

# **Supplementary Document Ended March 31, 2020**

**Foster Electric Company, Limited  
(Stock code: 6794, First Section, Tokyo Stock Exchange)**

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# I. Overview of Financial Results for the Fiscal Year Ended March 31, 2020

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# FY03/20 Results

**FOSTER**

(Millions of yen)

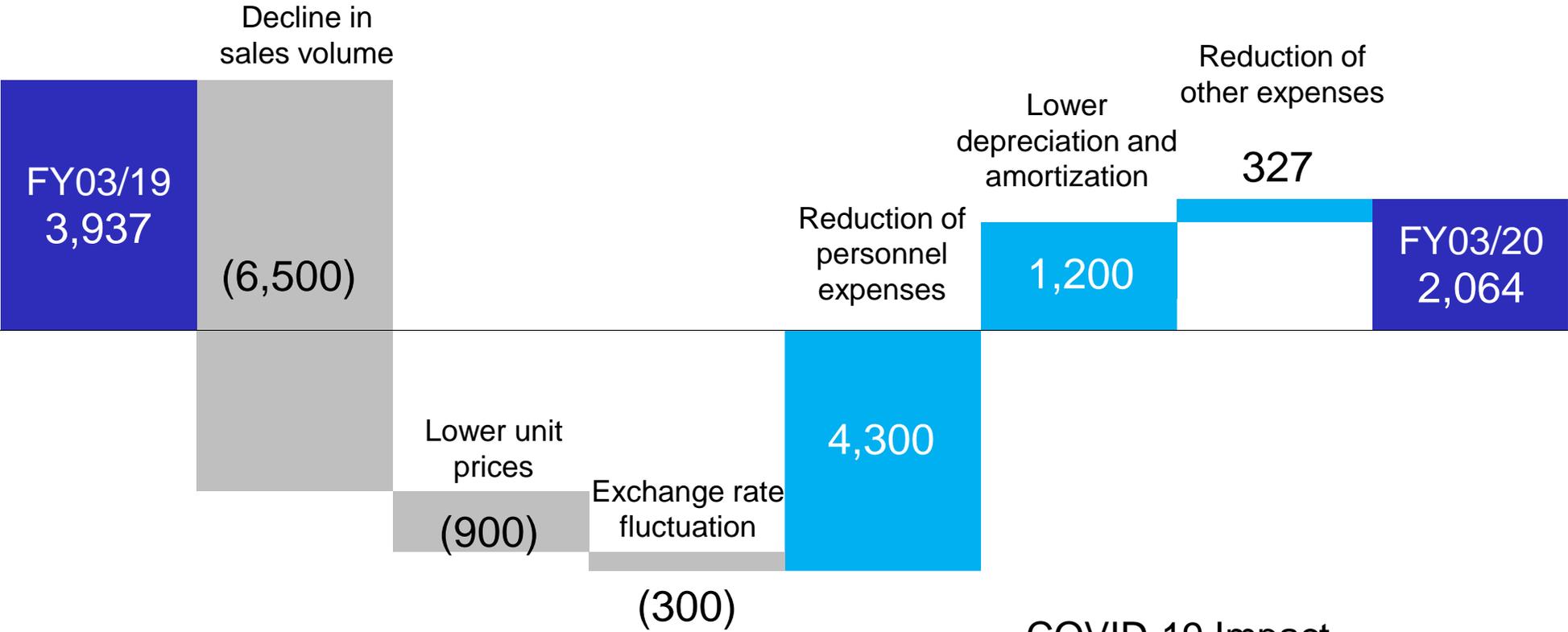
	FY03/19	FY03/20	Amount of change	Percentage change (YoY)	Revised FY03/20 forecast	Difference	Percentage achieved
Net sales	140,303	107,298	(33,005)	(23.5%)	110,000	(2,702)	97.5%
Operating income	3,937	2,064	(1,873)	(47.6%)	2,800	(736)	73.7%
<i>Operating income to net sales</i>	2.8%	1.9%			2.5%		
Ordinary income	4,318	2,599	(1,719)	(39.8%)	3,300	(701)	78.8%
<i>Ordinary income to net sales</i>	3.1%	2.4%			3.0%		
Net income (loss)*	(2,026)	1,565	3,591	—	2,200	(635)	71.1%
<i>Net income (loss) to net sales**</i>	(1.4%)	1.5%			2.0%		
Net income per share (in exact yen)	(83.21)	69.15	152.36	—	97.30	(28.15)	71.1%
Dividend per share (in exact yen)	20.00	35.00	15.00	75.0%			
Dividend payout ratio	—%	50.6%					
ROE	(3.5%)	2.9%					
Exchange rates	111.07 yen/USD 128.24 yen/EUR	108.95 yen/USD 120.85 yen/EUR					

\*Net income (loss) attributable to owners of the parent. \*\*Net income (loss) to net sales attributable to owners of the parent.

# Breakdown of YoY Change in Operating Income



(Millions of yen)



COVID-19 Impact  
 Net Revenues :  $\Delta 3,000$  mil.  
 Operating Income:  $\Delta 600$  mil.

# Segment Performance

**FOSTER**

(Millions of yen)

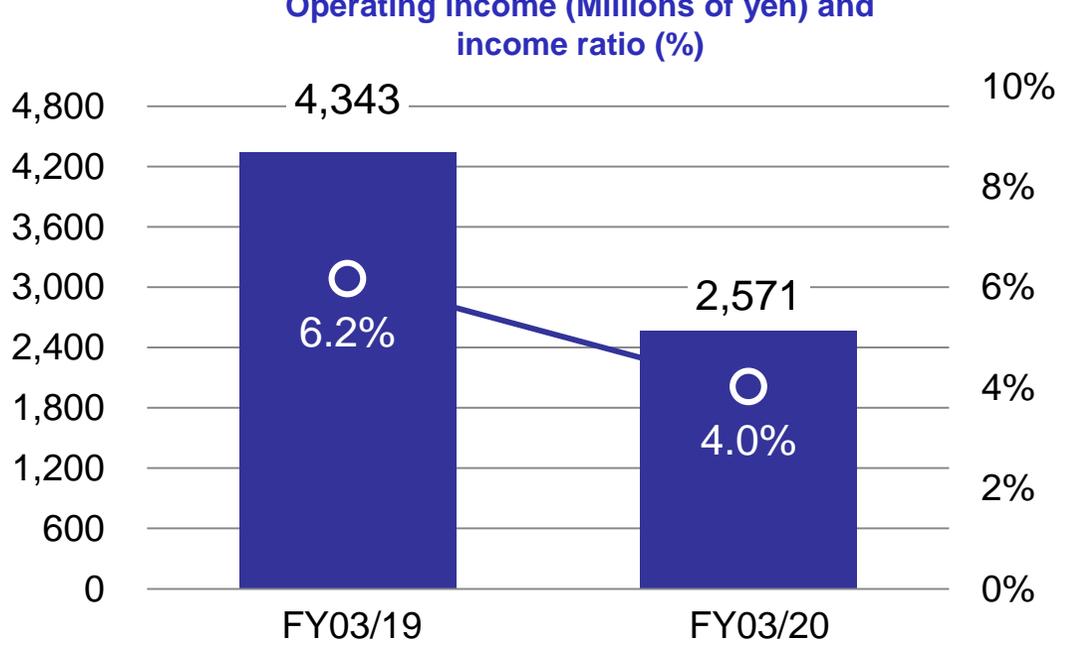
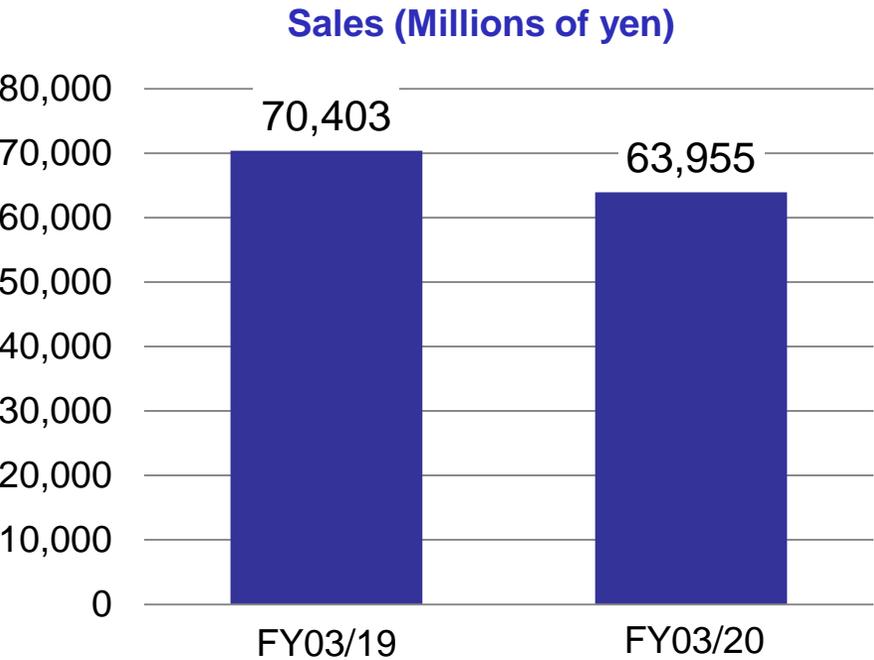
		FY03/19	Composition ratio	FY03/20	Composition ratio	Percentage change (YoY)
Net sales		140,303		107,298		(23.5%)
Operating income		3,937		2,064		(47.6%)
Income ratio		2.8%		1.9%		
Speaker	Sales	70,403	50.1%	63,955	59.5%	(9.2%)
	Operating income	4,343	—	2,571	—	(40.8%)
	Income ratio	6.2%		4.0%		
Mobile Audio	Sales	63,851	45.5%	37,059	34.5%	(42.0%)
	Operating income	(670)	—	(187)	—	—
	Income ratio	(1.0%)		(0.5%)		
Other	Sales	6,224	4.4%	6,454	6.0%	3.7%
	Operating income	265	—	(320)	—	—
	Income ratio	4.3%		(5.0%)		

**Segment sales and operating income declined YoY.**

- 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.

(Millions of yen)

		FY03/19	FY03/20	Composition ratio	Percentage change (YoY)
<b>Speaker</b>	Sales	70,403	63,955	59.6%	(9.2%)
	Operating income	4,343	2,571	—	(40.8%)
	<i>Income ratio</i>	6.2%	4.0%		

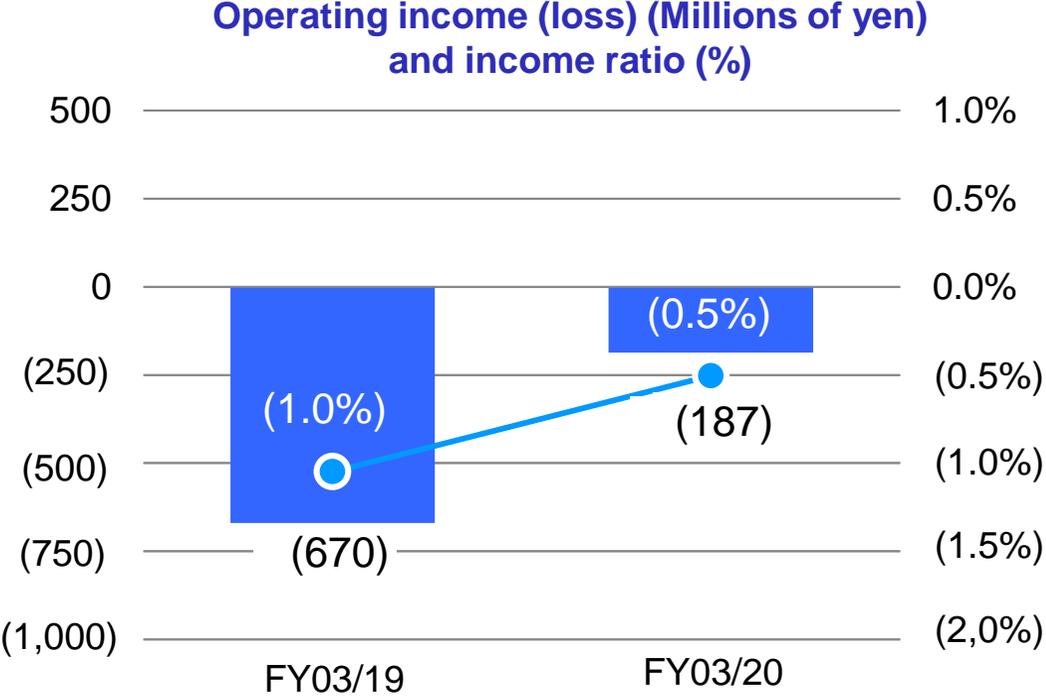
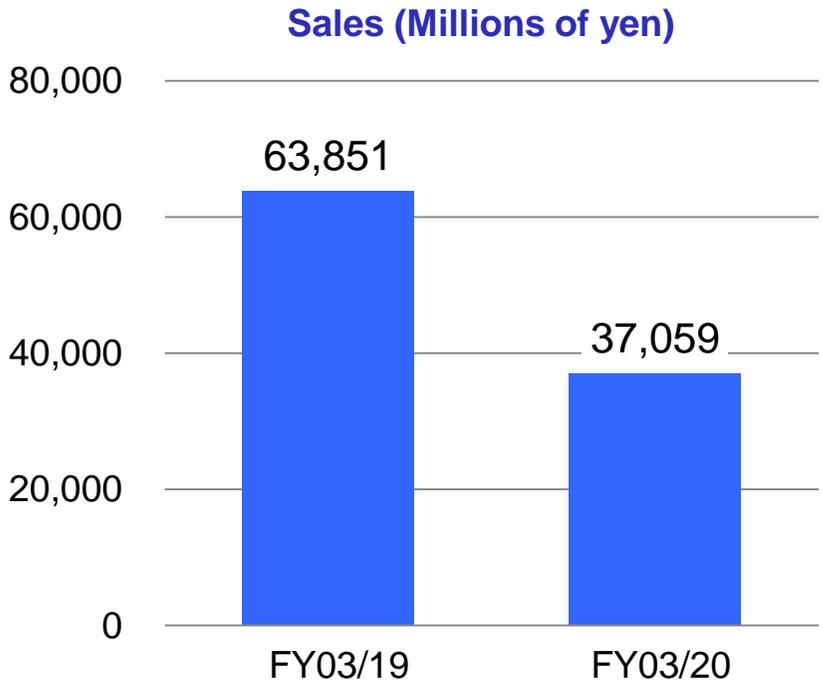


# Mobile Audio Segment

**Segment sales declined YoY, and we posted an operating loss.**

- The sales volume of headsets for a Chinese smartphone maker increased.
- However operating loss due to a decline in the sales volume of headsets sold to a major customer.

		(Millions of yen)			
		FY03/19	FY03/20	Composition ratio	Percentage change (YoY)
<b>Mobile Audio</b>	Sales	63,851	37,059	34.5%	(42.0%)
	Operating income	(670)	(187)	—	—
	Income ratio	(1.0%)	(0.5%)		



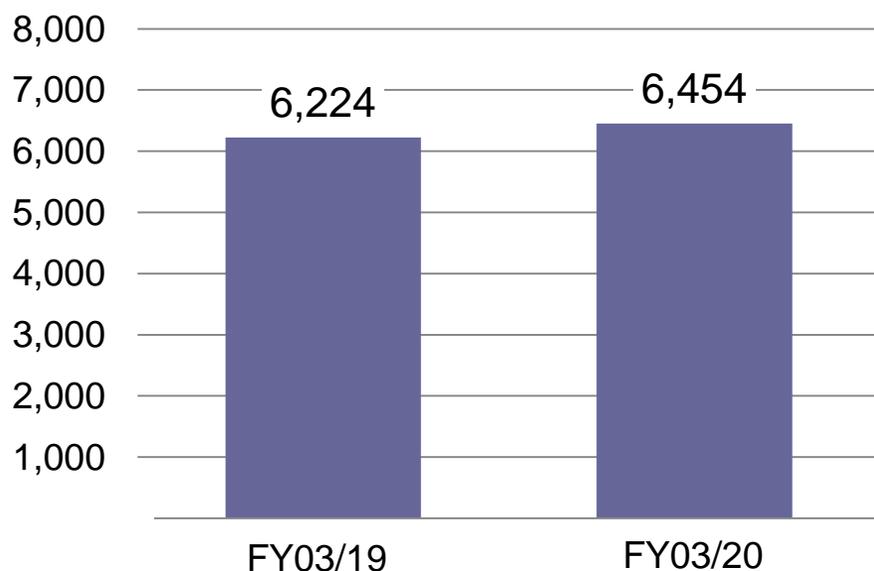
## Segment sales rose YoY, but we posted an operating loss.

- Operating loss due booking the development cost of an automated production line.

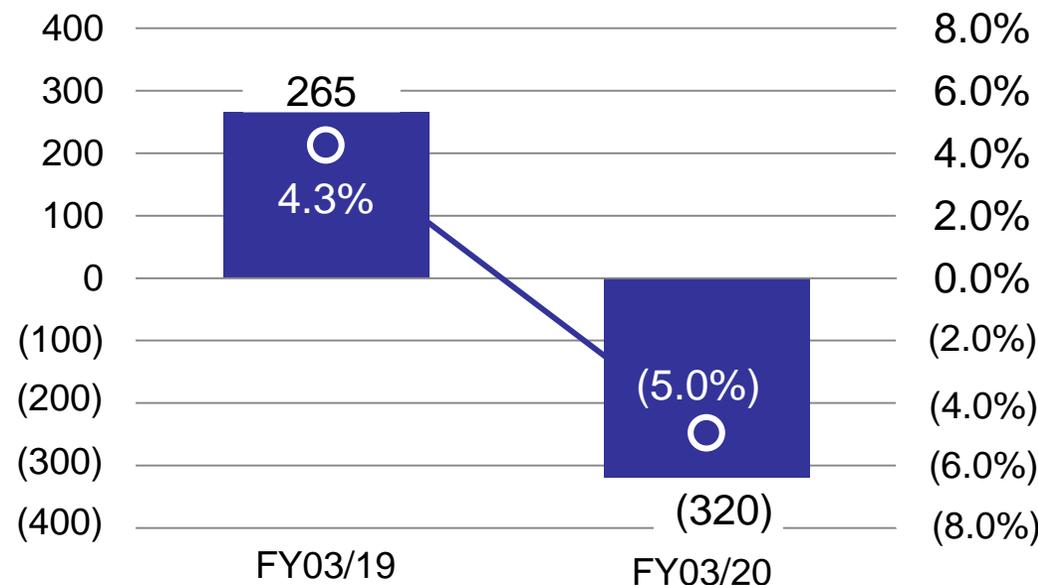
(Millions of yen)

		FY03/19	FY03/20	Composition ratio	Percentage change (YoY)
Other	Sales	6,224	6,454	6.0%	3.7%
	Operating income	265	(320)	—	—
	<i>Income ratio</i>	4.3%	(5.0%)		

Sales (Millions of yen)



Operating income (Millions of yen) and income ratio (%)



# Consolidated Balance Sheet

**FOSTER**

**Equity ratio as of March 31, 2020 was 66.5% (up 7pp from 59.5% as of March 31, 2019).**

(Millions of yen)

	FY03/19	FY03/20	Amount of change
<b>Current assets</b>	67,773	59,952	(7,821)
Cash and deposits	11,854	14,770	2,916
Notes and accounts receivable - trade	19,261	15,145	(4,116)
Inventories	22,967	17,622	(5,345)
Other	13,691	12,415	(1,276)
<b>Non-current assets</b>	23,497	20,872	(2,625)
Property, plant and equipment	18,475	17,980	(495)
Intangible assets	1,171	217	(954)
Investments and other assets	3,851	2,675	(1,176)
<b>Total assets</b>	91,271	80,825	(10,446)
<b>Current liabilities</b>	25,453	17,783	(7,670)
Notes and accounts payable - trade	8,334	7,390	(944)
Short-term bank loans	2,634	2,138	(496)
Current portion of long-term debt	6,863	1,766	(5,097)
Other	7,622	6,489	(1,133)
<b>Non-current liabilities</b>	6,523	4,047	(2,476)
Long-term debt	5,108	2,637	(2,471)
Other	1,415	1,410	(5)
<b>Net assets</b>	59,294	58,995	(299)
Shareholders' equity	54,322	55,335	1,013
Total accumulated other comprehensive income	27	(1,563)	(1,590)
Non-controlling interests	4,944	5,224	280
<b>Total liabilities and net assets</b>	91,271	80,825	(10,446)

# Statement of Cash Flows

**FOSTER**

**Free cash flow as of end-FY03/20 was 11.6 billion yen.**

(Millions of yen)

	FY03/19	FY03/20	Amount of change
Operating activities	17,961	11,092	(6,869)
Investing activities	(3,425)	516	3,941
Free cash flow*	14,536	11,608	(2,928)
Financing activities	(2,937)	(8,823)	(5,886)
Net increase (decrease) in cash and cash equivalents	11,373	2,406	(8,967)
Cash and cash equivalents at the end of the period	21,524	23,930	2,406

\*Free cash flow = Cash flow from operating activities + cash flow from investing activities

## II. Forecasts for Fiscal Year Ending March 31, 2021

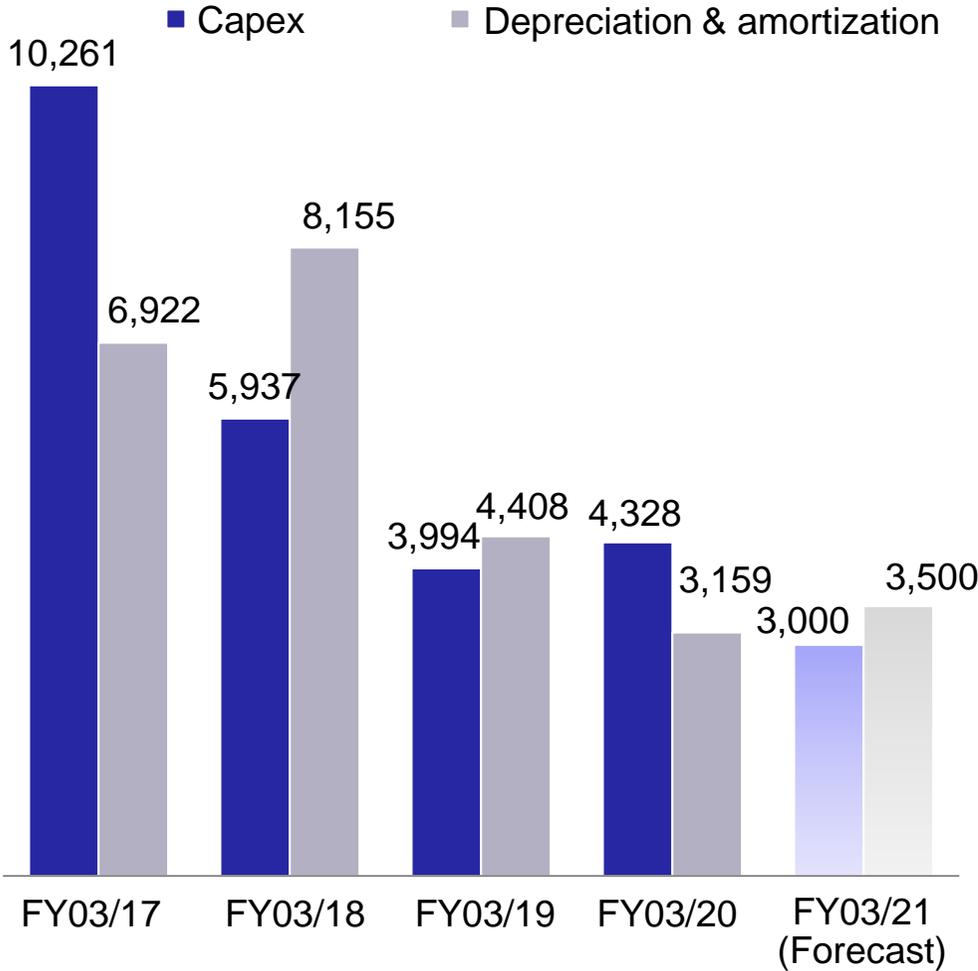
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(Millions of yen)

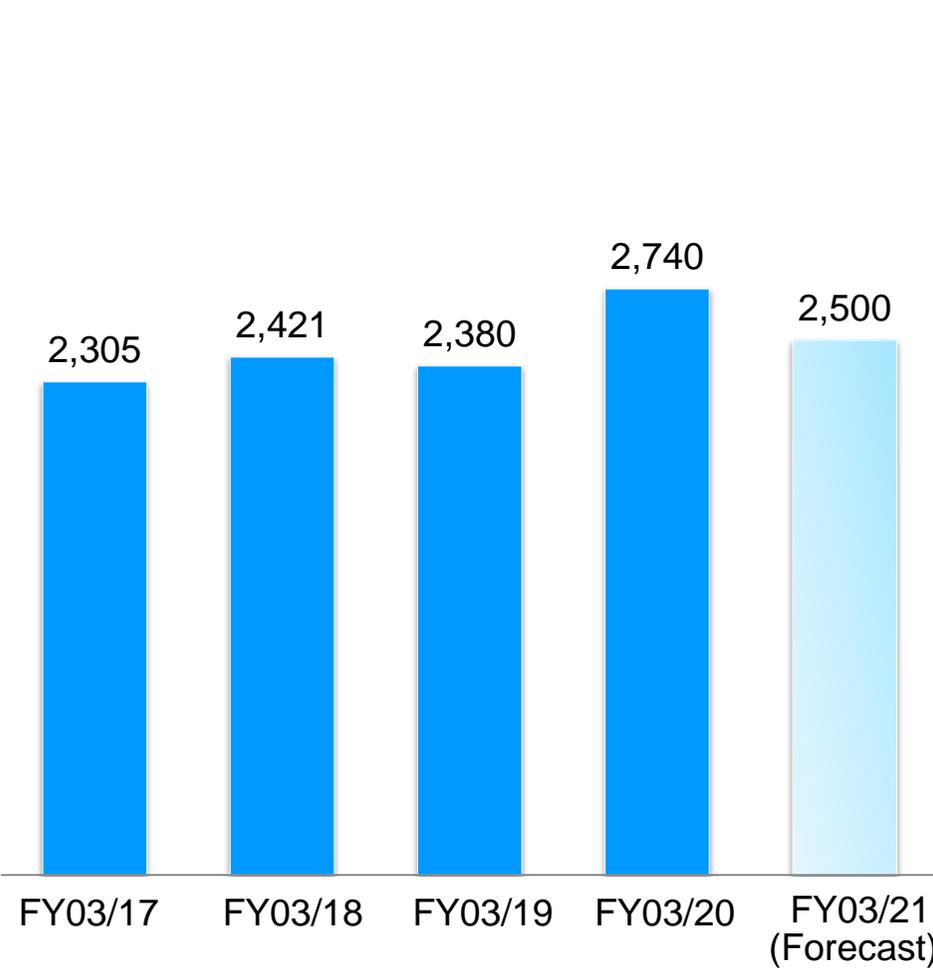
	FY03/20	FY03/21 (Forecast)	Amount of change	Percentage change (YoY)
Net sales	107,298	80,000	(27,298)	(25.4%)
		~ 90,000	(17,298)	~ (16.1%)
Operating income	2,064	500	(1,564)	(75.7%)
		~ 1,000	(1,064)	~ (51.5%)
<i>Operating income to net sales</i>	1.9%	0.6%		
		~ 1.1%		
Ordinary income	2,599	500	(2,099)	(80.7%)
		~ 1,000	(1,599)	(61.5%)
<i>Ordinary income to net sales</i>	2.4%	0.6%		
		1.1%		
Net income (loss)	1,565	—	—	—
<i>Net income (loss) to net sales*</i>	1.5%	—		
Net income per share (in exact yen)	69.15	—	—	—
Dividends per share (in exact yen)	35.0	—	—	—
Dividend payout ratio	—	—		
Exchange rates	108.95 yen/USD 120.85 yen/EUR	110.00 yen/USD 120.00 yen/EUR		

\*Net income (loss) attributable to owners of the parent. \*\*Net income (loss) to net sales attributable to owners of the parent.

## Capex and depreciation & amortization (Millions of yen)



## R&D expenses (Millions of yen)



## III. Reference Materials

**Our Corporate Creed is “Sincerity.”**

**Our Vision is “To make contributions to future society through acoustics.”**

<b>Company name</b>	Foster Electric Company, Limited
<b>Representative</b>	Hiromi Yoshizawa, President & Representative Director
<b>Founded</b>	June 20, 1949
<b>Headquarters</b>	1-1-109 Tsutsujigaoka, Akishima, Tokyo 196-8550
<b>Stock exchange</b>	Second Section of the Tokyo Stock Exchange (May 1962) First Section of the Tokyo Stock Exchange (September 1999)
<b>Common stock</b>	6,770 million yen (as of March 31, 2020)
<b>Business domain</b>	Production and sales of speakers, audio equipment, and electronic equipment
<b>Number of employees</b>	Consolidated: 20,677 (including employees at a contract manufacturer in Panyu, China) Non-consolidated: 490 (as of March 31, 2020 for both consolidated and non-consolidated)

We provide acoustic products, leveraging our original analog technologies, mainly through ODMs and OEMs.

## Speaker Segment

- Audio and TV speakers and speaker systems, and car speakers and speaker systems

TV speakers



Car speakers



Car speaker systems



## Mobile Audio Segment

- Headsets, headphones, micro speakers, and commercial microphones

Headphones



Headsets



Micro speakers for PCs and



Microphones



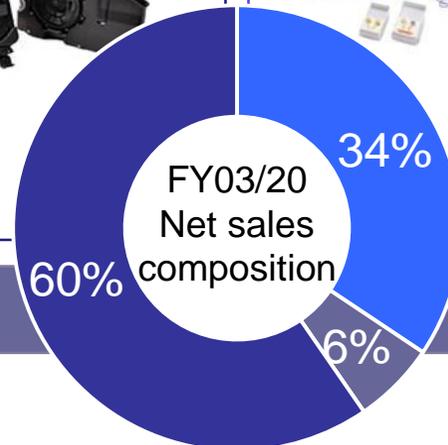
## Other Segment

- Buzzers and sounders for alarms, FOSTEX brand products, and logistics services.

Micro acoustic components



FOSTEX products

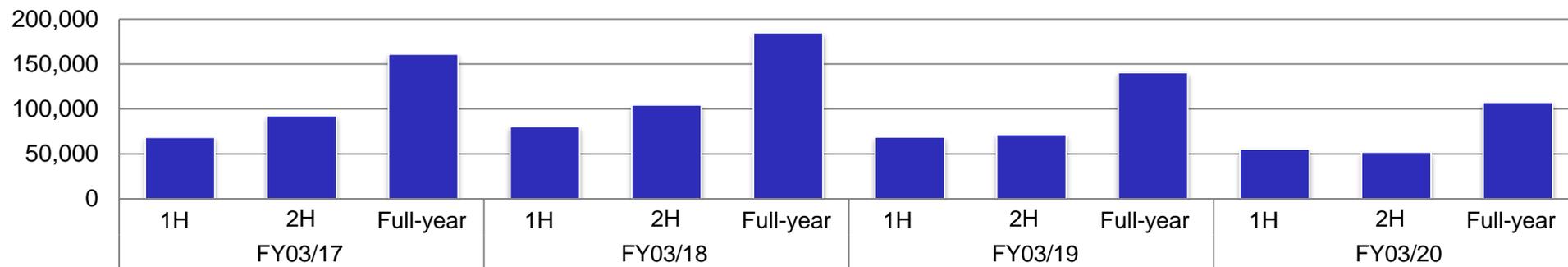


# Half-Year and Full-Year Results

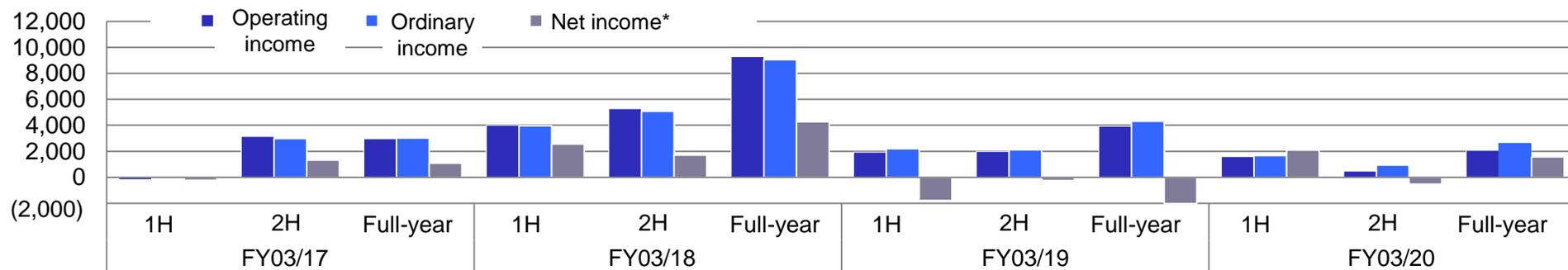
## Results (Millions of yen)

	FY03/17			FY03/18			FY03/19			FY03/20		
	1H	2H	Full-year	1H	2H	Full-year	1H	2H	Full-year	1H	2H	Full-year
Net sales	68,342	92,554	160,896	80,286	104,514	184,800	68,758	71,545	140,303	55,277	52,021	107,298
Operating income	(182)	3,145	2,963	4,015	5,292	9,307	1,938	1,999	3,937	1,594	470	2,064
Ordinary income	28	2,989	3,017	3,973	5,089	9,062	2,198	2,120	4,318	1,668	931	2,599
Net income*	(227)	1,315	1,088	2,559	1,706	4,265	(1,776)	(250)	(2,026)	2,090	(525)	1,565
Income ratio	(0.3%)	3.4%	1.8%	5.0%	5.1%	5.0%	2.8%	2.8%	2.8%	2.9%	0.9%	1.9%
Ordinary income to net sales	0.0%	3.2%	1.9%	4.9%	4.9%	4.9%	3.2%	3.0%	3.1%	3.0%	1.8%	2.4%
Net income to net sales**	(0.3%)	1.4%	0.7%	3.2%	1.6%	2.3%	(2.6%)	(0.3%)	(1.4%)	3.8%	(1.0%)	1.5%

## Net sales (Millions of yen)



## Profits (Millions of yen)



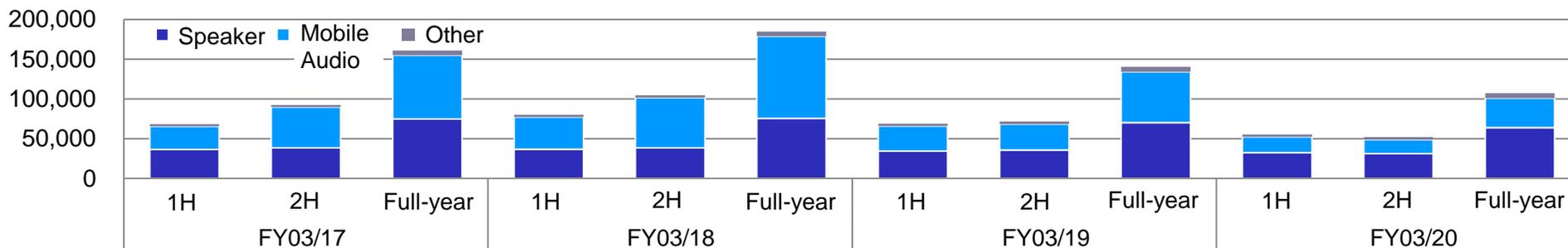
\*Net income (loss) attributable to owners of the parent. \*\*Net income (loss) to net sales attributable to owners of the parent.

# Half-Year and Full-Year Results by Segment

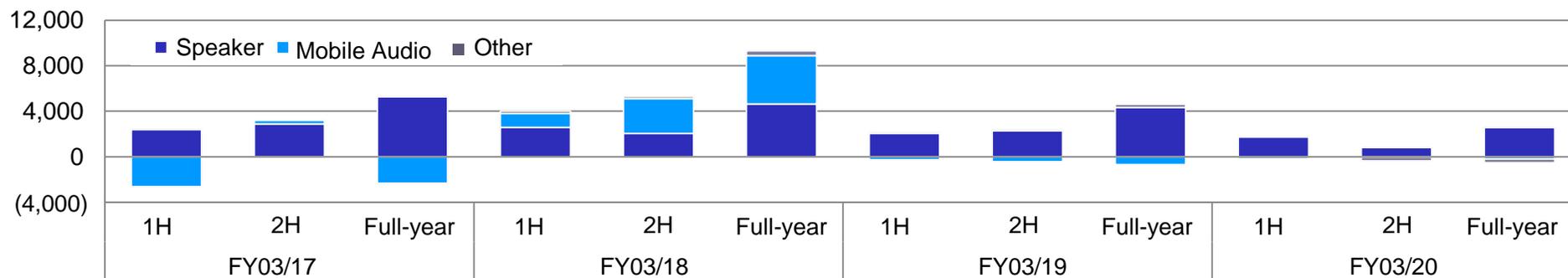
## Results (Millions of yen)

Sales	FY03/17			FY03/18			FY03/19			FY03/20		
	1H	2H	Full-year									
Speaker	36,437	38,403	74,840	36,946	38,574	75,520	34,450	35,953	70,403	32,631	31,324	63,955
Mobile Audio	29,050	51,243	80,293	40,440	63,073	103,513	31,407	32,444	63,851	19,603	17,456	37,059
Other	2,853	2,909	5,762	2,900	2,986	5,886	2,990	3,234	6,224	3,107	3,347	6,454
Operating income												
Speaker	2,396	2,892	5,288	2,579	2,057	4,636	2,050	2,293	4,343	1,754	817	2,571
Mobile Audio	(2,620)	295	(2,325)	1,212	3,047	4,259	(254)	(416)	(670)	(170)	(17)	(187)
Other	42	(41)	1	223	190	413	143	122	265	10	(330)	(320)

## Sales (Millions of yen)



## Profits (Millions of yen)

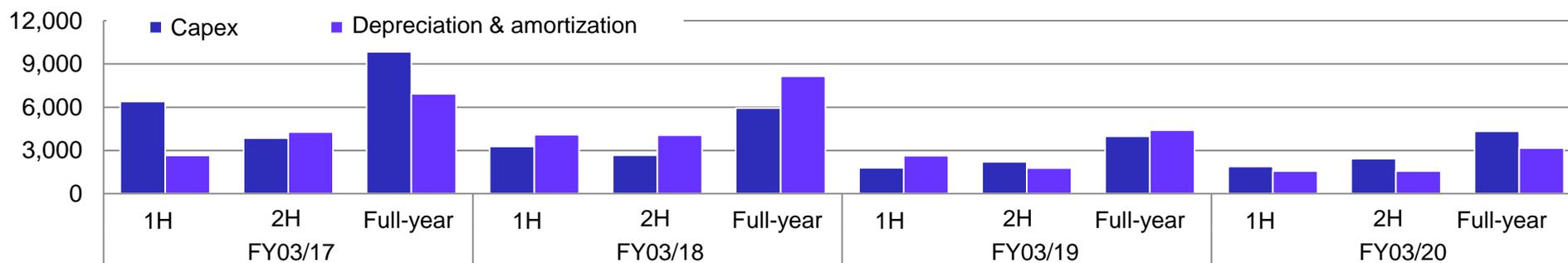


# Half-Year and Full-Year Capex, Depreciation and Amortization, and R&D Expenses

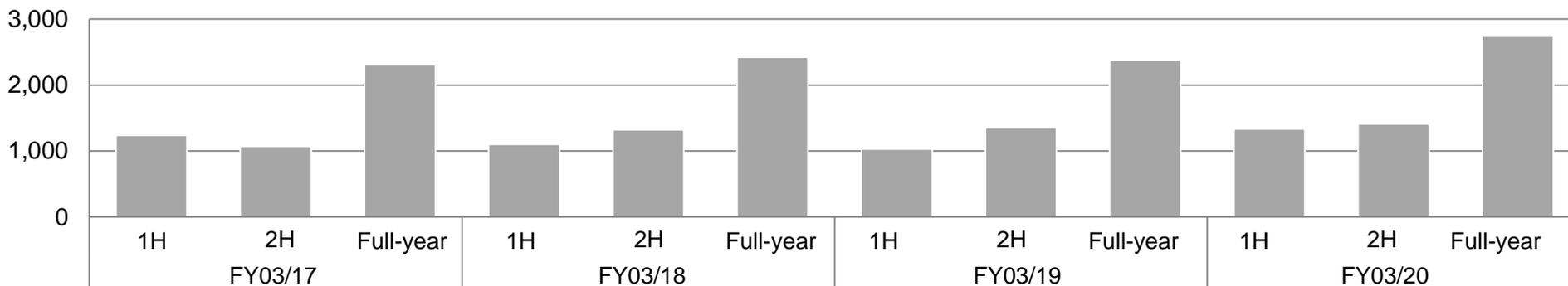
Capex, Depreciation & Amortization, and R&D Expenses (Millions of yen)

	FY03/17			FY03/18			FY03/19			FY03/20		
	1H	2H	Full-year									
Capex	6,395	3,866	10,261	3,266	2,671	5,937	1,786	2,208	3,994	1,894	2,434	4,328
Depreciation & amortization	2,651	4,271	6,922	4,102	4,053	8,155	2,631	1,777	4,408	1,576	1,583	3,159
R&D expenses	1,238	1,067	2,305	1,101	1,320	2,421	1,029	1,351	2,380	1,333	1,407	2,740

Capex, Depreciation & Amortization (Millions of yen)



R&D expenses (Millions of yen)

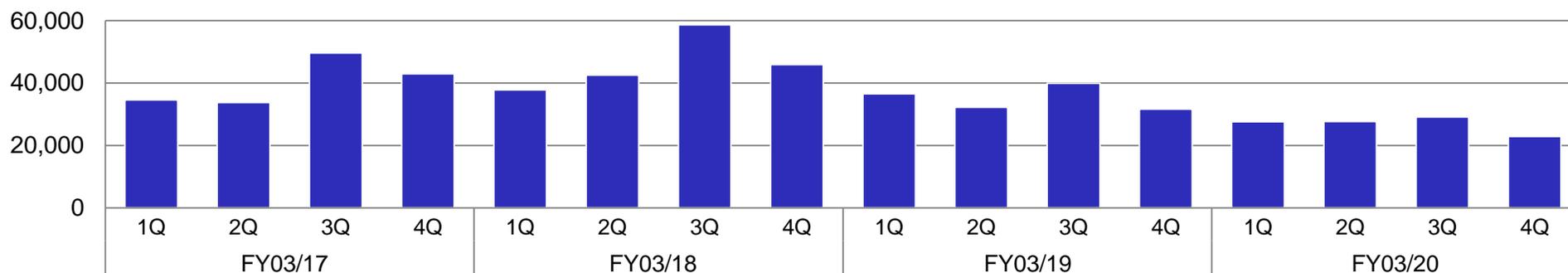


# Quarterly Results

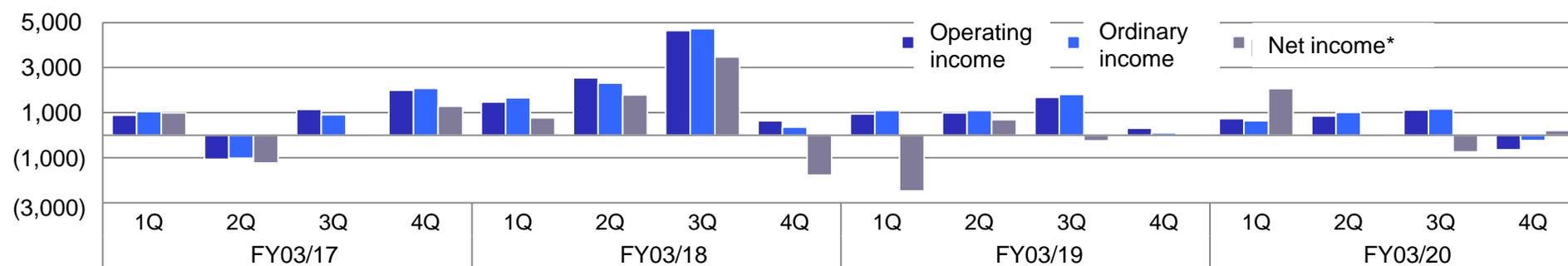
## Results (Millions of yen)

	FY03/17				FY03/18				FY03/19				FY03/20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	34,555	33,787	49,645	42,909	37,800	42,486	58,660	45,854	36,512	32,246	39,894	31,651	27,561	27,716	29,132	22,889
Operating income	885	(1,067)	1,148	1,997	1,468	2,547	4,647	645	947	991	1,682	317	741	853	1,117	(647)
Ordinary income	1,048	(1,020)	908	2,081	1,656	2,317	4,722	367	1,101	1,097	1,815	305	648	1,020	1,166	(235)
Net income*	997	(1,224)	28	1,287	770	1,789	3,474	(1,768)	(2,464)	688	(244)	(6)	2,067	23	(740)	215
Income ratio	2.6%	(3.2%)	2.3%	4.7%	3.9%	6.0%	7.9%	1.4%	2.6%	3.1%	4.2%	1.0%	2.7%	3.1%	3.8%	(2.8%)
Ordinary income to net sales	3.0%	(3.0%)	1.8%	4.8%	4.4%	5.5%	8.0%	0.8%	3.0%	3.4%	4.5%	0.3%	2.4%	3.7%	4.0%	(1.0%)
Net income to net sales**	2.9%	(3.6%)	0.1%	3.0%	2.0%	4.2%	5.9%	(3.9%)	(6.7%)	2.1%	(0.6%)	(0.0%)	7.5%	0.1%	(2.5%)	0.9%

## Net sales (Millions of yen)



## Profits (Millions of yen)



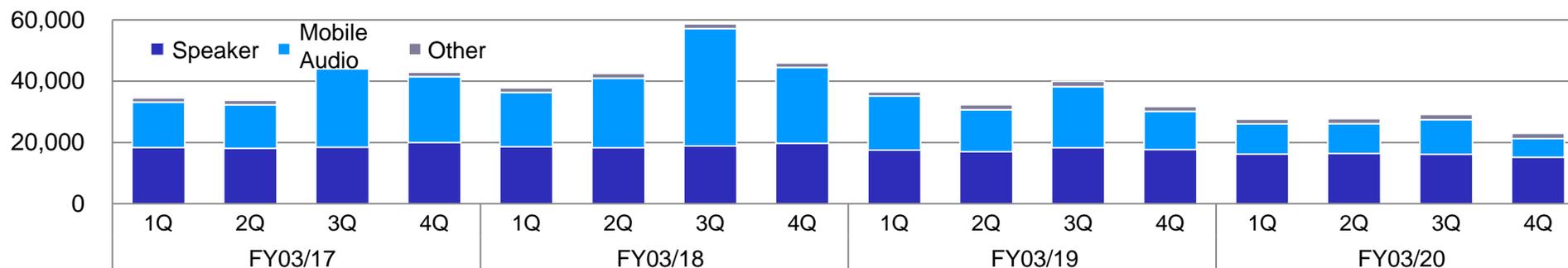
\*Quarterly net income (loss) attributable to owners of the parent. \*\*Quarterly net income (loss) to net sales attributable to owners of the parent.

# Quarterly Results by Segment

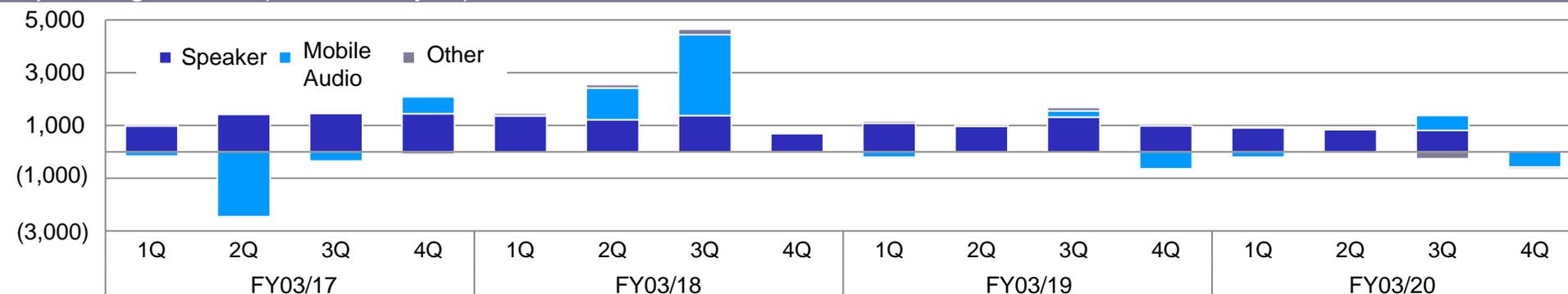
## Results (Millions of yen)

Sales	FY03/17				FY03/18				FY03/19				FY03/20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Speaker	18,351	18,086	18,412	19,991	18,647	18,299	18,879	19,695	17,462	16,988	18,269	17,684	16,253	16,378	16,097	15,227
Mobile Audio	14,799	14,251	29,767	21,476	17,719	22,721	38,306	24,767	17,693	13,714	19,941	12,503	9,826	9,777	11,374	6,082
Other	1,404	1,449	1,467	1,442	1,434	1,466	1,536	1,450	1,399	1,591	1,731	1,503	1,511	1,596	1,706	1,641
Operating income																
Speaker	979	1,417	1,453	1,439	1,359	1,220	1,375	682	1,077	973	1,315	978	915	839	817	0
Mobile Audio	(161)	(2,459)	(353)	648	16	1,196	3,059	(12)	(203)	(51)	235	(651)	(205)	35	558	(575)
Other	67	(25)	48	(89)	92	131	214	(24)	76	67	130	(8)	30	(20)	(258)	(72)

## Net sales (Millions of yen)



## Operating income (Millions of yen)



# Quarterly Balance Sheet and Statement of Cash Flows



## Balance sheet (Millions of yen)

	FY03/17				FY03/18				FY03/19				FY03/20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total current assets	63,208	65,776	75,523	69,315	70,265	76,770	82,913	73,614	73,361	73,013	70,263	67,773	67,221	65,381	60,986	59,952
Cash and deposits	10,588	9,419	10,583	10,258	6,992	7,233	9,239	9,704	11,003	13,108	15,255	11,854	19,839	12,575	18,295	14,770
Notes and accounts receivable – trade	22,779	22,031	27,396	19,479	18,817	20,534	27,107	22,243	19,939	19,324	22,174	19,261	18,721	19,289	19,187	15,145
Other	29,841	34,326	37,544	39,578	44,456	49,003	46,567	41,667	42,419	40,581	32,834	36,658	28,661	33,517	23,504	30,037
Total non-current assets	29,566	31,781	34,587	33,094	31,910	31,701	30,349	27,255	24,231	24,332	23,340	23,497	22,840	22,227	22,847	20,872
Net property, plant and equipment	23,335	23,749	26,445	25,945	25,157	24,914	23,727	21,120	18,768	18,922	18,357	18,475	18,927	18,116	18,013	17,980
Total intangible assets	1,436	1,383	1,435	1,429	1,451	1,435	1,409	1,300	1,259	1,182	1,139	1,171	314	433	212	217
Total investments and other assets	4,794	6,648	6,706	5,718	5,301	5,351	5,212	4,835	4,203	4,227	3,844	3,851	3,598	3,677	4,621	2,675
Total assets	92,775	97,557	110,111	102,409	102,175	108,471	113,263	100,870	97,593	97,346	93,604	91,271	90,062	87,609	83,833	80,825
Total current liabilities	27,062	32,087	37,073	29,390	29,106	33,227	34,594	25,953	25,748	24,338	26,788	25,453	23,802	22,439	18,816	17,783
Notes and accounts payable - trade	10,939	15,425	19,428	15,512	14,605	16,103	19,157	13,113	11,295	9,535	9,184	8,334	7,507	8,067	8,086	7,390
Short-term loans and bonds payable	7,757	8,296	7,233	5,240	7,011	8,170	5,728	4,603	7,322	6,952	9,953	9,497	9,473	7,586	3,859	3,904
Other	8,366	8,366	10,412	8,638	7,490	8,954	9,709	8,237	7,131	7,851	7,651	7,622	6,822	6,786	6,871	6,489
Total non-current liabilities	2,427	4,556	9,590	9,116	9,147	8,855	8,592	8,124	8,555	9,293	7,380	6,523	6,088	5,567	5,232	4,047
Long-term debt and bonds payable	1,241	3,428	8,238	8,135	8,095	7,726	7,507	7,098	7,529	8,243	5,455	5,108	4,490	3,918	3,365	2,637
Other	1,186	1,128	1,352	981	1,052	1,129	1,085	1,026	1,026	1,050	1,925	1,415	1,598	1,649	1,867	1,410
Total net assets	63,285	60,913	63,447	63,901	63,922	66,388	70,076	66,792	63,289	63,714	59,436	59,294	60,171	59,602	59,785	58,995
Shareholders' equity	61,282	60,057	58,247	58,972	59,099	60,887	63,845	62,077	58,634	58,155	54,328	54,322	56,162	56,185	55,120	55,335
Accumulated other comprehensive income	(1,961)	(2,857)	1,393	620	633	1,230	1,691	(15)	263	975	154	27	(931)	(1,474)	(310)	(1,563)
Non-controlling interests	3,964	3,713	3,807	4,309	4,188	4,270	4,539	4,731	4,391	4,583	4,952	4,944	4,939	4,891	4,975	5,224
Total liabilities and net assets	92,775	97,557	110,111	102,409	102,175	108,471	113,263	100,870	97,593	97,346	93,604	91,271	90,062	87,609	83,833	80,825

## Statement of cash flows (Millions of yen)

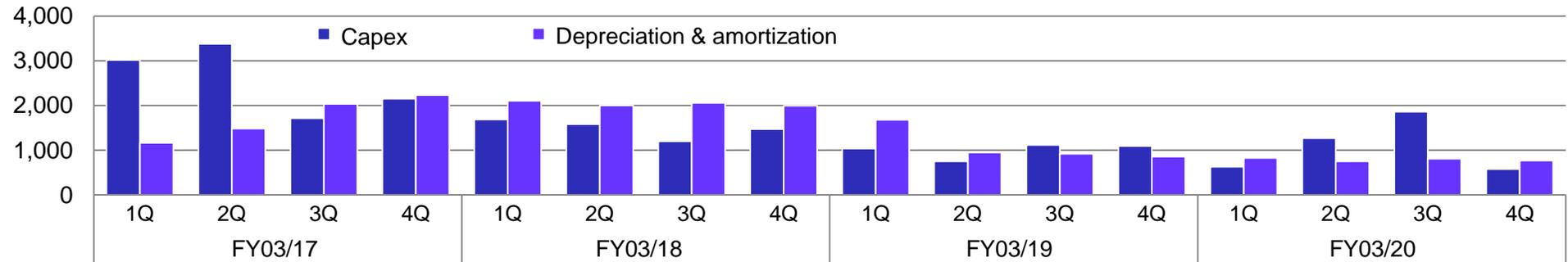
	FY03/17				FY03/18				FY03/19				FY03/20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Operating activities	(1,015)	1,260	(106)	4,233	(2,243)	884	6,742	2,770	675	2,942	7,373	6,971	873	2,375	4,250	3,594
Investing activities	(3,080)	(5,137)	(1,837)	(1,035)	(1,738)	(1,927)	(2,311)	(1,155)	(556)	(1,598)	(533)	(738)	1,862	(690)	(1,322)	666
Financing activities	(330)	2,665	1,940	(2,585)	859	801	(3,188)	(1,331)	2,043	(885)	(3,315)	(780)	(1,023)	(2,308)	(4,758)	(734)
Foreign exchange impact	(1,493)	(332)	1,089	(59)	(420)	140	377	(146)	(320)	510	(318)	(96)	(229)	(269)	(75)	195
Net increase (decrease) in cash flow	(5,920)	(1,541)	1,085	556	(3,541)	(104)	1,622	137	1,840	972	3,204	5,357	1,482	(892)	(1,905)	3,721
Cash flow at the end of period	11,938	10,397	11,481	12,037	8,495	8,392	10,013	10,150	11,991	12,962	16,167	21,514	23,007	22,114	20,209	23,930

# Quarterly Capex, Depreciation and Amortization, and R&D Expenses

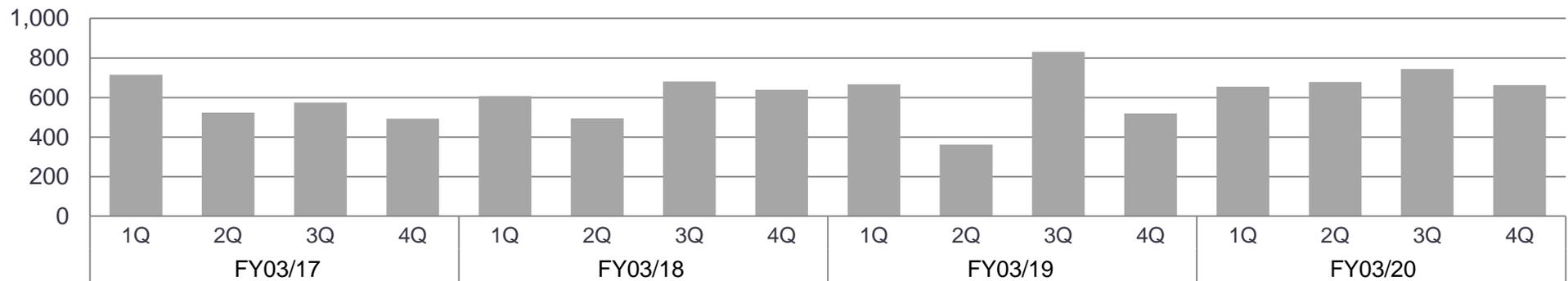
Capex, Depreciation & Amortization, and R&D Expenses (Millions of yen)

	FY03/17				FY03/18				FY03/19				FY03/20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Capex	3,018	3,377	1,713	2,153	1,687	1,579	1,198	1,473	1,036	750	1,116	1,092	627	1,267	1,858	576
Depreciation & amortization	1,166	1,485	2,037	2,234	2,103	1,999	2,057	1,996	1,680	951	921	856	826	750	812	771
R&D expenses	715	523	574	493	607	494	681	639	667	362	831	520	655	678	744	663

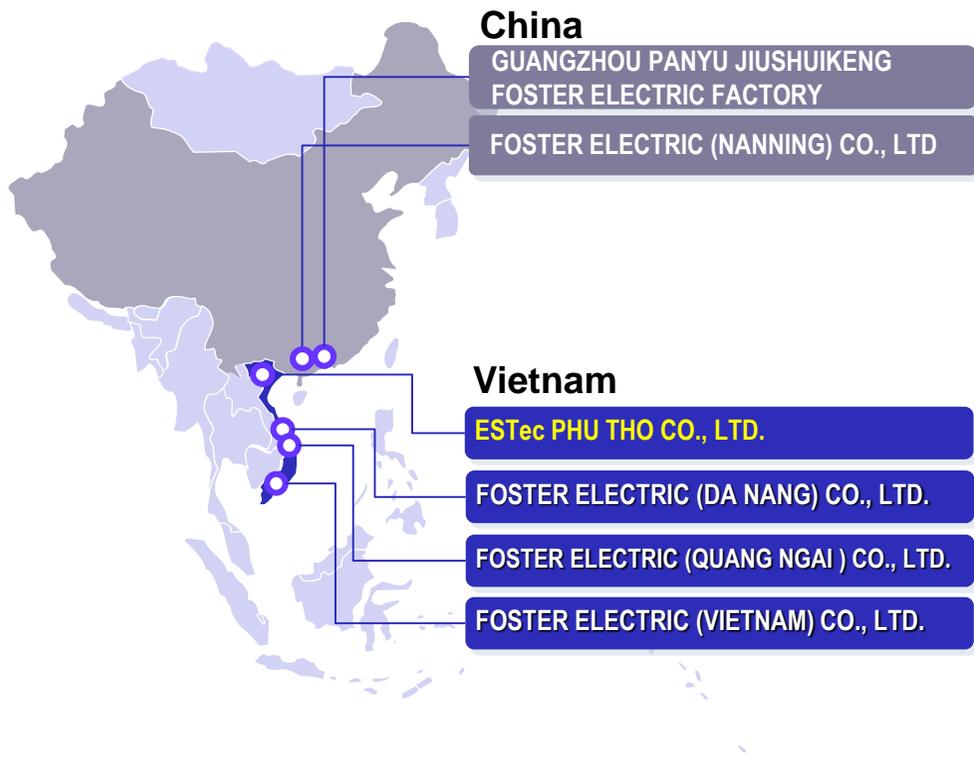
Capex, Depreciation & Amortization (Millions of yen)



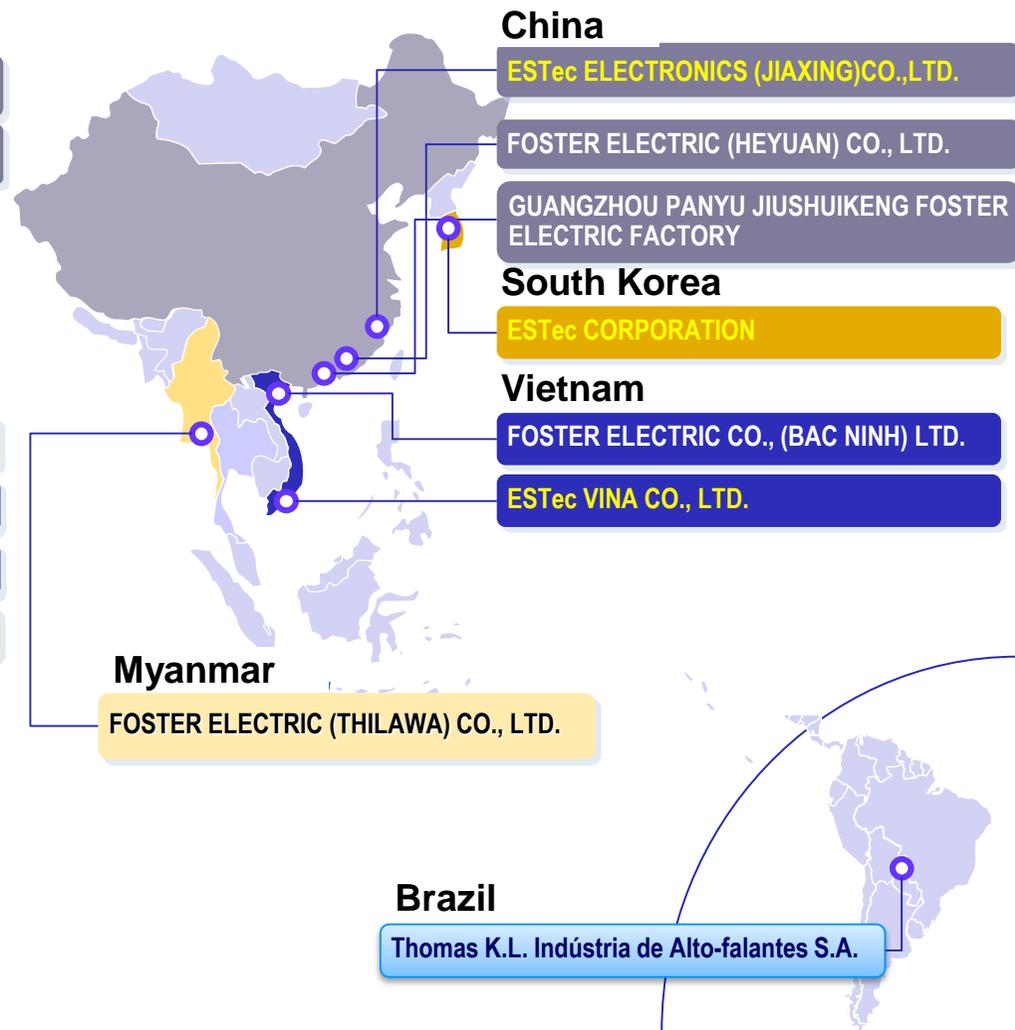
R&D expenses (Millions of yen)



## Headphones and Headsets



## Speakers



(As of March 31, 2020)

## **[Precautionary Notes]**

Forward-looking statements contained herein, including forecasts, plans, and outlooks on current and future earnings, are based on information currently available to us and our assumptions on risks and uncertainties that may affect our future earnings. Actual results may differ from our above-mentioned forecasts or estimates due to various factors, including economic conditions surrounding our Group's business operations or business conditions of related markets and OEM customers, the competitive environment and pricing competition in Japan and overseas, raw material prices, forex exchange rates, risks affecting our overseas business, regulations in Japan and overseas, disasters or accidents, and share prices.

## **[Inquiries]**

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