



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese GAAP)

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Tokyo Stock Exchange

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 Holding of a briefing on financial results: No

(Amounts less than one million yen are omitted)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(1) Consolidated operating results (Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	107,298	(23.5)	2,064	(47.6)	2,599	(39.8)	1,565	—
March 31, 2019	140,303	(24.1)	3,937	(57.7)	4,318	(52.3)	(2,026)	—

Note: Comprehensive income: Fiscal year ended March 31, 2020 ¥457 million [-%]  
 Fiscal year ended March 31, 2019 ¥(1,558 million) [-%]

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended March 31, 2020	Yen 69.15	Yen -	% 2.9	% 3.0	% 1.9
March 31, 2019	(83.21)	-	(3.5)	4.5	2.8

Reference: Equity in earnings of affiliated companies: Fiscal year ended March 31, 2020 ¥- million  
 Fiscal year ended March 31, 2019 ¥- million

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of March 31, 2020	Millions of yen 80,825	Millions of yen 58,995	% 66.5	Yen 2,369.46
March 31, 2019	91,271	59,294	59.5	2,404.10

Reference: Equity capital: As of March 31, 2020 ¥53,771 million  
 As of March 31, 2019 ¥54,350 million

### (3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, end of year
Fiscal year ended March 31, 2020	Millions of yen 11,092	Millions of yen 516	Millions of yen (8,823)	Millions of yen 23,930
March 31, 2019	17,961	(3,425)	(2,937)	21,524

## 2. Dividends

	Annual dividends					Total cash dividends	Payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total			
Fiscal year ended March 31, 2019	Yen -	Yen 10.00	Yen -	Yen 10.00	Yen 20.00	Millions of yen 477	% -	% 0.8
Fiscal year ended March 31, 2020	-	20.00	-	15.00	35.00	794	50.6	1.5
Fiscal year ending March 31, 2021 (Forecast)	-	-	-	-	-		-	

Note: The dividend paid at the end of the second quarter of the fiscal year ended March 31, 2020 comprised an ordinary dividend of ¥15.00 and a commemorative dividend of ¥5.00.

### 3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	80,000–90,000	(25.4)–(16.1)	500–1,000	(75.7)–(51.5)	500–1,000	(80.7)–(61.5)	-	-	-

Note: We left the forecast for net income attributable to owners of the parent undetermined due to the difficulty of developing a reasonable estimate at this point, given the impact of the global outbreak of COVID-19. We will announce the forecast promptly as soon as it becomes possible to make a reasonable estimate.

#### \* Notes

(1) Changes in major subsidiaries during the year (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

Newly added: - subsidiaries (Company name) -  
Excluded: - subsidiaries (Company name) -

(2) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies due to amendment of accounting standards, etc. : Yes  
(ii) Changes in accounting policies other than (i) : No  
(iii) Changes in accounting estimates : No  
(iv) Restatement : No

(3) Number of shares outstanding (common stock)

(v) Number of issued shares at the end of the period (including treasury stock)

March 31, 2020: 26,000,000

March 31, 2019: 26,000,000

(vi) Number of treasury stock at the end of the period

March 31, 2020: 3,306,288

March 31, 2019: 3,392,641

(vii) Average number of shares outstanding for the period

Fiscal year ended March 31, 2020: 22,631,618

Fiscal year ended March 31, 2019: 24,355,675

#### (Reference) Summary of non-consolidated results

##### 1. Non-consolidated Financial Results for the Fiscal year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results (Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	59,284	(34.4)	(2,921)	-	(2,053)	-	338	(56.2)
March 31, 2019	90,345	(31.9)	(3,850)	-	1,427	225.6	772	53.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2020	14.95	-
March 31, 2019	31.72	-

(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, 2020	42,093	25,050	59.5	1,103.85
March 31, 2019	52,411	25,808	49.2	1,141.61

Reference: Equity capital: As of March 31, 2020 ¥25,050 million  
As of March 31, 2019 ¥25,808 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 Company 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, 2020, the global economy remained mired in turmoil, affected by the trend towards protectionism, as represented by the US-China trade friction. Furthermore, economic activity was stagnated around the world due to the outbreak of COVID-19 towards the end of the fiscal year.

In the electronic components industry, a key sector for the Foster Group (the "Group"), both supply and demand were hit hard by the pandemic amid gradually diminishing demand for smartphone and automotive components. Meanwhile, cutting-edge technologies in new domains, as represented by 5G and next-generation vehicles, are expected to boost future demand for components at a time of accelerated changes in technology and tougher environmental requirements.

Against this backdrop, the Group continued to reassess the headset business for a major customer and pushed for a business reform to focus on the automotive business. Organizationally, the Group switched from a business headquarters system to a structure grouped by function to respond quickly to market changes. On the production front, the Group worked on automated speaker production in the United States. In addition, it made steady progress on new product launches in Vietnam, aimed at developing new businesses.

Regarding our response to COVID-19, the Group placed the highest priority on the safety and security of employees and local communities, while addressing the risk of supply chain disruption. That said, the pandemic caused a decrease in production due to limited operations at the China plants, coupled with a slump in demand in the United States and Europe, leaving a serious impact on the Group's earnings.

As a result, consolidated net sales for the fiscal year ended March 31, 2020 came to ¥107,298 million (down 23.5% YoY), operating income to ¥2,064 million (down 47.6% YoY), and ordinary income to ¥2,599 million (down 39.8% YoY). Net income attributable to owners of the parent amounted to ¥1,565 million (in the previous year, net loss attributable to owners of the parent of ¥2,026 million) as a result of recording gains on sales of land and buildings and investment securities, despite booking an impairment loss.

Results by segment were as follows.

#### [Speaker Segment]

Sales of car speakers and speaker systems declined due to a decrease in new car sales worldwide, combined with limited operations at the China plants and a slump in demand caused by the impact of COVID-19. As a result, net sales came to ¥63,955 million (down 9.2% YoY) and operating income to ¥2,571 million (down 40.8% YoY).

#### [Mobile Audio Segment]

Although the sales volume of headsets for a Chinese smartphone maker increased, the smartphone market contracted, and the sales volume of headsets sold to a major customer declined. As a result, net sales were ¥37,059 million (down 42.0% YoY), and the operating loss was ¥187 million (in the previous year, operating loss of ¥670 million yen).

#### [Other Segment]

Net sales in the Other Segment, including micro acoustic components and FOSTEX brand products, amounted to ¥6,454 million (up 3.7% YoY). The operating loss was ¥320 million, as a result of booking the development cost of an automated production line (in the previous year, operating income of ¥265 million).

### (2) Financial position for the year under review

As of March 31, 2020, total assets amounted to ¥80,825 million, down ¥10,445 million from their level on March 31, 2019, mainly because of a decrease in inventories. Owing chiefly to a decrease in debt, total liabilities declined ¥10,147 million to ¥21,830 million. Net assets came to ¥58,995 million, down ¥298 million, mainly as the result of a decrease in foreign currency translation adjustment. The equity ratio was 66.5% as of March 31, 2020, up 7.0 percentage points from March 31, 2019.

### (3) Cash flows for the year under review

#### [Operating activities]

Net cash provided by operating activities was ¥11,092 million. The principal source of cash was a decrease in inventories.

#### [Investing activities]

Net cash provided by investing activities totaled ¥516 million, due mainly to the sales of property, plant and equipment.

#### [Financing activities]

Net cash used in financing activities totaled ¥8,823 million. The main use of cash was for the reduction of debt.

As a result, cash and cash equivalents as of March 31, 2020 stood at ¥23,930 million, up ¥2,406 million from the level on March 31, 2019.

#### (4) Future outlook

In the Group's operating environment, the outbreak of COVID-19 has caused restrictions on movement around the world, leaving a serious impact on the real economy, including a slump in consumption and stagnation in corporate activities. In addition, it is still unclear when the virus will be contained, making it extremely difficult to forecast the future.

At the Group, the suspension of operations at carmaker plants has led to a sharp drop in orders. Especially in the first quarter, car speaker shipments are expected to fall significantly. Furthermore, the Group projects a decline in capacity utilization at its plants, although there is no problem with employee attendance.

Under these circumstances, the Group is considering various measures to mitigate the pandemic's impact, while putting the safety and security of employees and business partners first. That said, it believes rationalization measures based on short-term demand forecasts against the COVID-19 backdrop need to be judged cautiously because it could lead to higher costs over the longer term.

As for the earnings projections, the Group is currently scrutinizing the impact of the global outbreak of COVID-19 and the corresponding restrictions on movement. However, since it is difficult to develop a reasonable estimate at this point, the Group provided a target range for net sales, operating income, and ordinary income. Note that the forecast for net income attributable to owners of the parent is left undetermined, due to the possibility of a sharp fluctuation depending on the implementation of future rationalization measures. The Group will disclose the forecast promptly as soon as it is possible to make a reasonable estimate.

Consolidated earnings projections for the fiscal year ending March 31, 2021 are as follows.

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
¥80,000–90,000 million	¥500–1,000 million	¥500–1,000 million	Undetermined

\* The projections above are based on exchange rates of ¥110 to the US dollar and ¥120 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 20% on a consolidated basis.

Based on this policy, the Group plans to pay a year-end dividend of ¥15 per share considering the results of the fiscal year under review and the future business environment. Combined with a ¥20 per share interim dividend (¥15 ordinary dividend, ¥5 commemorative dividend for 70th anniversary), this will bring the annual dividend up to ¥35 per share.

For the next fiscal year, the Group leaves the dividend forecast undetermined at this point.

#### (6) Business risks (Risks due to COVID-19 outbreak)

The outbreak of COVID-19 has had a significant impact on the Group's business performance and financial condition, due to a drop in sales in each business segment and lower capacity utilization at each plant.

Looking ahead, the Group could experience a further impact on its business performance and financial condition should the current situation grow prolonged, the virus spread even more, or the pandemic fail to be contained. Risks to the Group in the event such conditions should persist include endangerment of human resource due to infection of employees, a decline in demand owing to a global economic downturn and diminished consumption, a decrease in demand stemming from ongoing shutdowns or lower capacity utilization at customer plants, and disruption of supply chains such as difficulties in securing raw materials.

(Status of the Group, as of the end of April)

Orders and sales of main business segments

Segment	Order status
Speaker	Orders dropped sharply due to prolonged shutdowns of plant operations at carmakers and Tier 1 manufacturers. Forecasting when orders will recover is difficult at the moment.
Mobile Audio	While we expect orders to decline for headsets sold to a major customer, the recession could also impact the demand for final products. Orders for new products are as planned.
Other	Orders declined steeply in the micro-acoustic components business (e.g., alarm buzzers) due to the prolonged shutdowns of plant operations at carmakers and Tier 1 manufacturers. Forecasting when orders will recover is difficult at this time.

Production levels at main business segments (employee attendance is steady at about 95%)

Country	Segment	Capacity utilization (vs. normal operation)
China	Speaker	About 80% capacity utilization
	Mobile Audio	About 80% capacity utilization
Vietnam	Speaker	About 60% capacity utilization
	Mobile Audio	About 70% capacity utilization
Myanmar	Speaker	About 50% capacity utilization

Status of material procurement

Despite differences in the timing of factory resumption at Chinese material suppliers after the lifting of restrictions in February, the Group sees no issues at present. However, the outbreak of COVID-19 exposed the problem that most of the Group's material suppliers are concentrated in China. Restrictions on movement had a significant impact on logistics, whereby the movement of goods from China to Vietnam was restricted, affecting operations at the Vietnam plant. In response, the Group started a drastic review of the supply chain, including a reexamination of supplier regions and an increased shift to in-house production of core components.

Status of funds

As of the end of the period under review, the Group had approximately ¥24 billion in cash and cash equivalents. In addition, it froze capital investment in non-priority items and curtailed capital expenditure. As a result, the Group does not face financial concerns. However, due to the growing uncertainty, it raised the committed credit line to ¥14 billion from ¥3 billion to create a system capable of withstanding unexpected downturns.

Group initiatives

The Group is working to prevent the spread of COVID-19, putting the safety and security of employees, business partners, and local communities first. In addition, it is striving to ensure a stable supply of products by working in close cooperation with business partners to deal with the risk of supply chain disruption.

(Measures by the Group)

- Optimize inventory level by adjusting production
- Limit overtime work, suspend operations, or implement furloughs at each plant
- Adopt remote work and web conferences (keep the number of employees working at the office to a minimum)
- Utilize staggered work hours and flextime if working at the office is unavoidable
- Prohibit business trips
- Request business partners to refrain from visiting as much as possible
- Take rigorous steps to ensure safety and hygiene (wearing a face mask, taking temperature, refraining from contact with people outside of the company, etc.)
- Secure face masks for employees by producing them at the China plant

## **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, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	11,854	14,770
Notes and accounts receivable - trade	18,888	14,852
Electronically recorded monetary claims - operating	373	293
Securities	11,386	10,098
Finished goods	16,405	11,856
Raw materials	5,247	4,342
Work in process	1,148	1,293
Supplies	167	131
Accounts receivable - other	1,033	921
Other	1,291	1,424
Allowance for doubtful receivables	(24)	(31)
Total current assets	67,773	59,952
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,144	13,868
Accumulated depreciation	(6,016)	(5,740)
Buildings and structures, net	9,127	8,127
Machinery, equipment and vehicles	21,788	19,790
Accumulated depreciation	(16,600)	(14,408)
Machinery, equipment and vehicles, net	5,187	5,382
Tools, furniture and fixtures	11,736	10,930
Accumulated depreciation	(9,594)	(9,143)
Tools, furniture and fixtures, net	2,142	1,787
Land	874	1,435
Construction in progress	1,142	1,247
Net property, plant and equipment	18,475	17,980
Intangible assets		
Software	194	98
Leasehold rights	821	-
Other	154	118
Total intangible assets	1,171	217
Investments and other assets		
Investment securities	2,488	1,297
Long-term prepaid expenses	97	112
Asset for employees' retirement benefits	697	715
Deferred tax assets	240	263
Other	326	286
Total investments and other assets	3,851	2,675
Total non-current assets	23,497	20,872
Total assets	91,271	80,825



(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	8,334	7,390
Short-term bank loans	2,634	2,138
Current portion of long-term debt	6,863	1,766
Accounts payable - other	3,112	2,782
Income taxes payable	713	646
Accrued expenses	2,005	1,739
Reserve for bonuses	689	549
Other	1,098	770
Total current liabilities	25,453	17,783
Non-current liabilities		
Long-term debt	5,108	2,637
Deferred tax liabilities	778	633
Liability for employees' retirement benefits	77	63
Liability for directors' retirement benefits	12	16
Provisions for stock benefit program	92	121
Asset retirement obligations	244	249
Other	208	323
Total non-current liabilities	6,523	4,047
Total liabilities	31,977	21,830
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,770	6,770
Capital surplus	7,961	7,957
Retained earnings	44,813	45,696
Treasury stock	(5,222)	(5,089)
Total shareholders' equity	54,322	55,335
Accumulated other comprehensive income		
Unrealized gain on investment securities	677	126
Foreign currency translation adjustment	(161)	(1,281)
Remeasurements of defined benefit plans	(488)	(409)
Total accumulated other comprehensive income	27	(1,563)
Non-controlling interests	4,944	5,224
Total net assets	59,294	58,995
Total liabilities and net assets	91,271	80,825

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	140,303	107,298
Cost of sales	122,768	92,611
Gross profit	17,534	14,687
Selling, general and administrative expenses	13,596	12,623
Operating income	3,937	2,064
Non-operating income		
Interest income	167	287
Dividend income	61	406
Foreign currency exchange gain	279	—
Miscellaneous income	545	412
Total non-operating income	1,054	1,106
Non-operating expenses		
Interest expense	187	128
Foreign currency exchange loss	—	273
Miscellaneous loss	486	168
Total non-operating expenses	673	571
Ordinary income	4,318	2,599
Extraordinary income		
Gain on sales of non-current assets	—	2,952
State subsidy	—	298
Gain on sales of investment securities	—	882
Total extraordinary income	—	4,133
Extraordinary losses		
Impairment losses	2,396	2,529
Special retirement payments	1,356	956
Total extraordinary losses	3,752	3,485
Income before income taxes	565	3,247
Income taxes - current	1,269	1,018
Income taxes - deferred	610	89
Total income taxes	1,880	1,108
Net income (loss)	(1,314)	2,139
Net income attributable to non-controlling interests	712	574
Net income (loss) attributable to owners of the parent	(2,026)	1,565

**(Consolidated statement of comprehensive income)**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income (loss)	(1,314)	2,139
Other comprehensive income		
Unrealized gain on investment securities	(99)	(550)
Foreign currency translation adjustment	8	(1,259)
Remeasurements of defined benefit plans	(153)	128
Total other comprehensive income	(244)	(1,682)
Comprehensive income	(1,558)	457
(Breakdown)		
Total comprehensive income attributable to owners of the parent	(1,983)	(26)
Total comprehensive income attributable to non-controlling interests	424	483

**(3) Consolidated statement of changes in shareholders' equity**  
**Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, April 1, 2018	6,770	9,394	48,068	(2,156)	62,077
Cumulative effects of changes in accounting policies			(73)		(73)
Balance at start of the year reflecting changes in accounting policies	6,770	9,394	47,994	(2,156)	62,003
Changes during the year					
Dividends paid			(1,154)		(1,154)
Net income (loss) attributable to owners of the parent			(2,026)		(2,026)
Purchase of treasury stock				(4,500)	(4,500)
Disposal of treasury stock				(0)	(0)
Retirement of treasury stock		(1,433)		1,433	—
Net change in items other than shareholders' equity during the year (net value)					
Net change in the year	—	(1,433)	(3,181)	(3,066)	(7,680)
Balance, March 31, 2019	6,770	7,961	44,813	(5,222)	54,322

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, April 1, 2018	776	(410)	(382)	(15)	4,731	66,792
Cumulative effects of changes in accounting policies						(73)
Balance at start of the year reflecting changes in accounting policies	776	(410)	(382)	(15)	4,731	66,718
Changes during the year						
Dividends paid						(1,154)
Net income (loss) attributable to owners of the parent						(2,026)
Purchase of treasury stock						(4,500)
Disposal of treasury stock						(0)
Retirement of treasury stock						—
Net change in items other than shareholders' equity during the year (net value)	(99)	249	(106)	43	212	256
Net change in the year	(99)	249	(106)	43	212	(7,424)
Balance, March 31, 2019	677	(161)	(488)	27	4,944	59,294

**Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, April 1, 2019	6,770	7,961	44,813	(5,222)	54,322
Changes during the year					
Dividends paid			(681)		(681)
Net income attributable to owners of the parent			1,565		1,565
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(3)		133	129
Retirement of treasury stock					
Net change in items other than shareholders' equity during the year (net value)					
Net change in the year	—	(3)	884	133	1,012
Balance, March 31, 2020	6,770	7,957	45,696	(5,089)	55,335

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, April 1, 2019	677	(161)	(488)	27	4,944	59,294
Changes during the year						
Dividends paid						(681)
Net income (loss) attributable to owners of the parent						1,565
Purchase of treasury stock						(0)
Disposal of treasury stock						129
Retirement of treasury stock						
Net change in items other than shareholders' equity during the year (net value)	(550)	(1,119)	79	(1,591)	279	(1,311)
Net change in the year	(550)	(1,119)	79	(1,591)	279	(298)
Balance, March 31, 2020	126	(1,281)	(409)	(1,563)	5,224	58,995

**(4) Consolidated statement of cash flows**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Operating activities</b>		
Income before income taxes	565	3,247
Depreciation and amortization	4,408	3,159
(Increase) decrease in asset for employees' retirement benefits	78	(16)
Increase (decrease) in liability for employees' retirement benefits	(66)	(10)
Increase (decrease) in directors' retirement benefits	4	4
Increase (decrease) in allowance for doubtful receivables	8	6
Increase (decrease) in reserve for bonuses	(8)	(138)
Loss (gain) on sales of property, plant and equipment	—	(2,952)
Subsidy income	—	(298)
Impairment losses	2,396	2,529
Special retirement payments	1,356	956
Loss (gain) on sales of investment securities	—	(882)
Interest and dividend income	(229)	(694)
Interest expense	187	128
Foreign exchange loss (gain)	(10)	36
Decrease (increase) in trade notes and accounts receivable	2,702	3,687
Decrease (increase) in inventories	14,275	4,743
Increase (decrease) in trade notes and accounts payable	(4,981)	(723)
Decrease (increase) in other accounts receivable	(224)	76
Increase (decrease) in other accounts payable	(470)	(242)
Other	576	(514)
<b>Subtotal</b>	<b>20,569</b>	<b>12,104</b>
Interest and dividend income received	229	694
Interest expenses paid	(187)	(128)
Proceeds from subsidy income	—	298
Payments for special retirement expenses	(1,356)	(956)
Income taxes - paid	(1,293)	(919)
<b>Net cash provided by operating activities</b>	<b>17,961</b>	<b>11,092</b>
<b>Investing activities</b>		
Purchases of securities	(2,764)	(1,501)
Proceeds from redemption of securities	2,965	2,172
Purchases of investment securities	(0)	(0)
Proceeds from sales of investment securities	—	1,181
Purchases of property, plant and equipment	(3,892)	(4,254)
Proceeds from sales of property, plant and equipment	564	2,841
Purchases of intangible assets	(101)	(74)
Decrease (increase) in time deposits	(120)	218
Decrease (increase) in short-term loans receivable	0	0
Payments of long-term loans receivable	(9)	(6)
Collection of long-term loans receivable	5	10
Payment for long-term prepaid expenses	(32)	(81)
Other	(40)	8
<b>Net cash provided by (used in) investing activities</b>	<b>(3,425)</b>	<b>516</b>

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans payable, net	(699)	(439)
Proceeds from long-term debt	5,281	—
Repayments of long-term debt	(1,715)	(7,538)
Dividends paid	(1,154)	(681)
Dividends paid to non-controlling interests	(149)	(148)
Purchase of treasury stock	(4,500)	(0)
Other	—	(15)
Net cash used in financing activities	(2,937)	(8,823)
Effect of exchange rate changes on cash and cash equivalents	(224)	(378)
Net increase in cash and cash equivalents	11,373	2,406
Cash and cash equivalents, beginning of year	10,150	21,524
Cash and cash equivalents end of year	21,524	23,930

## **(5) Notes to the consolidated financial statements**

### **(Notes on going concern assumption)**

Not applicable.

### **(Changes in accounting policies)**

#### Adoption of IFRS 16 “Leases”

The overseas subsidiaries of the Group, except for subsidiaries in North America using US GAAP, have adopted IFRS 16 “Leases” from the beginning of the fiscal period under review. Accordingly, all assets and liabilities arising from a lease are in principle recognized on the balance sheet for lease transactions of a lessee. In applying the new standard, the relevant subsidiaries have adopted a method that recognizes the cumulative effect of the application of the standard as of the initial date of application, which is permitted as a transitional measure.

As a result, in the fiscal year under review, “Property, plant and equipment” have increased by ¥227 million, “Other” under current liabilities has increased by ¥118 million, and “Other” under non-current liabilities has increased by ¥116 million. The resulting impact on earnings for the fiscal year under review is immaterial. Note that ¥712 million in land use rights included in “Leasehold rights” under intangible assets has been moved to “Land” under property, plant and equipment from the beginning of the fiscal year under review.

### **(Additional information)**

#### Board Benefit Trust (BBT)

To further promote the sharing of value between directors and executive officers (excluding outside directors; hereinafter “directors, etc.”) and shareholders, and to contribute to the enhancement of corporate value over the longer term, the Company adopts Board Benefit Trust (BBT), a stock compensation plan for directors, etc.

Trust agreements are accounted based on the “Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

#### (1) Overview of transactions

BBT is a scheme for the Company to compensate directors, etc., who meet certain requirements defined in stock benefit regulations for directors, prescribed by the Company in advance, with its own shares.

The Company provides directors, etc. with performance-linked points each year, and distributes these points in shares at the time of their retirement. The shares distributed to directors, etc., including shares to be distributed in the future, are acquired in advance using the designated funds held in a trust, and these shares are managed separately as trust assets.

#### (2) Shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets according to the book value of the trust (excluding the amount of incidental costs). The book value and the number of shares of the said treasury stock were ¥218 million and 111,000 shares as of the end of the previous consolidated fiscal year, and ¥218 million and 110,000 shares as of the end of the fiscal year under review.

#### (Regarding uncertainty about COVID-19 and accounting estimates)

The Group expects the spread of COVID-19 will result in reduced orders accompanied by decreased sales.

However, the Group's accounting estimates, such as for impairment of fixed assets, assume that the impact of the spread of COVID-19 will mostly diminish during the fiscal year ending March 31, 2021.



**(Segment information, etc.)**

[Segment information]

## 1. Outline of reportable segments

The reportable segments are the business units for which the Company 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 Company 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 audio and TV speakers and speaker systems, as well as car speakers and speaker systems. The Mobile Audio Segment manufactures and distributes headphones, headsets, micro speakers, and business microphones. The Other Segment manufactures and distributes FOSTEX brand products, and electronic buzzers and sounders for applications such as alarms or warnings, and provides logistics services, etc.

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

Accounting procedures applied to reportable business segments are generally the same as those described in "Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements."

Income in the reportable segments is based on operating income.

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

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments			Total	Adjustments * Note 1	Amounts on consolidated statement of income * Note 2
	Speaker	Mobile Audio	Other			
Net sales						
Sales to external customers	70,403	63,851	6,048	140,303	—	140,303
Inter-segment sales or transfers	—	—	176	176	(176)	—
Total	70,403	63,851	6,224	140,479	(176)	140,303
Segment income (loss)	4,343	(670)	265	3,937	0	3,937
Segment assets	37,255	22,423	5,305	64,984	26,286	91,271
Other						
(1) Depreciation	2,241	1,871	295	4,408	—	4,408
(2) Impairment loss	308	2,087	—	2,396	—	2,396
(3) Investment in entities accounted for using equity method	353	—	—	353	—	353
(4) Increase in property, plant and equipment, and intangible assets	2,556	769	669	3,994	—	3,994

Notes: 1. The adjusted amounts are as follows:

- (1) The adjustments for segment income (loss) reflect the elimination of inter-segment transactions.
  - (2) The ¥26,286 million in adjustments to segment assets pertain to company-wide assets that are not distributed to each reportable segment.
2. Total segment income (loss) is adjusted with the value of operating income posted in the consolidated statement of income.

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments			Total	Adjustments * Note 1	Amounts on consolidated statement of income * Note 2
	Speaker	Mobile Audio	Other			
Net sales						
Sales to external customers	63,955	37,059	6,283	107,298	—	107,298
Inter-segment sales or transfers	—	—	170	170	(170)	—
Total	63,955	37,059	6,454	107,469	(170)	107,298
Segment income (loss)	2,571	(187)	(320)	2,064	(0)	2,064
Segment assets	34,535	12,166	4,649	51,351	29,474	80,825
Other						
(1) Depreciation	2,106	698	354	3,159	—	3,159
(2) Impairment loss	1,151	1,109	269	2,529	—	2,529
(3) Investment in entities accounted for using equity method	257	—	—	257	—	257
(4) Increase in property, plant and equipment, and intangible assets	2,435	1,564	328	4,328	—	4,328

Notes: 1. The adjusted amounts are as follows:

- (1) The adjustments for segment income (loss) reflect the elimination of inter-segment transactions.
  - (2) The ¥29,474 million in adjustments to segment assets pertain to company-wide assets that are not distributed to each reportable segment.
2. Total segment income (loss) is adjusted with the value of operating income posted in the consolidated statement of income.

**(Per-share information)**

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	¥2,404.10	¥2,369.46
Net income per share	¥(83.21)	¥69.15

Notes: 1. The diluted net income per share is not stated as there were no dilutive shares.

2. The basis for calculation of net income (loss) per share is as follows.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income (loss) per share		
Net income (loss) attributable to owners of the parent (Millions of yen)	(2,026)	1,565
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of the parent relating to common shares (Millions of yen)	(2,026)	1,565
Average number of common shares outstanding for the year (shares)	24,355,675	22,631,618

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Total net assets (Millions of yen)	59,294	58,995
Amount to be deducted from total net assets (Millions of yen)	4,944	5,224
Of which, non-controlling interests (Millions of yen)	4,944	5,224
Year-end net assets relating to common shares (Millions of yen)	54,350	53,771
Number of common shares at year-end used for calculating net assets per share (shares)	22,607,359	22,693,712

Note 4. In the calculation of net assets per share, the Company's shares held as trust assets of the Board Benefit Trust (BBT) by Trust & Custody Services Bank, Ltd. (Trust E Account) are included in the treasury stock that is deducted from the number of shares outstanding at year-end (110,664 shares at the end of the previous consolidated fiscal year, 110,664 shares at the end of the fiscal year under review) .

In addition, in the calculation of net income or loss 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 (110,770 shares in the previous consolidated fiscal year, 110,664 shares in the fiscal year under review).

**(Important subsequent events)**

Not applicable.

#### 4. Other

##### (1) Changes in executives

(i) Change in representative (scheduled for June 24, 2020) **Disclosed on February 27, 2020**

Hiromi Yoshizawa, Chairman and CEO (current: President and Representative Director)

Atsushi Narikawa, President and COO (current: Senior Managing Director)

(ii) Change in other executives (scheduled for June 24, 2020) **Disclosed on March 30, 2020**

Change in director

Yasuhiro Goto, Outside Director (current: Outside Corporate Auditor)

Change in corporate auditor

Takuma Ino, Outside Corporate Auditor (reappointed)

Takashi Suzuki, Outside Corporate Auditor (reappointed)

Satoko Kimoto, Outside Corporate Auditor (newly appointed)

##### (2) Other

Not applicable.