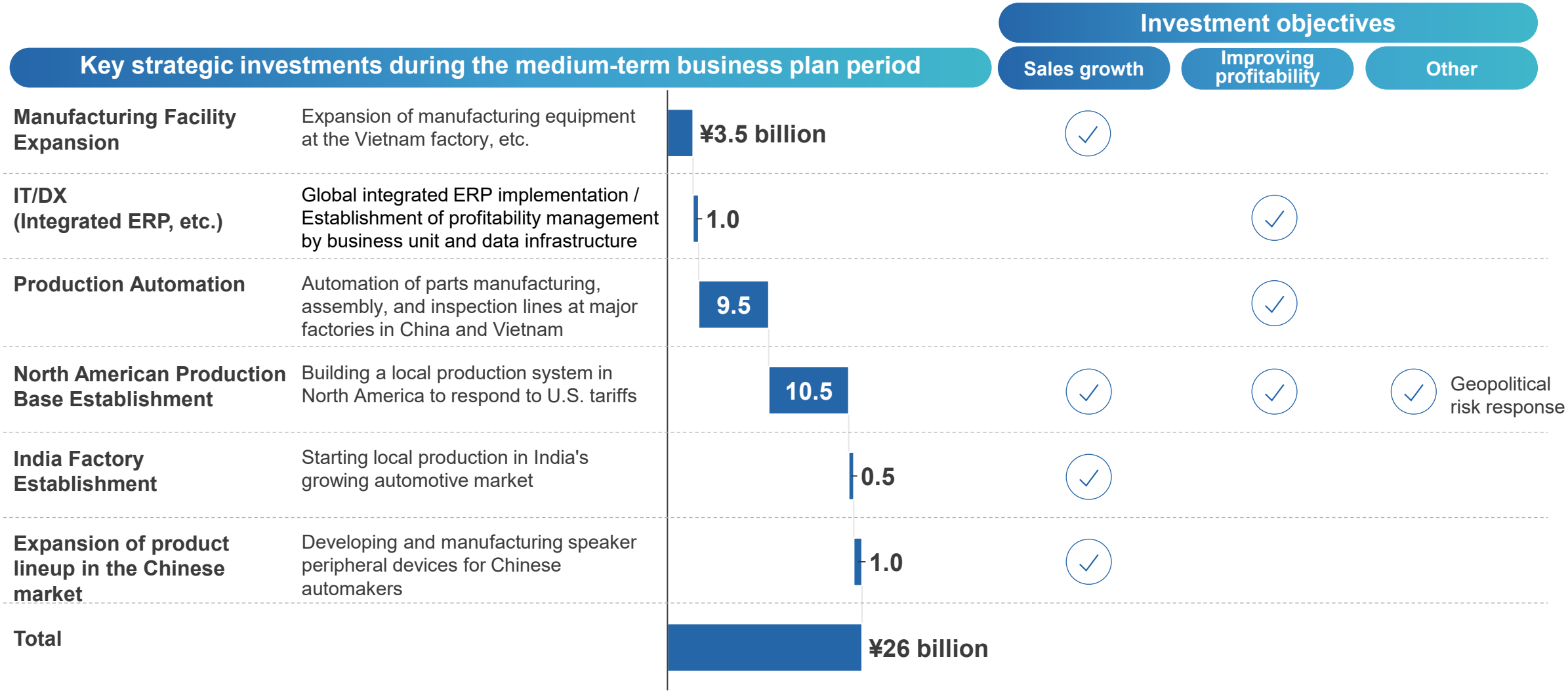
- Target a dividend payout ratio of 110%, with continuous dividend increases in line with profit growth

M&A for inorganic growth

- Selectively investing in deals that accelerate growth and expand business domains
- In addition to the full acquisition of ESTec, large-scale M&A is also under consideration (in which case net debt/EBITDA may exceed 2x)

Strategic Investment Breakdown (Cumulative FY2027–FY2031)

We plan about ¥26 billion in strategic investment, focused on automation and North American production, to grow both sales and profitability



Shareholder Return Policy

Returning surplus capital after growth investment, we will move to a 110% dividend payout ratio from FY2026, ahead of schedule, and grow returns in line with profits

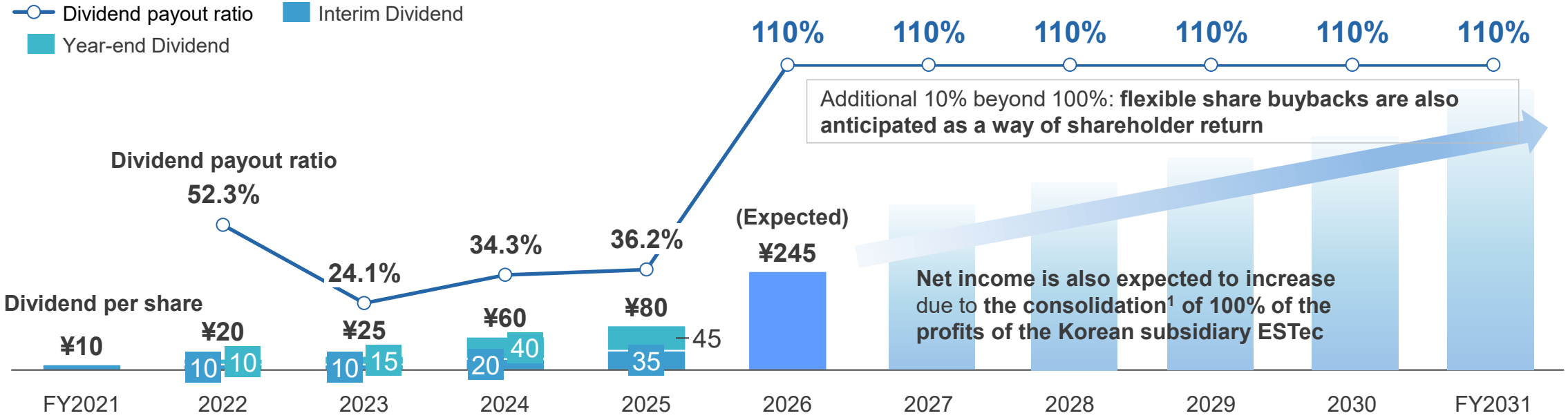
Current shareholder return policy

- **Target at a dividend payout ratio of 50% or a DOE (dividend on equity) of 4%, whichever is higher**

Med-term business plan 2031 shareholder return policy

- **Dividend payout ratio set at 110%**, with **continuous dividend increases** in line with profit growth (**adopting the 110% payout ratio ahead of schedule starting from the current fiscal year (FY2026)**)
- Additional 10% beyond 100%: **flexible share buybacks are also anticipated as a way of shareholder return**

Dividend payout ratio in the medium-term business plan 2031



1. If the impact of making ESTec a wholly-owned subsidiary contributes for the full year, profit currently attributable to non-controlling interests will shift to owners of the parent. As a result, even if consolidated net income stays at the same level as the current forecast, net income attributable to owners of the parent is expected to exceed the current forecast of ¥5 billion. Applying this to the results for the fiscal year ended March 31, 2026 as an illustrative calculation, profit attributable to non-controlling interests of ¥1.56 billion would be added to profit attributable to owners of the parent of ¥4.95 billion. Profit attributable to owners of the parent, which is the basis for calculating the payout ratio, would therefore be ¥6.51 billion.

Responding to Key Shareholder Requests and Concerns

The Board regularly discusses shareholder feedback in depth. This plan reflects key requests to improve capital efficiency, strengthen shareholder returns and raise profitability

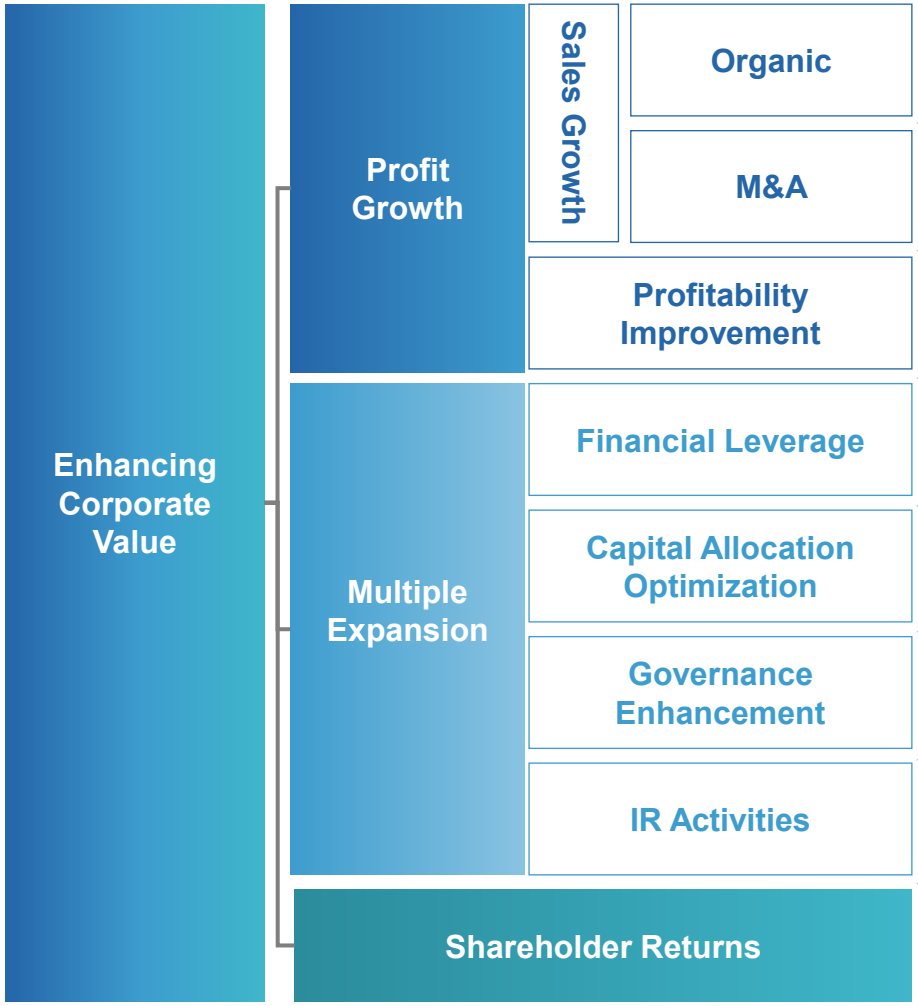
Requests and concerns, etc.	Response status	Review and response details
Improving ROE toward the level the market expects	Reflected in the mid-term plan	**Set a target ROE of 14% for FY2031** (the current medium-term plan targets 8%). Through improved profitability, a review of the capital structure utilizing borrowings, and returning surplus capital, **aim for a level significantly exceeding the cost of shareholders' equity**
Enhanced shareholder returns leveraging surplus cash	Reflected in the mid-term plan	Prioritizing growth investment, we will **adopt a dividend payout ratio of 110% ahead of schedule from FY2026**, implementing continuous dividend increases in line with profit growth and conducting flexible share buybacks as appropriate
Improving Operating Profit Margin	Reflected in the mid-term plan	Restructuring the cost structure through production automation and labor savings, group-wide purchasing optimization, and review of logistics costs, aiming to improve profitability to **a 7% operating profit margin by FY2031**
ROIC-based Management and Disclosure	Under review	Incorporating business-segment ROIC into management metrics, and discussing internally toward establishing investment decision criteria that account for cost of capital
Acquisition of full ownership of ESTec	Already in progress	**In November 2026, we are launching a tender offer to make the company a wholly owned subsidiary**, aiming to strengthen group-wide resource allocation and cost improvements, as well as enhance governance by **eliminating the parent-subsidiary listing structure**

Medium- to Long-Term Initiatives to Enhance Corporate Value

FOSTER

Two pillars, stronger earning power and higher capital efficiency, to earn a higher market valuation

Drivers of corporate value enhancement



Foster's medium-term business plan initiatives and key KPIs

Organic	• Expand orders for mobility-related products in China and North America, and fostering new businesses such as hearing support and robotics	**Annual average growth rate of approx. 8%**
M&A	• Secure business in adjacent areas such as core components and speaker-related peripherals, as well as in areas under consideration for new business	
Profitability Improvement	• Labor savings through production automation, and material cost reduction through group-wide procurement optimization following the full acquisition of the Korean listed subsidiary ESTec, etc.	**Operating profit margin of approx. 7%**
Financial Leverage	• Optimize capital structure through leverage, moving to a net debt position (target net debt/EBITDA around 2x) • During M&A or large-scale investments, this ratio may temporarily exceed 2x	**Net debt/EBITDA ~2.0x**
Capital Allocation Optimization	• Pursue growth and strategic investments as the top priority, actively investing in projects expected to deliver returns above the cost of capital • Return surplus capital to shareholders and optimize the capital structure	
Governance Enhancement	• Complete acquisition of Korean-listed subsidiary ESTec to resolve the parent-subsidiary listing structure • Introduction of investment decision criteria based on cost of capital	
IR Activities	• Unified reporting segments and business-level ROIC disclosure • Proactive disclosure of shareholder requests and responses	
Shareholder Returns	• Continuous dividend increases in line with profit growth	**Dividend payout ratio 110%**

Table of Contents

I. Overview of the Medium-Term Business Plan 2031

II. Introduction to Foster Electric

III. Review of the Current Plan and Key Challenges

IV. Details of the Medium-Term Business Plan 2031

IV-1. Role of the Medium-Term Business Plan 2031

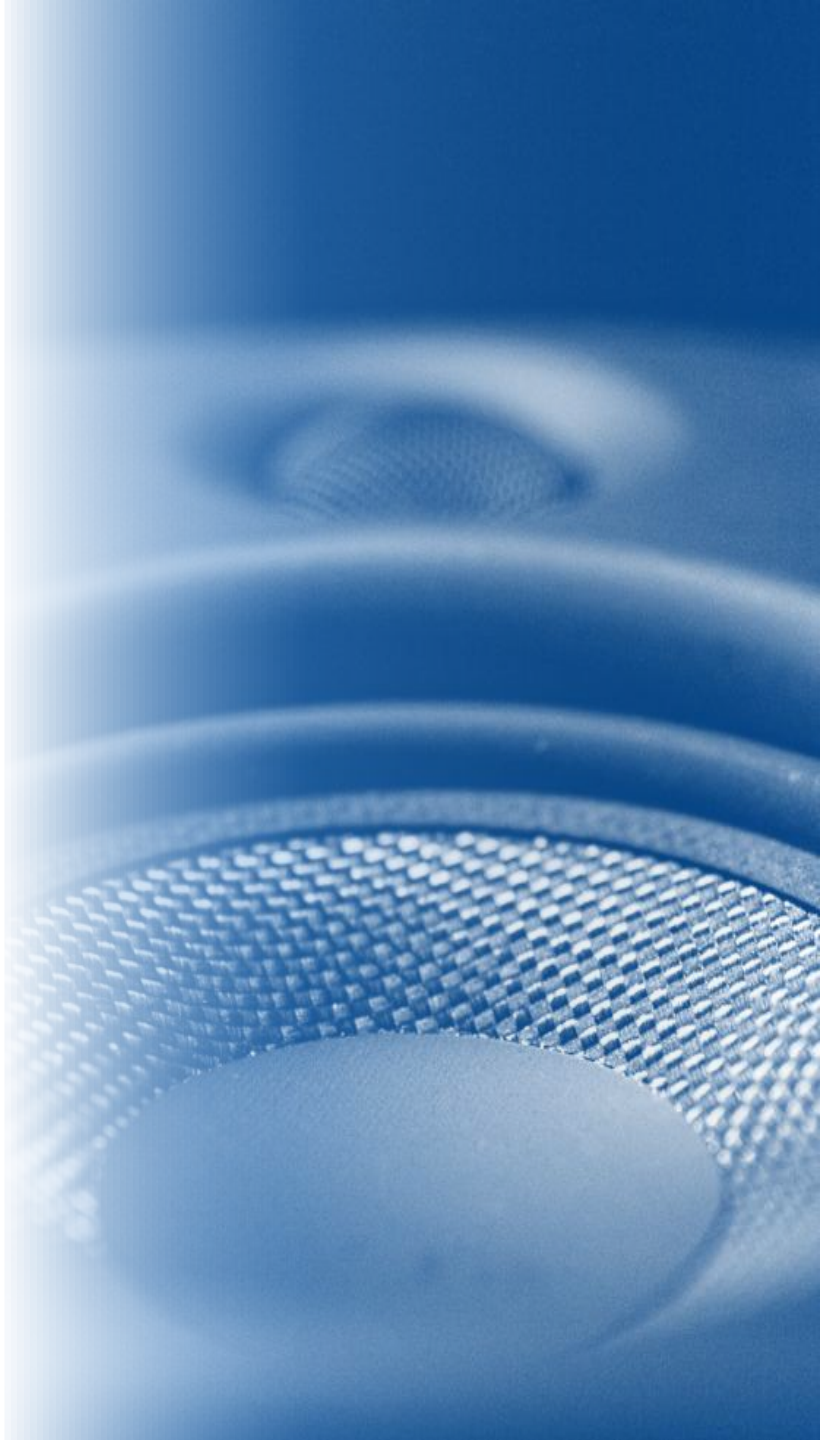
IV-2. Mobility Business

IV-3. Consumer Business

IV-4. Initiatives for New Business and M&A

IV-5. Financial and Capital Strategy

IV-6. Transformation of the Management Foundation



Transforming Our Management Foundation for Sustainable Growth

FOSTER

Putting AI and data at the core of management and operations, and becoming an organization where people and AI work together to keep creating new value

Company-wide strategy of mid-term business plan 2031

Capturing growth markets | **Cost structure reform** | **Fundamental improvement of capital efficiency**

HR Strategy

Bold human capital investment supporting growth strategies

- Job- and skill-based HR system, and continuous improvement in compensation
- Leverage talent through data and AI
- Redesign organization and work for AI adoption
- Create an inclusive and dynamic organizational culture

Positive response rate in engagement survey [1]: 79.0% or higher

Sustainability Strategy

Build a sustainable supply chain that considers the environment and human rights

- Reduce GHG emissions aligned with SBT criteria
- Promote circular economy
- Human rights risk management in supply chains
- Enhance ESG information disclosure

Total GHG[2] emissions for Scope 1&2 reduced by 50% by FY2030 compared to FY2018

IT/DX Strategy

Establish a digital management platform utilizing AI and data

- Global Integrated ERP
- Visualize Management with a Unified Data Platform
- Transform business processes with Generative AI
- Strengthen cybersecurity

Expected annual benefit[3] in FY2031: approx. ¥0.5 billion

Management Foundation

Organization | People | Technology & Know-how | Corporate Strategy | Corporate Culture & Values | Systems & Policies

1. FY2026 for the headquarters 2. GHG = Greenhouse Gas 3. Operational efficiency and productivity improvement through integrated data