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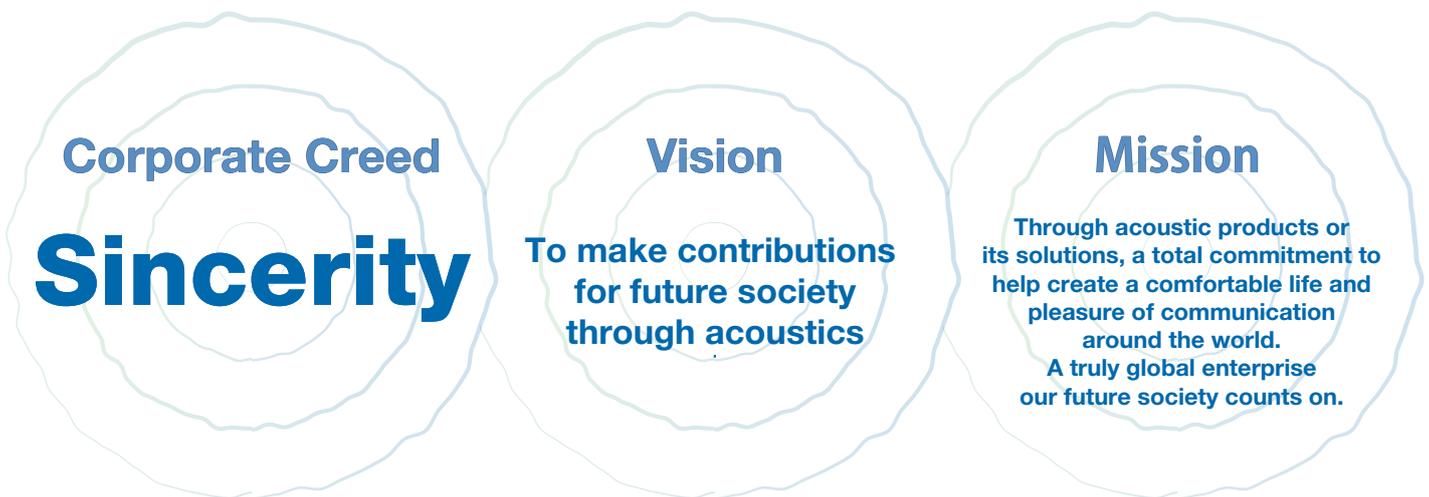
Corporate Philosophy

Corporate Creed

“Sincerity” has been the Foster Group’s corporate creed since its establishment.

By the term “sincerity,” we mean the act of treating all concerned parties of the Company with a sincere approach. The concept of CSR, which shares the same basic philosophy as the corporate creed of “sincerity,” has always governed the Company’s corporate management and business operations since its foundation.

To continue to grow in the coming age, we believe it is important for each member of the Foster Group to act in accordance with the CSR philosophy, or the corporate creed of “sincerity,” which we have adhered to since our establishment.



70th
ANNIVERSARY

The Foster Group is celebrating its 70th anniversary in 2019.

Foster Rhythm

“Foster Rhythm” is our guide to ensure we all move in the same direction to achieve our goals and dreams so we always move closer to our inspiring “Vision.”

Our “Mission” motivates us to help people achieve new happiness via acoustic technology and our “Values” are guides to filter our choices so that our actions support all stakeholders.

Our “Principles” conduct us to create perfect harmony and achieve the best results together.

Our “Management System” of processes and tools helps us to practice, learn and grow as members of the Foster family, evolving new habits for future success.

- Our Principles and Values -



THE LEADING *Sound to Life* SOLUTION COMPANY

Strive to be number one in the global acoustic fields. Innovate to support ever wider market needs.

1. Trusted: Earn the trust of users and partners.
2. Expert: Take pride in our expertise in acoustic technology
3. Inspiring: Add unique value, motivate partners and excite customers.



ALWAYS IMPROVING

Create a more efficient, effective, profitable and better place to work. Always seek new market categories and opportunities.

4. Fast and Flexible: Be fast moving and flexible
5. Reliable Quality: Deliver totally reliable quality via ever more efficient systems
6. Proactive: Embrace learning and proactive leadership
7. Steadfast: Show steadfast dedication in going beyond our promised goals



EVER MORE GLOBAL AND INCLUSIVE

Embrace diversity and pursue more global synergy at all management levels.

8. Open Mind: Be open-minded and inclusive
9. Responsible: Fulfill our duty to protect people and the environment.
10. Team: Respect others as part of a team with shared goals.

Sound to Life

The slogan where Foster Rhythm strives to achieve. In pursuit of our vision “To make contributions for future society through acoustics”, it means “To deliver sounds to life”, “To enrich life through Foster acoustics”, “Sounds to reach lives and sustain healthy lifestyle”.



Top Message



Hiromi Yoshizawa President

Corporate Social Responsibility and Management

As we fulfill our corporate social responsibilities, Foster Group sincerely wishes to be a corporate citizen that is relied on and loved by our various stakeholders. We seek to do this by maintaining the consistent spirit of doing business for society and people based on our corporate creed of “sincerity.”

Omi Shonin (merchants from present-day Shiga Prefecture), used to say that in business you should have “three goods” — good for the seller, good for the buyer and good for society. I believe that many corporate entities that have been operating for more than 100 years secure these “three goods” by making reasonable profits and returning them for the good of society. Securing these “three goods,” we also aim to be a centennial company that has a shining presence in the coming new society.

Society is currently experiencing major changes. With the industrial revolution being brought about by the IoT (Internet of Things), advent of the automated driving era, development and expanded use of AI and many other advances, we feel that the innovations that fundamentally change our way of life are progressing at a pace that far exceeds anything that we anticipated. New players are also appearing one after another to respond to those changes and competition is becoming increasingly intense.

To realize our corporate vision “to make contributions for future society through acoustics” and to respond to the drastic change of technologies, we must continue to uphold the basic philosophy of “sincerity” that Foster has adhered to since its founding, while making major changes as we move forward. The key players who have a central role in achieving this are people, the tens of thousands of Foster Group employees around the world.

We will continue to actively promote human resource employment worldwide and diversity to cultivate truly global and sophisticated human resources. In addition, by further promoting “work-style reform,” we would like to offer an environment where more employees can work flexibly and freely to achieve the goal of “Be Happy 80%*.”

* “Be Happy 80%”: The ideal environment that we would like to achieve company-wide, which was presented by a team of young employees during internal leadership training.

It refers to a working environment and corporate body where 80% of our employees can feel 80% happiness. I agree with such idea.

Recognized for such efforts, following the “New Diversity Management Selection 100 (2017)” by the Ministry of Economy, Trade and Industry, we were awarded “Top 100 Telework Pioneers” (Ministry of Internal Affairs and Communications) and “Certification of Excellent Company in Health: Gold” (Tokyo Federation of the National Federation of Health Insurance Societies). Since this year, we have been selected for one of the “Excellent Health and Productivity Management: White 500” (Ministry of Economy, Trade and Industry) companies. We will continue those efforts in the future.

Foster Group has signed the “United Nations Global Compact” since 2017, and will continue to maintain compliance and promote environmental activities as part of our CSR activities, to ensure thorough quality control and risk management, and conduct our business operations based on the values of discipline, responsibility and social contribution.

We have also defined “Foster Rhythm” and introduced it across the group companies to clearly describe “Principles & Values,” instill the concept of our corporate philosophy in our employees, and strengthen the foundation of the corporation for future generations.

We are celebrating our 70th anniversary this year. We will continue to strive to offer satisfaction to our various stakeholders, and to become an enterprise that is loved by society.



CSR Management

Since its founding in 1949, the Foster Group has aimed to become indispensable to society, and has continued to grow and develop under its corporate philosophy of “Sincerity.”

Celebrating 70th anniversary this year, and further “aiming to be a centennial company,” the Group will continue to adhere to management based on “Sincerity,” that is, “always convey the truth and offer human- and environmentally friendly products and services to all stakeholders with cordiality.”

In 2016, the Group established the “Foster Rhythm”, which was formed to make its corporate philosophies easier-to-understand, and distributed it internally. Aiming for tens of thousands of our global employees to sympathize and embody its corporate philosophies, this was established and promoted by the employees themselves.

It contains not only the corporate philosophies but also the strong “desire” and “wish” its employees truly want to achieve, such as, “a workplace full of team spirit where employees can work freely,” and “pride as a professional, which people always desire.”

The Foster Group and all of its directors, officers and employees hereby declare that we will engage in “corporate activities with sincerity” in accordance with the CSR Charter below. We will also continue to enhance corporate value by appropriately addressing the expectations and needs of our stakeholders.



Atsushi Narikawa
Officer in Charge of CSR,
Senior Managing Director

Foster Group CSR Charter

Foster Group bases its activities on the corporate creed of “Sincerity”, the vision “To make contributions for future society through acoustics”, and the mission “Through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world. A truly global enterprise our future society counts on.”

A subject of “Corporate Social Responsibility” itself is a universal proposition in the deployment of corporate management at Foster Groups. As shown in the corporate creed, a CSR way of thinking has been behind this company from the time of its foundation.

CSR or CSR Management that suit Foster Groups, who extends business activities globally, are “to concentrate on its core business based on the corporate creed for the purpose of sustainable development of a company as a global corporation, and to fulfill its social responsibility by enhancing the corporate value while raising the stakeholder satisfaction not only in financial aspect, but also in the harmony of environment and society aspects”.

The CSR management means that the corporation fulfills its social responsibilities through such activities.

In achieving this objective from global perspectives, the Foster Group and all of directors and employees will initiate CSR activities based on followings.

1. We stand and act on our corporate creed, vision and mission.
2. We act in accordance with the “Foster Group Corporate Action Guideline” *1 that a company should comply, and the “Foster Group Code of Conduct for Staffs” *2 that all directors and employees of the group should abide by.
3. We regard a variety of stakeholders including customers, employees, suppliers, shareholders and investors, and local communities as the subject of our CSR activities, and respect a diverse sense of “value,” “culture” and “economic, environmental or social” circumstances that vary by country or region.
4. We act in accordance with laws, regulations of home and abroad, and international rules by responding to various requirements. Those requirements are compliance to corporate ethics, security of product quality and safety, environmental protection, improvement of work environment, maintenance of employment, development of human resources, respect to human rights, fair competition, contribution to society and community, and proper tax payment.
5. We perform proper risk control, disclose information timely and adequately with the accountability to support the reliability of CSR, and place value on having dialogs with stakeholders.
6. We identify company representatives responsible for ensuring implementation of the management systems and associated programs in order to comply with this CSR Charter. Status review, with personnel designated by managements, is held on a regular basis.

By conforming to this CSR Charter, we hereby declare to engage in the “corporate activity with sincerity.”

*1 ■ Foster Group Corporate Action Guideline

https://www.foster-electric.com/csr/governance/pdf/corporate_action_guideline.pdf

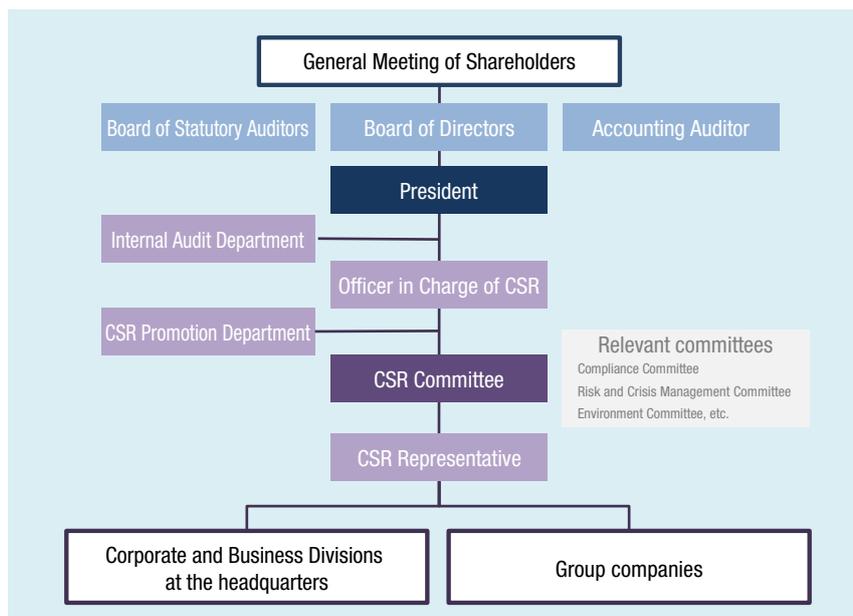
*2 ■ Foster Group Code of Conduct for Staff

https://www.foster-electric.com/csr/governance/pdf/coc_for_staffs.pdf

Foster Group CSR Promotion

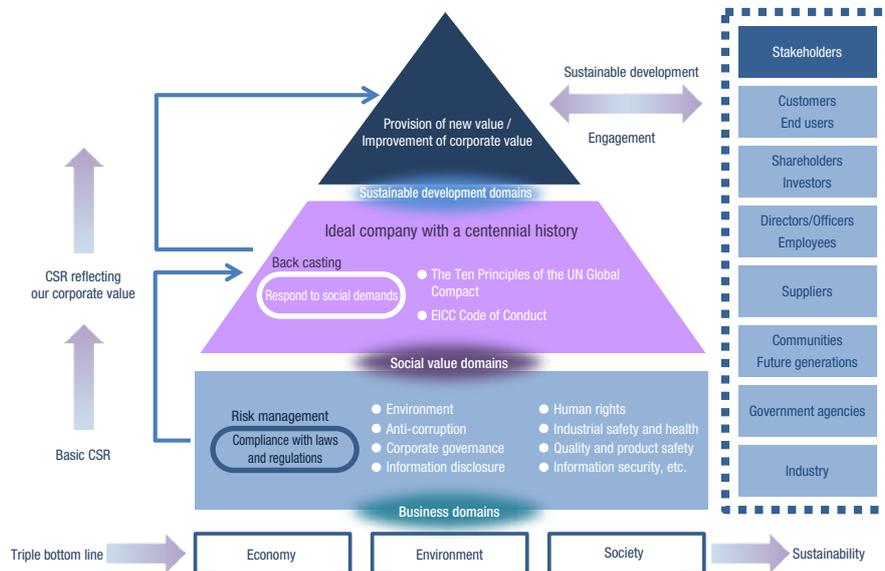
Foster Group CSR Systems

As shown in the following “CSR System,” Foster Group has established the CSR Committee with representatives of related sections as core members at its headquarters. CSR Committee Meetings are held monthly with the attendance of officers in charge of CSR from the headquarters as well as staff at overseas bases via video conferencing to ensure the monitoring and collaborative promotion of CSR activities on a group-wide basis, including overseas business locations, each of which has an appointed person responsible for the promotion of CSR activities.



Conceptual Drawing of CSR Management

The underlying concept of the CSR management is a triple bottom line, which evaluates the corporation from the three aspects: economy, environment and society. CSR management provides improved corporate value and new value to stakeholders not only in the financial (economic) aspects, but also in the sustainable development of non-financial (environment and social) aspects.



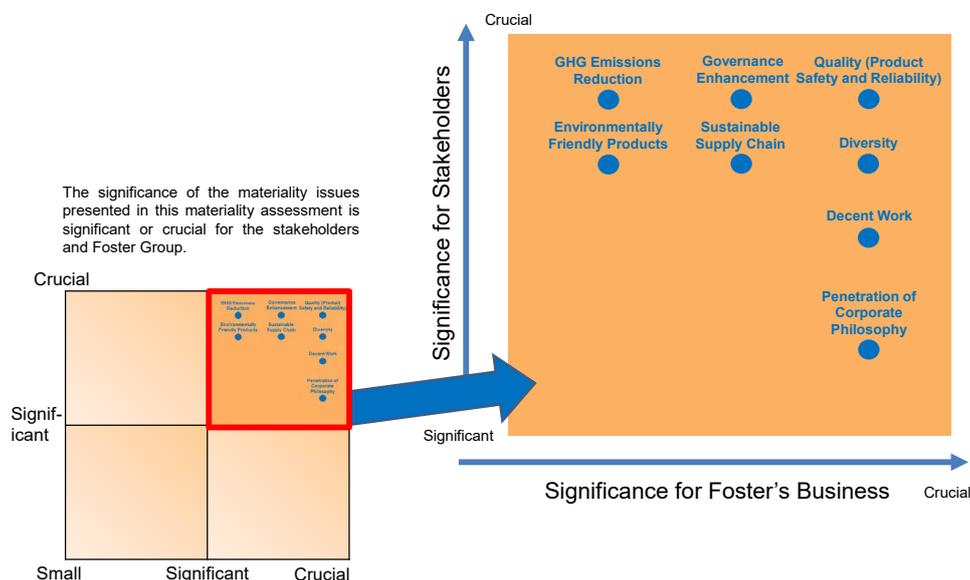
Core of CSR Activities

The Foster Group issued the first version of its CSR Charter in 2006, and updated it to pursue global versatility and universality in 2010, by incorporating the EICC* Code of Conduct, the CSR standards established by the U.S. Electronic Industry Citizenship Coalition, as our basic policy. Items originally set out by the Company have also been added to the Code for reinforcement of the Group's CSR management. In addition to these efforts, we also implement our CSR activities in compliance with the United Nations Global Compact and the ISO 26000 standards.

* Electronic Industry Citizenship Coalition (renamed Responsible Business Alliance in 2017)

Materiality (priority issues)

When developing materiality items, we listed them by referencing the international guidelines and standards, etc., added the priority issues extracted from the Foster Group Business Policy, and reflected the expectations of stakeholders, including customers and investigatory bodies. As a result, we have set the Materiality (priority issues) that should be addressed first as follows:



Our Approach to Materiality (Priority Issues)

	Materiality	Target	Achievements up to 2018	Refer to	Applicable SDGs	
Environment (E)	GHG (greenhouse gas) Reduction	· Reduce CO ₂ emissions (Scope 1&2)	Reduce 1% of CO ₂ emissions per sales unit (Target for 2020: 7.73% or more reduction from 2012)	CO ₂ emissions in fiscal 2018 decreased by 19% year on year due to energy-saving activities and the reduced production volume. However, emissions per sales unit increased by 6%.	Page 14	  
	Environmentally Friendly Products	Development of environmentally responsible products	Reduce the weight of speakers	The weight of car speakers was reduced by approximately 50%. 140 g was achieved for speakers with a diameter of 17 cm.	Pages 17 and 18	
			Reduce the use of VOC	The ratio of car speakers using adhesives that do not contain harmful solvents increased from 3% to 4.4% (per sales ratio). The ratio of new mobile audio products using adhesives that do not contain toluene for at least some parts was 75%.		
			Reduce the use of solder	The ratio of speakers with reduced use of solder increased from 1.6% to 3.5% (per sales ratio).		
		Reduce power consumption	The analog amplifiers for FOSTEX active speakers were changed to digital amplifiers, which achieved a reduction in power consumption.			
Social (S)	Penetration of Corporate Philosophy	Improve the employee satisfaction rate	80%	· Held workshops · Implemented interviews with management · Issued a collection of Foster Rhythm practices · We plan to proceed with an employee satisfaction survey in the future	Page 2 to 4	
	Diversity	<ul style="list-style-type: none"> · Female manager ratio (headquarters) · Foreign employee ratio (headquarters) · Employment rate of persons with disabilities (headquarters) · Displaced worker for nursing care (headquarters) 	30% by 2021	9.7% (As of March 2019)	Pages 20 and 21	 
			30% by 2020	10.5% (As of March 2019)		
			More than 2.2% of the legal employment rate	2.3% (As of March 2019)		
		0% by 2021	0% (fiscal 2018 result)	· Held career development seminars for women · Introduced the Global-eye Program, an overseas training program		
Decent Work	<ul style="list-style-type: none"> · Rate of paid holidays taken (headquarters) · Total working hours (headquarters) · Rate of periodic health examinations taken (at headquarters) · Rate of specific health guidance taken (headquarters) 	Fiscal 2018: 77%	Fiscal 2018 result: 78.9%	Pages 21 and 22	 	
		Monthly average of 156 hours and returning overtime money 100%	· Monthly average: 162.6 hours · Returned overtime money to the sections that have reduced their overtime hours (fiscal 2018) · Fiscal 2018 result: 100%			
		80%	· Fiscal 2017 result: 69.1% (The result from two years ago because the result of health examinations will be obtained in the following year.)			
	Quality (Product Safety and Reliance)	The number of failures that would have a serious social impact (human life, property, environment and so on)	Maintain 0 failures	0 failures	Pages 27 and 28	
Governance (G)	Governance Enhancement	Enrich corporate governance	Enhance and improve compliance structure	<ul style="list-style-type: none"> · Implemented a compliance test (response rate: 95.3%) and a compliance questionnaire (response rate: 78.8%) · Held compliance training for executives and management · Monitored CSR activity statuses in major business locations at the monthly CSR committee meetings in which executives participate 	Pages 35 and 36	
			Enhance risk and crisis management structure	<ul style="list-style-type: none"> · Implemented Foster Group risk identification and assessment and provided the results of the risk assessment as input data for developing the Business Policy · As significant risk items, we monitored the review of the business continuity plan (BCP), desktop training, the bribery prevention structure and the review of the information security management system, etc. 		
	Sustainable Supply Chain	<ul style="list-style-type: none"> · Response rate collected for SAQ · Response rate collected for the conflict mineral survey from business associates 	Existing suppliers: 91% or higher New suppliers: 100%	Existing suppliers: 91%	In future, we plan to continue to remind suppliers from which we have not collected responses yet, perform analysis and risk assessment of collected data, and take corrective actions.	Pages 40 to 42
Existing suppliers: 99% or higher New suppliers: 100%			Existing suppliers: 99%	In addition to maintaining and managing the response rate, we also plan to promote procurement from certified refineries.		



Sustainable Development Goals (SDGs)

Foster Group will continue to promote the Sustainable Development Goals (SDGs), which are proposed by the United Nations, and conduct CSR activities through the UNGC framework.

What Are Sustainable Development Goals (SDGs)?

In 2015, “United Nations Sustainable Development Summit” was held at the United Nations Headquarters. With more than 150 leaders from member countries participating, “Transforming Our World: the 2030 Agenda for Sustainable Development” was adopted as its resolution. The Agenda made declarations and set goals as an action plan for people, the planet and prosperity. They are known as “Sustainable Development Goals (SDGs),” which consist of 17 goals and 169 targets.

Source: United Nations Information Centre website

■ United Nations Information Centre: Sustainable Development Goals (SDGs)

<https://www.un.org/sustainabledevelopment/>



Foster's Actions

We are promoting the following 13 items among the 17 goals through our business activities and will continue to take action to help achieve a sustainable society.

SDGs	Actions	Business Activities	Social Contribution	In-house	Refer to
	Donation activities for low-income households, assistance with food, and others		●		Pages 31 and 32
	Participation in poverty reduction activities		●		Pages 31 and 32
	Participation in blood drives		●		Pages 31 and 32
	Implementation of the “Health Point System” and “Smoking Cessation Support Program”			●	Page 22
	Acceptance of student interns		●		Page 20
	Education on environment, human resource development, health and safety etc.			●	Pages 13, 23, 25

SDGs	Actions	Business Activities	Social Contribution	In-house	Refer to
	Held career development seminar for women			●	Page 20
	Measures against water risks	●			Page 14
	Well drilling for regional community		●		Page 31
	CO ₂ reduction	●			Page 14
	Management of environmentally hazardous substances	●			Page 14
	Work style reform project			●	Page 21
	Returning overtime money			●	Page 22
	Setting up days to encourage employees to take paid holidays			●	Page 22
	Personnel system with multiple courses			●	Page 23
	Technical meister system			●	Page 23
	Establishment of Diversity Management Section			●	Page 20
	Management of chemical substances	●			Page 14
	Zero emission	●			Page 15
	Environmentally friendly products	●			Pages 17 and 18
	CO ₂ reduction	●			Page 14
	Promotion of clean energy use	●			Page 14
	Environmentally friendly products	●			Pages 17 and 18
	Support for global environmental preservation activities	●			Pages 13, 29
	CSR procurement	●			Pages 40 to 42
	Basic policy on conflict minerals	●			Page 42
	Corporate governance structure			●	Pages 33 and 34
	CSR assessments and audits	●			Page 12
	Responsible procurement	●			Pages 40 to 42
	Continued responds to surveys from external organizations	●			Page 12



United Nations Global Compact (UNGC)

About United Nations Global Compact

The Foster Group signed and joined the “United Nations Global Compact (UNGC),” the world’s largest corporate sustainability initiative promoted by the United Nations, on January 19th, 2017. As a company that operates globally, we support the 10 principles of the UNGC of “Human Rights,” “Labour,” “Environment” and “Anti-Corruption” and conduct activities for compliance, decent work, care for the environment, and CSR procurement, etc.



Activities as a member of the Global Compact Network Japan (GCNJ)

We are participating in the “Human-rights Education Subcommittee,” “Environmental Management Subcommittee,” “WEPs Subcommittee,” “Supply Chain Subcommittee,” “DRR (Disaster Risk Reduction) Subcommittee,” and “ESG Subcommittee”, “SDGs Subcommittee”, “Reporting Study Subcommittee” of the GCNJ, which are composed of the member companies of the UNGC (as of June 2019). The subcommittees not only share the CSR-related latest trends and study cases of each company through lecture meetings by influential individuals but also are working to produce various kinds of outputs that support CSR activities of various companies based on the member companies’ experiences in a wide range of industries.

Our Involvement in Output

◎ Supply Chain Subcommittee CSR Procurement Self-assessment Tool Set (Japanese)

<http://www.ungcjin.org/activities/topics/detail.php?id=217>

In addition, the knowledge obtained through the subcommittees is reflected in our CSR activities.

CSR Assessments and Audits

CSR Internal Audits

In order to penetrate CSR at the manufacturing sites, the Foster Group is implementing CSR internal audits. We implemented 21 total internal audits at the facilities in the last fiscal year. We implemented the audits by basically using the local laws as the standards and guidelines and also by referencing various social requests, such as the RBA Code of Conduct, RBA VAP (Validated Assessment Program), ISO14001, SA8000 and customer standards to confirm compliance with the activities and check for any measures beyond the laws.

Customer Audits and Assessments

To meet the various requests of customers, we accept audits from customers at manufacturing sites. Our production facilities in China and Vietnam received 10 on-site audits from 2 corporate customers during the period from April 2018 to March 2019. Over the course of the year, we also received 23 requests (from 19 different customers) to complete and return the Self-Assessment Questionnaire, and we responded accordingly.

We will continue to focus attention on CSR in our manufacturing practices and address requests from customers with sincerity.



Customer audit at our factory in Vietnam

Surveys from External Organizations

The Foster Group also responds sincerely to the CSR surveys received from external investigatory bodies. Last year, we received and responded to 8 surveys regarding CSR, environmental management, ESG, SRI and others.

Among them was the “CSR company ranking survey,” which was conducted by Toyo Keizai Inc., we ranked 228th (out of total 1,501 companies).

We will continue to address the survey requests from external investigatory bodies with sincerity.



Environment

Environmental Philosophy and Policy

Environmental Philosophy

In pursuit of eco-friendly technologies and manufacturing, the Foster Group, respecting nature, contributes to the realization of an affluent society and an environment where people around the world can fully demonstrate their humanity.

Medium-Term Environmental Policy

[Issued following the approval by senior management in March, 2016]

1. We conserve the global environment by promoting resource and energy saving in product development and design.
 - To set targets with customers and promote reduction of product's electricity consumption and weight saving.
2. We prevent contamination and reduce CO₂ emissions in all the phases of business activities including manufacturing and disposal.
 - Each site to set waste reduction target and execute as action plan
 - Reduction target (Annual average): to reduce 1% of CO₂ emissions per sales unit (Target for 2020: 7.73% or more reduction from 2012)
 - To create an energy saving plan at manufacturing process in order to reduce CO₂ emissions.
 - To grasp clean energy usage rate at each site and promote clean energy utilization.
3. We strive for the continual improvement of environmental performance in compliance with environmental laws and regulations and other requirements.
 - To reduce utilization of Volatile Organic Compounds by setting the reduction target in order to satisfy increasing customer requirement.
4. We raise the awareness of environmental protection and biodiversity and thereby develop human resources who contribute to society.
 - To implement biodiversity protection education to employees and build a base for biodiversity protection activity rooted in the area of each site.
 - Understanding water risks on a world-wide level, each site to grasp and control their water consumption and drainage.
5. We maintain and improve environmental management system and promote external communication.
 - To maintain and improve environmental management system and environmental performance by achieving smooth shift to ISO14001:2015 at each site. [Issued following the approval by senior management in March, 2016]



Ryoji Otowa

Senior Executive Officer, Head of Quality Assurance Division, and Officer in Charge of Quality and Environment

In addition to the performance of duties regarding QMS (Quality Management System) / EMS (Environment Management System) and product quality assurance for our customers, we have overall control of these functions over overseas sites as well.

Environment Management System and ISO14001 Certification

We have obtained ISO14001 certification at the headquarters and all overseas manufacturing sites and embody the Foster Group's environment philosophies and mid-term environmental policies. At the headquarters, we monitor the activities conducted at each site and check their results.

Starting fiscal 2019, we have added waste generation and water use targets and implement the activities globally.

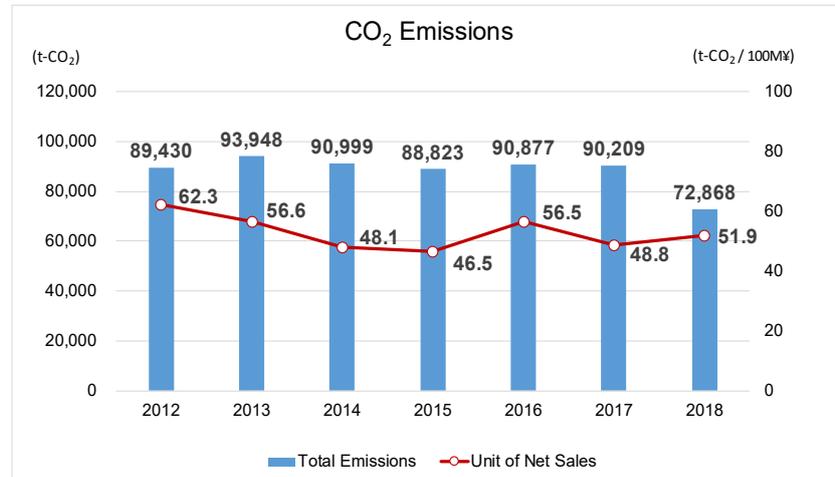
The headquarters also defined the Head Office of Foster Electric (1-1-109, Tsutsujigaoka, Akishima City, Tokyo, Japan) as a registered organization and promote activities while maintaining the environment management system and holding environment committee meetings every month.

In addition, we present the ISO14001 certification at the request of stakeholders.

Environmental Activities

CO₂ Reduction (Scope 1 and 2)

The CO₂ emissions of the entire Foster Group in fiscal 2018 were reduced by 19% year on year due to energy-saving activities and the reduced production volume. However, the emissions per sales unit increased by 6%, against the target of a 1% year-on-year reduction. For Scope 3 CO₂ emissions, please refer to the data table at the end of this report.



Environmentally Friendly Headquarters Building

Our headquarters employs technologies such as “Lighting control using daytime sunlight”, “Air conditioning using outside air”, “Ice thermal storage air conditioning system”,* “Double-skin facade”. In addition, we control electricity use through the Cool and Warm Biz campaigns, and the initiative to turn off all the lights in the building. Based on the mid-term environmental plan, by procuring clean energy prior to the other sites in the Group, the headquarters strongly promotes active participation in climate control measures.

* “Ice thermal storage air conditioning system: A system to use the air conditioner during the daytime that cold air is made from the ice produced during the nighttime.

Management of Chemical Substances

The Group has set forth its autonomous management standard, in which applicable laws, regulations and customers’ requests are reflected, for handling environmentally hazardous substances contained in its products to minimize their impact on the environment. We eliminate any controlled substances from our products via eco-friendly procurement and management of necessary parts and/or materials purchased.

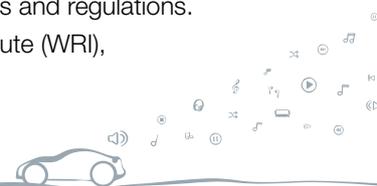
Based on the aforementioned scheme, we have established an optimum management system for the efficient search and collection of information about chemical substances that are contained in parts and materials and precise communication of information necessary in the supply chain. We have taken all possible measures to ensure that we do not miss to cope with annually added chemical substances that need to be monitored in accordance with the EU’s RoHS2.0 Directive and the REACH regulations implemented in 2013. In addition, to ensure communications of related information, we provide our suppliers with briefing meetings every year primarily at our overseas sites. We monitor 40 substances as controlled substances and banned heavy metals such as lead, cadmium, mercury and hexavalent chromium together with other highly harmful substances from use so that our products are completely free of these substances.

In compliance with the trend of legal regulations and/or customer requests, our products are manufactured without certain chemical substances, such as certain phthalate esters which are used as plasticizing agents (referred to as certain phthalate ester-free manufacture).

Measures against Water Risks

Each site manages water withdrawal and discharge by setting their standards based on local laws and regulations.

The headquarters uses “AQUEDUCT,” a water risk assessment tool of the World Resources Institute (WRI), to understand the local water risks at each site.



Communications with External Companies

This year, as a company that works on SBT*, we began participating in the Decarbonization Management Promotion Network of the Program for Improving Corporate Value by Decarbonization Management hosted by the Ministry of the Environment and exchanging information with the member companies.

* SBT: Science Based Targets

Zero Emissions

At headquarters we are engaged in the recycling of waste, etc., (waste that contains recyclable elements) through the sorting and separation of regular waste, plastics and industrial waste, together with comprehensive awareness raising activities. Assembled products and parts are being recycled into raw materials through professional recycling (13 tons / year), as part of our continuing activities aiming to achieve zero waste emissions from our business activities.



Recycled materials being carried out

Activities during the Environment Month (headquarters)

Environment Lecture Presentation

We invited external lecturers and asked them to give lectures on global issues of ESG and trends of ESG investment, which are required for the sustainable development of companies.

Approximately 100 employees, including members of the management team, participated in it and had an opportunity to consider the issues of future environmental management.



Training on ESG issues for sustainable development (headquarters)

Activities Related to Biodiversity

With the cooperation of the NPO, Shizen Academy, we implemented environmental education at headquarters to raise interest in and awareness of biodiversity. We dealt with the environment of Akishima City, Tokyo, where our headquarters is located, as an opportunity to understand nature around us.



Biodiversity education (1)



Biodiversity education (2)

Akishima City Cleanup Movement (Mini-Clean Activities)

As part of our CSR activities, we conduct monthly mini-clean activities, clearing the footpaths and sidewalks around our headquarters based on our annual plan.

We also actively participate in the Akishima Cleanup movement, and are working towards the beautification of our local area, in which all departments including the members of the Environment Committee can participate. 123 employees participated (participation rate: 22%) last year, and the total waste weighed 33 kgs.



Mini clean activities (1)



Mini clean activities (2)



Mini clean activities (3)

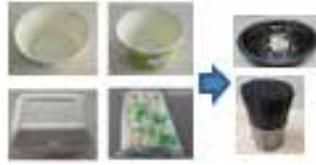
Environmental Activities at Overseas Sites

China

We carried out cleanup activities around each plant. In addition, we purchased a dishwasher for the cafeteria and changed disposable containers to reusable ones to reduce waste. In the manufacturing process, we have introduced equipment that reuses water that has been used in the papermaking process.



Cleanup activities in the city



Using reusable containers



Water reuse for operation process

Vietnam

We carried out cleanup activities around the plant. In addition, we planted trees on the premises and took care of the plants. We also held training for waste supervisors and carried out environmental outreach activities.



Notification on Environment Month



Education for waste supervisors



Planting on the premises



Cleanup activities in the city

Indonesia

We planted avocado, mango, and orange trees in Tebing Tinggi village, Batam Island.



Planting activity



Planting activity



Planting activity

Myanmar

We carried out cleanup activities around the plant. In addition, we posted a notice to make the environmental impact known.



Cleanup activities in the city



Notice on the environmental impact



Environmentally Friendly Products

Our Views on Environmentally Friendly Products

The Foster Group designs and develops products by taking into account all aspects of product life-cycles; from the procurement of raw materials to the manufacturing, use, disposal and recycling of its products. We strive to develop and provide products with the least possible environmental burden, such as through the manufacture of environmentally friendly products that minimize the use of harmful chemical substances, and the development of lightweight products engineered to reduce CO₂ emissions. We understand the requirements of laws, regulations, and customers before starting development and ascertain whether those requirements have been fulfilled at the end of the product development via the Product Assessment.

Lightweight Car Speakers, Environmentally Friendly Speakers

- We developed a lightweight speaker, optimum for next-generation environmentally friendly vehicles such as electric vehicles (EVs). We reduced the weight of the conventional speaker by 50% to 140 grams with a diameter of 17 centimeters and enabled its mass production. Its advanced design has taken into account the need to reduce overall CO₂ emissions from vehicles.
- We have employed adhesives that do not contain harmful solvents and put them to practical use in order to reduce the volume of VOC remaining inside the passenger cabin of vehicles. We have taken steps to eliminate harmful solvents, and the ratio of new model products not containing such solvents increased from 3% in 2017, to 4.4% in 2018 (per sales ratio).
- The diaphragms and the center caps are made out of recyclable paper with the waterproofing feature required for in-vehicle use.
- As one of our environmental activities, we have developed speakers with reduced solder applications. We have expanded this to Group companies, and the ratio of products applying reduced solder increased from 1.6% in 2017, to 3.5% in 2018 (per sales ratio).



Lightweight car speaker

Headphones and Headsets

For headphones and headsets, we have been active in incorporating environmental considerations in our product and/or process design. For reducing the substances in our products that burdens the environment, we address the most up-to-date information regarding country-specific legal requirements and the RoHS2 to promote proposals to our customers and dissemination to all the Group companies. We also have been keen on measures to minimize the volume of waste materials, reuse raw materials by introducing new equipment and developing products using natural materials. For microspeakers used for headphones or headsets, we are working towards environmentally friendly product manufacturing by introducing adhesives that do not contain toluene for new microspeakers in order to reduce VOC (replacing the parts that use solvent adhesives).

· Development target and result for products that do not use toluene

Target for 2020: The ratio of products using adhesives that do not contain toluene for at least some parts to be 100%.

Target for 2025: The ratio of products that do not contain toluene to be 100%.

Fiscal 2018 Result: Of new product lines, the ratio of products using adhesives that do not contain toluene for at least some parts was 75%.



Example of environmentally friendly microspeaker
(Microspeaker with a 35 mm diameter for headphones)

Active Speaker

The environmentally friendly NF04R, has an amplifier digitalized from the previous model's (NF01R) built-in analog amplifier. It has reduced its power consumption from 50 W to 30 W, with consideration for energy saving and CO₂ reduction.



Active speaker NF04R



Social

Human Rights Protection

Policies

In 2003, we established the “Foster Group Corporate Action Guideline” and the “Foster Group Code of Conduct for Staff”, which define our respect for human rights in compliance with all laws and regulations, international rules and their spirits and concepts. We have also requested our business partners in the value chain to show a similar respect for human rights. An outline is provided below.

Respect for Employees’ Humanity

Under our labor-management mutual trust and responsibility, we seek to create safe and work-friendly worksites, aiming to help our employees enjoy comfortable and affluent lives. We also respect our employees’ human rights, personalities, individuality, and abilities. In addition, we do not support any form of forced labor and child labor.

Respect for Human Rights and Anti-discrimination

We do not engage in irrational discrimination based on birthplace, nationality, race, origin, creed, religion, gender, age, disability of various kinds, hobby, academic background, skin color, sexual preference, gender identity disorder, pregnancy, political belief, participation to associations, marital status, hometown etc.

We do not conduct any actions that might lead to human rights violations such as violence, ridicule, defamation, slander, forcible working by threat, bondage (including by liabilities), human trafficking, or bullying.

Sexual Harassment

We do not engage in any act of sexual harassment or any act that could be misconstrued by others as sexual harassment. We do not engage in any sexual speech or acts that are offensive to another person and prevent other persons from engaging in such acts.

Protection of Personal Information and Privacy

With respect to personal information and privacy, we only use the personal information for the work and control it strictly. We control it strictly in compliance with related laws and regulations, so that it will not be divulged outside the Company.

Worksite Health and Safety

We give priority to the provision of safety and health, endeavor to maintain a safe and healthy workplace environment, understand the laws and orders concerning work-related safety and health and comply with them. If any work-related disaster arises under any circumstance, Foster Group Directors and Staff strive to carry out the prescribed procedures such as the creation of an immediate report in order to minimize and prevent the recurrence of such accident in a reliable manner.

Compliance with Labor-related Laws

We comply with the labor-related laws and endeavor to maintain a comfortable and healthy workplace environment. In order to ensure that the working conditions stay within the limit set forth in the “Labor Standards Act,” we strictly control working days and working hours. We do not force labor that compels excessive work or over-time work and so on. Managers take into consideration the condition of the physical and mental health of subordinates at all times.



Iwaki Tsugane

Deputy Head of Global Corporate Support Division

The Global Corporate Support Division works with members from each site to promote not only regional activities, but also global CSR activities, human resource development and utilization, creation of work-friendly worksites, as well as health and safety activities, mainly in the fields of CSR promotion, human resources, and general affairs.

Activity Promotion Structure

We have established the CSR Committee and Compliance Committee to promote all relevant Foster Group initiatives. In addition, we have established the Compliance Hotline and the Harassment Helpline as contacts for consultation and reporting and provide advice to various stakeholders.

Diversity

Policies

The Foster Group seeks to create systems and environments in which a diverse workforce of different genders, ages, nationalities and backgrounds as well as employees who work while raising children or providing nursing care can work actively according to their respective lives.

Through those activities, we aim to build a “Win-Win relationship between the company and its employees” and create synergies with the realization of enjoyable personal lives for each employee, the creation of new value, and improvement in the company’s creativity and competitiveness.

Activity Promotion Structure

We have established the Diversity Management Section as a special organization in the Human Resources Department and are involved in multifarious activities.

Main Activities (Headquarters)

<Supporting Employees Raising Children and Providing Nursing Care>

To promote a working environment where employees who are raising young children and providing nursing care can work at ease, we have improved our system to support the balance between work and child/nursing care. Since April 2018, we have extended the childcare leave period to three years maximum and the nursing care leave period to 183 days maximum. In addition, we have signed a joint use agreement with company-led childcare centers, which offers preferred benefits such as the right to the early nursery applications.

<Promoting Women’s Active Participation>

By providing female employees with planned cultivation and supporting their career development, we are aiming to have female managers represent 30% of all management by the end of March 2021.

In fiscal 2018, we held the “Career Development Seminar for Women” for female employees, aiming to increase their motivations and to be able to set clear targets through self-understanding and self-analysis.

<Educational Activities on Diversity>

In fiscal 2018, we held training and lecture presentations for management to deepen their understanding of the promotion of diversity. By obtaining knowledge and information regarding diversity, we learned that the participation of diversified human resources will lead to new value creation within the company and the need to consciously eliminate unconscious bias. We also held a career development seminar for female employees.

<Our Activities for LGBT (Sexual Minority)>

Currently, the Human Resources and CSR departments are carrying out activities to deepen understanding of LGBT and increase the number of allies (those who show understanding and support for LGBT people). In the future, we will increase allies company-wide through activities designed to foster understanding.

<Promoting Student Internships>

We have accepted student interns since 2012. In addition to the work programs for learning acoustic technologies and sales activities, we provide a program for learning CSR, a program for experiencing acoustic quality evaluation, a program for overseas students, and various other courses. We have received positive feedback from the participants, who said that they were able to experience the sound development of Foster. In fiscal 2018, a total of 77 interns participated in them.



<Global Human Resource Employment>

The Foster Group employs a variety of human resources regardless of their nationalities, and is actively promoting international communications in the Group to cultivate human resources and enhance the functionalities.

* With our activities recognized as a company that leads diversity promotion to its management, we were selected as the “New Diversity Management Selections 100 (2017)” by the Ministry of Economy, Trade and Industry. We will continue to create a working environment that makes the most of the employees’ diversity with various backgrounds.



■ Website of the Ministry of Economy, Trade and Industry: New Diversity Management Selections

New Diversity Management Selections 100 (2017) Companies (Japanese)

http://www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/practice/pdf/H29_diversity_ichiran.pdf

Best Practices in Fiscal 2017 (Japanese)

http://www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/practice/pdf/H29_diversity_bestpractice.pdf

Future Plan

- Female manager ratio (at headquarters): To increase the ratio to 30% of all the management by 2021.
- Foreign employee ratio (at headquarters): To increase the ratio to 30% of all employees by 2020.
- Employment rate of persons with disabilities (at headquarters): To keep the rate above the mandatory rate required by law.
- Displaced worker for nursing care (at headquarters): Aim to be zero by 2021.

Labor (Labor Practices and Decent Work)

Policies

We put a high value on creating an environment in which each employee can grow through work and display their capabilities in a rewarding work. To realize this, we believe it is important to create a “work-friendly” environment where employees with various backgrounds support each other spontaneously through daily communications and give ideas to each other. Under labor-management trust and mutual cooperation, we seek to create an organizational culture and develop various institutions, aiming to create an environment where employees with various lifestyles and aspirations can work in the style that suits their situation.

Activity Promotion Structure

In addition to the promotion activities led by the Diversity Management Section, we have established the innovative working style project, which is involved in a wide range of activities with cooperation between labor and management.

Main Activities (Headquarters)

<Work-Style Reforms>

Since September 2016, we have established the systems and culture that satisfy a variety of work-style to promote diversity and realize a work-life balance.

In fiscal 2017, we applied the flex time system to all employees and introduced the work-at-home program. As for the work-at-home program, we introduced it at full scale without limiting the targets, and have been selected as one of the “Top 100 Telework Pioneers” by the Ministry of Internal Affairs and Communications for its telework initiatives. We have engaged in creating a work environment where employees can work flexibly to suit their lifestyles regardless of “time” or “place” by utilizing ICT. We will continue work-style reform to become a company that can offer a more desirable work environment and fulfilling career.



<Returning Overtime Money>

In order to advance not only the efforts of individual employees but also the organizational efforts to improve operational efficiency, we return overtime money twice a year to the sections that have reduced their overtime work hours by 10% or more.

This promotes the improvement of operational efficiency according to the actual situation of each section and awareness-raising to achieve further overtime reduction.

<Enhancement of the Leave System and the Leave of Absence System>

Since April 2018, we have introduced the volunteer leave system, so employees can grow through volunteer activities. We have also introduced the system that grants the leave of absence for up to two years to the employees who desire to pursue further education to deepen and expand their own expertise and the system that grants the leave of absence for up to five years to the employees who desire to accompany their spouses on overseas assignment.

During the period from December 2018 to March 2019, we implemented a trial hour-based paid holiday system that utilizes expired paid holidays. The system was well received by the employees who participated in the trial, with the comment that they can take paid holidays according to a range of situations. In future, we will develop the system for its full-scale introduction.

In addition, to enhance work-life balance by establishing a working environment that encourages employees to take paid holidays and leads to better operation performance, we set two days to encourage employees to take paid holidays in fiscal 2018. 75% of employees took the holidays on these days.

As a result of these activities, the rate of paid holidays taken was 78.9% in fiscal 2018.

(Target rate of paid holidays taken in fiscal 2018: 77%)

<Health Enhancement>

Mental and physical health is essential for employees to feel job satisfaction and have a fulfilling career. We position employees' health as an important management issue and are taking various initiatives.

For example, to raise the awareness of employees' health, we implement the "Health Point System," in which we give points and provide health incentives to employees..., and a "Smoking Cessation Support Program," which subsidizes the expenses paid to medical institutes to the employees who wish to quit smoking.

Such initiatives were evaluated and we received the "Certification of Excellent Company in Health: Gold" from the Tokyo Federation of the National Federation of Health Insurance Societies in December 2018. Subsequently we were certified as the "Excellent Health and Productivity Management: White 500" by the Ministry of Economy, Trade and Industry in February 2019.



Future Plan

Target for fiscal 2019:

- Rate of paid holidays taken (at headquarters): 80%
- Total working hours (at headquarters): Average 156 hours per month
- Rate of periodic health examinations taken (at headquarters): 100%
- Rate of specific health guidance taken (at headquarters): 80%



Human Resource Development

Policies

Our human resource development is based on “continuous performance by linking various personnel systems with individual development goals determined by mid/long term business strategy and individual personality (strength/weakness).” The ideal for human resource development is as follows:

- Personnel who embody our corporate philosophies and corporate creed through their duties and who have a “strong will” and “activity” to work toward their realization.
- Personnel who do not remain complacent about the current situation but utilize every opportunity to improve their own abilities and grow with ingenious attempts and efforts.
- Professional personnel who use their expertise to play a key part in strategy formulation and implementation and who can create value continuously.
- Self-directing personnel who are conscious about their expected and assigned roles and missions and who can take responsibility for their own actions and results.

Activity Promotion Structure

Those human resource development measures are driven mainly by the Human Resources Department. In addition, through the “Foster Rhythm Project,” which introduces our corporate philosophy penetration activities globally, we are striving to develop human resources who can embody those corporate philosophies and create a lively organizational environment.

Main Activities, Measures, and Development

- To promote philosophy-focused management (Way Management), enhance the power of human resources and organization, and transform the organization, the Foster Group developed the action guidelines by redefining “the ideal company.” We summarized those into the “Foster Rhythm Guidebook” and “Foster Rhythm Card” and distributed them to our employees across the world. We are also continually providing workshops and various kinds of education programs.
- We are working to promote diversity and foster and enhance the global mind of our employees by regularly conducting “Inter-Cultural Communication Training” at various levels. We have also introduced the Global-eye Program, a new overseas training program for young employees, to promote the planned and continuous development of the next-generation of global leaders.
- Since April 2018, we have introduced a new personnel system (personnel system with multiple courses) aiming to make the transition to a more flexible personnel system with a wider range of selections according to each employee’s career plan, life stage, and work-life balance. At the same time, we are also working to promote the development of engineers by providing life-career design training and introducing the “Technical Meister System.”
- To promote localization of overseas site management, we are also actively working on the development of the local managing staff at each site. Specifically, we ran the Global Leader’s Training and facilitated human resources exchange by the Overseas Trainee Program and the international employee reassignment within Group companies, etc. to develop human resources globally.

Future Plan

- Further instilling our corporate philosophies (understand → empathize → implement)
- Stabilization of the operation of the new personnel system (multi-stream personnel system by course)
- Promotion of the human resource rotation linked with the mid- and long-term human resource development program
- Establishment of global human resource utilization base and development of global leaders

Health and Safety

Policies

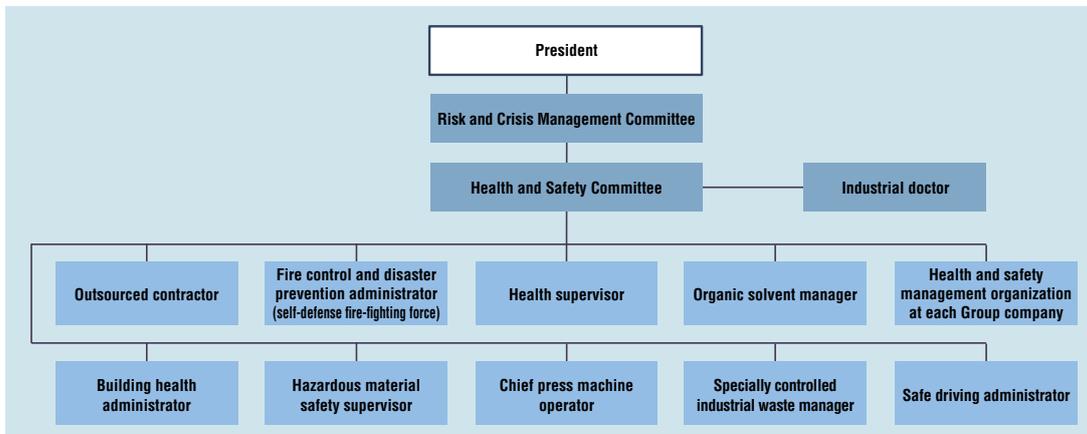
Foster Electric has established a rule to prioritize health and safety, and endeavors to create a safe and healthy working environment. Based on this rule, we are advancing redressing activities, which are carried out mainly by the Health and Safety Committee, which governs health and safety, and the health and safety management organizations at respective sites.

Abstract from the “Code of Conduct”

- (1) Understand laws and orders concerning work-related safety and health and comply with them. And minimize and prevent a recurrence of an accident in a reliable manner.
- (2) Employee exposure to potential safety hazards is to be controlled through the proper design, engineering and administrative controls, preventative maintenance and safe work procedures.
- (3) Procedures and systems are to be in place to prevent, manage, track and report occupational injury and illness.
- (4) Employee exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled.
- (5) Employee exposure to the hazards of physically demanding tasks is to be identified, evaluated and controlled.
- (6) Production and other machinery is to be evaluated for safety hazards.
- (7) Employees are to be provided with ready access to clean toilet facilities, canteen with suitable drinking and eating environment.

Activity Promotion Structure

The health and safety activities carried out by Foster Electric are operated by the Health and Safety Committee at headquarters in cooperation with industrial doctors, under the supervision of its upper-level organization, the Risk and Crisis Management Committee. By sharing information among the health and safety management organizations at each site, the Group is working as one to create an appropriate working environment.



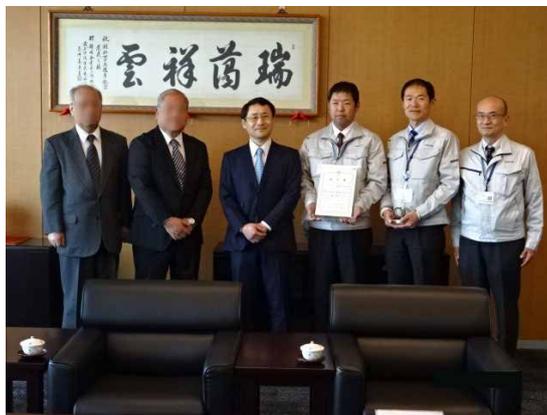
Main Activities

Every year, we implement health and safety education, which is the basis of occupational activities. Based on this, we are taking steps to address group-wide issues, led by the Risk and Crisis Management Committee. As part of the activities based on the health and safety management regulations, the health and safety management organization, which consists of representative workers and management, discusses site-specific issues, legal inspection, risk assessment, and so on at each site to prevent accidents and eliminate risks.

With regard to the group-wide issues, we are carrying out initiatives to resolve occupational health and safety issues for all employees based on the Foster Group Corporate Action Guidelines and the Foster Group Code of Conduct for Staff. This year, we will launch full-scale initiatives to address issues common to the Group using the essence of occupational health and safety management system, ISO 45001. The headquarters has developed and executed the plan based on the policy of the Health and Safety Committee, “Globally reduce risks and make provisions against the occurrence of crises,” as an initiative to address individual issues. In particular, to introduce the occupational health and safety management system, we strived to develop a standard based on JIS Q 45001, which is the Japanese equivalent to ISO 45001, reduce highly harmful chemical materials in the production processes at plants, and enhance the health of employees. Based on these activities, we have developed the Procedures for Occupational Health and Safety Management Program, which describes our system. In addition, as a risk of causing a failure that will lead to serious consequences for the group, we replaced extremely harmful chemicals with less harmful ones to prevent the occurrence of severe failures and implemented health enhancement initiatives for all employees. These initiatives were evaluated and we received “Certification of Excellent Company in Health: Gold” from the Tokyo Federation of the National Federation of Health Insurance Societies in February 2018.

Bicycle Safety

Some employees working at headquarters use bicycles for their work or commute, and their safe use of bicycles and our traffic accident prevention activities were evaluated by the Japan Traffic Management Technology Association. We were certified as a “model company for bicycle safety” in February 2017, with our activities being seen as a role model.



Award ceremony for the “model company for bicycle safety”

Initiatives at Overseas Sites

We have commenced preparations for obtaining ISO 45001 certification for occupational health and safety management system standards at some of our overseas manufacturing sites. We will strive to improve the issues related to occupational safety and health via the management system. Prior to the ISO 45001 certification, Nanning Plant in China obtained OHSAS 18001 certification on July 3, 2018.

Future Plan

We will build a global structure based on the essence of ISO 45001-Occupational Health and Safety Management System and promote information sharing by Health and Safety Committee.

Customer Satisfaction

Foster Group Sales Department Policies

The Foster Group Sales Department mainly sells speakers and headphones for cars and audio devices. To realize our vision “To make contributions for future society through acoustics,” we are working every day to create good sounds that can impress people across the world through our products and parts. One thing we must do to achieve this mission is to “create customers,” as a wise person once said. Needless to say, customers can be created by continuously satisfying someone’s needs. We consider it as the origin and made our primary responsibility “customer satisfaction,” which we believe is the principle of all our activities.

Structure

We have sales offices in Japan (headquarters), the U.S., Europe, and other Asian countries/regions beside Japan. This tetrapolar structure is the base of the framework that enables our flexible responses not only based on the local time, languages, but also a deep understanding of business customs and cultures. In addition, through personnel interchanges among regions, we have established a structure to develop global human resources as true cosmopolitans, regardless of where they were born, and deliver our quality sounds to people all over the world.

Activities

The current economies and corporate activities are connected around the world and do not stop. Through our tetrapolar structure described above, we have realized a 24-hour response system globally and are conducting activities to quickly respond to every customer.

Future Plan

- We provide our products in the fields of cars, entertainment, and communications and deliver happiness to people around the world through our sound.
- With new markets for cars, entertainment, and communications growing at an accelerated pace, with surrounding areas becoming involved, the markets are being integrated into a comprehensive lifestyle field. Under these circumstances, we strive to provide new products that meet changing needs and deliver greater satisfaction to customers around the world.

Fostex Company Policies

The Fostex Company provides high quality products at appropriate prices to deliver an enriched and comfortable life to customers who purchase those products. In addition, the Company seeks to develop products that lead to the peace of mind and satisfaction of the customers who select and own them. In its after-sales services, the Company also pursues customer satisfaction by always promptly providing services from the customers’ perspective.

Structure

We always listen to our customers’ comments and seek what they need so that we offer products that our customers can use with satisfaction and peace of mind. As such, we have established a project promotion structure across our sales and technical units. In addition to the domestic market, we also understand global needs and strive to develop products specific to each region.



Activities

We share information with the dealers who are constantly in contact with our customers and also make efforts to listen to as many customers' voices as possible at exhibitions and trial listening events. As part of our educational activities for audio equipment, we offer lectures on working principles of speakers at universities and vocational schools.

Future Plan

We will continue to supply our trusted original brand, FOSTEX brand products, to introduce our high technical competences and the high competitiveness of our products. In particular, in 2019 we will continue to develop products that can deliver greater listening pleasure to our customers through sound, focusing on the development of a full-range speaker, a strength of Fostex, and Bluetooth earphones, which is a market trend.

Quality and Safety Assurance

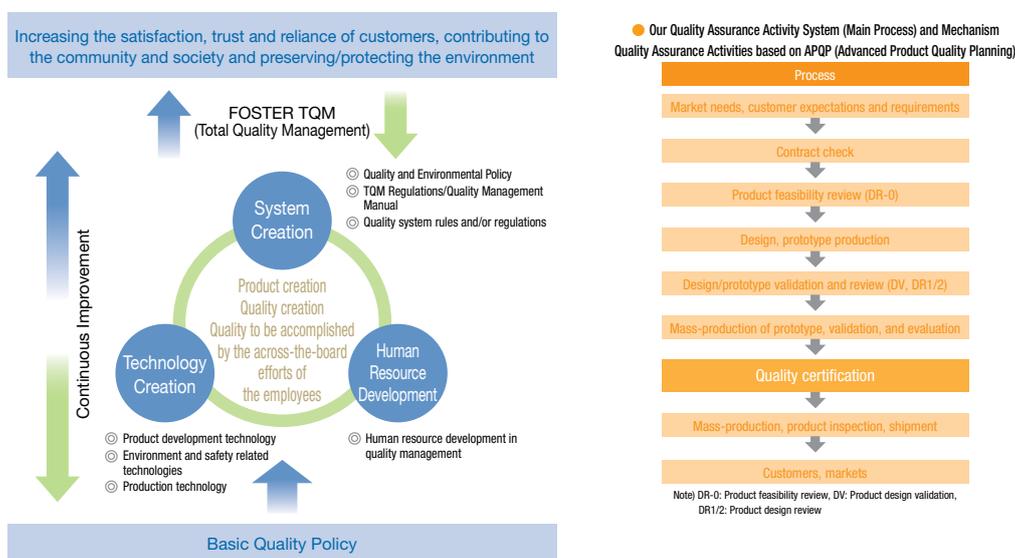
The Foster Group is undertaking quality assurance activities based on the FOSTER TQM (Total Quality Management).

Our Quality Assurance Policies and Actions

Under our customer-focused philosophy, the Foster Group considers the delivery of safe, eco-friendly products of reliable quality by fulfilling customers' expectations and social requirements as the basics of our quality assurance.

In addition, under the Basic Quality Policy, we globally promote comprehensive quality assurance activities to ensure that our products are of high quality.

Safety, reliability, and management of environmentally hazardous substances are taken into account on our products and components at all times during the processes (product/process design, purchase, and manufacturing) supported by our high-level technologies.



TQM and QMS*at FOSTER

Our QMS is based on the development of quality assurance and management activities under its customer-focused philosophy since the Company's foundation.

- ▲ In 1975, we formulated the Total Quality Control (TQC) Regulations, which was upgraded to Total Quality Management (TQM) Regulations in May 2006.
- ▲ Since 1998, all the Group companies have successfully acquired the QS9000 certification (including ISO9001: 1994).
- ▲ In 2004, all the Group companies successfully acquired the ISO/TS 16949 certification,
- ▲ In 2017, we switched to ISO 9001: 2015 and IATF 16949: 2016 standards company-wide and have continued to comply with them.

* QMS: Quality Management System



Global Quality Assurance Structure

The Group has developed global quality assurance systems, connecting the headquarters, overseas factories and sales companies to improve the quality of our products to be supplied worldwide.



Enhancing Quality Awareness

Our headquarters has made November the “Quality Month” and holds a variety of events to improve quality awareness.

Main Events Held Last Fiscal Year

■ Lecture on Quality

A lecture on quality was held by inviting outside lecturers. Approximately 170 employees attended this event.



Quality lecture (headquarters)

■ Quality Improvement Exhibition

We hold exhibitions at headquarters and overseas sites to share detailed information on the improvements.



Exhibition at the headquarters



Exhibition at Guangzhou Plant in China



Exhibition at Thilawa Plant in Myanmar

■ Seeking Ideas for a Quality Slogan

We seek ideas for a quality slogan from each division every year. Compiled in a booklet, all of our employees carry at all times.



■ Global QC Circle Convention

Through the QC Circle activities, opinions from overseas production sites are valued and used to improve product quality.

Each year, more than 100 QC circle teams are conducting activities at overseas factories. Among them, 7 teams that won the QC Circle Convention at each factory gave presentations of their results at headquarters.



Future Plan

We will continue to enrich its contents and promote its global extension, aiming to mature our quality-focused corporate culture.



Social Contribution

Policies

With our mission “Through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world. A truly global enterprise our future society counts on.”, the Foster Group will seek to earn greater trust from the community through business activities in which we evolve together with local residents.

Code of Conduct

We actively participate in social contribution activities as a good corporate citizen to contribute to the development of society.

We continuously perform social contribution activities such as support for culture and the arts, cooperation with local communities, participation in volunteer activities and contributions to international communities to play the role of a corporate citizen.

Activity Promotion Structure

Foster Electric’s social contribution activities involve all departments, including General Affairs, Manufacturing, Engineering and Sales.

Main Activities

<Communicating with the Community>

We continued the naming rights contract with Akishima City regarding Akishima Community Hall, which is known locally as KOTORI Hall by the citizens of Akishima City. We will continue to pursue activities to win the affection of the local community.



KOTORI Hall



KOTORI product exhibition corner

In 2018, as a lead member of Akishima City’s Environmentally Friendly Business Operator Network, we have continued to take part in the Akishima Industrial Festival, the Environment Green Festival, and other environment events. We pursue our environmental preservation activities in cooperation with neighboring companies and the staffs of Akishima City Environment Section. Also, valuable feedback from citizens through the events was highly beneficial for our activities. We will continue to grow together with all citizens in the future.



Akishima industrial festival (1)



Akishima industrial festival (2)

In December 2018, we held “Craft Class” and “Winter Vacation Parent & Child Crafts Class”, a winter holiday event for parent-child interaction as part of the Akishima community courses, which was well received.



Winter vacation parent & child crafts class (1)



Winter vacation parent & child crafts class (2)

In addition, Foster is promoting activities to enable people to encounter local traditional cultures through Akishima Showa No Mori Organization and Akishima Tourism & City Planning Association, in which we participate. Foster is also deepening communications with the local community through efforts such as cooperation with the Akishima Location Service to engage in activities for revitalizing the local area and donations to the Social Welfare Council to contribute to welfare in the local community.

In addition, we have continued the in-house sales of specialty goods from the town of Iwaizumi, Iwate Prefecture, which concluded a friendship city agreement with Akishima City, as a disaster reconstruction support activity and contributed to the area's recovery through economic activity.

<Crime Prevention and Disaster Readiness Initiatives>

To support the 2020 Tokyo Olympic and Paralympic Games, Foster is cooperating with the Tokyo Metropolitan Police Department, concluding disaster prevention agreements with neighboring companies, and otherwise bolstering its crime prevention and disaster readiness initiatives in the local community. In addition, every year, we raise funds to support people who have been affected by crime. This initiative has been recognized, and we received a letter of gratitude from the Victim Support Center of Tokyo on March 28, 2019.

<Investing in Human Resources for the Future>

Following last year, we held two speaker-making classes in July and August 2018, an event sponsored for children by our consumer brand FOSTEX company, at “Anfelit” showroom where FOSTEX products were exhibited. About 80 children, from late elementary to junior high school students and their guardians not only learned the mechanism of sound, but also enjoyed listening to music through the speaker.



Making speakers



Listening to sounds from the speakers that the children made

<Participation in the Akishima City Community Development Company Summit>

In December 2018, the Akishima City Community Development Company Summit was held, and we participated with companies based in Akishima City, the Akishima Society of Commerce and Industry, and Asia Crime Prevention Foundation, Co., Ltd. (ACPF).

Under the leadership of the mayor of Akishima City, who wants to revitalize Akishima City, individual companies reported their activities and exchanged opinions with each other, including strong thoughts about and expectations of Akishima City.

We gave a presentation about the importance of overseas human resources, etc.



Community Contribution Activities at Overseas Sites

Foster Group's overseas sites provide active support for regional volunteering and donation activities, activities to support victims and those who are economically disadvantaged, and other initiatives each year.

Vietnam

December 2018: We offered gifts to elementary school children and employees who are economically disadvantaged.



January 2019: We gave New Year's donations to the poor in Cam Le District and Hoa Vang District in the suburbs of Da Nang.



February, May 2018: We offered gifts to citizens and employees who are fighting serious illness.



Indonesia

June 2018: Because the power generator, which is the only power source in Tanjung Kelingking fishing village of Batam Island, was old and experienced an operation failure, we donated a new generator.



October 2018: Tebing Tinggi fishing village in Batam is dependent on a rainwater collection pond as a water source. Because the pond had dried up and was polluted, we supported the construction of a well.



Malaysia

January 2019: We offered donations to Penang Shan Children's Home Association, a non-profit organization catering to the needs of orphans, neglected children, dysfunctional families and single parents.



Myanmar

Our Myanmar site performed the following activities.



March 2019: Over 200 employees participated and donated blood to the National Blood Center Myanmar.



April 2019: We donated female clothing to Thabarwa Center where more than 3,000 elderly women live in.



April 2019: We participated in the donation event for elderly people, held near Thilawa Special Economic Zone.

China

February 2019: We took part in the poverty reduction activities conducted by the local government by providing employment guidance to those who are economically disadvantaged.



Korea

ESTec Corporation, a Group company in South Korea, performed the following contribution activities.



February, September 2018: Conducted by our officers and employees, funds for neighbors were donated via the inhabitant life support office to people in need of support in the Yangsan area



July 2018: We sponsored the 16th Eom Jeong Haeng National Musical Contest. We have sponsored this contest since 2004.



December 2018: All our employees pickled 200 boxes of kimchi (approximately 1,500 kg) together and sent them to those who are economically disadvantaged (elderly living alone, people with serious disabilities, and households with a child acting as the head of household), via the Yangsan Volunteer Center. This "Kimchi sharing with love" event has been carried out every year since 2010.



Governance

Corporate Governance

Policies

To maximize our corporate and shareholder values, we recognize the importance of establishing a fair and sound corporate management system and a managerial structure that enables quick and accurate decision making to accommodate an ever-changing business environment, and the execution of legitimate and appropriate business operations. To that end, we are currently working to improve and enhance our approach to corporate governance.

Corporate Governance Structure

Board of Directors

The Board of Directors meetings are held regularly on a monthly basis and whenever necessary to discuss and decide important agenda items and the execution of important business concerning the Group's management policies and strategies. It supervises the management from an independent and objective standpoint.

Board of Managing Directors

The Board of Managing Directors mainly consists of representative directors, managing directors, executive directors, senior executive officers and statutory auditor. They hold discussions at the meetings before making decisions on the execution of business operations.

Management Meeting, etc.

Mainly comprising the president and the head of the Company's business divisions (including those who serve concurrently as director or executive officer), the Management Meetings and the Division Head Meetings are held to report and discuss matters concerning the execution of businesses at the business divisions, in order to expedite decision making processes and ensure that unified decisions are reached.

On a Group-wide level, twice a year, in order to facilitate consolidated management within the Group, the Domestic Group Company Meeting is held by the top executives responsible for the management of the domestic Group companies; the Global Budget Meeting is held by the top executives of the overseas Group companies to discuss their budgets; and the Global Strategy Meeting is held to discuss global strategies with regard to sales, technology, quality control and manufacturing. Through these meetings, we share and reaffirm the direction in which the entire Foster Group is heading, and reinforce collaborative efforts within the Group.

Nominating Committee and Remuneration Committee

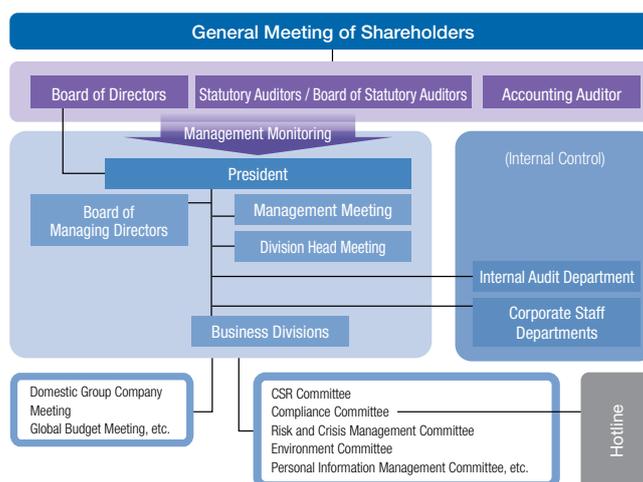
The Company has established Nominating and Remuneration Committees as advisory organizations offering voluntary advice to the Board of Directors. These committees are designed to enhance fairness and transparency in selecting and appointing people to managerial positions, and in determining the details of their remuneration, etc. Each committee consists of representative directors, managing directors, directors, standing statutory auditors, and statutory auditors (currently a total of six members for Nominating Committee, and five members for Remuneration Committee). Chairperson and vice chairperson are selected from independent officers for both of these committees.



Tatsuhiro Tanaka

Senior Executive Officer and
Head of Corporate Management Division

The Corporate Management Division carries out its operations regarding finance, accounting, IR (Investor Relations), legal affairs and intellectual property. It has a function that governs not only the headquarters in Japan but also the subsidiaries around the world.



Corporate Governance Guidelines

The Foster Group has established Corporate Governance Guidelines that express our basic way of thinking and framework with regard to corporate governance.

https://www.foster.co.jp/csr/foster_group/pdf/20160401_corporate_governance_guideline.pdf (in Japanese)

Corporate Governance Report

The Foster Group publishes a report that describes the concept and structure of our corporate governance in accordance with the regulations of the Japanese stock exchange.

Foster Group Corporate Action Guideline

The Foster Group has established Corporate Action Guideline that express our actions with public decency in compliance with laws and regulations inside and outside of Japan, international rules, and their spirit and intent as well as corporate ethics.

■ Foster Group Corporate Action Guidelines:

https://www.foster-electric.com/csr/governance/pdf/corporate_action_guideline.pdf



Compliance

Policies

The Group emphasizes compliance (with laws, regulations and corporate ethics) as a core element of its CSR philosophy and promotes a compliance program—setting internal rules and building a structure for management—to all Group companies.

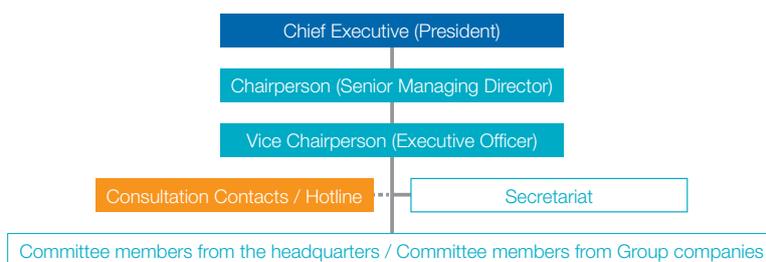
Compliance Structure

The Foster Group places emphasis on the internal whistleblowing system to promote compliance. Such system is under operation through the Compliance Hotline that connects whistleblowers to corporate lawyers or the highly independent Internal Audit Office to early detect violations of compliance. The whistleblowing hotline is extensively available to employees and officers of the entire Group as well as to their families and the employees of business associates.

For the protection of whistle-blowers, internal regulations are established and disseminated to ensure that they are treated fairly or not involved in any trouble as a result of the their actions.

Another specific effort is to reinforce the development and operation of internal control systems, with a focus on meeting the internal control requirements of the Financial Instruments and Exchange Act, the J-SOX requirements, for the reliability of financial reports. Currently, the business operational processes at the Group's headquarters and 11 major business locations are under supervision for compliance with the J-SOX requirements.

■ Organization of the Compliance Committee (The same applies to the Risk and Crisis management Committee)



Compliance Committee

Foster Group's compliance programs are led by the Compliance Committee with the president as a chief executive officer. In fiscal 2018, a compliance survey was conducted in addition to the test. Also, an outside expert was invited to hold a compliance training to officers and managerial posts in an effort to raise compliance awareness.

Future Plan

The Foster Group will continue to promote activities such as the enrichment of internal trainings and provision of information on related laws and regulations, which are led by the Compliance Committee, established based on the Foster Group Code of Conduct for Staff, to enhance and improve the compliance structure.

Risk Management

Policies

The risk management activities of the Foster Group are focused on predicting risks and taking preventive measures so that such risks will not materialize. They also focus on minimizing damage to the Company should a risk develop and materialize, resulting in the occurrence of danger. Specifically, we have established a structure for prompt response in the event of a crisis and a response structure for any serious risk or incident when it is predicted. Meanwhile, we are strengthening the risk management structure for usual conditions under our basic operation policy of enhancement and global expansion of risk management ability and crisis responsibility.

Risk Management Structure

As the foundations for the Foster Group's risk management structure, we have established the Rules on Risk and Crisis Management and the Risk and Crisis Management Committee with the president as the chairman to identify risks using a checklist, analyze such risks and promote preventive measures on a Group-wide basis.

In the event of any incidents or accidents, we will set up a task force, mainly consisting of the Risk and Crisis Management Committee members, and take prompt measures to minimize damage, ensuring restoration of the original state as early as possible and preventing any recurrences.

Risk and Crisis Management Committee

Risk and Crisis Management Committee identifies and evaluates risks based on the result of risk reexamination conducted by respective department each year. The Committee determines important risk items that require controls, and such items are being monitored the Committee held on a regular basis. The risk evaluation result is also referenced during the business policy planning. In fiscal 2018, our important risk items reviewed were the business continuity plan (BCP), bribery prevention structure building, and information security management system.

Future Plan

We will continue to improve the structure for prompt responses to an accident or incident in the event of its occurrence and conduct periodic monitoring of important items at the Risk and Crisis Management Committee to further enhance the risk and crisis management structure.

Our Stance on Tax Matters

Basic Stance

The Foster Group works to maintain and improve tax compliance and perform proper filing and payment of taxes in accordance with the local tax-related laws and international rules.

Dealings Between Affiliated Companies

The Foster Group determines prices for dealings between its affiliated companies based on the principles of pricing between independent companies.

Relationship with Tax Authorities

The Foster Group works to reduce tax uncertainty by responding in good faith to prior consultations and related information disclosure to tax authorities. In addition, it uses the Advance Pricing Agreement (APA) to obtain prior agreement with tax authorities.



Transparency

The Foster Group prepares and discloses its financial statements in compliance with the Financial Instruments and Exchange Act and related laws. It also discloses tax information in the financial statements based on the related laws and regulations.

The Foster Group also understands that the BEPS (Base Erosion and Profit Shifting) project by OECD is essential to prevent international tax avoidance and abusive tax planning and to secure the transparency of taxes through the disclosure of tax information. As such, it gives proper responses.

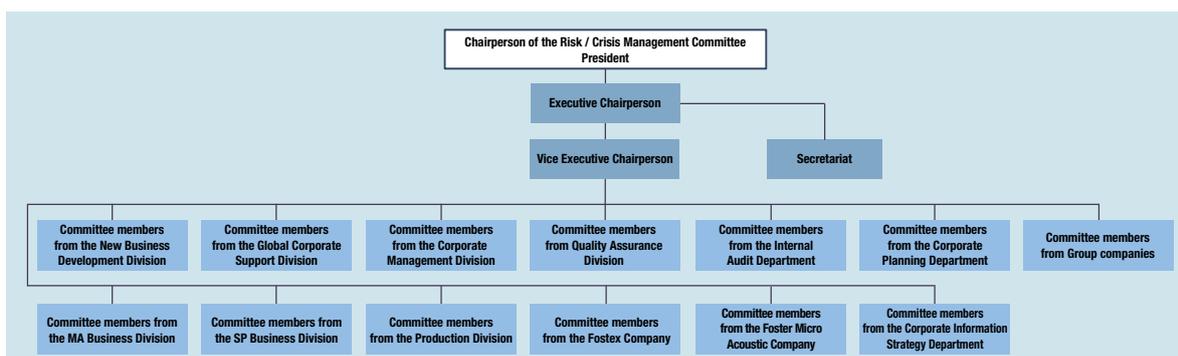
Business Continuity Plan (BCP)

Policies

The Foster Group is taking steps to prevent and avoid various business risks and crises as risk/crisis control and to minimize the damage to the Company and avoid inconvenience to customers should a risk occur or be embodied, with the highest priority given to preventing the recurrence of risks/crises.

Activity Promotion Structure

The Foster Group promotes business continuity through the function recovery activities undertaken by each function department of headquarters and through collaboration with the task forces at each site in accordance with the decisions made by the Risk and Crisis Management Committee consisting of its senior management.



Main Activities and Measures

Operation of the Emergency-Contact Network (Safety Confirmation System)

To keep the headquarters functional, Foster Group has introduced a safety confirmation system using mobile phones that allow headquarters to issue an emergency notice to confirm the safety of its employees and their families when an earthquake, disaster, or other emergency occurs.

Disaster-Prevention Activities

The headquarters is certified as an Excellent Fire Prevention Property. Our daily disaster prevention activities and regional disaster prevention activities were recognized, and we received a letter of gratitude from the Akishima Fire Department. In future, we will continue to work to be a company that is needed in the community.



A letter of gratitude for our fire prevention and life safety measures



A letter of gratitude for regional safety and disaster prevention

Disaster Drills at Headquarters and Domestic Offices

Once a year, the Foster Group conducts disaster drills involving all employees at the headquarters and domestic offices. A drill was conducted in March 2018 at the headquarters, which included evacuation guidance training for employees who use wheelchairs.

In addition, the headquarters and Foster Transportations Ltd. conducted desktop training, assuming that a disaster had occurred in the area of the headquarters. Foster Micro Acoustic Company visited the Shizuoka Prefecture Earthquake Disaster Prevention Center to implement the disaster prevention experience program, etc. and undergo more expert learning with the aim of enhancing disaster prevention measures.



Fire drill (headquarters in Japan)



BCP practice (Japan, Foster Transportations Ltd.)

Disaster Drills at Overseas Sites

The Foster Group appoints a person in charge of BCP for each overseas site and implements disaster drills on a regular basis to improve our employees' awareness of disaster prevention.



Fire drill (China)



Emergency aid drill (China)



Fire drill (Vietnam)

Future Plan

The Foster Group has been reviewing the BCP by learning from many of the recent natural disasters that have occurred in Japan. We are working to re-establish the BCP structure so that even when faced with an unexpected situation, we can react flexibly, aiming to be a more reliable company for stakeholders.



Information Security and Personal Information Protection

Policies

Foster Electric Co., Ltd. and its subsidiaries (hereinafter referred to as the Group) recognize the importance of securing the trust of customers, suppliers, shareholders, employees and other stakeholders based on its corporate creed of "Sincerity." Appropriate management of information assets is an important part of the management agenda.

To appropriately protect and handle the information assets possessed by the Group, we define the information security policies as follows:

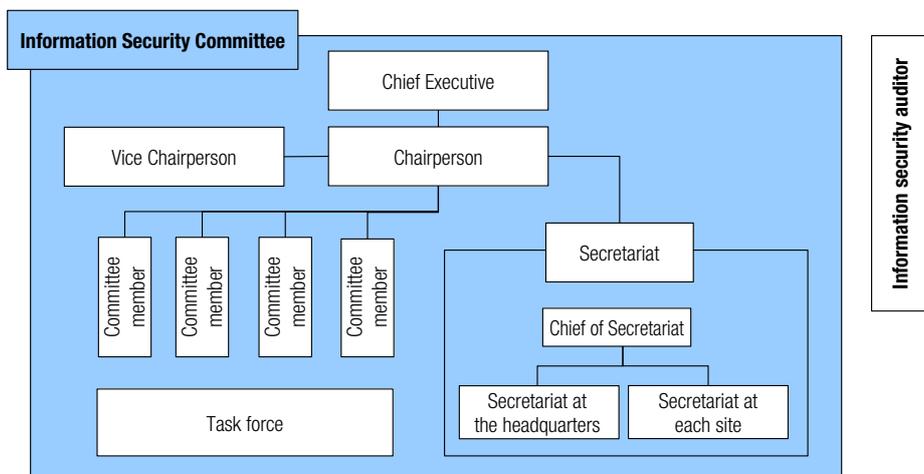
- Information security management system
- Development of internal regulations regarding information security
- Implementation of information security measures
- Provision of information security education
- Implementation of continuous improvement activities

■ Information Security Policies:

<https://www.foster-electric.com/security/index.html>

Activity Promotion Structure

For protection and appropriate management of all information assets possessed by the Foster Group, it has established the Information Security Committee, which mainly consists of management, to maintain the system for understanding the management status of information security and prompt implementation of required security measures according to the risk analysis results.



Main Activities and Measures

The Foster Group takes appropriate measures as organizational, human, physical and technical safety management initiatives against security threats, which change daily, to prevent unauthorized access, damage, leakage, falsification and other accidents involving information assets.

Future Plan

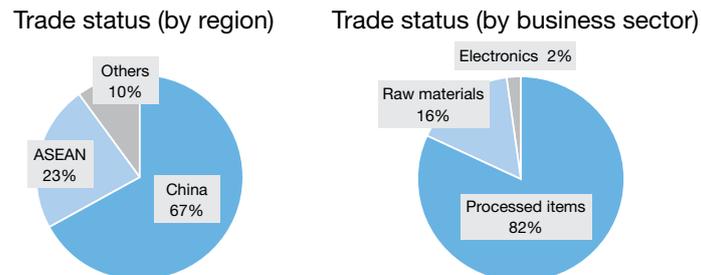
- Penetration of the infrastructure for information protection and management on a global basis.
- Implementation of risk analyses and plan for concrete preventive measures based on the Business Continuity Plans (BCPs).
- Assurance of the awareness of the information security policies and respective standards

Responsible Procurement

The Foster Group makes efforts to trade with suppliers that are not only superior in terms of quality, technologies, and delivery time, but also makes efforts to trade with suppliers that carry out social responsibilities such as CSR (green procurement, human rights, labor, safety, and compliance). We will continue to build sound relationships with our suppliers through agreement with our CSR procurement policies, deepening of mutual understanding, and sharing of our goals.

Outline of Supply Chain

We trade with approximately 500 suppliers, 67% of which are in China. The machined parts industry accounts for 82% of all business sectors. Companies in the Foster Group promote CSR procurement in cooperation with the suppliers.



Management System

The Foster Group recognizes that the CSR procurement throughout its entire supply chain management is essential for performing material procurement activities that contribute to corporate value improvement. To this end, we have established the Foster Group Supplier CSR Code of Conduct.

Based on this standard, we distribute CSR-related questionnaires and CSR SAQ to our suppliers and ask them to confirm their implementation status for CSR initiatives.

Since fiscal 2016, we have been participating in the supply chain subcommittee of the Global Compact Network Japan (GCNJ) and have discussed practical issues in the CSR procurement activities at each company. To solve those issues, we are implementing development and revision of the Self-Assessment Questionnaire (SAQ) and other product creation activities. In fiscal 2017, we conducted a survey using the SAQ developed by the subcommittee for all our relevant suppliers. We received replies from 91% of them, and the average number of points for the entire company was 86 points (out of 100 points). Also, it was discovered that many of our suppliers considered CSR to be a social trend and actively worked on it.

As a feedback of response results, we not only sent a comprehensive evaluation, but also a corrective action plan to suppliers who need them for each field item, which described the analysis results and the items that required improvement, to encourage them to implement the activities in the future. The rate of the suppliers that needed correction in fiscal 2018 was 6.1% of the entire company.



Basic Principles of Procurement

In its global expansion, the Foster Group has developed the “Basic Principles of Procurement” for the supply chain, including the Group and its suppliers, based on which it builds fair and healthy relationships.

Basic Policy on Purchasing: “We will deal with all of our suppliers in good faith.”

1. Compliance with Laws and Ordinances

We will comply with the laws, ordinances and regulations in the countries and regions where we conduct business activities, and will conduct purchasing duties in accordance with social ethics.

We will not accept gifts, entertainment, etc. in accordance with our Norms on Employee Conduct.

2. Fairness and Impartiality

We will keep our doors open and provide equal opportunities to all businesses, and will evaluate and select suppliers with impartiality based on reasonable criteria.

3. CSR Procurement

We will promote CSR procurement in accordance with our Norms on CSR Conduct for Foster Suppliers.

4. Partnerships

We will endeavor to deepen mutual understanding with our suppliers and build bonds of trust with them.

5. Confidentiality

We will strictly manage confidential information that comes into our knowledge in doing business.

Supplier Selection and Evaluation

The Foster Group sets the implementation of CSR activities as a business condition when selecting suppliers. We ask the suppliers to agree to the Foster Group Supplier CSR Code of Conduct and reply to the SAQ (Self Assessment Questionnaire). We conclude a basic transaction agreement containing CSR requirements with the suppliers before starting trade with them.

We also conduct SAQs for the existing suppliers, check the implementation status of corrective and improvement actions and provide educational activities for them.

Sustainability

The Foster Group is implementing procurement activities while taking the perspective of sustainability into consideration to respond to the global progress of our procurement activities and risks in value chain expansion.

Green Procurement

The Group has established the Green Procurement Standard, which governs the chemical substances contained in procured parts and raw materials, and is making efforts to ensure the procurement of materials that comply with national and regional laws as well as customer requirements.

Reduction in Energy Consumption

To reduce energy consumption in supply chains, we are working to procure energy from nearer production sites by reviewing the purchase route from each site to use an appropriate route, and we are asking each supplier to cooperate, such as through the transfer of manufacturing plants. This has resulted in reduced energy consumption (CO₂ reduction) and increased purchases from local suppliers (local production for local consumption). In addition, to reduce unexpected disaster risks, we are promoting Business Continuity Plan (BCP) activities via the distribution of suppliers. The CO₂ reduction in fiscal 2018 was approximately 20,000 kg-CO₂ (Scope 3 converted value).

Representatives and Structures

The Procurement Department belongs to the Production Division and performs activities under the head of the division (executive officer) as the representative. Each manufacturing site and business division has a procurement department. We are enhancing CSR activities in cooperation with each manufacturing site and business division. We check the PDCA cycle, share future issues and take appropriate actions at CSR Committee Meeting (held monthly), Global Procurement Meeting held by the representatives of the Procurement Department from all sites (held annually) and the Supplier Procurement Conference, in which our president and other directors participate (held once every two years).

Conflict Minerals Investigations

According to the Dodd-Frank Wall Street Reform and Consumer Protection Act in the U.S., which was established in July 2010, illegal mining and smuggling of minerals by armed forces/groups in the Democratic Republic of the Congo and its surrounding countries not only provide a source of funding for these groups, thereby deepening the conflict, but also lead to forced labor, human-rights violations and other issues. It is being demanded that companies that use mineral resources should take responsibility for the problem. The Foster Group has established a Basic Policy on Conflict Minerals and conducts investigations into the related production areas and distribution processes to ensure that the relevant minerals will not become their source of funding.

In fiscal 2018, we achieved a 99% response rate for investigations into conflict minerals carried out on all the applicable suppliers. We also started some investigations on cobalt and mica in 2018, and established the investigation structure. With respect to existing relevant materials, the Group will continue to conduct detailed investigations as the refinery certification status changes (addition or deletion) and work to eliminate any procurement of minerals if it is clarified that those are related to armed forces.

Details can be viewed on our website:

<https://www.foster-electric.com/procurement/csr.html>



Global supply meeting



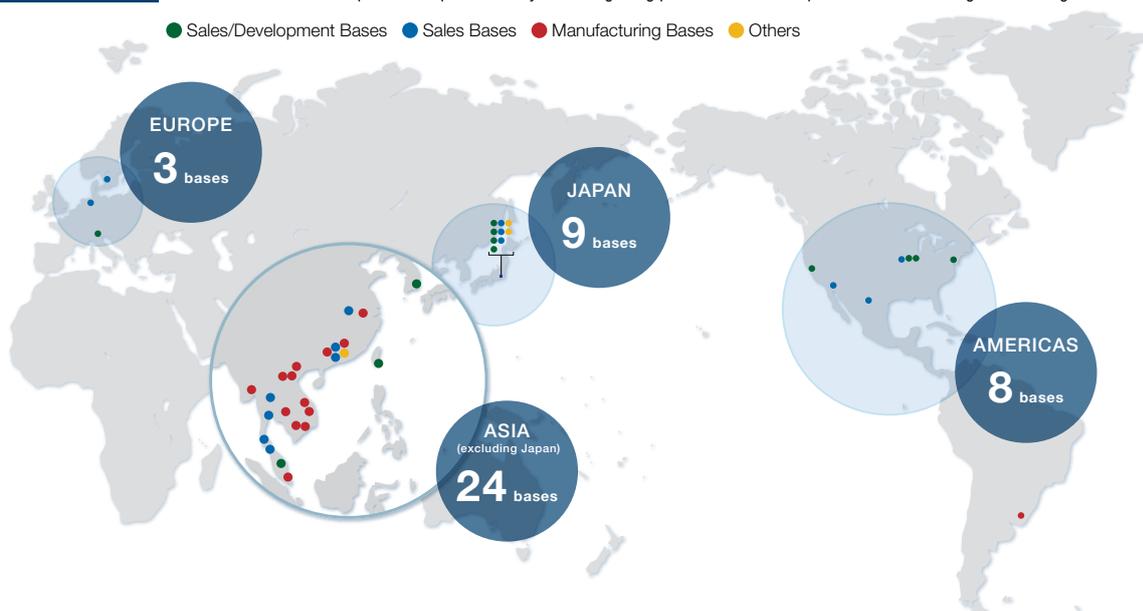
Supply chain subcommittee of the GCNJ



Group Companies

The Group operates 44 bases in 15 countries and regions worldwide as bases for development, manufacturing and sales bases. We have established a sophisticated production system integrating processes from components manufacturing to finished goods manufacturing.

● Sales/Development Bases ● Sales Bases ● Manufacturing Bases ● Others



JAPAN

- FOSTER ELECTRIC CO., LTD. (HEADQUARTERS)
- KANSAI SALES OFFICE
- IGA WAREHOUSE
- FOSTEX COMPANY
- FOSTER MICRO ACOUSTIC COMPANY
- FOSTER TRANSPORTATIONS LTD.
- FOSTER ELECTRONICS LTD.
- FOSTER KIGYOU KABUSHIKI KAISHA
- ESTec JAPAN CORPORATION

ASIA (excluding Japan)

- FOSTER ELECTRIC CO., (HONG KONG) LTD.
- GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY * Outsourcee
- FOSTER ELECTRIC CO., (GUANGZHOU) LTD.
- NANJING BRANCH
- FOSTER ELECTRIC CO., (NANNING) LTD.
- FOSTER ELECTRIC CO., (HEYUAN) LTD.
- FOSTER TRADING CO., (HONG KONG) LTD.
- FOSTER ELECTRIC CO., (TAIWAN) LTD.
- FOSTER ELECTRIC (SINGAPORE) PTE. LTD.
- PENANG OFFICE
- PT FOSTER ELECTRIC INDONESIA
- FOSTER ELECTRIC IPO (THAILAND) LTD.
- FOSTER ELECTRIC (THILAWA) CO., LTD.

- FOSTER ELECTRIC (VIETNAM) CO., LTD.
- FOSTER ELECTRIC (DA NANG) CO., LTD.
- FOSTER ELECTRIC (QUANG NGAI) CO., LTD.
- FOSTER ELECTRIC (BAC NINH) CO., LTD.
- FSK (THAILAND) CO., LTD.
- ESTec CORPORATION
- ESTec ELECTRONICS (JIAXING) CO., LTD.
- ESTec VINA CO., LTD.
- ESTec PHU THO CO., LTD.
- ESTec ELECTRONICS (M) SDN. BHD.
- ESTec CORPORATION (CAMBODIA) LTD.

AMERICAS

- FOSTER ELECTRIC (U.S.A.), INC.
- DETROIT OFFICE
- EL PASO OPERATIONS
- LOS ANGELES OFFICE
- SAN JOSE OFFICE
- BOSTON OFFICE
- Thomas KL Indústria de Alto Falantes S.A.
- ESTec AMERICA CORPORATION

EUROPE

- FOSTER ELECTRIC (EUROPE) GmbH
- MUNICH OFFICE
- SWEDEN OFFICE

Company Information

Company Profile (As of March 31, 2019)

Company Name	Foster Electric Company, Limited
Founded	June 20, 1949
Common Stock	¥6,770,360,135 Listed on the First Section of the Tokyo Stock Exchange
Headquarters	1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan Phone:+81-42-546-2311 (switchboard)
Number of employees	25,601; Number includes our outsourcee in Panyu, China.
URL	https://www.foster-electric.com/

Directors and Corporate Auditors (As of June 20, 2019)

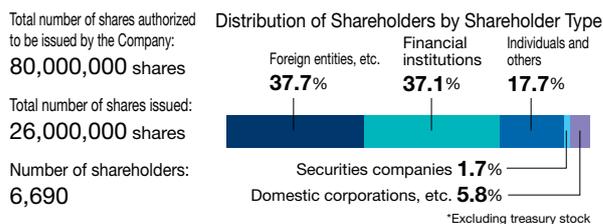
President and Representative Director	Hiromi Yoshizawa	Senior Executive Officer	Terushige Nagasawa
Senior Managing Director	Atsushi Narikawa	Senior Executive Officer	Takuro Yamaguchi
Senior Managing Director	Lu San Tie	Senior Executive Officer	Masatoshi Kohama
Managing Director	Kazuhiro Kishi	Senior Executive Officer	Tatsuhito Tanaka
Director	Hidetoshi Shirakawa	Senior Executive Officer	Ryoji Otowa
Director ¹	Minoru Matsumoto	Executive Officer	Yasuhide Takahara
Director ¹	Chieko Matsuda	Executive Officer	Naoki Kanai
Standing Corporate Auditor	Tsutomu Inokuma	Executive Officer	Yuji Harada
Corporate Auditor ²	Takuma Ino	Executive Officer	Hiroki Miura
Corporate Auditor ²	Takashi Suzuki	Executive Officer	Yuji Sakuta
Corporate Auditor ²	Yasuhiro Goto	Executive Officer	Roy Ching-Sheng Chen
		Executive Officer	Oh In-Yong

¹ Minoru Matsumoto and Chieko Matsuda are Independent Directors.

² Takuma Ino, Takashi Suzuki and Yasuhiro Goto are Independent Corporate Auditors.

Stock Information

Status of Shares (As of March 31, 2019)



Major Shareholders

Shareholder's Name	Number of Shares Held (Thousands)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,660	7.3
Japan Trustee Services Bank, Ltd. (trust account)	1,284	5.6
Mizuho Bank, Ltd.	1,016	4.4
MUFG Bank, Ltd.	945	4.1
Japan Trustee Services Bank, Ltd. (trust account 9)	753	3.3
GOVERNMENT OF NORWAY	695	3.0
DFA INTL SMALL CAP VALUE PORTFOLIO	502	2.2
Japan Trustee Services Bank, Ltd. (trust account 5)	458	2.0
J.P. Morgan Bank Luxembourg S.A. 1300000	453	1.9
Showa Aircraft Industry Co., Ltd.	446	1.9

Treasury stock (3,281,977 shares) is excluded for the calculation of the "Ratio of Shares Held."

Financial Highlights

Consolidated Performance for the Fiscal Year ended March 31, 2019

Net sales ¥140,303 million (down 24.1% y-o-y) 	Operating income ¥3,937 million (down 57.7% y-o-y) 	Ordinary income ¥4,318 million (down 52.3% y-o-y) 	Net loss attributable to owners of the parent ¥(2,026) million (Net income of ¥4,265 million in previous FY) 	
Net assets ¥59,294 million (¥66,792 million at the end of previous FY)	Total assets ¥91,271 million (¥100,870 million at the end of previous FY)	Net loss per share ¥(83.21) (Net income of ¥165.78 in previous FY)	Net assets per share ¥2,404.10 (¥2,412.06 at the end of previous FY)	Equity ratio 59.5% (61.5% at the end of previous FY)

Overview by Segment (Consolidated)

Speaker Segment

Net sales **¥70,403** million
(down 6.8% y-o-y)



For car speakers and speaker systems, the sales volume of premium brand products for some customers declined. Shipments of audio/visual speakers and speaker systems were generally in line with our plan.



Mobile Audio Segment

Net sales **¥63,851** million
(down 38.3% y-o-y)

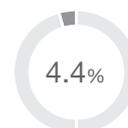


The sales volume and prices of headsets for a major customer declined.



Other Segment

Net sales **¥6,224** million
(up 5.7% y-o-y)



Net sales in this segment, including micro acoustic components and "FOSTEX" brand products, slightly increased.



*The above includes inter-segment sales.



Foster History

1949 1960 1970 1980

1949

Mr. S. Nishimura and Mr. H. Shinohara established Shinano Onkyo Institute in Shibuya, Tokyo, to start manufacturing speakers



The first president, Mr. Nishimura (right), and the second president, Mr. Shinohara (left), at the year of founding, 1949



Our first 3.5-inch speakers were shipped



We named the brand "Pearl" for its outstanding performance despite its small size. The image shows its label

1953

Reorganized Shinano Onkyo Institute into Shinano Onkyo Co., Ltd. Changed the brand name to "Foster"

1955



Shinano Onkyo's 2.5-inch G-205 speaker was used in the world's first transistor radio TR-55, developed by Tokyo Tsushin Kogyo Co., Ltd. (currently Sony Corporation). The popularity of this radio rapidly enhanced the reputation of Shinano Onkyo's speakers, which significantly contributed to establishing the business foundations on which the Company is currently based

1959

Shinano Onkyo Co., Ltd., was renamed as Foster Electric Co., Ltd.

1960

Constructed the Akishima Factory

1962

Started the manufacturing and sales of microphones. Listed the Company shares on the Second Section of the Tokyo Stock Exchange

1964

Started the manufacturing and sales of headphones

1965

Established Foster Electric Co., (Hong Kong) Ltd.



From 1964 through 1965, we developed solid-state FM tuners for the U.S. market

1966



Mr. H. Shinohara took office as the president of the Company

Started the manufacturing and sales of audio amplifiers and tuners

1969

Established Foster Electric Co., (Taiwan) Ltd. The head office was moved to Akishima City, Tokyo

1970

Established Foster Transportations Ltd.

1971



Dynamic wireless microphone MWF-2

1972

Established Foster Electric (Singapore) Pte. Ltd. Established Foster Electric (U.S.A.), Inc.

1973

Established Foster Electric (Europe) GmbH in West Germany

1974



Released RP (regular phase) electro-acoustic transducers (microphones, headphones and speakers). Obtained many patents for the RP products by applying cutting-edge technologies at that time

1976

Established Foster Electronics Ltd.

1978

Jointly developed micro motors with Philips and started the production

1980



Started the production of audio equipment for professional use, including 8-channel mixers, PA speaker systems, PA amplifiers and professional microphones

1982



Started the shipment of in-vehicle speakers for GM Delco

1985



Released various data converters using audio signals

1986

Merged with Tonegen Co., Ltd.

1987

Started manufacturing speakers in the United States

1988

Started outsourced processing and fabrication at our Panyu Factory in China

1990

1991

Established P.T. Foster Electric Indonesia

1992

Became the first supplier from outside Germany to deliver in-vehicle speakers to Daimler-Benz



Speaker/speaker system using the "Biodyna" diaphragm



Speakers produced by the Company for Bose Corporation were installed in the Space Shuttle Endeavour

1994

Mr. M. Takada took office as the president of the Company

**1997**

Opened the Detroit Office in the United States.
Established a logistics center in El Paso, Texas, U.S.A.
Established a factory in Bintan, Indonesia



Early models of clip-on/in-the-ear headphones

1999

Listed on the First Section of the Tokyo Stock Exchange

2000

The Company headquarters acquired the ISO14001 certification

2001

Opened the Taipei Office in Taiwan
Established Foster Electric Co., (Guangzhou) Ltd.

2002

Opened the Shanghai Office in China
Opened the Chubu Sales Office in Anjo City, Aichi Prefecture

2003

Merged with Fostex Corp.

2005

Mr. Y. Higashi took office as the president of the Company

**2006**

Established Foster Electric (Vietnam) Co., Ltd.
Opened the San Jose Office in the United States



Closed-type biocellulose headphones

2007

Established Foster Electric Co., (Nanning) Ltd., in China

2008

Established Foster Electric IPO (Thailand) Ltd.
Established Foster Electric (Da Nang) Co., Ltd., in Vietnam

2009

South Korea-based ESTec Corporation took office as a consolidated subsidiary of the Company

Mr. Y. Miyata took office as the president of the Company



2010

2010

Established Foster Electric Co., (Heyuan) Ltd., in China
Established Foster Electric (Bac Ninh) Co., Ltd., in Vietnam

2011

Net sales for the year ended March 2011 reached 100 billion yen
Established Foster Electric Co., (Chongzhou) Ltd., in China

2012

Established Myanmar Foster Electric Co., Ltd.
Headquarters moved to Tsutsujigaoka, Akishima City, Tokyo

2013

Established Foster Electric (Quang Ngai) Co., Ltd., in Vietnam

2014

Acquired the micro-acoustic transducer business from Star Micronics Co., Ltd.



Micro acoustic equipment

Mr. H. Yoshizawa took office as the president of the Company



Established Foster Electric (Thilawa) Co., Ltd., in Myanmar

2015

Opened "Anfelt" Fostex showroom.
Started operation of Foster Thilawa factory

2017

Joined "United Nations Global Compact (UNGC)"
Accepted SUZUKI KANSHI (THAILAND) CO., LTD. as a consolidated subsidiary

**2018**

Selected as "New Diversity Management Selections 100" by the Ministry of Economy, Trade and Industry
Selected for "Top 100 Telework Pioneers" by the Ministry of Internal Affairs and Communications



Received "Certification of Excellent Company in Health: Gold" from the Tokyo Federation of the National Federation of Health Insurance Societies

**2019**

Certified in "Excellent Health and Productivity Management 2019 (White 500)" by the Ministry of Economy, Trade and Industry



External Recognition

[Japan]

New Diversity Management Selection 100 (fiscal 2017)

March 2018: Recognized for our activities to promote diversity and achieve work-life balance, we were selected as one of the winners of the New Diversity Management Selection 100 (fiscal 2017) by the Ministry of Economy, Trade and Industry.



Top 100 Telework Pioneers (fiscal 2018)

November 2018: To realize a flexible workstyle using ICT that fits individuals' lifestyles and is free from restrictions such as time and place, we have introduced the work-at-home program and implemented initiatives to establish the environment. Evaluated for such activities, we were selected as one of the winners of the Top 100 Telework Pioneers (2019) by the Ministry of Internal Affairs and Communications.



Certification of Excellent Company in Health: Gold

December 2018: Highly evaluated for our active initiatives to realize healthy management, we received the Certification of Excellent Company in Health: Gold from the Tokyo Promotion Council for Healthy Company Declaration. As of December 2018, more than 1,400 companies have participated, and 13 companies including the Group received the certification in the Gold category.



2019 Health and Productivity Management Outstanding Organizations (White 500)

March 2019: Recognized for our excellent initiatives that consider employee's health from the management perspective and practice it strategically, we were certified as one of the winners of the 2019 Health and Productivity Management Outstanding Organizations (White 500) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



Selected as one of the S&P/JPX Carbon Efficient Indices by the Government Pension Investment Fund (GPIF)

September 2018: We were selected as one of the ESG indices; S&P/JPX Carbon Efficient Index (evaluated based on the disclosure status and results of CO₂ emissions data), whose operation was started by the GPIF in 2018.



Added to SNAM Sustainability Index (fiscal 2018)

February 2019: We have been added to the SNAM Sustainability Index (Selected by placing weight on the ESG evaluation by rating firms), whose operation was started by Sampo Japan Nipponkoa Asset Management (SNAM) in August 2012, for the third consecutive year.



[Overseas]

Global

Ecovadis Silver Ranking

February 2019: We received a Silver ranking (top 30%) from Ecovadis, France for the CSR assessment to evaluate suppliers.

Vietnam

FOSTER ELECTRIC (VIETNAM) CO., LTD.

Awarded by the Prime Minister of Vietnam as a company that contributed to Vietnamese economy

November 2018: At the “Conference on 30 Years of FDI Attraction”, held by the government of Vietnam in commemoration of the 30th anniversary of foreign investment attraction, we were awarded by the Prime Minister of Vietnam as a company that contributed to their promotion of foreign investment.



FOSTER ELECTRIC (DANANG) CO., LTD.

Certified as one of the Top 50 Energy Saving Companies 2018 by the Department of Industry and Trade of Da Nang City and the Da Nang Power Company, Ltd.

November 2018: We achieved the electric energy saving target of 5% in power consumption (compared to 2017) in the third quarter of fiscal 2018 and were certified as one of the Top 50 Energy Saving Companies 2018 by the Department of Industry and Trade of Da Nang City and the Da Nang Power Company, Ltd.



Awarded for our contribution to the promotion of Vietnamese business community development

March 2019: Evaluated for our excellent achievements in our manufacturing and business activities in 2018, and our contribution to the Vietnamese business community, we were awarded by the Chairman of Vietnam Chamber of Commerce – Da Nang.



FOSTER ELECTRIC (QUANG NGAI) CO., LTD.

Awarded for our excellent social and family friendly businesses by the Labor Union of Quang Ngai Province in Vietnam

December 2018: Evaluated for our excellent social and family friendly businesses, we were awarded by the Executive Committee of the Labor Union of Quang Ngai Province.



Awarded for our excellent social security program and health insurance policy by Viet Nam Social Security

December 2018: Evaluated for our excellent achievements in the social security program and health insurance plan, we were awarded by the general director of Viet Nam Social Security.



China

GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY

Commended for our establishment of a compliance structure

February 2018: Evaluated for our corporate management based on the Compliance Structure Regulations, we were commended as a model company by six organizations, including the Guangdong Legal Promotion Office and the Guangdong Ministry of Legal Affairs.



Economic Data

201-2 Financial implications and other risks and opportunities due to climate change

Costs for measures taken to manage risks and opportunities - Total environmental protection expenditures and investments by category

Location		Environmental preservation cost (classified by business operations)				
		Category	Key activity and the outcome	Investment (Unit: one thousand yen)	Cost (Unit: one thousand yen)	
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	(1) Business area cost			0	26,384
		Breakdown	(1)-1 Pollution prevention costs	Air and water control-related prevention countermeasures	0	752
			(1)-2 Global environmental conservation costs	Prevention of global warming, as well as energy-saving measures	0	631
			(1)-3 Resource circulation costs	Waste disposal and recycling	0	25,000
		(2) Upstream/downstream cost	Green purchasing expenses		0	0
		(3) Administration costs	Environmental education, EMS construction expenses etc.		0	7,174
		(4) R&D costs	Research and development etc.		0	1,579,501
		(5) Social activity costs		Tree planting etc.	0	646
		(6) Environmental damage handling costs			0	0
		Total		0	1,613,704	

* "Investment" refers to equipment investments for the purpose of environmental conservation. "Cost" refers to personnel and miscellaneous expenses/costs incurred for environmental conservation activities.

202-1 Ratios of standard entry level wage by gender compared to local minimum wage

Location ¹		Ratio (%) The same ratio for male and female
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	155
Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies	158
	FOSTER ELECTRIC (SINGAPORE) PTE. LTD. and group companies	100
	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies	100
North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies	152
Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies	100

¹ Significant locations of operations: The headquarters and 11 main sites that are checked based on J-SOX internal control framework.

202-2 Proportion of senior management¹ hired from the local community²

Location ³	Ratio (%)	
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	100
Overseas	11 Significant locations of operations	90

¹ Senior management: Department managers or higher, excluding directors.

² Local community: The country and region to which each site above belong.

³ Significant locations of operations: The headquarters and 11 main sites whose operation processes are to be checked based on the J-SOX.

204-1 Proportion of spending on local suppliers

Location ¹	Content	Ratio ² (%)
All procurement sites in China	Local procurement rate of materials in China	82
All procurement sites in ASEAN	Local procurement rate of materials in Vietnam, Indonesia, and Myanmar	54

¹ Local / Significant locations of operation: The above-mentioned areas where Foster's manufacturing sites reside.

² An index that indicates the trade amount with corporate bodies in the targeted site, out of the material procurement trades.

205-1 Operations assessed for risks related to corruption

Location	Total number of operations	Ratio (%)	
Domestic and overseas companies	Domestic and overseas locations of operations	13	68

There were no significant risks related to corruption identified by the risk assessment.

205-2 Communication and training about anti-corruption policies and procedures

Location		Total number and ratio of notifications on anti-corruption related organizations policies and procedures.	
		Governance body members	
		Total	Ratio (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	32	100
Overseas	All overseas companies	78	82

Environmental data**301-2 Recycled input materials used**

Location		Ratio (%)
Overseas	All procurement sites (China/Vietnam/Myanmar)	16

* Recycled material ratio of all resin materials purchased.

302-1 Energy consumption within the organization

Location		Purchased Electricity (MWh)	Gasoline (liter)	Diesel Fuel (liter)	LPG (liter)	Natural Gas (liter)	City Gas (m ³)	Total Fuel Consumption in the Organization (MWh)
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	2,117	9,346	0	0	0	13,604	2,376
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	39,534	71,589	12,074	0	29,851	0	40,709
	FOSTER ELECTRIC CO., (NANNING) LTD.	10,995	35,200	9,400	0	0	0	11,432
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	17,450	53,584	20,330	0	79,122	0	19,134
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	16,834	29,337	7,722	59,328	0	0	18,034
	FOSTER ELECTRIC (DA NANG) CO., LTD.	5,775	11,078	4,245	26,201	0	0	6,295
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	3,131	3,627	275	20,258	0	0	3,455
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	19,225	34,168	2,095	51,867	0	0	20,307
	PT FOSTER ELECTRIC INDONESIA	3,400	5,953	5,112	5,628	0	0	3,590
	FOSTER ELECTRIC (THILAWA) CO., LTD.	7,978	10,629	15,460	0	0	0	8,242
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	437	1,003	0	97	0	74,157	1,371
Total		126,874	265,514	76,713	163,378	108,973	87,761	134,944

* Calorific Value (Fuel): Japan/Overseas: Factor based on the "Greenhouse gas emissions calculation and report manual" released by the Ministry of Environment, Ministry of Economy, Trade and Industry.

302-3 Energy intensity / 302-4 Reduction of energy consumption / 305-1 Direct (Scope 1) GHG emissions**305-2 Energy indirect (Scope 2) GHG emissions / 305-4 GHG emissions intensity / 305-5 Reduction of GHG emissions**

Category		2012	2013	2014	2015	2016	2017	2018
Scope1 (Direct greenhouse gas emission from business activities)	(Unit: t-CO ₂)	2,198	2,403	2,431	2,155	2,549	2,381	1,745
Scope2 (Indirect greenhouse gas emission due to energy usage from business activities)	(Unit: t-CO ₂)	87,232	91,545	88,568	86,668	88,328	87,828	71,122
Scope1+2 total	(Unit: t-CO ₂)	89,430	93,948	90,999	88,823	90,877	90,209	72,868
Per sales unit	(Unit: t-CO ₂ /100 Million yen)	62.3	56.6	48.1	46.5	56.4	48.8	51.9

Scope:
FOSTER ELECTRIC CO., LTD. (Headquarters) and 10 overseas manufacturing sites

CO₂ Conversion Factor (Electric)

Japan: Ministry of Environment, 2012 factor based on CO₂ conversion factor of electric power supplier (2013)

Overseas: IEA, 2012 factor based on CO₂ emissions from fuel combustion (2014)

CO₂ Conversion Factor (Fuel)

Japan/overseas: Factor based on the "Greenhouse gas emissions calculation and report manual" released by the Ministry of Environment, Ministry of Economy, Trade and Industry.

Global Warming Potential

Incorporated 100 year value of IPCC Fifth Assessment Report (AR5)

Based on the "Low Carbon Implementation Plan" by the electrical and electronics industries in Japan, we have set the medium-term target for 2020 of a 1% reduction in emissions per year per sales unit, using the fiscal 2012 value as a standard).



305-3 Other indirect (Scope 3) GHG emissions

Category		Emissions (t-CO ₂)
Upstream categories	1. Purchased goods and services	272,758
	2. Capital goods	575
	3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	4,777
	4. Upstream transportation and distribution	25,014
	5. Waste generated in operations	3,104
	6. Business travel	612
	7. Employee commuting	180
Downstream categories	9. Downstream transportation and distribution	3,225
	11. Use of sold products	74,357
	12. End-of-life treatment of sold products	5,147
Total		389,748

Coverage: Foster Electric Co., Ltd. (headquarters), 2 domestic sites and 13 overseas sites

303-3 Water withdrawal / 303-4 Water discharge / 303-5 Water consumption / 306-1 Water discharge by quality and destination

Location		Water withdrawal (Unit: m ³)	Water discharge (Unit: m ³)	Total water consumption (Unit: m ³)
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	10,394	9,874	520
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	540,157	486,141	54,016
	FOSTER ELECTRIC CO., (NANNING) LTD.	71,562	57,250	14,312
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	278,213	222,570	55,643
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	184,830	147,864	36,966
	FOSTER ELECTRIC (DA NANG) CO., LTD.	51,489	41,191	10,298
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	18,239	14,591	3,648
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	81,734	66,827	14,907
	PT FOSTER ELECTRIC INDONESIA	8,540	6,832	1,708
	FOSTER ELECTRIC (THILAWA) CO., LTD.	120,331	96,265	24,066
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	2,348	1,878	470
Total		1,367,837	1,151,283	216,554

Category	Water withdrawal (Unit: m ³)	Water discharge (Unit: m ³)	Total water consumption (Unit: m ³)
Surface water	-	-	-
Groundwater	-	-	-
Seawater	-	-	-
Produced water	-	-	-
Third-party water	1,367,837	1,151,283	216,554
Total	1,367,837	1,151,283	216,554

306-2 Waste by type and disposal method

Location		Hazardous waste (Unit: ton)			Non-hazardous waste (Unit: ton)		
		Total waste	Recycling	Landfill	Total waste	Recycling	Landfill
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	0.20	0.00	0.20	207.40	91.06	116.34
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourced)	62.00	0.00	62.00	968.00	944.63	23.37
	FOSTER ELECTRIC CO., (NANNING) LTD.	35.20	0.00	35.20	146.00	0.00	146.00
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	54.00	0.00	54.00	330.57	278.00	52.57
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	105.04	14.49	90.55	807.74	657.45	150.29
	FOSTER ELECTRIC (DA NANG) CO., LTD.	92.72	6.74	85.98	331.14	240.00	91.14
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	23.21	1.91	21.30	154.91	82.34	72.57
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	69.50	52.70	16.80	969.30	610.80	358.50
	PT FOSTER ELECTRIC INDONESIA	74.07	0.00	74.07	86.90	0.00	86.90
	FOSTER ELECTRIC (THILAWA) CO., LTD.	5.14	0.00	5.14	49.40	3.10	46.30
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	0.04	0.00	0.04	385.40	259.40	126.00
Total		521.12	75.84	445.28	4,436.76	3,166.78	1,269.98

308-1 New suppliers that were screened using environmental criteria

Percentage of new suppliers that were screened based on the environmental criteria.

Location		Ratio (%)
Domestic and overseas companies	All procurement sites	100

* We distribute our environmental regulations to all the suppliers, update them and obtain environment-related materials.

Social data**401-1 New employee hires and employee turnover**

Location		New employee hires (person)						
		By gender			By age group			
		Male	Female	Total	Age under 30	Age 30 - 50	Age over 50	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	34	21	55	17	29	9	55
Overseas	All overseas sites	1,840	4,925	6,765	5,171	1,591	3	6,765

Location		Employee turnover (person)						
		By gender			By age group			
		Male	Female	Total	Age under 30	Age 30 - 50	Age over 50	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	51	9	60	10	24	26	60
Overseas	All overseas sites	3,457	22,880	26,337	15,447	10,811	79	26,337

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

Location ¹		Benefits
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	Retirement provision
Overseas	11 Significant locations of operations	Life insurance, health care, disability and invalidity coverage, parental leave, requirement provision etc.

¹ Significant locations of operations: The headquarters and 11 main sites that are checked based on J-SOX internal control framework.



401-3 Parental leave

Total number of employees that were entitled to / took parental leave

Location		Total number of employees that were entitled to parental leave ¹			Total number of employees that took parental leave ²		
		Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	17	5	22	5	5	10
Overseas	All overseas sites	259	3,565	3,824	255	2,963	3,218

Return to work rate / Retention rate

Location		Total number of employees due to and did return to work after parental leave			Return to work rate for employees due to return to work after taking parental leave (%)		
		Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	4	N/A ³	4	100	N/A ³	100
Overseas	All overseas sites	207	1,798	2,005	96	97	97

Location		Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work			12 months retention rate of employees returning from parental leave in the prior reporting period (%)		
		Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	1	4	5	100	100	100
Overseas	All overseas sites	147	1,421	1,568	53	49	50

¹ Total number of employees that were entitled to parental leave during the reporting period² Total number of employees that were entitled to and took parental leave during the reporting period³ During the report period, due to the ongoing parental leave, there was no employees who planned to return to work among those who were on the parental leave.**403-9 Work-related injuries**

Location		a. For all employees						
		i. The number and rate of fatalities as a result of work-related injury		ii. The number and rate of high-consequence work-related injuries (excluding fatalities)		iii. The number and rate of recordable work-related injuries		v. The number of hours worked
		Fatalities	Rate ¹	Injuries	Rate ²	Injuries	Rate ³	
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0	0.00	0	0.00	2	1.61	1,244,382
Overseas	All overseas sites	0	0.00	0	0.00	84	1.58	53,053,768
iv. The main types of work-related injury		Back pain / Wound / Sprain / Blow / Fracture						

* There were no fatalities or injuries for "b. workers who are not employees but whose work and/or workplace is controlled by the organization."

$$^1 \text{ Rate of fatalities as a result of work-related injury} = \frac{\text{Number of fatalities as a result of work-related injury} \times 1,000,000}{\text{Number of hours worked}}$$

$$^2 \text{ Rate of high-consequence work-related injuries (excluding fatalities)} = \frac{\text{Number of high-consequence work-related injuries (excluding fatalities)} \times 1,000,000}{\text{Number of hours worked}}$$

$$^3 \text{ Rate of recordable work-related injuries} = \frac{\text{Number of recordable work-related injuries} \times 1,000,000}{\text{Number of hours worked}}$$
403-10 Work-related ill health

Location		a. For all employees		b. For all workers who are not employees but whose work and/or workplace is controlled by the organization	
		i. The number of fatalities as a result of work-related ill health	ii. The number of cases of recordable work-related ill health	i. The number of fatalities as a result of work-related ill health	ii. The number of cases of recordable work-related ill health
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0	0	0	0
Overseas	All overseas sites	0	0	0	0
iii. The work-related hazards that pose a risk of ill health		N/A			

404-1 Average hours of training per year per employee

Location		Average hours of training (hours)			
		Male	Female	Management	General
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	13.19	15.02	10.59	14.47
Overseas	All overseas sites	9.51	10.23	7.34	10.24

404-3 Percentage of employees receiving regular performance and career development reviews

Location		Ratio (%)			
		Male	Female	Management	General
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	96	94	93	98
Overseas	All overseas sites	56	25	66	29

405-1 Diversity of governance bodies and employees

Diversity of governance bodies

Location		Ratio (%)		
		Age under 30	Age 30 - 50	Age over 50
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0	3	97
Overseas	All overseas sites	0	32	68

405-2 Ratio of basic salary and remuneration of women to men

Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.

Location		Ratio (%)	
		Management	General
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	100	100
Overseas	11 Significant locations of operations	100	100

* Significant locations of operations: The headquarters and 11 main sites that are checked based on J-SOX internal control framework.

410-1 Security personnel trained in human rights policies or procedures

Location		Security personnel		
		Total personnel	Trained personnel	Ratio (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	5	5	100
Overseas	All overseas sites	226	209	92

* The above includes employees from third party organizations.

412-2 Employee training on human rights policies or procedures

Location		Employee training	
		Total hours (hours)	Employee ratio (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	472	42
Overseas	All overseas sites	89,089	23

414-1 New suppliers that were screened using social criteria

Percentage of new suppliers that agreed to Foster's CSR procurement criteria

Location		Ratio (%)
Domestic and overseas companies		All procurement sites 100

Percentage of replies received from new suppliers that agreed to CSR procurement based on the Foster's Code of Conduct

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Location		Total number of substantiated complaints received concerning breaches of customer privacy		Total number of identified leaks, thefts, or losses of customer data
		Complaints received from outside parties and substantiated by the organization	Complaints from regulatory bodies	
Domestic and overseas companies	All the domestic and overseas companies	0	0	0



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	102-26	Role of highest governance body in setting purpose, values, and strategy	P5-12	Foster Group CSR Management
	102-27	Collective knowledge of highest governance body	P5-12	Foster Group CSR Management
	102-28	Evaluating the highest governance body's performance	P13-18 P19-32 P33-42 -	Environment Social Governance ▶ Securities Report (in Japanese)
	102-29	Identifying and managing economic, environmental, and social impacts	P5-12	Foster Group CSR Management
	102-30	Effectiveness of risk management processes	P5-12	Foster Group CSR Management
	102-31	Review of economic, environmental, and social topics	P5-12	Foster Group CSR Management
	102-32	Highest governance body's role in sustainability reporting	P5-12	Foster Group CSR Management
	102-33	Communicating critical concerns	P33-42	Governance
	102-34	Nature and total number of critical concerns	-	Not applicable
	102-35	Remuneration policies	-	▶ Securities Report (in Japanese)
	102-36	Process for determining remuneration	-	▶ Securities Report (in Japanese)
	102-37	Stakeholders' involvement in remuneration	-	▶ Securities Report (in Japanese)
	102-38	Annual total compensation ratio	-	▶ Securities Report (in Japanese)
102-39	Percentage increase in annual total compensation ratio	-	▶ Securities Report (in Japanese)	
Stakeholder engagement	102-40	List of stakeholder groups	P7	Conceptual Drawing of CSR Management
	102-41	Collective bargaining agreements	-	▶ Securities Report (in Japanese)
	102-42	Identifying and selecting stakeholders	P5-12 P33-42	Foster Group CSR Management Governance
	102-43	Approach to stakeholder engagement	P5-12 P33-42	Foster Group CSR Management Governance
	102-44	Key topics and concerns raised	P5-12	Foster Group CSR Management
Reporting practice	102-45	Entities included in the consolidated financial statements	P43-44 -	Corporate Profile and Financial Information ▶ Securities Report (in Japanese)
	102-46	Defining report content and topic Boundaries	P5-12	Foster Group CSR Management
	102-47	List of material topics	P5-12	Foster Group CSR Management



General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
Reporting practice	102-48	Restatements of information	-	No Restatement of information
	102-49	Changes in reporting	-	No significant changes in reporting
	102-50	Reporting period	P61	Provision of Information Regarding Sustainability
	102-51	Date of most recent report	P61	Provision of Information Regarding Sustainability
	102-52	Reporting cycle	P61	Provision of Information Regarding Sustainability
	102-53	Contact point for questions regarding the report	P61	Provision of Information Regarding Sustainability
	102-54	Claims of reporting in accordance with the GRI Standards	P61	Provision of Information Regarding Sustainability
	102-55	GRI content index	P55-60	GRI content index
	102-56	External assurance	-	Not Applicable

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	P5-12	Foster Group CSR Management
	103-2	The management approach and its components	P5-12 P13-18 P19-32 P33-42	Foster Group CSR Management Environment Social Governance
	103-3	Evaluation of the management approach	P5-12 P13-18 P19-32 P33-42	Foster Group CSR Management Environment Social Governance

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	-	▶ Securities Report (in Japanese)
	201-2	Financial implications and other risks and opportunities due to climate change	P49-54	Data table
	201-3	Defined benefit plan obligations and other retirement plans	-	▶ Securities Report (in Japanese)
	201-4	Financial assistance received from government	-	Not Applicable
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	P49-54	Data table
	202-2	Proportion of senior management hired from the local community	P49-54	Data table
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	P29-32	“Social Contribution”, “Community Contribution Activities at Overseas Sites”
	203-2	Significant indirect economic impacts	-	▶ Securities Report (in Japanese)
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	P49-54	Data table

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	P49-54	Data table
	205-2	Communication and training about anti-corruption policies and procedures	P49-54	Data table
	205-3	Confirmed incidents of corruption and actions taken	-	Not applicable
GRI 206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	Not applicable

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 301: Materials	301-1	Materials used by weight or volume	-	Information unavailable
	301-2	Recycled input materials used	P49-54	Data table
	301-3	Reclaimed products and their packaging materials	-	Information unavailable
GRI 302: Energy	302-1	Energy consumption within the organization	P49-54	Data table
	302-2	Energy consumption outside of the organization	-	Information unavailable
	302-3	Energy intensity	P49-54	Data table
	302-4	Reduction of energy consumption	P49-54	Data table
	302-5	Reductions in energy requirements of products and services	P17-18	"Environmentally Friendly Products"
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	P14	"Environmental Activities"
	303-2	Management of water discharge-related impacts	P14	"Environmental Activities"
	303-3	Water withdrawal	P49-54	Data table
	303-4	Water discharge	P49-54	Data table
	303-5	Water consumption	P49-54	Data table
GRI 304: Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	Not applicable
	304-2	Significant impacts of activities, products, and services on biodiversity	-	Information unavailable
	304-3	Habitats protected or restored	-	Not applicable
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	Information unavailable
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	P49-54	Data table
	305-2	Energy indirect (Scope 2) GHG emissions	P49-54	Data table
	305-3	Other indirect (Scope 3) GHG emissions	P49-54	Data table
	305-4	GHG emissions intensity	P49-54	Data table
	305-5	Reduction of GHG emissions	P49-54	Data table
	305-6	Emissions of ozone-depleting substances (ODS)	-	Not applicable
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	-	Not applicable



General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 306: Effluents and Waste	306-1	Water discharge by quality and destination	P49-54	Data table
	306-2	Waste by type and disposal method	P49-54	Data table
	306-3	Significant spills	-	Not applicable
	306-4	Transport of hazardous waste	-	Not applicable
	306-5	Water bodies affected by water discharges and/or runoff	-	Information unavailable
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	-	Not applicable
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	P49-54	Data table
	308-2	Negative environmental impacts in the supply chain and actions taken	-	Information unavailable

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 401: Management approach disclosures	401-1	New employee hires and employee turnover	P49-54	Data table
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P49-54	Data table
	401-3	Parental leave	P49-54	Data table
GRI 402: Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	-	The minimum notices are given according to the law of the countries / regions.
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management system	P24-25	"Health and Safety"
	403-2	Hazard identification, risk assessment, and incident investigation	P24-25	"Health and Safety"
	403-3	Occupational health services	P24-25	"Health and Safety"
	403-4	Worker participation, consultation, and communication on occupational health and safety	P24-25	"Health and Safety"
	403-5	Worker training on occupational health and safety	P24-25	"Health and Safety"
	403-6	Promotion of worker health	P24-25	"Health and Safety"
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P24-25	"Health and Safety"
	403-8	Workers covered by an occupational health and safety management system	P24-25	"Health and Safety"
	403-9	Work-related injuries	P24-25 P49-54	"Health and Safety" Data table
	403-10	Work-related ill health	P24-25 P49-54	"Health and Safety" Data table
GRI 404: Training and Education	404-1	Average hours of training per year per employee	P49-54	Data table
	404-2	Programs for upgrading employee skills and transition assistance programs	P23	"Human Resource Development"
	404-3	Percentage of employees receiving regular performance and career development reviews	P49-54	Data table
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	P49-54	Data table
	405-2	Ratio of basic salary and remuneration of women to men	P49-54	Data table
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	-	Not applicable

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
GRI 407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	Information unavailable
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	-	Information unavailable
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	Information unavailable
GRI 410: Security Practices	410-1	Security personnel trained in human rights policies or procedures	P49-54	Data table
GRI 411: Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	-	Not applicable
GRI 412: Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	-	Information unavailable
	412-2	Employee training on human rights policies or procedures	P49-54	Data table
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	Confidentiality constraints
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	P29-32	"Social Contribution", "Community Contribution Activities at Overseas Sites"
	413-2	Operations with significant actual and potential negative impacts on local communities	-	Not applicable
GRI 414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	P49-54	Data table
	414-2	Negative social impacts in the supply chain and actions taken	-	Information unavailable
GRI 415: Public Policy	415-1	Political contributions	-	Not applicable
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	-	Information unavailable
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	Information unavailable
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	-	Information unavailable
	417-2	Incidents of non-compliance concerning product and service information and labeling	-	Information unavailable
	417-3	Incidents of non-compliance concerning marketing communications	-	Not applicable
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	P49-54	Data table
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	Not applicable



Provision of Information Regarding Sustainability

Our View on Disclosure

Information on the Foster Group's sustainability is provided with a view to increasing the transparency of the Foster Group and conveying the activities for Foster Group's sustainability and their results to our stakeholders. This information is provided in accordance with the GRI (Global Reporting Initiative) and other international reporting standards and guidelines. We disclose the information on the Foster Group's activities and achievements that meet the needs of society such as the ten principles of the United Nations Global Compact and RBA (Responsible Business Alliance), together with the system for appropriate disclosure of the decision-making processes and the soundness of PDCA and its operation. The information is disclosed via our sustainability report and corporate website for communications.

Contents Reported in Sustainability Report 2019

- About this report

The "Sustainability Report 2019" (the Report 2019) was prepared to comprehensively report the Foster Group's corporate social responsibility (CSR) activities throughout the fiscal year ended March 31, 2019 (fiscal 2018), for our stakeholders. With regard to our CSR activities, your valued opinion would be greatly appreciated to help us fulfill our corporate social responsibilities in the years to come. We hope this report will help you better understand the CSR activities of the Foster Group.

- Reporting scope

Unless specifically indicated, the reporting scope includes the CSR activities of the Foster Group, which consists of Foster Electric Company, Limited, and its consolidated subsidiaries in Japan and overseas.

- The reporting period

The reporting period of the Report 2019 is from April 1, 2018, to March 31, 2019 (fiscal 2018). The Report also includes statements concerning activities outside the reporting period, including those in fiscal 2019.

- Referenced standards and guidelines

This report has been prepared in accordance with the GRI Standards: Comprehensive option. The Environmental Reporting Guidelines 2012 by the Ministry of the Environment were also referred to when preparing the Report 2019.

- Month of issue

June 2019

- Next issue of the Sustainability Report (planned):

June 2020

- Reporting to the United Nations Global Compact

As a company that has signed the United Nations Global Compact, we have announced this report as the "Communication on Progress (COP)" for the four fields and ten principles to our stakeholders.



- Provision of the sustainability information on our corporate website

<https://www.foster-electric.com/csr/index.html>

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FOSTER®

The illustration on the cover of this report represents our automotive business. Our FOSTEX speakers, headsets and vibration actuators, as well as the letters that spell Foster are scattered around the car.

June 2019 Edited in Japan