

Translation

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Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 16, 2022

Company name: Foster Electric Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 6794 URL <https://www.foster-electric.com/>
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 Scheduled date of ordinary general meeting of shareholders: June 24, 2022
 Scheduled date to file Securities Report: June 24, 2022
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	91,106	6.9	(7,757)	–	(7,473)	–	(7,017)	–
Year ended March 31, 2021	85,220	(20.6)	0	(100.0)	219	(91.6)	(3,363)	–

Note: Comprehensive loss: Fiscal year ended March 31, 2022 ¥(3,868) million [-%]
 Fiscal year ended March 31, 2021 ¥(1,729) million [-%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2022	(315.53)	–	(14.4)	(9.1)	(8.5)
Year ended March 31, 2021	(148.47)	–	(6.4)	0.3	0.0

Reference: Equity in earnings of affiliated companies: Fiscal year ended March 31, 2022 ¥ - million
 Fiscal year ended March 31, 2021 ¥ - 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, 2022	86,148	51,632	54.7	2,125.72
As of March 31, 2021	77,233	55,993	65.6	2,276.20

Reference: Equity capital: As of March 31, 2022 ¥47,163 million
 As of March 31, 2021 ¥50,638 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, 2022	(12,767)	(3,071)	6,771	12,089
Year ended March 31, 2021	739	(1,960)	(2,624)	20,373

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, 2021	–	10.00	–	5.00	15.00	570	–	0.6
Year ended March 31, 2022	–	10.00	–	0.00	10.00	223	–	0.5
Year ending March 31, 2023 (Forecast)	–	10.00	–	–	–		–	

Note: The year-end dividend for the fiscal year ending March 31, 2023 is undecided.

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes									
Full year	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
	100,000	9.8	500	-	500	-	300	-	13.52

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(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: Yes

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement of prior period financial statements: No

Note: For details, please refer to "3 Consolidated financial statements and important notes (5) Notes to the consolidated financial statements (Changes in accounting policies)" on page 14 of the Attachment.

(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, 2022	25,000,000 shares	As of March 31, 2021	25,000,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	2,812,993 shares	As of March 31, 2021	2,752,847 shares
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Average number of shares during the period

Year ended March 31, 2022	22,240,527 shares	Year ended March 31, 2021	22,657,406 shares
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(Reference) Summary of non-consolidated results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2022	42,817	12.6	(3,065)	-	(1,909)	-	(2,211)	-
Year ended March 31, 2021	38,035	(35.8)	(1,534)	-	(325)	-	(3,392)	-

	Earnings per share		Diluted net income per share	
	Yen		Yen	
Year ended March 31, 2022	(99.44)		-	
Year ended March 31, 2021	(149.72)		-	

(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, 2022	38,973		18,136		46.5		817.44	
As of March 31, 2021	38,832		20,688		53.3		929.93	

Reference: Equity capital: As of March 31, 2022 ¥18,136 million
As of March 31, 2021 ¥20,688 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.

○ Contents of Attachment

1. Overview of operating results, etc.	2
(1) Operating results for the year under review	2
(2) Financial position for the year under review	3
(3) Cash flow for the year under review	3
(4) Future outlook	3
(5) Basic policy for profit sharing and dividends for the current and next fiscal year	4
(6) Significant events regarding going concern assumption, etc.	4
2. Basic policies concerning the selection of accounting standards	5
3. Consolidated financial statements and important notes	6
(1) Consolidated balance sheet	6
(2) Consolidated statement of income and consolidated statement of comprehensive income	8
(Consolidated statement of income)	8
(Consolidated statement of comprehensive income)	9
(3) Consolidated statement of changes in shareholders' equity	10
(4) Consolidated statement of cash flows	12
(5) Notes to the consolidated financial statements	14
(Notes on going concern assumption)	14
(Changes in accounting policies)	14
(Segment information, etc.)	15
(Per-share information)	17
(Important subsequent events)	17
4. Other	18
(1) Changes in executives	18
(2) Other	18

1. Overview of operating results, etc.

(1) Operating results for the year under review

During the fiscal year ended March 31, 2022, the global economy, primarily advanced economies, made progress toward normalization owing to progress in COVID-19 vaccinations and fiscal and monetary policies implemented in countries around the world. However, the Russian invasion of Ukraine has upended the international order and led to the imposing of economic and financial sanctions in scales never seen before in many countries, all the while new variants of COVID-19 continued to pose threat. As such, the world is faced with an extremely challenging and uncertain outlook.

In the electronic components industry, particularly the automotive market on which the Group focuses, automobile manufacturers and parts suppliers were forced to review their production plans due to global semiconductor shortages and supply chain disruptions. Meanwhile, global efforts to decarbonize society began in earnest and development of electric vehicles accelerated, leading to increased expectations for medium- to long-term demand growth for electronic components.

Under these conditions, the Foster Group (the "Group"), in accordance with its medium-term business plan, actively engaged in activities to secure orders while pushing forward with its partner strategy for target customers. As a result, orders reached roughly 70% of the target for the final year of the medium-term plan. Owing to the Group's efforts to capture electronic vehicle (EV)-related demand, sales of strategic products, such as speakers for acoustic vehicle alerting systems, alarm buzzers, and car headphones, drove overall sales growth. Further, in China, which is leading the shift toward EVs, the Group established a local subsidiary to receive orders and manufacture automotive products while maintaining competitiveness in quality and price, with an eye to expanding business with local automobile manufactures. In areas other than the automotive business, the Group worked to build a structure that can respond to a wider range of customer needs. Specifically, it made further advances toward the commercialization of new businesses in such areas as wearables and wellness which handle successor products to the existing mainstays, and worked to strengthen its research and development business by considering business tie-ups in addition to other measures. In terms of promoting ESG management, the Group's initiatives, which satisfy various evaluation criteria related to environment (E), society (S), and governance (G), were highly rated, and the Group was selected for the first time by the global index provider FTSE Russell for inclusion in the latter's ESG investment index, "FTSE Blossom Japan Index."

As a result of the above, net sales increased driven by higher sales of automotive products. In particular, sales of strategic products such as car headphones, speakers for acoustic vehicle alerting systems, and alarm buzzers increased by some 30%. Meanwhile, profits suffered from soaring international freight rates and raw material and component prices and supply chain disruptions caused by the spread of new COVID-19 variants. In particular, increased use of air freight in response to global shipping container disruptions weighed on profits.

As a result, consolidated net sales for the fiscal year ended March 31, 2022 came to ¥91,106 million (up 6.9% YoY). On the profit front, the Group recorded an operating loss of ¥7,757 million (in the previous year, operating income of ¥0 million), an ordinary loss of ¥7,473 million (in the previous year, ordinary income of ¥219 million), and a net loss attributable to owners of the parent of ¥7,017 million (in the previous year, net loss attributable to owners of the parent of ¥3,363 million). The net loss was due to the booking of extraordinary losses on special retirement payments.

Results by segment were as follows.

[Speaker Segment]

Against the backdrop of a recovery in automobile sales from the COVID-19 pandemic, net sales came to ¥69,676 million (up 22.8% YoY). The operating loss amounted to ¥6,955 million (in the previous year, operating income of ¥377 million), mainly attributable to the following factors: soaring container freight rates and raw material and component prices, lower operating rates at production sites due to the impact of COVID-19, and increased usage of air freight after orders recovered due to prolonged disruptions in marine logistics.

[Mobile Audio Segment]

Shipments of consumer actuators were stronger than planned, and sales of car headphones also increased due to expanded customers base. However, sales of headsets bundled with smartphones were nearing an end, resulting in net sales of ¥14,227 million (down 34.1% YoY) and an operating loss of ¥896 million (in the previous year, operating loss of ¥424 million).

[Other Segment]

In the Other Segment, including the micro acoustic components and FOSTEX brand products, net sales amounted to ¥8,330 million (up 15.0% YoY) and operating income ¥94 million (up 100.9% YoY), due to steady growth in the micro acoustic components business including sales of speakers for acoustic vehicle alerting systems and alarm buzzers, which are strategic products.

(2) Financial position for the year under review

As of March 31, 2022, total assets amounted to ¥86,148 million, up ¥8,915 million from their level as of March 31, 2021, mainly because of an increase in inventories. Owing chiefly to an increase in short-term bank loans, total liabilities grew ¥13,276 million from March 31, 2021 to ¥34,516 million. Net assets came to ¥51,632 million, down ¥4,361 million from March 31, 2021, mainly as the result of a decrease in retained earnings. The equity ratio was 54.7% as of March 31, 2022, down 10.9 percentage points from March 31, 2021.

(3) Cash flow for the year under review

[Operating activities]

Net cash used in operating activities was ¥12,767 million, due mainly to an increase in inventories.

[Investing activities]

Net cash used in investing activities totaled ¥3,071 million, due mainly to capital investments.

[Financing activities]

Net cash provided by financing activities totaled ¥6,771 million, mainly attributable to an increase in short-term bank loans.

As a result, cash and cash equivalents as of March 31, 2022 stood at ¥12,089 million, down ¥8,284 million from the level on March 31, 2021.

(4) Future outlook

The outlook for the global economy is clouded by an unprecedented level of uncertainties due to heightened geopolitical risk caused by the Russian invasion of Ukraine. The world is faced with various risks and crises, including the COVID-19 pandemic, social crises due to cyberattacks, political crises such as the political unrest in Myanmar and the Russia–Ukraine war, economic crises prompted by sharp increases in prices, and the threat of climate change, which are intertwined in a complex manner to make dealing with these issues more difficult. However, digitalization, including increased use of AI and the shift to 5G and 6G, has also accelerated, driven in part by efforts to respond to these risks and crises, and is expected to contribute to economic development going forward.

In the automotive market, the Group's focus area, automobile production and sales are expected to increase slightly against a backdrop of recovery in the global economy toward normalization, but for the time being, conditions are expected to remain harsh due to growing uncertainties caused by semiconductor shortages, rising commodity prices, and supply chain disruptions. 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.

Despite the increasingly harsh operating environment, the Group has made no change to its policy of steadily pushing forward with its medium-term business plan. 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 policies.

[Enhancement of profitability]

1. Strengthen resilience of SP business
2. Generate stable profit in the Mobile Audio Segment
3. Shift resources to the micro acoustic components business, growth areas
4. Strengthen collaboration with ESTec Corporation

[Structural reform]

1. Establish a globally optimal supply chain system
2. Advocate local production for local consumption
3. Fine-tune and fortify back-up systems between business bases
4. Promote further labor saving measures
5. Promote standardization of manufacturing processes

In addition to the above, the Foster Group is striving to further improve and enhance the quality of its products and operations, as well as to revamp its operations and increase productivity through the use of IT and digitalization. To further increase its competitiveness, the Group will bolster its capabilities to respond to changes in the environment and make global efforts to achieve carbon neutrality, a goal it has committed to under the medium-term business plan.

Based on the belief that “All value creation is driven by personnel,” the Group will aggressively invest in human resources. It will work toward realizing “Be Happy 80%” for all its employees as set forth in the medium-term plan and challenge without Fear of Failure in their endeavors but to continue striving to bring about changes in the market. Further, the Group will continue practicing ESG management to be a corporation that is needed and trusted by society and the market.

Consolidated earnings projections for the fiscal year ending March 31, 2023 are as follows.

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
¥100,000 million	¥500 million	¥500 million	¥300 million

* The projections above are based on exchange rates of ¥125 to the US dollar and ¥135 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.

As announced on January 31, 2022, after comprehensively considering the basic policy and the need to maintain internal reserves for future growth, the Group has decided to not pay a year-end dividend for the fiscal year under review. Hence, with an interim dividend of ¥10 per share, this will bring the annual dividend to ¥10 per share.

For the next fiscal year, the Group forecasts an interim dividend of ¥10 per share but has not yet decided on the year-end dividend, in light of the uncertainties and instabilities in the current business environment and earnings outlook.

(6) Significant events regarding going concern assumption, etc.

As stated in “(1) Operating results for the year under review,” in the fiscal year ended March 31, 2022, the Group recorded a net loss attributable to owners of the parent of ¥7,017 million (in the previous year, net loss attributable to owners of the parent of ¥3,363 million). As of March 31, 2022, net assets amounted to ¥51,632 million (down 7.8% YoY), and net assets before foreign currency translation adjustments, which is shown in the consolidated balance sheet, amounted to ¥48,014 million (down 14.4% YoY).

As a result, the Group was temporarily in breach of the financial covenants stipulated in the committed credit line agreements concluded with financial institutions, raising substantial doubt about the going concern assumption.

However, after informing the financial institutions it mainly deals with of the above situation, the Group was able to convince the latter to continue providing loans as agreed upon in the existing loan agreements, and hence expects to receive continued support from these financial institutions. Further, the Group’s business is performing well, with orders received at roughly 70% of the target set for the final year of the medium-term business plan. In terms of profits, air freight expenses, which weighed on profits, were one-time, extraordinary expenses incurred due to COVID-19 lockdowns in Vietnam between July and September 2021. Further, the Group is taking measures to counter the impact of soaring raw material and component prices and higher logistics costs, including the introduction of a market-price-linked system, under which prices are determined based on market conditions. Owing to these measures, earnings are expected to grow going forward. Further, the equity ratio as of March 31, 2022 was 54.7%, a level generally considered as having no issue in financial stability.

As a result, the Group has determined that there is no substantial doubt regarding its ability to continue as a going concern.

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 sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	15,470	10,846
Notes and accounts receivable - trade	16,768	19,001
Electronically recorded monetary claims - operating	177	350
Securities	5,622	2,343
Finished goods	11,517	18,413
Raw materials	5,656	10,355
Work in process	1,159	1,578
Supplies	147	108
Accounts receivable - other	831	1,170
Advance payments to suppliers	85	859
Other	1,636	2,202
Allowance for doubtful accounts	(32)	(86)
Total current assets	59,040	67,143
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,995	13,944
Accumulated depreciation	(6,237)	(7,080)
Buildings and structures, net	6,758	6,863
Machinery, equipment and vehicles	18,364	19,789
Accumulated depreciation	(13,770)	(15,134)
Machinery, equipment and vehicles, net	4,594	4,655
Tools, furniture and fixtures	10,918	11,758
Accumulated depreciation	(9,385)	(9,970)
Tools, furniture and fixtures, net	1,533	1,788
Land	1,442	1,521
Construction in progress	883	785
Total property, plant and equipment	15,213	15,614
Intangible assets		
Software	69	80
Other	119	122
Total intangible assets	189	203
Investments and other assets		
Investment securities	1,482	1,306
Long-term prepaid expenses	83	82
Retirement benefit asset	791	880
Deferred tax assets	199	637
Other	234	280
Total investments and other assets	2,790	3,187
Total non-current assets	18,193	19,005
Total assets	77,233	86,148

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,735	11,179
Short-term borrowings	2,556	12,247
Current portion of long-term borrowings	1,528	818
Accounts payable - other	2,768	3,861
Income taxes payable	301	630
Accrued expenses	1,719	2,848
Provision for bonuses	362	398
Other	766	903
Total current liabilities	18,738	32,889
Non-current liabilities		
Long-term borrowings	1,118	300
Deferred tax liabilities	588	475
Retirement benefit liability	74	60
Provision for retirement benefits for directors (and other officers)	16	20
Reserve for stocks payment	146	163
Asset retirement obligations	254	281
Other	301	325
Total non-current liabilities	2,501	1,627
Total liabilities	21,239	34,516
Net assets		
Shareholders' equity		
Share capital	6,770	6,770
Capital surplus	6,896	6,896
Retained earnings	41,299	33,906
Treasury shares	(4,129)	(4,163)
Total shareholders' equity	50,837	43,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	298	323
Foreign currency translation adjustment	(82)	3,617
Remeasurements of defined benefit plans	(414)	(187)
Total accumulated other comprehensive income	(198)	3,753
Non-controlling interests	5,354	4,469
Total net assets	55,993	51,632
Total liabilities and net assets	77,233	86,148

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	85,220	91,106
Cost of sales	74,097	83,621
Gross profit	11,123	7,484
Selling, general and administrative expenses	11,122	15,241
Operating profit (loss)	0	(7,757)
Non-operating income		
Interest income	125	84
Dividend income	39	56
Foreign exchange gains	–	199
Subsidy income	167	137
Miscellaneous income	343	364
Total non-operating income	675	843
Non-operating expenses		
Interest expenses	67	78
Foreign exchange losses	15	–
Loss on retirement of non-current assets	82	131
Miscellaneous losses	291	349
Total non-operating expenses	456	559
Ordinary profit (loss)	219	(7,473)
Extraordinary losses		
Impairment losses	1,988	132
Extra retirement payments	522	715
Loss on revision of retirement benefit plan	–	239
Loss on valuation of investment securities	360	–
Total extraordinary losses	2,871	1,088
Loss before income taxes	(2,652)	(8,561)
Income taxes - current	261	345
Income taxes - deferred	64	(676)
Total income taxes	325	(331)
Loss	(2,978)	(8,230)
Profit (loss) attributable to non-controlling interests	385	(1,213)
Loss attributable to owners of parent	(3,363)	(7,017)

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Loss	(2,978)	(8,230)
Other comprehensive income		
Valuation difference on available-for-sale securities	171	24
Foreign currency translation adjustment	1,129	4,081
Remeasurements of defined benefit plans, net of tax	(52)	255
Total other comprehensive income	1,248	4,362
Comprehensive income	(1,729)	(3,868)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,998)	(3,066)
Comprehensive income attributable to non-controlling interests	268	(802)

(3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,770	7,957	45,696	(5,089)	55,335
Changes during period					
Dividends of surplus			(570)		(570)
Loss attributable to owners of parent			(3,363)		(3,363)
Purchase of treasury shares				(569)	(569)
Disposal of treasury shares				5	5
Cancellation of treasury shares		(1,060)	(463)	1,523	-
Net changes in items other than shareholders' equity					
Total changes during period	-	(1,060)	(4,397)	959	(4,498)
Balance at end of period	6,770	6,896	41,299	(4,129)	50,837

	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	126	(1,281)	(409)	(1,563)	5,224	58,995
Changes during period						
Dividends of surplus						(570)
Loss attributable to owners of parent						(3,363)
Purchase of treasury shares						(569)
Disposal of treasury shares						5
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	171	1,198	(4)	1,365	130	1,495
Total changes during period	171	1,198	(4)	1,365	130	(3,002)
Balance at end of period	298	(82)	(414)	(198)	5,354	55,993

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)
Loss 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)
Loss 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

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Loss before income taxes	(2,652)	(8,561)
Depreciation	3,148	3,209
Decrease (increase) in retirement benefit asset	(75)	(85)
Increase (decrease) in retirement benefit liability	8	(16)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	3
Increase (decrease) in allowance for doubtful accounts	1	46
Increase (decrease) in provision for bonuses	(185)	30
Loss on retirement of property, plant and equipment	82	131
Subsidy income	(167)	(137)
Impairment losses	1,988	132
Extra retirement payments	522	715
Retirement benefit expenses	-	239
Loss (gain) on valuation of investment securities	360	-
Interest and dividend income	(165)	(141)
Interest expenses	67	78
Foreign exchange losses (gains)	(56)	328
Decrease (increase) in trade receivables	(1,636)	(1,513)
Decrease (increase) in inventories	(792)	(10,255)
Increase (decrease) in trade payables	1,332	1,810
Decrease (increase) in accounts receivable - other	90	(294)
Increase (decrease) in accounts payable - other	(240)	880
Decrease (increase) in advance payments to suppliers	100	(712)
Other, net	(457)	2,050
Subtotal	1,274	(12,060)
Interest and dividends received	165	141
Interest paid	(67)	(78)
Subsidies received	167	137
Extra retirement payments	(227)	(537)
Income taxes paid	(968)	(473)
Income taxes refund	396	103
Net cash provided by (used in) operating activities	739	(12,767)
Cash flows from investing activities		
Purchase of securities	(771)	(1,551)
Proceeds from redemption of securities	990	1,197
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(2,099)	(2,658)
Purchase of intangible assets	(31)	(91)
Purchase of long-term prepaid expenses	(39)	(32)
Other, net	(8)	65
Net cash provided by (used in) investing activities	(1,960)	(3,071)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	428	8,811
Repayments of long-term borrowings	(1,753)	(1,540)
Dividends paid	(570)	(335)
Dividends paid to non-controlling interests	(159)	(116)
Purchase of treasury shares	(569)	(48)
Other, net	—	—
Net cash provided by (used in) financing activities	(2,624)	6,771
Effect of exchange rate change on cash and cash equivalents	287	782
Net increase (decrease) in cash and cash equivalents	(3,557)	(8,284)
Cash and cash equivalents at beginning of period	23,930	20,373
Cash and cash equivalents at end of period	20,373	12,089

(5) Notes to the consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group began applying the Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Accounting Standard for Revenue Recognition") at the beginning of the fiscal year ended March 31, 2022. Accordingly, the Group began to recognize revenue in the amount expected to be received in exchange for goods or services at the time when control of the promised goods or services is transferred to the customer.

The Group has applied the accounting standard in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022 was reflected in retained earnings at the beginning of the period. The new accounting policy has been applied starting from the relevant beginning balance, but there has been no impact on the relevant beginning balance.

Note that application of the accounting standard has no effect on the earnings for the fiscal year ended March 31, 2022.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group began applying the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Accounting Standard for Fair Value Measurement") at the beginning of the fiscal year ended March 31, 2022. The Group will prospectively apply the new accounting policy set forth in the Accounting Standard for Fair Value Measurement in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

Note that the application of the accounting standard has no effect on the consolidated financial statements for the fiscal year ended March 31, 2022.

(Changes in presentation method)

"Loss on retirement of non-current assets," which was included in "miscellaneous losses" under non-operating expenses until the previous fiscal year, is presented as a separate item in the fiscal year under review due to its increased monetary importance. In the fiscal year ended March 31, 2021, the Group recorded a ¥82 million loss on retirement of non-current assets as miscellaneous losses under non-operating expenses.

(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, income 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.

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, 2021 (From April 1, 2020 to March 31, 2021)

(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	56,736	21,574	6,909	85,220	—	85,220
Inter-segment sales or transfers	—	—	334	334	(334)	—
Total	56,736	21,574	7,244	85,555	(334)	85,220
Segment income (loss)	377	(424)	47	0	(0)	0
Segment assets	37,092	9,659	4,432	51,184	26,048	77,233
Other						
(1) Depreciation	1,964	925	258	3,148	—	3,148
(2) Impairment loss	1,658	104	225	1,988	—	1,988
(3) Investment in entities accounted for using equity method	212	—	—	212	—	212
(4) Increase in property, plant and equipment, and intangible assets	1,392	556	183	2,131	—	2,131

Notes: 1. The adjusted amounts are as follows:

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

(2) The ¥26,048 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.

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 ¥1,658 million was recorded on non-current assets related to business assets.

In the Mobile Audio Segment, an impairment loss of ¥104 million was recorded on non-current assets related to business assets.

In the Other Segment, an impairment loss of ¥225 million was recorded on non-current assets related to business assets.

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 income (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	2,097	855	252	3,206	—	3,206
(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 income (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 income (loss) is adjusted with the value of operating income 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.

(Per-share information)

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	¥2,276.20	¥2,125.72
Net loss per share	¥(148.47)	¥(315.53)

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

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net loss per share		
Net loss attributable to owners of the parent (Millions of yen)	(3,363)	(7,017)
Amount not attributable to common shareholders (Millions of yen)	—	—
Net loss attributable to owners of the parent relating to common shares (Millions of yen)	(3,363)	(7,017)
Average number of common shares outstanding for the year (shares)	22,657,406	22,240,527

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total net assets (Millions of yen)	55,993	51,632
Amount to be deducted from total net assets (Millions of yen)	5,354	4,469
Of which, non-controlling interests (Millions of yen)	5,354	4,469
Year-end net assets relating to common shares (Millions of yen)	50,638	47,163
Number of common shares at year-end used for calculating net assets per share (shares)	22,247,153	22,187,007

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 (107,823 shares at the end of the previous consolidated fiscal year, 165,769 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 (107,823 shares in the previous consolidated fiscal year, 165,769 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 24, 2022) **Disclosed on February 24, 2022**
Director and Chairperson: Hiromi Yoshizawa (current Representative Director, CEO)
Representative Director, President, and CEO: Atsushi Narikawa (current Representative Director, COO)

- (ii) Change in other executives (scheduled for June 24, 2022) **Disclosed on February 24, 2022**

Change in corporate auditors

1. Candidate for corporate auditor

Independent corporate auditor: Aiko Oue (current Attorney at Nakamoto Law Office)

2. Resigning corporate auditor

(1) Resining auditor: Takuma Ino

(2) Date of resignation

June 24, 2022 (at the conclusion of the General Meeting of Shareholders)

(3) Reason for resignation

Personal reasons

(2) Other

Not applicable.