

Translation

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Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 11, 2023

Company name: Foster Electric Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 6794 URL <https://www.foster-electric.com/>
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 Management Dept.
 Scheduled date of ordinary general meeting of shareholders: June 27, 2023
 Scheduled date to file Securities Report: June 27, 2023
 Scheduled date to commence dividend payments: June 28, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

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	%
Year ended March 31, 2023	121,338	33.2	2,445	–	2,327	–	848	–
Year ended March 31, 2022	91,106	6.9	(7,757)	–	(7,473)	–	(7,017)	–

Note: Comprehensive income(loss): Fiscal year ended March 31, 2023 ¥5,013 million [-%]
 Fiscal year ended March 31, 2022 ¥(3,868) million [-%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	38.23	–	1.7	2.6	2.0
Year ended March 31, 2022	(315.53)	–	(14.4)	(9.1)	(8.5)

Reference: Equity in earnings of affiliated companies: Fiscal year ended March 31, 2023 ¥ - million
 Fiscal year ended March 31, 2022 ¥ - million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	92,871	56,515	55.0	2,302.49
As of March 31, 2022	86,148	51,632	54.7	2,125.72

Reference: Equity capital: As of March 31, 2023 ¥51,095 million
 As of March 31, 2022 ¥47,163 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	354	(1,321)	1,776	13,646
Year ended March 31, 2022	(12,767)	(3,071)	6,771	12,089

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	–	10.00	–	0.00	10.00	223	–	0.5
Year ended March 31, 2023	–	10.00	–	10.00	20.00	447	52.3	0.9
Year ending March 31, 2024 (Forecast)	–	10.00	–	10.00	20.00		34.1	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	120,000	(1.1)	3,000	22.7	2,500	7.4	1,300	53.2	58.59

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

- | | |
|--|----|
| (i) Changes in accounting policies due to revisions to accounting standards and other regulations: | No |
| (ii) Changes in accounting policies due to other reasons: | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement of prior period financial statements: | No |

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	25,000,000 shares	As of March 31, 2022	25,000,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	2,808,421 shares	As of March 31, 2022	2,812,993 shares
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Average number of shares during the period

Year ended March 31, 2023	22,188,152 shares	Year ended March 31, 2022	22,240,527 shares
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(Reference) Summary of non-consolidated results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(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	%
Year ended March 31, 2023	51,576	20.5	(1,676)	-	(904)	-	(1,016)	-
Year ended March 31, 2022	42,817	12.6	(3,065)	-	(1,909)	-	(2,211)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2023	(45.81)	-
Year ended March 31, 2022	(99.44)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	42,500	17,003	40.0	766.22
As of March 31, 2022	38,973	18,136	46.5	817.44

Reference	Equity capital:	As of March 31, 2023	¥17,003 million
		As of March 31, 2022	¥18,136 million

* Consolidated financial statements are not subject to audit by a certified public accountant or an audit corporation.

* Information on proper use of the projected financial results and other notes

Forward-looking statements in this document, including earnings projections, are based on currently available information and certain assumptions that the Group regards as reasonable at the time of writing. Actual results may differ greatly from the forecast figures depending on various factors. For the preconditions of and precautions in using the earnings projections, please refer to "Overview of operating results, etc." on page 2 of the Attachment.

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1. Overview of operating results, etc.

(1) Operating results for the year under review

During the fiscal year ended March 31, 2023, the global economy has finally started to see the end of the widespread damage caused by the COVID-19 pandemic, which has lasted over three years, and economic activities have begun to normalize. However, uncertainty has further intensified due to factors such as soaring energy and raw material prices caused by Russia's invasion of Ukraine, accelerating inflation in developed countries, rapid interest rate hikes in the US and Europe, and financial instability emerging in the US and Europe during the latter half of the fiscal year.

The automotive market, on which the Foster Group (the "Group") focuses, remained unstable in terms of supply and demand, with car production and new car sales falling short of projections, because of factors such as the global economic slowdown caused by the conflict in Ukraine, China's zero-COVID policy, and rapid inflation in developed countries, in addition to ongoing semiconductor supply shortages. Conversely, the production and sales of electric vehicles (EVs) have significantly increased, driven by efforts from Chinese manufacturers and others, boosting the demand for electronic components as EV adoption expands.

Under these circumstances, in our activities to win orders in the automotive business, we strengthened our proposal activities to target customers based on our partner strategy, securing approximately 90% of the orders targeted for the fiscal year ending March 31, 2025, the final year of our current medium-term business plan. In the Mobile Audio segment, we have reinforced collaborations with other companies through business alliances and joint development to further advance our R&D-oriented initiatives, expanding operations by leveraging our strengths. This approach has led the segment to a profitable trajectory from the beginning of the fiscal year.

Considering the escalating US-China tensions, we have prepared our production systems to increase speaker manufacturing at our plant in Binh Duong Province, Vietnam, with production slated to begin in the latter half of 2023. In addition, we have established a production subsidiary (second-tier subsidiary) in Hungary to promote local production and consumption, which in turn helps reduce CO2 emissions from logistics. As for the challenges posed by soaring raw material and component costs, as well as higher international freight rates, we have made headway in enhancing profitability. This progress was made possible by capitalizing on a temporary easing of freight rate increases and by passing on higher costs to prices with the understanding of many of our customers.

As a result, consolidated net sales for the fiscal year ended March 31, 2023 amounted to ¥121,338 million (up 33.2% YoY), operating profit to ¥2,445 million (in the previous year, operating loss of ¥7,757 million), and ordinary profit to ¥2,327 million (in the previous year, ordinary loss of ¥7,473 million). Profit attributable to owners of parent was ¥848 million (in the previous year, loss attributable to owners of parent of ¥7,017 million).

Results by segment were as follows.

[Speaker Segment]

Despite the harsh environment surrounding the automotive market, net sales came to ¥99,087 million (up 42.2% YoY) due to an increase in shipment volume and the effect of the weaker yen. On the profit front, a consolidated subsidiary in Korea (for the fiscal year ended December 31) posted a loss of approximately ¥700 million in the first quarter due to air freight charges at the beginning of 2022. However, overall, cost improvements, reductions in fixed costs, and progress in price pass-through resulted in operating profit of ¥2,004 million (in the previous year, operating loss of ¥6,955 million).

[Mobile Audio Segment]

Shipments of consumer actuators and car headphones proceeded as planned, despite some pessimistic forecasts due to the shortage of semiconductor chips. However, sales of headsets bundled with smartphones continued to decline. As a result, net sales were ¥14,691 million (up 3.3% YoY). On the profit front, operating profit amounted to ¥1,203 million (in the previous year, operating loss of ¥896 million) due to the introduction and promotion of R&D-oriented business in addition to the focus on high value-added products, keeping the segment in the black since the beginning of the fiscal year.

[Other Segment]

In the Other segment, which includes micro acoustic components and FOSTEX brand products, net sales amounted to ¥10,403 million (up 24.9% YoY) due to an increase in component sales from a subsidiary (Guangzhou Fourstar Electroacoustic Tech Co.,Ltd; established in China in September 2021) to the Group (eliminated on consolidation). On the profit front, however, an operating loss of ¥762 million (in the previous year, operating profit of ¥94 million) was recorded, mainly due to the impact of losses on one-time inventory write-downs in the third quarter.

(2) Financial position for the year under review

As of March 31, 2023, total assets amounted to ¥92,871 million, up ¥6,722million from their level as of March 31, 2022, mainly because of an increase in trade receivables. Owing chiefly to an increase in short-term borrowings, total liabilities grew ¥1,839 million from March 31, 2022 to ¥36,356 million. Net assets came to ¥56,515 million, up ¥4,882 million from March 31, 2022, mainly as the result of an increase in foreign currency translation adjustment. The equity ratio was 55.0%

as of March 31, 2023, up 0.3 percentage points from March 31, 2022.

(3) Cash flow for the year under review

[Operating activities]

Net cash provided by operating activities was ¥354 million, due mainly to a decrease in inventories.

[Investing activities]

Net cash used in investing activities totaled ¥1,321 million, due mainly to capital investments.

[Financing activities]

Net cash provided by financing activities totaled ¥1,776 million, mainly attributable to an increase in short-term borrowings.

As a result, cash and cash equivalents as of March 31, 2023 stood at ¥13,646 million, up ¥1,556 million from the level on March 31, 2022.

(4) Future outlook

The global economy is expected to continue facing high levels of uncertainty. While economic activities are gradually returning to normal after the COVID-19 pandemic, a complex web of geopolitical risks, including the Ukraine crisis, economic risks from persistent inflation, a global economic slowdown caused by rapid monetary tightening, and emerging market debt, social risks from demographic changes and cyberattacks, and climate change risks are all intertwined. On the other hand, the advancement of digitalization, including artificial intelligence (AI), is expected to create new business opportunities that will contribute to medium-to-long-term economic growth.

In the automotive market, the Group's focus area, there has been some recovery from the supply chain disruptions caused by the Shanghai lockdown and other factors in the previous fiscal year. However, concerns about semiconductor shortages and reduced demand due to an economic slowdown are expected to result in a modest increase in automobile sales and production volumes, with a limited extent of recovery overall. Meanwhile, the shift toward EVs has gained greater momentum, with anticipation for the creation of new value-added through initiatives related to autonomous and other next-generation automobiles continuing to grow. Further, with the industrialization of new technologies such as AI and 5G/6G, demand for electronic components is expected to grow sharply in the medium to long term.

Under such circumstances, the Foster Group has adopted the vision "to make contributions for future society through acoustics." Its mission calls for, "through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world," and positions the Group as "a truly global enterprise our future society counts on." In addition to solidifying its position in the industry, the Group will work to create a structure that enables sustainable growth while further enhancing its businesses and corporate value as a global company.

Although the operating environment is becoming increasingly challenging, the Group will shift from a "defensive" to an "offensive" strategy during this fiscal year, striving toward the achievement of its medium-term business plan, which concludes in March 2025, while remaining forward-looking. Amid various crises it faces, the Group will clarify issues it needs to address and increase the effectiveness of structural reforms and other measures and the speed at which these measures produce results. It will also strengthen its structure to promptly respond to the growing uncertainties in the operating environment.

Specifically, the Group will implement various initiatives based on the following policy.

[Top Priority]

Establish and expand the foundation for sustainable growth

[Targets]

1. Efforts to Address Each Issue in the Automotive Business Based on the Comprehensive Review
2. Expanding the micro acoustic components business
3. Embodying "Beyond2025" *
4. Promotion of ESG management and business innovation and productivity improvement through IT/DX
5. Establishment of in-vehicle business quality

* A project to establish a long-term revenue base for Foster. The project aims to build a business that will make Foster the "world's No.1 acoustic solution partner" based on the current Mobile Audio business. The project is called "Beyond 2025" because it is targeted to be achieved beyond March 2025, the end of the current medium-term business plan.

Based on the belief that "all value creation is driven by our personnel", the Group will actively invest in human resources. Striving to achieve the "Be Happy 80%" goal for every employee as set forth in its medium-term plan, the Group will foster an environment that encourages each individual to continually embrace new challenges, which in turn will lead to market transformations. Further, the Group will continue practicing ESG management to be a corporation that is needed and trusted by society and the market.

* A state in which all Foster employees are not only satisfied with their own company and themselves, but also feel

“happiness with consideration for others”. The “80%” happiness represents Foster's ideal state of happiness with room for consideration for others. “Others” include not only people (including our stakeholders), but also the environment, living organisms, and all other matters.

Consolidated earnings projections for the fiscal year ending March 31, 2024 are as follows.

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
¥120,000 million	¥3,000 million	¥2,500 million	¥1,300 million

* The projections above are based on exchange rates of ¥135 to the US dollar and ¥140 to the euro.

Notes concerning earnings projections

The earnings projections above are calculated based on information currently available and assumptions made at the present time, which include risk factors and other uncertainties that may affect future earnings. Actual earnings may differ from the projections and estimates above due to a broad range of factors including but not limited to economic conditions surrounding the business segments of the Group, business conditions in related markets and at OEM customers, rival and price competition trends in Japan and overseas, market conditions for raw materials, exchange rates, risks associated with overseas operations, laws and regulations in Japan and overseas, disasters and accidents, and share prices.

(5) Basic policy for profit sharing and dividends for the current and next fiscal year

The Group regards the enhancement of corporate value as a management priority, and its basic policy is to comprehensively increase the benefit of shareholders, while balancing profit distributions commensurate with earnings with long-term expansion of internal reserves. The Group targets a dividend payout ratio of at least 30% on a consolidated basis.

For the fiscal year under review, after comprehensively considering the basic policy, the need to maintain internal reserves for future growth, and other factors, the Group has decided to pay a year-end dividend of ¥10 per share. Combined with a ¥10 per share interim dividend, this will bring the annual dividend to ¥20 per share.

For the next fiscal year, the Group forecasts an annual dividend of ¥20 per share, considering the current business environment and future earnings outlook.

2. Basic policies concerning the selection of accounting standards

In consideration of the comparability between consolidated financial statements for different fiscal years and companies, the Group's policy is to continue to prepare consolidated financial statements under Japanese GAAP for the foreseeable future.

Meanwhile, with an eye to the future adoption of IFRS, the Group is preparing internal manuals, guidelines, and other documentation, and examining the timing of IFRS adoption.

3. Consolidated financial statements and important notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	10,846	13,646
Notes and accounts receivable - trade	19,001	24,988
Electronically recorded monetary claims - operating	350	482
Securities	2,343	–
Finished goods	18,413	20,037
Raw materials	10,355	8,195
Work in process	1,578	1,492
Supplies	108	137
Accounts receivable - other	1,170	813
Advance payments to suppliers	859	3,096
Other	2,202	1,173
Allowance for doubtful accounts	(86)	(169)
Total current assets	67,143	73,893
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,944	14,585
Accumulated depreciation	(7,080)	(7,866)
Buildings and structures, net	6,863	6,718
Machinery, equipment and vehicles	19,789	19,367
Accumulated depreciation	(15,134)	(15,244)
Machinery, equipment and vehicles, net	4,655	4,122
Tools, furniture and fixtures	11,758	12,665
Accumulated depreciation	(9,970)	(10,901)
Tools, furniture and fixtures, net	1,788	1,764
Land	1,521	1,575
Construction in progress	785	848
Total property, plant and equipment	15,614	15,030
Intangible assets		
Software	80	81
Other	122	132
Total intangible assets	203	214
Investments and other assets		
Investment securities	1,306	1,446
Long-term prepaid expenses	82	82
Retirement benefit asset	880	1,313
Deferred tax assets	637	669
Other	280	221
Total investments and other assets	3,187	3,732
Total non-current assets	19,005	18,977
Total assets	86,148	92,871

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,179	9,380
Short-term borrowings	12,247	17,156
Current portion of long-term borrowings	818	300
Accounts payable - other	3,861	2,909
Income taxes payable	630	839
Accrued expenses	2,848	2,274
Provision for bonuses	398	432
Other	903	1,506
Total current liabilities	32,889	34,799
Non-current liabilities		
Long-term borrowings	300	–
Deferred tax liabilities	475	564
Retirement benefit liability	60	81
Provision for retirement benefits for directors (and other officers)	20	24
Reserve for stocks payment	163	188
Asset retirement obligations	281	264
Other	325	433
Total non-current liabilities	1,627	1,556
Total liabilities	34,516	36,356
Net assets		
Shareholders' equity		
Share capital	6,770	6,770
Capital surplus	6,896	6,896
Retained earnings	33,906	34,531
Treasury shares	(4,163)	(4,152)
Total shareholders' equity	43,409	44,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	323	385
Foreign currency translation adjustment	3,617	6,687
Remeasurements of defined benefit plans	(187)	(22)
Total accumulated other comprehensive income	3,753	7,050
Non-controlling interests	4,469	5,419
Total net assets	51,632	56,515
Total liabilities and net assets	86,148	92,871

(2) Consolidated statement of income and consolidated statements of comprehensive income
(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	91,106	121,338
Cost of sales	83,621	105,182
Gross profit	7,484	16,155
Selling, general and administrative expenses	15,241	13,709
Operating profit (loss)	(7,757)	2,445
Non-operating income		
Interest income	84	116
Dividend income	56	64
Foreign exchange gains	199	211
Subsidy income	137	75
Miscellaneous income	364	327
Total non-operating income	843	794
Non-operating expenses		
Interest expenses	78	511
Loss on retirement of non-current assets	131	143
Miscellaneous losses	349	257
Total non-operating expenses	559	912
Ordinary profit (loss)	(7,473)	2,327
Extraordinary income		
Gain on sale of non-current assets	–	71
Total extraordinary income	–	71
Extraordinary losses		
Impairment losses	132	67
Extra retirement payments	715	253
Loss on revision of retirement benefit plan	239	–
Total extraordinary losses	1,088	321
Profit (loss) before income taxes	(8,561)	2,078
Income taxes - current	345	887
Income taxes - deferred	(676)	(40)
Total income taxes	(331)	846
Profit (loss)	(8,230)	1,231
Profit (loss) attributable to non-controlling interests	(1,213)	382
Profit (loss) attributable to owners of parent	(7,017)	848

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	(8,230)	1,231
Other comprehensive income		
Valuation difference on available-for-sale securities	24	61
Foreign currency translation adjustment	4,081	3,457
Remeasurements of defined benefit plans, net of tax	255	263
Total other comprehensive income	4,362	3,782
Comprehensive income	(3,868)	5,013
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,066)	4,145
Comprehensive income attributable to non-controlling interests	(802)	867

(3) Consolidated statement of changes in shareholders' equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,770	6,896	41,299	(4,129)	50,837
Changes during period					
Dividends of surplus			(335)		(335)
Profit attributable to owners of parent			(7,017)		(7,017)
Purchase of treasury shares				(48)	(48)
Disposal of treasury shares				14	14
Sale of shares of consolidated subsidiaries			(40)		(40)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(7,393)	(34)	(7,427)
Balance at end of period	6,770	6,896	33,906	(4,163)	43,409

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	298	(82)	(414)	(198)	5,354	55,993
Changes during period						
Dividends of surplus						(335)
Profit attributable to owners of parent						(7,017)
Purchase of treasury shares						(48)
Disposal of treasury shares						14
Sale of shares of consolidated subsidiaries						(40)
Net changes in items other than shareholders' equity	24	3,700	226	3,951	(885)	3,065
Total changes during period	24	3,700	226	3,951	(885)	(4,361)
Balance at end of period	323	3,617	(187)	3,753	4,469	51,632

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,770	6,896	33,906	(4,163)	43,409
Changes during period					
Dividends of surplus			(223)		(223)
Profit attributable to owners of parent			848		848
Disposal of treasury shares				10	10
Net changes in items other than shareholders' equity					
Total changes during period	-	-	624	10	635
Balance at end of period	6,770	6,896	34,531	(4,152)	44,045

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	323	3,617	(187)	3,753	4,469	51,632
Changes during period						
Dividends of surplus						(223)
Profit attributable to owners of parent						848
Disposal of treasury shares						10
Net changes in items other than shareholders' equity	61	3,070	165	3,297	950	4,247
Total changes during period	61	3,070	165	3,297	950	4,882
Balance at end of period	385	6,687	(22)	7,050	5,419	56,515

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(8,561)	2,078
Depreciation	3,209	3,565
Decrease (increase) in retirement benefit asset	(85)	(403)
Increase (decrease) in retirement benefit liability	(16)	16
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3	3
Increase (decrease) in allowance for doubtful accounts	46	76
Increase (decrease) in provision for bonuses	30	26
Loss on retirement of property, plant and equipment	131	143
Loss (gain) on sale of property, plant and equipment	–	(71)
Subsidy income	(137)	(75)
Impairment losses	132	67
Extra retirement payments	715	253
Retirement benefit expenses	239	–
Interest and dividend income	(141)	(180)
Interest expenses	78	511
Foreign exchange losses (gains)	328	1,237
Decrease (increase) in trade receivables	(1,513)	(4,976)
Decrease (increase) in inventories	(10,255)	2,558
Increase (decrease) in trade payables	1,810	(2,695)
Decrease (increase) in accounts receivable - other	(294)	430
Increase (decrease) in accounts payable - other	880	(1,149)
Decrease (increase) in advance payments to suppliers	(712)	(2,201)
Other, net	2,050	1,954
Subtotal	(12,060)	1,168
Interest and dividends received	141	180
Interest paid	(78)	(511)
Subsidies received	137	75
Extra retirement payments	(537)	(253)
Income taxes paid	(473)	(741)
Income taxes refund	103	435
Net cash provided by (used in) operating activities	(12,767)	354
Cash flows from investing activities		
Purchase of securities	(1,551)	–
Proceeds from redemption of securities	1,197	1,042
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(2,658)	(2,530)
Proceeds from sale of property, plant and equipment	–	201
Purchase of intangible assets	(91)	(29)
Purchase of long-term prepaid expenses	(32)	(68)
Decrease (increase) in time deposits	–	111
Other, net	65	(47)
Net cash provided by (used in) investing activities	(3,071)	(1,321)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,811	2,818
Repayments of long-term borrowings	(1,540)	(818)
Dividends paid	(335)	(223)
Dividends paid to non-controlling interests	(116)	–
Purchase of treasury shares	(48)	–
Net cash provided by (used in) financing activities	6,771	1,776
Effect of exchange rate change on cash and cash equivalents	782	747
Net increase (decrease) in cash and cash equivalents	(8,284)	1,556
Cash and cash equivalents at beginning of period	20,373	12,089
Cash and cash equivalents at end of period	12,089	13,646

(5) Notes to the consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

Not applicable.

(Changes in presentation method)

Not applicable.

(Segment information, etc.)

[Segment information]

1. Outline of reportable segments

The reportable segments are the business units for which the Group is able to obtain separate financial information, and for which its Board of Directors makes periodic reviews to determine the distribution of management resources and evaluate performance.

The Group distinguishes three business segments according to the nature of the products they provide and the similarity of the markets they supply: "Speaker Segment," "Mobile Audio Segment," and "Other Segment."

The Speaker Segment manufactures and distributes speakers and speaker systems for automobiles and flat screen TVs, and audio speakers.

The Mobile Audio Segment manufactures and distributes mobile audio products including headsets for mobile phones, headphones, micro speakers, and vibration actuators.

The Other Segment manufactures and distributes FOSTEX brand products and micro acoustic components, including electronic buzzers and sounders for applications such as alarms or warnings, and provides logistics services, etc.

2. Method of accounting for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method for the reported business segments is in accordance with the accounting policies used to prepare the consolidated financial statements.

Profit in the reportable segments is based on operating profit.

3. Information on net sales, profit or loss, assets, liabilities, and other items for each reportable segment

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments			Total	Adjustments * Note 1	Amounts on consolidated financial statements * Note 2
	Speaker	Mobile Audio	Other			
Net sales						
Sales to external customers	69,676	14,227	7,202	91,106	—	91,106
Inter-segment sales or transfers	—	—	1,128	1,128	(1,128)	—
Total	69,676	14,227	8,330	92,234	(1,128)	91,106
Segment profit (loss)	(6,955)	(896)	94	(7,757)	(0)	(7,757)
Segment assets	49,222	10,021	6,463	65,706	20,441	86,148
Other						
(1) Depreciation	2,100	855	252	3,209	—	3,209
(2) Impairment loss	79	39	13	132	—	132
(3) Investment in entities accounted for using equity method	—	—	—	—	—	—
(4) Increase in property, plant and equipment, and intangible assets	2,343	295	174	2,813	—	2,813

Notes: 1. The adjusted amounts are as follows:

(1) The adjustments for segment profit (loss) reflect the elimination of inter-segment transactions.

(2) The ¥20,441 million in adjustments to segment assets pertain to company-wide assets that are not distributed to each reportable segment.

2. Total segment profit (loss) is adjusted with the value of operating loss posted in the consolidated statement of income.

3. Information on impairment loss of non-current assets and goodwill by reportable segment

(Significant impairment loss on non-current assets)

In the Speaker segment, an impairment loss of ¥79 million was recorded on non-current assets related to business assets.

In the Mobile Audio segment, an impairment loss of ¥39 million was recorded on non-current assets related to business assets.

In the Other segment, an impairment loss of ¥13 million was recorded on non-current assets related to business assets.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments			Total	Adjustments * Note 1	Amounts on consolidated financial statements * Note 2
	Speaker	Mobile Audio	Other			
Net sales						
Sales to external customers	99,087	14,691	7,558	121,338	—	121,338
Inter-segment sales or transfers	—	—	2,845	2,845	(2,845)	—
Total	99,087	14,691	10,403	124,183	(2,845)	121,338
Segment profit (loss)	2,004	1,203	(762)	2,445	(0)	2,445
Segment assets	54,733	7,884	7,611	70,228	22,642	92,871
Other						
(1) Depreciation	2,497	821	246	3,565	—	3,565
(2) Impairment loss	5	39	22	67	—	67
(3) Investment in entities accounted for using equity method	—	—	—	—	—	—
(4) Increase in property, plant and equipment, and intangible assets	2,092	282	184	2,559	—	2,559

Notes: 1. The adjusted amounts are as follows:

- (1) The adjustments for segment profit (loss) reflect the elimination of inter-segment transactions.
- (2) The ¥22,642 million in adjustments to segment assets pertain to company-wide assets that are not distributed to each reportable segment.
2. Total segment profit (loss) is adjusted with the value of operating loss posted in the consolidated statement of income.
3. Information on impairment loss of non-current assets and goodwill by reportable segment
(Significant impairment loss on non-current assets)
In the Speaker segment, an impairment loss of ¥5 million was recorded on non-current assets related to business assets.
In the Mobile Audio segment, an impairment loss of ¥39 million was recorded on non-current assets related to business assets.
In the Other segment, an impairment loss of ¥22 million was recorded on non-current assets related to business assets.

(Per-share information)

The amounts and bases for the calculation of net assets per share and earnings per share are as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	¥2,125.72	¥2,302.49
Earnings per share	¥(315.53)	¥38.23

Note 1. Diluted earnings per share is not stated as there were no dilutive shares.

Note 2. The basis for calculation of earnings per share is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share		
Profit (loss) attributable to owners of parent (Millions of yen)	(7,017)	848
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (Millions of yen)	(7,017)	848
Average number of common shares outstanding for the year (shares)	22,240,527	22,188,152

Note 3. The basis for the calculation of net assets per share is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total net assets (Millions of yen)	51,632	56,515
Amount to be deducted from total net assets (Millions of yen)	4,469	5,419
Of which, non-controlling interests (Millions of yen)	4,469	5,419
Year-end net assets relating to common shares (Millions of yen)	47,163	51,112
Number of common shares at year-end used for calculating net assets per share (shares)	22,187,007	22,191,579

Note 4. In the calculation of net assets per share, the Group's shares held as trust assets of the Board Benefit Trust (BBT) by Custody Bank of Japan, Ltd. (Trust E Account) are included in the treasury stock that is deducted from the number of shares outstanding at year-end (165,769 shares at the end of the previous consolidated fiscal year, 158,597 shares at the end of the fiscal year under review).

In addition, in the calculation of earnings per share, they are included in the treasury stock that is deducted in the calculation of the average number of shares outstanding for the period (165,769 shares in the previous consolidated fiscal year, 162,636 shares in the fiscal year under review).

(Important subsequent events)

Not applicable.

4. Other

(1) Changes in executives

(i) Change in representatives (scheduled for June 27, 2023) **Disclosed on February 27, 2023**

Director and Chairperson: Atsushi Narikawa (current Representative Director, President, and CEO)

Representative Director, President, and CEO: Kazuhiro Kishi (current Managing Director, Head of Sales & Marketing, Head of America Region)

(ii) Change in other executives (scheduled for June 27, 2023) **Disclosed on February 27, 2023**

Change in corporate auditors

1. Candidate for corporate auditor

Corporate auditor: Tatsuhito Tanaka (current Senior Executive Officer)

2. Resigning corporate auditor

(1) Resining auditor: Tsutomu Inokuma

(2) Date of resignation

June 27, 2023 (at the conclusion of the General Meeting of Shareholders)

(3) Reason for resignation

Personal reasons

(2) Other

Not applicable.