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Corporate Philosophy

“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.

<h2>Corporate Creed</h2> <h1>Sincerity</h1>	<h2>Vision</h2> <h3>To make contributions for future society through acoustics</h3>	<h2>Mission</h2> <p>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.</p>
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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”.



Hiroshi Yoshizawa
CEO

Atsushi Narikawa
COO

Corporate Social Responsibility and Promoting ESG Management

The novel coronavirus (COVID 19) has changed the face of today's world. People are forced to restrict movements, business activities are impaired, and logistic movements have been stagnated. Under such conditions, corporations are subject to severe scrutiny on whether they take care of their own employees, contribute to local community, or respond to environmental issues.

Foster Group celebrated 70th anniversary in 2019, and have wished 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. We have shifted our axis to automobile related business. New businesses are also starting to grow. 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" 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 Accreditation" (Tokyo Promotion Council for Healthy Company Declaration). We will continue those efforts in the future. Foster Group has signed the "United Nations Global Compact" since 2017. We will base ESG management in the center of our company policy to foster a healthy corporate climate, drive further work style reform, ensure thorough quality control and risk management, and continue to work on solving social issues by setting mid- and long-term goals.

We will also cherish the culture to take good care of our employees, further penetrate our corporate creed to reinforce the corporate foundation.

We will continuously strive to offer satisfaction to our various stakeholders, and to become an enterprise that is loved by society.

About Foster

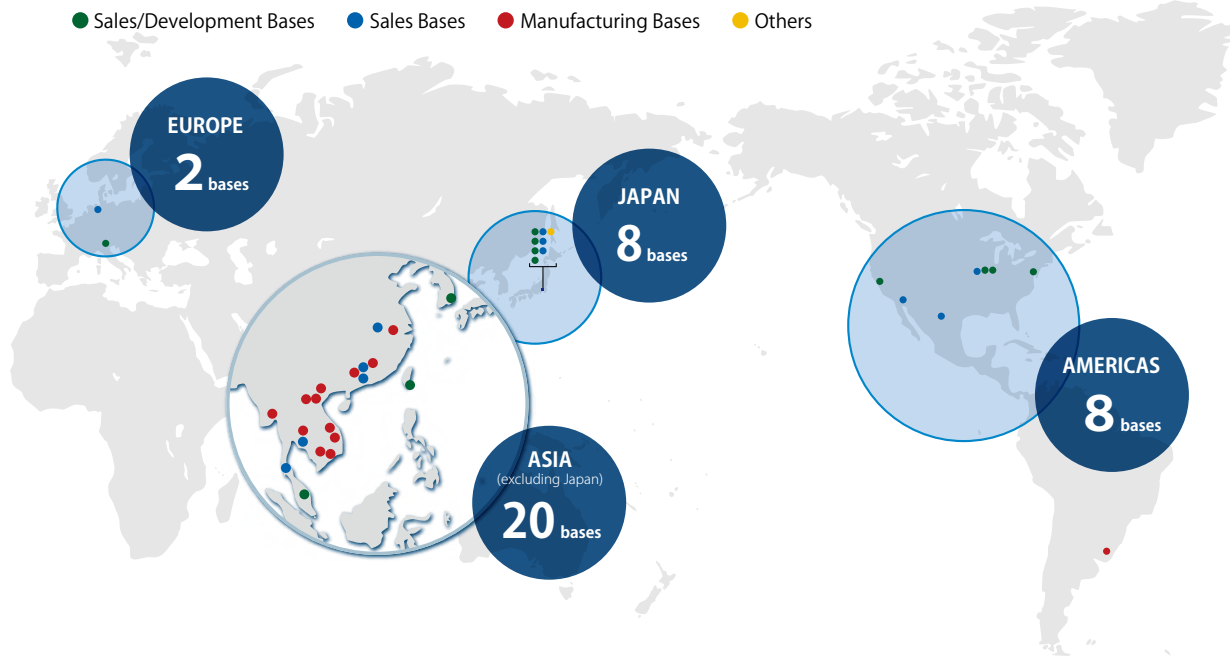
Foster Electric was founded as a loudspeaker manufacturer in 1949.

Since that time, we have established ourselves as a specialist in audio technologies, and have provided the audio industry with many products and technologies. Among them, acoustic transducers have become our mainstay products. We have created a wide array of unique technologies and accumulated broad expertise, including in automotive speakers and other automotive audio products, audio equipment (AV speakers) for home entertainment, high-end Hi-Fi speaker systems, headphones and headsets, compact speakers for information equipment, buzzers, and vibration actuators that apply audio technologies. With these technologies and accumulated expertise as our backbone, we provide quality, optimal acoustic experiences that fulfill the expectations of our customers. Products from Foster Electric have been used in many products around the world. They contribute to society by providing audio and vibration solutions through the products of our clients' brands.

Group Companies

The Group operates 38 bases in 12 countries and regions worldwide as bases for development, manufacturing and sales bases.

We have established a sophisticated production system integration processes from components manufacturing to finished goods manufacturing.



Financial Highlights Consolidated Performance for the Fiscal Year ended March 31, 2020

Net sales
¥ 107,298 million
 (down 23.5% y-o-y) ↓

Operating income
¥ 2,064 million
 (down 47.6% y-o-y) ↓

Ordinary income
¥ 2,599 million
 (down 39.8% y-o-y) ↓

Net income attributable to owners of the parent
¥ 1,565 million
 (Net loss of ¥2,026 million in previous FY) ↗

Overview by Segment (Consolidated)

Speaker Segment
 Net sales **¥ 63,955** million **59.5%**



Mobile Audio Segment
 Net sales **¥ 37,059** million **34.5%**



Other Segment
 Net sales **¥ 6,454** million **6.0%**



Note: The figure above includes intersegment sales.

Company Information

Company Profile (As of March 31, 2020)

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:	20,677 (Number includes our outsourcee in Panyu, China)
URL	https://www.foster-electric.com/

Directors and Corporate Auditors (As of June 24, 2020)

CEO:	Hiroimi Yoshizawa	Senior Executive Officer: Terushige Nagasawa
COO:	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
Director*1:	Yasuhiro Goto	Executive Officer: Yuji Harada
Standing Corporate Auditor:	Tsutomu Inokuma	Executive Officer: Hiroki Miura
Corporate Auditor*2:	Takuma Ino	Executive Officer: Yuji Sakuta
Corporate Auditor*2:	Takashi Suzuki	Executive Officer: Roy Ching-Sheng Chen
Corporate Auditor*2:	Satoko Kimoto	Executive Officer: Oh In-Yong

*1: Minoru Matsumoto, Chieko Matsuda, and Yasuhiro Goto are Independent Directors.
*2: Takuma Ino, Takashi Suzuki, and Satoko Kimoto are Independent Corporate Auditors.

Stock Information

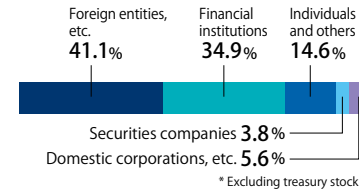
Status of Shares (As of March 31, 2020)

Total number of shares authorized to be issued by the Company:
80,000,000 shares

Total number of shares issued:
26,000,000 shares

Number of shareholders:
5,660

Distribution of Shareholders by Shareholder Type



Major Shareholders

Shareholder's Name	Number of Shares Held (thousands)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,799	7.8
Japan Trustee Services Bank, Ltd. (trust account)	1,284	5.6
Mizuho Bank, Ltd.	1,016	4.4
GOVERNMENT OF NORWAY	973	4.2
MUFG Bank, Ltd.	945	4.1
The Bank of New York Mellon 140044	570	2.5
The Bank of New York Mellon 140042	506	2.2
Japan Trustee Services Bank, Ltd. (trust account 9)	499	2.1
Showa Aircraft Industry Co., Ltd.	446	1.9
DFA INTL SMALL CAP VALUE PORTFOLIO	443	1.9

Treasury stock (3,195,624 shares) is excluded for the calculation of the "Ratio of Shares Held."

Corporate History

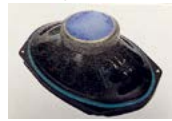
1949

S. Nishimura and H. Shinohara established Shinano Onkyo Institute



1982

Began supplying car speakers



1988 - 1989

Began production of headphones, microphones, and speakers in Panyu, China



2006

Began production in Vietnam to meet rising demand for headphones and headsets



2012

Headquarters functions relocated to the current location, Tsutsujigaoka, Akishima City (headquarters relocated in 2013)



2019

70th anniversary **FOSTER**



1959

Renamed Foster Electric Co., Ltd.



1973

Fostex Corp. established



1955

G-205 Speaker loaded into Japan's first transistor radio



1986

Merged with Tonegen Co., Ltd.



1999

Transferred from the Second Section to the First Section of the Tokyo Stock Exchange



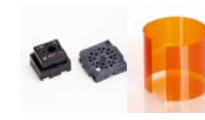
2009

- Converted Korea-based ESTec CORPORATION into a consolidated subsidiary
- Began online sales of custom-made headphones "KOTORI"



2014 - 2017

- Took over the micro acoustic components business from STAR MICRONICS CO., LTD.
- Acquired shares of SUZUKI KANSHI (THAILAND) CO., LTD.



2020

Hiroimi Yoshizawa was appointed as CEO
Atsushi Narikawa was appointed as COO



Foster Group 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 2020, the spread of COVID-19 has brought about negative impacts on the world. The actions to social responsibilities pressured on corporations are now being tested.

In 2016, the Group established the “Foster Rhythm”, which was formed to make its corporate philosophies easier-to-understand, and distributed it internally. It was created and promoted by the employees themselves, who recognizes the increasing importance of the future corporate activities that our global employees empathize and embody its corporate philosophies.

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, COO

Foster Group CSR Charter

The 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.”

CSR or CSR Management that suit the Foster Group, who extends business activities globally, is “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 ■ Foster Group CSR Charter:**

https://www.foster-electric.com/csr/foster_group/

***2 ■ Foster Group Corporate Action Guideline:**

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

***3 ■ Foster Group Code of Conduct for Staff:**

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

Foster Group CSR Promotion

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.

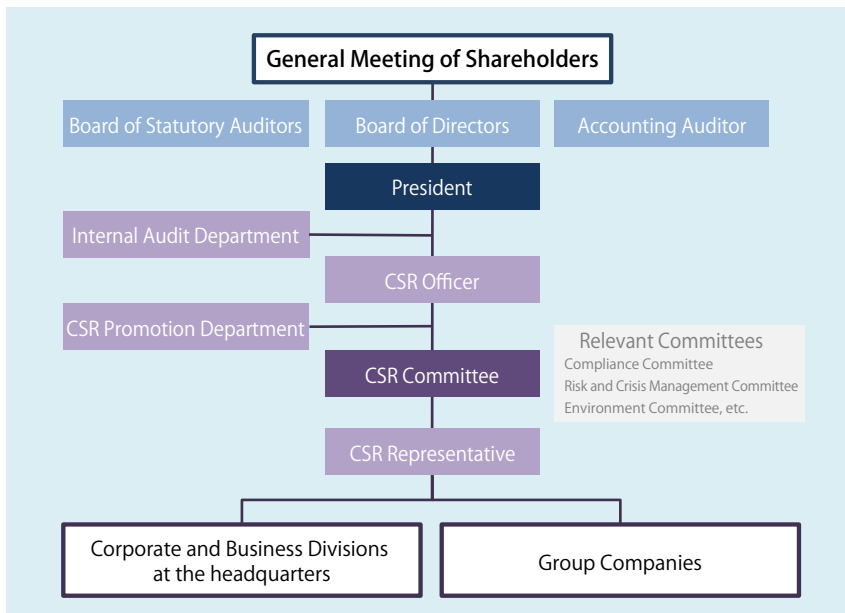
* Electronic Industry Citizenship Coalition (renamed Responsible Business Alliance in 2017)

Foster Group CSR System

As shown in the following "CSR System," The 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 attendance of CSR officers 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.

* Renamed "Sustainability Committee" in June, 2020.

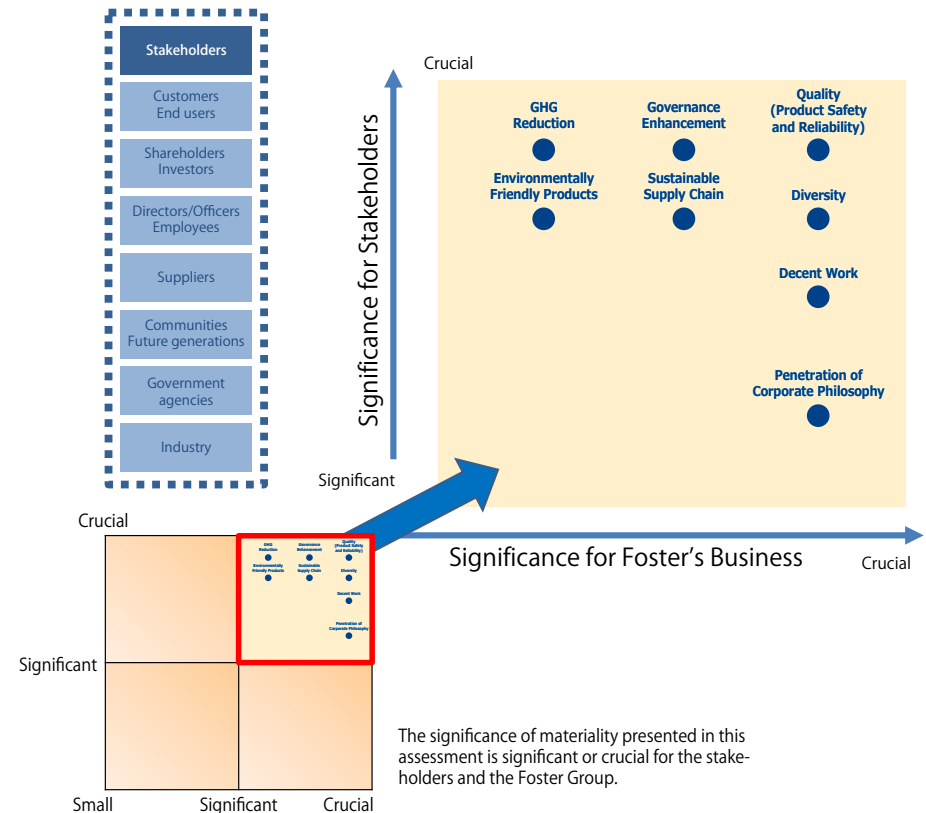


Global CSR Communication Meetings















We held "Global CSR Communication Meetings" at Japan headquarters and overseas group companies of 6 major regions during Oct.-Dec., 2019, with attendance of CSR officer (Senior Managing Director), CSR representatives and staffs from each site via TV conference system. We aim to strengthen our system, by directly exchanging information and opinions on our global CSR activities including supply chain management.

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)

ESG	Materiality	Target	Achievements until 2019	Refer to	Corresponding SDGs	
Environment (E)	GHG (greenhouse gas) Reduction	•Reduce CO ₂ emissions (Scope 1 and 2)	Reduce by an annual average of 1% CO ₂ emissions per sales unit (Yr 2020 Target: 7.73% or more reduction from Yr 2012)	In fiscal 2019, CO ₂ emissions of the Foster Group were reduced by 18% year-on-year due to energy-saving activities and the reduced production volume. However, the emissions per sales unit increased by 7.2%.	Page 11	
	Environmentally Friendly Products	•Development of environmentally responsible products	Reduce the weight of speakers	Weight reduction to 140 g was achieved for 6.5 inch (17cm) car speakers; approximately 50% reduction from conventional car speakers.	Page 12	
			Reduce the use of VOCs	The ratio of new mobile audio products using toluene-free adhesives at least partially was 100%.		
		Weight saving, Reduction of VOCs and solder etc.	The ratio of environmentally responsible car speakers (per sales) increased from 7% to 10%.			
Social (S)	Penetration of Corporate Philosophy	Continuous promotion of corporate philosophy	Organize workshops (by organizational rank)	<ul style="list-style-type: none"> •Held workshops •Implemented interviews with management •Issued a collection of Foster Rhythm practices •We plan to conduct an employee satisfaction survey in the future. 	Page 21	
	Diversity	<ul style="list-style-type: none"> •Female manager ratio (headquarters) •Foreign employee ratio (headquarters) •Employment rate of persons with disabilities (headquarters) •Rate of periodic health examinations taken (headquarters) •Displaced worker due to nursing care (headquarters) 	30% by 2021 30% by 2020 More than 2.2% of the legal employment rate Maintain 100% 0% by 2021	12.3% (as of Apr, 2020) 11.9% (as of Apr, 2020) 2.2% (as of Mar, 2020) 100% (2019 result) 0% (2019 result)	Pages 18 - 20	 
	Decent Work	<ul style="list-style-type: none"> •Rate of paid holidays taken (headquarters) •Total working hours (headquarters) •Rate of specific health guidance taken (headquarters) 	Fiscal 2019 Target: 80% Monthly average of 156 hours and the return of profits obtained by overtime work to employees	Fiscal 2019 result: 82.3% Monthly average of 161.5 hours Implemented the return of profits obtained by overtime work to employees (Fiscal 2019 result) 55.4% (Fiscal 2018 result: The result from two years ago because the result of health examinations is obtained in the following year.)	Pages 19 - 20	 
			80%			
	Sustainable Supply Chain	<ul style="list-style-type: none"> •SAQ response rate from suppliers •Response rate for the conflict mineral survey collected from suppliers 	Existing suppliers: 91% or higher New suppliers: 100%	Existing suppliers: 91% We will continue to remind suppliers from which we have not collected responses yet, perform analysis and risk assessment of collected data, and take corrective actions.	Page 15	 
Existing suppliers: 99% or higher New suppliers: 100%			Existing suppliers: 99% In addition to maintaining and managing the response rate, we plan to promote procurement from certified refineries.	 		
Quality (Product Safety and Reliability)	The number of failures with a serious social impact (human life, property, environment and so on).	Maintain 0 failures	0 failure	Page 16		
Governance (G)	Reinforcement of compliance, risk and crisis management to enhance corporate governance	Reinforce and improve compliance structure	<ul style="list-style-type: none"> •Implemented a compliance test (response rate: 100%) and a compliance survey (response rate: 66.8%). •Held compliance training for executives and management •Held "Compliance Hotline" and "Harassment Helpline" briefing sessions for employees to publicize the internal whistleblowing system. •Monitored CSR activity statuses in major business locations at the monthly CSR committee meetings in which executives participate. 	Pages 27 - 28		
		Enhance risk and crisis management structure	<ul style="list-style-type: none"> •Implemented the Foster Group's risk identification and assessment, and determined items to monitor. •Provided these risk assessment results as a reference to develop the management policy. •Monitored BCP reviews, desktop trainings, supplier BCP building, and information security management system etc. as key risk items. •Implemented COVID-19 at risk and crisis management meeting from January 30, 2020. Hold risk and crisis management committee 			

Sustainable Development Goals (SDGs)

The 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/>

SUSTAINABLE DEVELOPMENT GOALS



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", "ESG Subcommittee", "SDGs Subcommittee", "Reporting Study Subcommittee", and "Subcommittee to Cultivate Awareness of the Global Compact" of the GCNJ, which are composed of the member companies of the UNGC (as of July 2020). 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. In addition, the knowledge obtained through the subcommittees is reflected in our CSR activities.

Sustainable Development Goals (SDGs): Our 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	Activities	Business	Social Contribution	In-house	Refer to
	Donation activities for low-income households, assistance with food, clothes, necessities etc.		●		Pages 24 - 25
	Participation in blood drives		●		Pages 24 - 25
	Implementation of the "Health Point System" and "Smoking Cessation Support Program"			●	Page 20
	Acceptance of student interns		●		Page 19
	Donation of school expenses		●		Page 24
	Education on promoting diversity			●	Pages 18 - 19
	Water risk management	●			Page 11
	CO ₂ reduction	●			Page 11
	Management of environmentally hazardous substances	●			Page 11
	Work style reform project			●	Pages 19 - 20
	Returning overtime money			●	Page 19
	Enrichment of holiday/leave programs			●	Page 20
	Personnel system with multiple courses			●	Page 21
	Technical master system			●	Page 21

SDGs	Activities	Business	Social Contribution	In-house	Refer to
	Implementation of intercultural communication trainings			●	Page 21
	Management of chemical substances	●			Page 11
	Promotion of recycling	●			Page 11
	Environmentally friendly products	●			Page 12
	CO ₂ reduction	●			Page 11
	Promotion of clean energy use	●			Page 11
	Environmentally friendly products	●			Page 12
	Planting activities		●		Page 13
	Basic policy on conflict minerals	●			Page 15
	Governance Structure			●	Pages 26 - 28
	CSR assessments and audits	●			Page 14
	Responsible procurement	●			Pages 14 - 15

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.

Environmental Policy

- Preface -

Foster Group considers environmental harmony as one of essential tasks in business activities and each employee acts by prioritizing the environmental friendliness.

1. We conserve the global environment by promoting resource and energy saving in product development and design.
2. We prevent contamination and reduce CO₂ emissions in all the phases of business activities including manufacturing and disposal.
3. We strive for the continual improvement of environmental performance in compliance with environmental laws and regulations and other requirements.
4. We raise the awareness of environmental protection and biodiversity and thereby develop human resources who contribute to society.
5. We maintain and improve environmental management system and promote external communication.

【Issued following the approval by senior management in July, 1993. Revised in October, 2017.】

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 goals. At the headquarters, we monitor the activities conducted at each site and check their results.

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.

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

Mid-Term Environmental Goals 2025

Right around the time for our review period, the Group set its mid-term environmental goals for 2025.

Goals		2020 - 2025
Decarbonized Society	CO ₂ Emissions Reduction (Scope1, 2, 3)	Scope 1, 2: Reduce absolute CO ₂ emissions 5% from a 2018 base-year
		Scope 3: Reduce absolute CO ₂ emissions 3% from a 2018 base-year
Resource circulation	Product resource saving	- Develop environmentally responsible technology
	Production process improvement	- Waste: Reduce total hazardous waste volume by 5% from 2018 - Reduce water consumption (promote and improve water recycling)
Symbiosis with nature	Management of chemical substances	- Build global management system based on the company standards and regulations
	Biodiversity protection	- Develop biodiversity policies and mid-term action plans
	Partnership with stakeholders	- Implement cooperative systems and activities with our suppliers

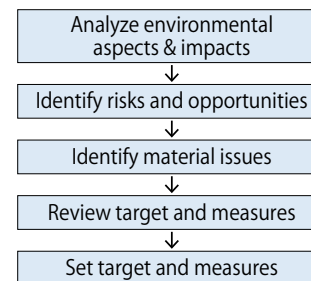
We held cross-functional review meetings and developed mid-term environmental goals by 4 stages. At review meetings, we identified risks and opportunities based on business activities and environmental aspects of our products.

Further, we went on to determine material issues in line with the future business directions and significance level as well as stakeholders' interests, and set mid-term environmental goals for the Foster Group.

Our mid-term environmental goals were developed from three perspectives; "Decarbonized society", "Resource circulation", and "Symbiosis with nature".

We will engage in achieving even higher goals from 2020.

Goal Setting Process and the Review Meetings



Environmental Activities

Long-Term CO₂ Reduction Goals for 2030

Based on the Paris Agreement, the Foster Group has set new long-term CO₂ reduction goals for 2030.

<GHG Reduction Goals>

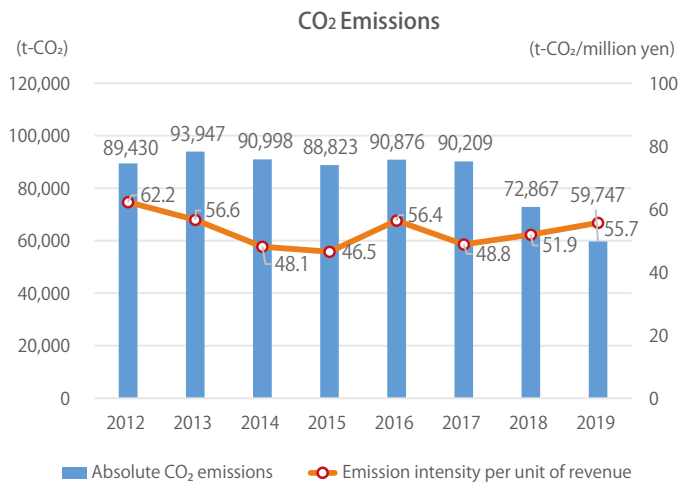
"GHG Scope 1, 2: Reduce absolute CO₂ emissions 30% by 2030 from a 2018 base-year"

"GHG Scope 3: Reduce absolute CO₂ emissions 15% by 2030 from a 2018 base-year"

We will address further reduction through activities such as energy-saving activities and adoption of renewable energy.

CO₂ Reduction (Scope 1, 2)

The Foster Group's absolute CO₂ emissions were reduced by 18% year-on-year due to energy saving activities and reduction in production volume, but emissions intensity per unit of revenue resulted in 7.2% increase against 1% year-on-year reduction target. For Scope 3 emissions, the data can be found in the Data Table at the end of this report.



Water Risk Management

Each site manages water withdrawal and discharge by setting their standards in compliance with 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. We will address water risks by including "water consumption reduction" in the mid-term environmental plan from 2020.

External Communications

As a company that works on SBT*, we began participating in the network for the "Program for Enhancing Corporate Value through Decarbonized Management", hosted by Ministry of the Environment and exchange information with other companies.

* SBT : Science Based Targets

<External Link>

"Decarbonization Management Promotion Network" by Ministry of the Environment (The following site is in Japanese.) https://www.env.go.jp/earth/ondanka/supply_chain/gvc/network/index.html

Chemical Substance Management

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 by managing applicable 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.

In addition, to ensure communications of related information, we provide our suppliers with briefing meetings every year primarily at our overseas sites.

Environmental Consideration at Headquarters

Our headquarters employs environmental load reduction technologies such as "Lighting control by daytime sunlight", "Air conditioning by outside air", "Ice thermal storage air conditioning system", "Double-skin façade" to limit on maximum power consumption. In addition, we control electricity consumption through the Cool and Warm Biz campaigns, and the initiative to turn off all the lights in the building. The headquarters strongly promotes active participation in climate control measures by procuring clean energy prior to the other sites in the Group. We have further discontinued the disposable coffee cups (plastic or paper) and introduced reusable cups. We also address issues such as marine micro plastic and resource saving.



Reusable cups

Zero Emissions

At headquarters we are engaged in the recycling of waste (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 (23 tons / year; 43% increase from previous year), as part of our continuing activities aiming to achieve zero waste emissions from our business activities.



Recycled materials being carried out

Environmentally Friendly Products

Speakers

We developed lightweight speakers, optimum for next-generation environmentally friendly vehicles such as electric vehicles (EVs). Through optimization and lightweight design of resin and metal components by CAE analysis, we reduced the weight of 6.5" (17 cm) conventional speakers by 50% or more; from 290 g to 140 g and commercialized them. Its advanced design helps to reduce overall CO₂ emissions from vehicles.

We have developed speakers employing adhesives that do not contain harmful solvents in order to reduce the volume of VOC remaining inside the passenger cabin of vehicles.

As a part of our environmental activities, we have developed and commercialized speakers with reduced solder applications by developing novel bonding structure and manufacturing method.

【Ratio of Environmentally Friendly Speakers (Per Sales)】

- 2017: 4%
- 2018: 7%
- 2019: 10%
- 2025 target: 20%



Lightweight car speaker

Actuators

We proactively apply environmentally friendly design to haptic vibration actuator devices, which are a part of new user interfaces for CASE*, VR, AR, and other technologies. In consideration of VOC emissions, we have adopted adhesives that do not contain harmful solvents. To reduce the labor necessary to manufacture products, we have realized quick curing using UV radiation and pulse heat soldering. In addition, to reduce solder consumption, we have developed resistance welding and put it to practical use. We will maintain our status of using adhesives that 100% do not contain harmful solvents.

* CASE: Connected, Autonomous, Shared, Electric



Headphones and Headsets

For headphones and headsets, we have been active in incorporating environmental considerations in our product and/ or process design. In reducing environmentally hazardous substances in our products, we address the most up-to-date information regarding country-specific legal requirements and the RoHS2, and propose to our customers. As a way of reducing waste volume, we have also been keen on minimizing waste materials, reusing raw materials by introducing new equipment, and developing products made of natural materials.

For microspeakers used for headphones or headsets, we are working towards environmentally friendly manufacturing by introducing toluene-free adhesives for new microspeaker products in order to reduce VOC (replacing the parts containing solvent adhesives).

【Development Target for Toluene-free Products】

- Target for 2020: The ratio of products using toluene-free adhesives at least partially to be 100%.
- Target for 2025: The ratio of products using toluene-free adhesives to be 100% by 2025.

【2019 Result】

The ratio of new mobile audio products using toluene-free adhesives at least partially was 100%.

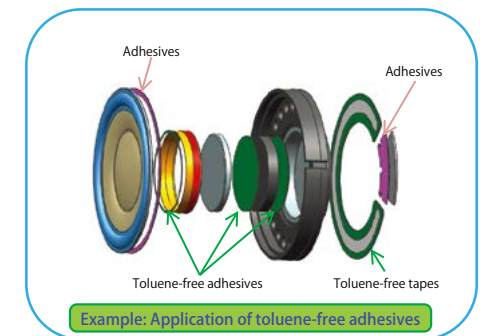
【Systems for Achieving Targets】

Increase requirements in the development and design stage of environmentally friendly products.

- In 2019, we added the requirement, "Use toluene-free adhesives at least partially" to the product assessment check sheet and followed it.
- In 2020, we will start studying alternative adhesives to achieve the 2025 target of "100% toluene-free products."



Example: Environmentally friendly microspeaker (microspeaker with a 35 mm diameter for headphones)



Environment Month Activities (Headquarters)

Environment Lecture Presentation

We invited external lecturers to give training on corporate effects on biodiversity, social needs, case studies, and how to approach them. Further, we held workshops to discuss on environmental issues to address as a Group.



Environment lecture presentation



Environment workshop

Akishima City Cleanup Movement (Mini-Clean Activities)

As part of our CSR activities, we carry out 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. 161 employees participated (participation rate: 33%) last year; 23% increase year-on-year and the total waste weighed 36 kg.



Mini-clean activities



Environment Month Activities (Overseas)

China

We performed cleanup activities around each plant to raise employees' awareness on environmental protection.



City cleanup activities

Vietnam

We performed cleanup activities around each plant, planting activities and emergency response training for chemical spills.



City cleanup activities



Planting activities



Chemical spill response training

Myanmar

We performed cleanup activities around each plant. We further performed planting activities and environmental education training to raise environmental awareness.



City cleanup activities



Planting activities



Environmental education

Social

CSR Management in Supply Chain

Driving CSR activities is not limited within a company or group companies alone, but is to be managed by the entire supply chain including customers/suppliers. The Foster Group actively response to CSR requests, drive CSR activities, and responsible procurement activities for suppliers.

Customer Audit and Questionnaire

The Group respond to various CSR requests from over 50 corporate customers. We have received a total of 6 CSR audits from 2 corporate customers from Apr, 2019 through Mar, 2020. We further received and responded to 32 CSR self-assessment questionnaires from 21 corporate customers during this period.

We will continue to drive CSR-based manufacturing and sincerely respond to such requests.

CSR Internal Audit

The Group checks CSR activities status and conduct internal audit to maintain sound CSR management system. We conducted 21 CSR internal audits from Apr, 2019 through Mar, 2020 at our overseas sites. The standards and guidelines for these audits were based on RBA code of conduct, RBA-VAP (Validated Assessment Program), ISO 14001, OHSAS18001, ISO45001, SA8000, as well as customer standards.

Responsible Procurement

The Group set "Basic Principles of Procurement" on supply chain including the Group itself and the business partners to build fair and sound relationship in the global business.

Basic Principles of Procurement

"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 any gifts or entertainment that violates laws or social ethics.
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 clean and green procurement based on the Foster Group Supplier CSR Code of Conduct.
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.

Representatives and Structures

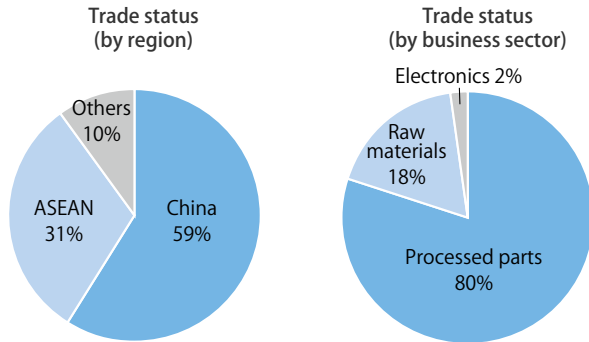
The Procurement Department belongs to the Production Division and performs activities under the head of the division (Executive Officer) as the representative. Each manufacturing site and business division has a procurement department. We are enhancing CSR activities in cooperation with each manufacturing 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).

Management System

We strive to trade with suppliers who not only provide excellent technologies, quality, and delivery dates, but also fulfill their responsibilities regarding human rights, labor, safety, the environment, compliance, information security, and other social responsibilities. We believe the Procurement Department's promotion of CSR to be an important business policy and conduct management review on a regular basis. The internal rules and manual on CSR procurement is provided to the persons in charge of procurement, and we provide them with CSR training regularly to raise awareness and ensure they stay updated on developments. Our suppliers conduct CSR self-assessments for us, and we include CSR requirements in the basic transaction agreements that we enter into with them. Further, we conduct CSR audits of our suppliers and request that they take corrective actions to improve based on the results of the CSR self-assessment and of the regular audits on quality (ISO, VDA, and IATF), the environment (hazardous substance management and ISO 14001), and CSR (status of CSR activities) and other evaluations regarding delivery dates, services, and other aspects of the relationships. We take measures to address the problem of conflict minerals that adhere to the OECD Conflict Minerals Due Diligence Guide. Through these activities, we aim to build a sustainable supply chain together with our suppliers.

Overview of Our Supplier Partners

We trade with approximately 500 suppliers, 59% of which are in China. The machined parts industry accounts for 80% of all business sectors. Companies in the Foster Group promote CSR procurement in cooperation with the suppliers.



Supplier Selection and Evaluation

The Foster Group sets the implementation of CSR activities as a business condition when selecting suppliers. We ask 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 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.

Initiatives for Tier-2 and Lower-Tier Suppliers

Through our Tier-1 suppliers, we request that our Tier-2 and lower-tier suppliers comply with the Foster Group Supplier CSR Code of Conduct. Specific initiatives include requesting that Tier-1 suppliers distribute the Code of Conduct to their own suppliers and require that they comply with it, in addition to asking Tier-1 suppliers themselves to understand the Code of Conduct, share it internally, and conduct self-assessments to ensure their compliance with it.

Requesting Suppliers Conduct CSR Self-Assessments

In fiscal 2016, we began having our suppliers conduct CSR self-assessments concerning their initiatives addressing human rights, labor, safety, the environment, compliance, and information security. Based on the results of the self-assessment, we visit suppliers to inspect their work sites and interview them as necessary. In fiscal 2019, we created corrective action plans for 15 suppliers, who were identified as need corrections in the self-assessments that had been conducted the previous fiscal year, and requested that they implement these corrective action plans to improve the points that had been identified. We will continue to request that suppliers conduct self-assessments and take corrective actions immediately if any problems are identified, in our efforts to build a sound supply chain.

Intra-Industry Collaboration (Engagement)

Since fiscal 2016, we have been a member of the Global Compact Network Japan (GCNJ), a network of the United Nations Global Compact (UNGC), and have engaged in the activities of the supply chain subcommittee of the GCNJ. In this subcommittee, we have discussed the latest global supply chain trends, beyond the boundaries between industries, and the practical issues regarding CSR procurement that are faced by each industry and company. We work on tasks such as the creation of deliverables for solving the above practical issues as well as the consideration and revision of CSR self-assessments, among others. In addition, because the numbers of minerals that must be managed to ensure they are not conflict minerals are increasing, we participate in the Outreach Meeting hosted by the Responsible Business Alliance (RBA) and explanatory meetings on conflict minerals hosted by the Japan Electronics and Information Technology Industries Association (JEITA), to ensure that information is shared regarding the latest trends and to develop intra-industry collaborations that raise awareness in the supply chain and improve the efficiency of investigations into conflict minerals.

Connecting with Our Business Partners in Environmental Burden Reduction

We have established the "Green Procurement Standard" for chemical substances contained in the procured parts, and connect with our business partners to reduce environmental burdens.

Responsible Conflict Minerals Procurement

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, but also lead to human-rights violation such as child labor, poor working conditions, environmental destruction, and other issues. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act in the U.S. established in July 2010, we promote responsible conflict minerals procurement for the entire supply chain to fulfil social responsibility in procurement activities.

Our Approach to Due Diligence

We promote conflict minerals procurement for the entire supply chain by communicating our policies to our business partners. We use standard investigation tools and materials as it requires cooperation from all the business partners including smelters. As for tools, we refer to "Conflict Mineral Reporting Template (CMRT)" issued by "Responsible Minerals Initiatives (RMI)". We also attend the inquiry briefings held by "JEITA Responsible Minerals Trade Working Group" and use research manuals/guidance commonly shared with automotive manufacturers and Japan Auto Parts Industries Association.

Conflict Minerals Investigations

In 2019, we achieved a 99% response rate for investigations into conflict minerals carried out on approximately 300 suppliers. We conducted risk analysis and evaluation from collected CMRT and requested further examination according to the risk levels by each supplier. We identified 328 smelters for all the minerals, and 81% of them have passed the conformant smelters audits (RMI). From 2018, we have started investigating cobalt and mica according to the due diligence guidance by OECD. The Group will continue to conduct detailed investigations for tantalum, tin, tungsten, and gold (3TG) 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.

Quality and Safety Assurance

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

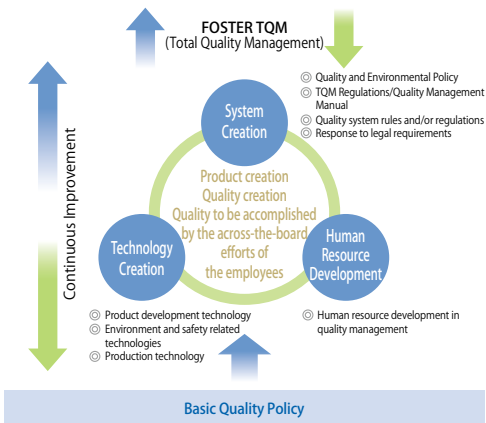
Our Quality Assurance Policies and Actions

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.

Increasing the satisfaction, trust and reliance of customers, contributing to the community and society and preserving/protecting the environment



Our Quality Assurance Activity System (Main Process) and Mechanism
Quality Assurance Activities based on APQP (Advanced Product Quality Planning)



Note) DR-0: Product feasibility review, DV: Product design validation, DR1/2: Product design review

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 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.

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 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 and speaker craft classes at universities or 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 2020 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 its peripheral devices such as power amplifiers.

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.

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.

<Educational Activities on 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.

<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 2019, a total of 70 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 100 / 100 Primes
New Diversity Management Selections 100 (2017) Companies (The following site is in Japanese.)
http://www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/practice/pdf/H29_diversity_ichiran.pdf
- Best Practices in Fiscal 2017 (The following site is in 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 2024.
- 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): To maintain 0% for displaced worker due to nursing care and enhance the nursing care leave system.

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 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 Telerwork Pioneers” by the Ministry of Internal Affairs and Communications for its telerwork 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.

* March 2020: Introduced hourly paid leave system for those requiring childcare.

* April 2020: Started a trial for hourly paid leave system utilizing preserved leave for all the employees.

* Adopted 4 days of new simultaneous leaves in 2019 (The rate of paid holiday leaves taken in 2019 resulted in 82.3% against 80% target.)

<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.

These initiatives were evaluated and we received "Certification of Excellent Company in Health: Gold Accreditation" from the Tokyo Promotion Council for Healthy Company Declaration in February 2018. This certification was later renewed in January 2020. In February 2019, we were awarded the "Health and Productivity Management Outstanding Organization: White 500" (Ministry of Economy, Trade and Industry). In March 2020, we have also received recognition for "Health and Productivity Management Outstanding Organization: Large Enterprise Category".



Future Plan

Target for 2020:

- Total working hours (at headquarters): Average 152 hours per month
- Rate of periodic health examinations taken (at headquarters): Maintain 100%, and achieve 80% for re-examination rate
- 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.
- As part of our long-term strategies of developing managerial personnel with a view to become a centennial company in 2049, we implement the Global Leadership Development Program (GLDP) to foster reform-minded human resources for the next and future generations globally. GLDP is a program where we select 3 different talent categories based on the job and experience levels; ① Next Leaders ② Future Leaders ③ Rising Suns and implement the best suited talent development according to each category. The Next Leaders and Future Leaders programs have already been launched.
- 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 Master 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

- Promoting human resource development aimed at forming a solid foundation of human resources to be the next-generation leaders of Foster
- Building a portfolio of diverse human resources by eliminating every form of discrimination based on age, gender, nationality, creed, or other attributes, based on the belief that a truly diverse and inclusive organization enables high productivity
- Promoting true workstyle reforms by empowering employees to determine where and when to work in accordance with their own circumstances and by offering diverse career planning options, including second jobs and the establishment of administrative subsidiary
- Establishing a corporate climate which enables all employees to feel pride as a professional and the pleasure of working for Foster and to positively impact on all the stakeholders

Health and Safety

Policies

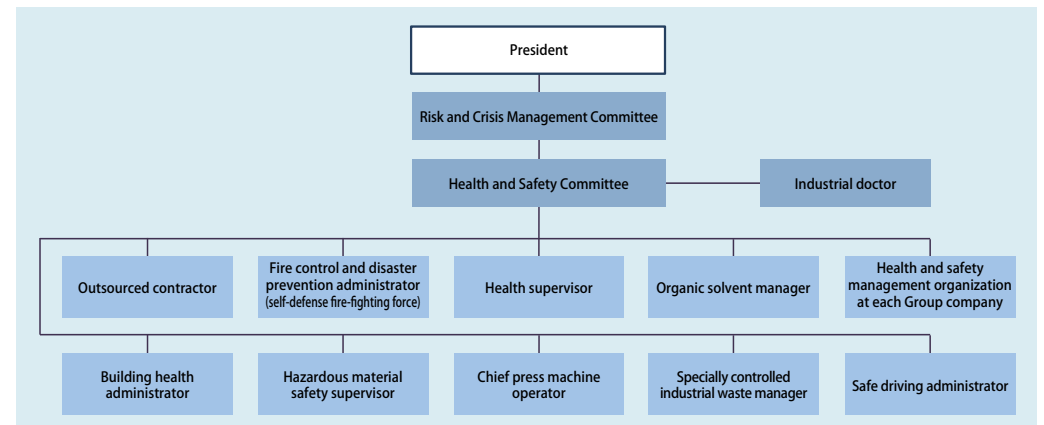
Foster Electric has established a rule to prioritize health and safety, and endeavors to create a safe and healthy working environment. Based on this rule, we are advancing redressing activities, which are carried out mainly by the Health and Safety Committee, which governs health and safety, and the 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. Further we tackle “group-wide issues” based around the Risk and Crisis Management Committee at headquarters. 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 take 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, the Health and Safety Committee took the lead to implement prevention measures to cope with threats from Covid-19. The headquarters has continuously worked on 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. Especially this year, we prohibited smoking on the premises at headquarters to promote employees’ health. Furthermore, we have driven actions to reduce the use of VOC from the product development stage, to eliminate risks possibly leading to serious consequences. These initiatives were evaluated and we received “Certification of Excellent Company in Health: Gold Accreditation” from the Tokyo Promotion Council for Healthy Company Declaration in December 2018, which was later renewed in January 2020.

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

At our overseas manufacturing sites, we improve health and safety related matters through the Management Systems.

Following the OHSAS 18001 certification obtained by Nanning Plant in China in July 2018, Bac Ninh Plant in Vietnam and Panyu & Heyuan Plants in China obtained the ISO 45001 certification during Oct-Dec 2019.

Future Plan

Following the previous year, we will build a global structure based on ISO 45001-Occupational Health and Safety Management System and promote information sharing by Health and Safety Committee.

Social Contribution Activities 《Headquarters》

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.

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.



As a lead member of “Akishima City’s Environmentally Friendly Business Operator Network”, we have taken 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 are highly beneficial for our activities. We will continue our efforts toward environmental protection with all citizens in the future.



In December 2019, we held “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.



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 January 2020, the Social Welfare Council held its 50th anniversary ceremony, and received a certificate of gratitude for these activities.



Social Welfare Council’s 50th anniversary ceremony



President’s speech at the ceremony

<Crime Prevention and Disaster Readiness Initiatives>

To support the 2020 Tokyo Olympic and Paralympic Games, Foster cooperates with the Tokyo Metropolitan Police Department against terrorism. Our activities are not limited to crime prevention, but we also conduct wide-range activities such as fundraising for the unfortunate crime victims.

Social Contribution Activities 《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.

【Myanmar】

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



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



August 2019: We donated clothing, food, and necessities to the Monsoon flood victims.



【Vietnam】

January 2020: We gave New Year's donations to the needy in Cam Le District and Hoa Vang District in the suburbs of Da Nang.



January, February, May 2019: We offered gifts to employees who are economically disadvantaged.



May 2019: We gave donations to an employee's family with children who have disabilities caused by the Agent Orange residue.



January 2020: We collected donations for the children of an employee who passed away during the past year, for their future education.



【China】

May 2019: 66 employees contributed to blood donations and received recognition from Heyuan City Voluntary Public Blood Donation Committee.



September 2019: We offered donations to economically disadvantaged employees who were registered in the China's poverty aid system. System in Nanning City.



[Korea]

ESTec Corporation, a Group company in South Korea, performs activities such as donation and musical contest sponsorship every year.

January, February, and September 2019: Charity funds for neighbors raised by our officers and employees 3 times a year were donated through the inhabitant life support office to those in need of support in the Yangsan area.

July 2019: We sponsored the 17th Eom Jeong Haeng National Musical Contest. We have sponsored this contest since 2004.



December 2019: 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), through the Yangsan Volunteer Center. This "Kimchi sharing with love" event has been carried out every year since 2010.



«Column» Aung San Suu Kyi paid a visit to Foster Thilawa Plant in Myanmar.

Aung San Suu Kyi, Foreign Minister and the State Counselor of Myanmar, visited Foster Thilawa Plant located in Thilawa Special Economic Zone near Yangon, to inspect speaker production line. She gave kind words to our employees, which further raised their morale with appreciation.

The Foster Thilawa Plant primarily manufacture car speakers and increasingly gained their position as a global production site. In the future, we will set up a system to increase our production capacity, and endeavor to contribute to further development of Burmese and global economies.



[United States]

July 2019: We supported the persons and their families who were affected by a tragedy that caused injuries and loss of life through financial contribution to the "El Paso Victims Relief Fund".



October 2019: Each year, we give financial contribution to the "Make a Wish Foundation" that uses community donations to allow children who are battling critical illness to enjoy their life-long wish or dream experience.



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

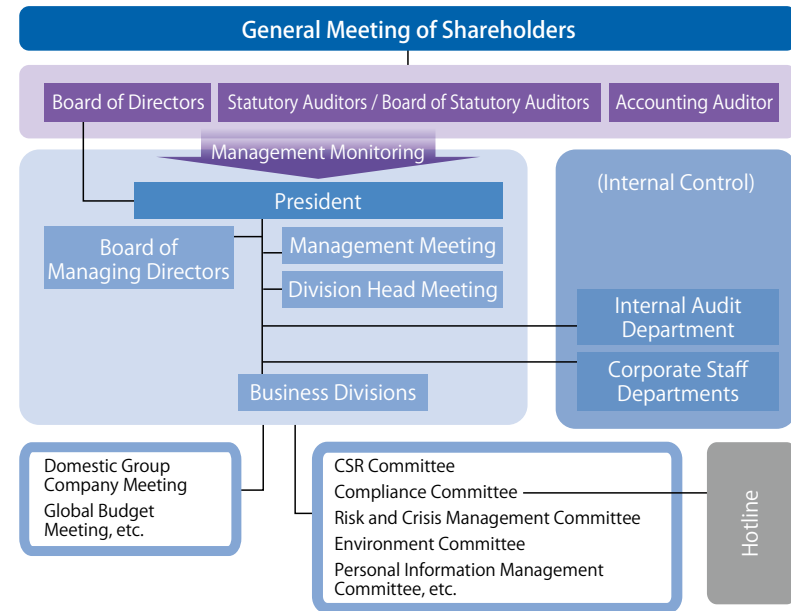
The Board of Managing Directors mainly consists of representative directors, managing directors, executive directors, senior executive officers and statutory auditor. They hold discussions at the meetings before making decisions on the execution of business operations.

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.



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
(Available 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 Foster 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.

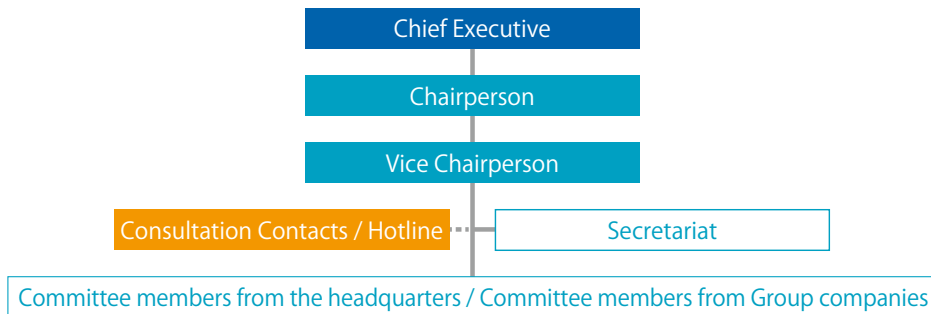
Compliance Structure

The Foster Group places emphasis on the internal whistleblowing system to promote compliance. Such system is under operation through the “Compliance Hotline” and “Harassment Helpline” that connects whistleblowers to external corporate lawyers available for 24 hours by email. Internally, the highly independent internal audit office and HR representative act as a window 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. We also hold “Compliance Hotline” and “Harassment Helpline” briefing sessions to thoroughly disseminate to our employees.

For the protection of whistle-blowers, the internal reporting 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.

Organization of the Compliance Committee

(The same structure applies to the Risk and Crisis Management Committee.)



Compliance Committee

The Foster Group's compliance programs are led by the Compliance Committee with the president as a chief executive officer.

In 2019, a compliance survey was conducted in addition to the compliance 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 Foster Group is 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

The 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 2019, our important risk items reviewed were the business continuity plan (BCP), supplier BCP structure building, and information security management system.

Measures for Addressing COVID-19

To control the spread of COVID-19 and in response to the government declaration of a state of emergency, the Foster Group took the following measures to ensure the safety of its employees, suppliers, people from local communities, and others. All overseas Group companies, including those in China, continued business activities while taking thorough safety and hygiene measures, including measures to prevent infection and monitor the health of employees. Particularly, in China, we produced face masks internally.

Measures to control the spread of COVID-19

- Having employees work from home, in principle, and minimizing the number of employees who come into work
- Offering hourly paid leave on a trial basis
- Introducing group-wide holidays during which 100% of salaries are paid
- Using internet conferencing to reduce face-to-face meetings
- Having employees work staggered hours or flexible hours where they must come into work
- Introducing flexible working hours without core hours
- Measuring the body temperature of employees with a thermographic camera and having them disinfect themselves with alcohol when they come into work
- Prohibiting employees from taking business trips, in principle
- Prohibiting employees from participating in external events and parties, in principle
- Requesting that business partners refrain from visiting our offices and other workplaces as much as possible
- Establishing a work from home allowance



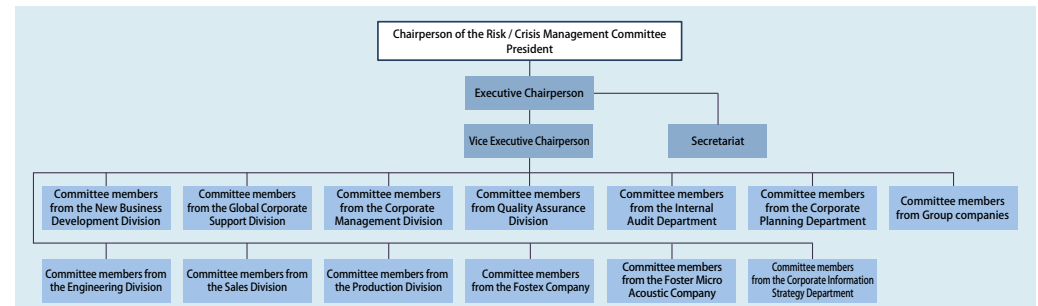
Business Continuity Plan (BCP)

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, the 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.



Certificate of gratitude for fire prevention and life safety measures



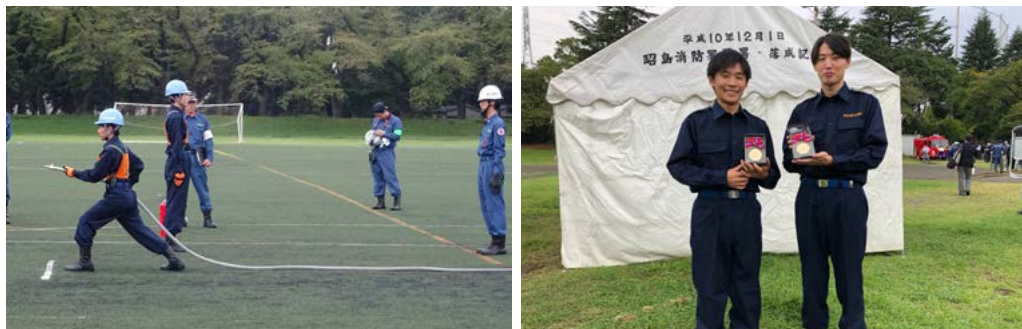
Certificate of gratitude for regional safety and disaster prevention

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.

Enhancing Disaster Prevention Measures

In 2019, we participated in the self-defense firefighting screening board sponsored by Akishima fire department, and won the first prize in the pair operation method for indoor fire hydrant. We will continue to enhance fire prevention measures.



Self-defense firefighting screening board (Headquarters)

Disaster Drills at Overseas Sites

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



Fire drills (China)

Relief training (China)

Fire drills (Vietnam)

Future Plan

We will drive BCP system building that can flexibly respond to such unexpected situations as globally threatening Covid-19 pandemic, and strive to be a company that our stakeholders can rely on.

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 based on its business and sustainable development strategies.

Governance

The Foster Group has established the global tax department within the corporate management division at headquarters to manage and monitor tax risks. Critical issues are reported to the top management including Board of Directors for their directions.

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, the Group 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 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, the Group follows proper reporting procedures to CbCR (Country-by-Country Reporting).

Information Security and Personal Information Protection

Policies

Foster Electric Co., Ltd. and its subsidiaries ("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

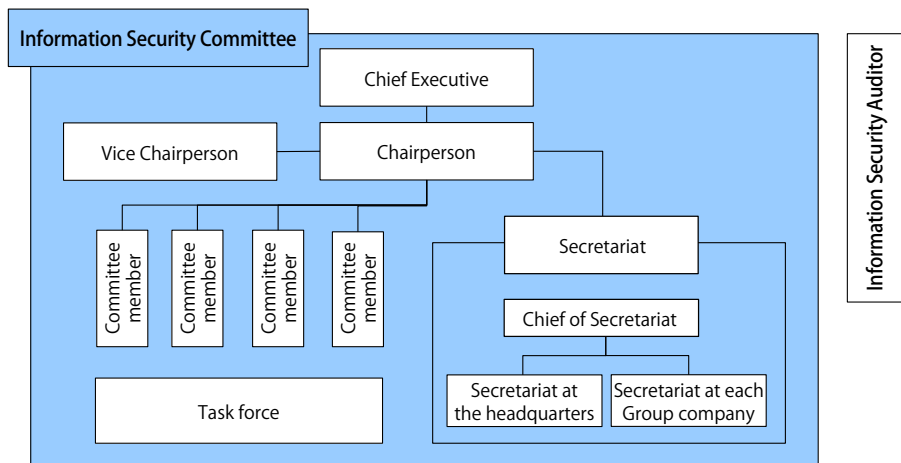
For protection and appropriate management of all information assets possessed by the Group, it has established the Information Security Committee, which mainly consists of management, to maintain the system for understanding the management status of information security and prompt implementation of required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

Main Activities and Measures

The 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.

Mid-term 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



External Recognition

[Japan]

New Diversity Management Selection 100 (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 (2017) by the Ministry of Economy, Trade and Industry.



2020 Health and Productivity Management Outstanding Organization (Large Enterprise Category)

March 2020: Recognized for our initiatives that consider employee's health from the management perspective and practice it strategically, we were certified as one of the winners of the 2020 Health and Productivity Management Outstanding Organizations (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and Japan Health Council.



Certification of Excellent Company in Health: Gold Accreditation

January 2020: Highly evaluated for our active initiatives to realize healthy management, we received the Certification of Excellent Company in Health: Gold Accreditation from the Tokyo Promotion Council for Healthy Company Declaration.



Selected for the S&P/JPX Carbon Efficient Index by the Government Pension Investment Fund (GPIF)

We have been selected as a constituent of the S&P/JPX Carbon Efficient Index since its launch by Japan's GPIF in 2018. The index bases evaluation on the company's disclosure status and CO₂ emissions data.



Selected for SNAM Sustainability Index (2019)

February 2020: We have been selected as a constituent of the SNAM Sustainability Index for the fourth consecutive year. The index was launched by Sompo Japan Nipponkoa Asset Management (SNAM) in August 2012, and places weight on the ESG evaluation by rating firms.



[Overseas sites]

Global

CDP

February 2020: We received "B-: Management Level" for Climate Change category and "C: Awareness Level" for Water Security category for 2019 survey by CDP, a British non-profit organization that evaluates and discloses information on organization's environmental management.



EcoVadis

February 2019: We received a Silver ranking (=top 30%, we ranked top 10%) from Ecovadis, France for the CSR assessment to evaluate suppliers based on the following categories: "Environmental", "Labor & Human Rights", "Ethics", and "Sustainable Procurement".

Vietnam FOSTER ELECTRIC (DANANG) CO., LTD.

Awarded for our excellent social security program by Viet Nam Social Security

January 2019: Evaluated for our excellent achievements in the social security program during 2018-19, we were awarded by the general director of Viet Nam Social Security.



Awarded for the excellent employee treatment by Labor Trade Union of Da Nang industrial zone

July 2019: Evaluated for our activities such as physical and mental health care, organizing sports events and scholarships, good employee treatment, we were awarded a certificate by the Labor Trade Union of Da Nang industrial zone.



FOSTER ELECTRIC (QUANG NGAI) CO., LTD.

Awarded as a company that contributed to the development of Dung Quat economic zone

September 2019: Dung Quat economic zone management committee awarded a certificate for contribution to its economic development of the area.



FOSTER ELECTRIC (BAC NINH) CO., LTD.

Awarded for our excellent social security and health programs by Bac Ninh Social Security

December 2019: Evaluated for our active promotion of social security and health programs during 2019, we were awarded by the general director of Bac Ninh Social Security.



Awarded for appreciation to the "efforts in good employee treatment" by Bac Ninh Labor Union

February 2020: The Bac Ninh Labor Union evaluated and awarded a certificate to express appreciation for our "efforts in good employee treatment".



China FOSTER ELECTRIC CO., (HEYUAN) LTD.

Awarded for our donation and relief contribution by Gao Xin Qu administration, Heyuan

June 2019: Evaluated for our donation to the needy and flooding relief contribution in Heyuan area, we were awarded by the administration of Gao Xin Qu administration, Heyuan.



[Surveys from External Organizations]

The Foster Group responds sincerely to the CSR surveys received from external investigatory bodies. Last year, we received and responded to 13 surveys regarding SDGs, CSR, ESG, SRI and others. Among them was the "CSR company ranking survey", which was conducted by Toyo Keizai Inc., we ranked 261th (out of total 1,593 companies). We will continue to respond to the survey requests from external investigatory bodies with sincerity.

Data Table

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	22,744	
		Breakdown	(1)-1 Pollution prevention costs	Air and water control-related prevention countermeasures	0	1,009
			(1)-2 Global environmental conservation costs	Prevention of global warming and energy-saving measures	0	1,587
			(1)-3 Resource circulation costs	Waste disposal and recycling	0	20,148
		(2) Upstream/downstream cost	Green purchasing expenses		0	0
		(3) Administration costs	Environmental education, EMS construction expenses etc.		0	7,401
		(4) R&D costs	Research and development etc.		0	1,729,571
		(5) Social activity costs		Tree planting etc.	0	631
		(6) Environmental damage handling costs			0	0
		Total				0

* "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.	105
Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies	112
	FOSTER ELECTRIC (SINGAPORE) PTE. LTD. and group companies	N/A
	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies	105
North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies	103
Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies	114

*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 management hired from the local community

Location ^{*3}		Percentage (%) of senior management ^{*1} hired from the local community ^{*2}
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	100
Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies	90
	FOSTER ELECTRIC (SINGAPORE) PTE. LTD. and group companies	100
	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies	75
North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies	70
Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies	100

*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 that are checked based on J-SOX internal control framework.

204-1 Proportion of spending on local suppliers

Location ^{*1}	Content	Percentage ^{*2} (%)
All procurement sites in China	Local procurement rate of materials in China	88
All procurement sites in ASEAN	Local procurement rate of materials in Vietnam, Indonesia, and Myanmar	64

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

*2 Indicates the percentage in transaction amount for material procurement with corporations in above sites.

205-1 Operations assessed for risks related to corruption

Location		Total number of operations	Percentage (%)
Domestic and overseas companies	Domestic and overseas locations of operations	13	72

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 percentage of notifications on anti-corruption related organizations policies and procedures.	
		Governance body members	
		Total	Percentage (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	26	100
Overseas	All overseas sites	83	84

Environmental Data

301-2 Recycled input materials used

Location		Percentage (%)
Overseas	All procurement sites (China/Vietnam/Myanmar)	11

* Recycled material percentage of all the resin materials purchased.

301-1 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)	2,108	8,064	0	0	0	14,384	2,364
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	29,898	43,337	2,066	0	0	0	30,336
	FOSTER ELECTRIC CO., (NANNING) LTD.	12,012	23,679	6,810	0	0	0	12,311
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	15,757	46,258	17,393	0	62,264	0	17,136
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	9,623	19,396	5,150	19,160	0	0	10,134
	FOSTER ELECTRIC (DA NANG) CO., LTD.	4,591	11,020	4,723	19,358	0	0	5,020
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	1,552	2,640	280	11,190	0	0	1,738
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	22,346	34,338	4,570	54,594	0	0	23,494
	FOSTER ELECTRIC (THILAWA) CO., LTD.	7,892	25,673	8,920	0	0	0	8,232
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	544	1,750	12	0	0	78,137	1,534
Total		106,323	216,155	49,924	104,302	62,264	92,521	112,299

* 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

303-2 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	2019
Scope 1 (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	1,290
Scope 2 (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	58,457
Scope1+2 total	(Unit: t-CO ₂)	89,430	93,948	90,999	88,823	90,877	90,209	72,868	59,747
Sales (JPY)	(100 million yen)	1,436	1,660	1,891	1,910	1,611	1,849	1,403	1,073
Per sales unit (JPY)	(Unit: t-CO ₂ / 100 million yen)	62.3	56.6	48.1	46.5	56.4	48.8	51.9	55.7

FOSTER ELECTRIC CO., LTD. (Headquarters) and 9 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.
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 mid-term target for 2020 to reduce by an annual average of 1% emissions from fiscal 2012 base year.

305-3 Other indirect (Scope 3) GHG emissions

Category		Emissions (t-CO ₂)
Upstream categories	1. Purchased goods and services	218,512
	2. Capital goods	679
	3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	7,591
	4. Upstream transportation and distribution	23,972
	5. Waste generated in operations	2,140
	6. Business travel	1,661
	7. Employee commuting	4,309
Downstream categories	9. Downstream transportation and distribution	3,206
	11. Use of sold products	73,323
	12. End-of-life treatment of sold products	4,945
Total		340,338

Scope: FOSTER ELECTRIC CO., LTD. (Headquarters) , 2 domestic and 12 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)	9,925	9,429	496
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	384,254	307,403	76,851
	FOSTER ELECTRIC CO., (NANNING) LTD.	64,134	51,307	12,827
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	170,303	136,242	34,061
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	98,928	79,142	19,786
	FOSTER ELECTRIC (DA NANG) CO., LTD.	46,759	37,407	9,352
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	6,802	5,442	1,360
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	87,553	70,042	17,511
	FOSTER ELECTRIC (THILAWA) CO., LTD.	88,749	70,999	17,750
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	2,215	1,772	443
Total		959,622	769,186	190,436

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	959,622	769,186	190,436
Total	959,622	769,186	190,436

306-2 Waste by type and disposal method

Location		Hazardous waste (Unit: ton)		
		Total waste	Recycling	Landfill
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	0.00	0.00	0.00
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	81.00	0.00	81.00
	FOSTER ELECTRIC CO., (NANNING) LTD.	30.90	0.00	30.90
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	37.61	0.00	37.61
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	46.32	9.90	36.42
	FOSTER ELECTRIC (DA NANG) CO., LTD.	77.36	0.23	77.13
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	12.61	0.14	12.47
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	94.72	65.63	29.09
North America	FOSTER ELECTRIC (THILAWA) CO., LTD.	32.00	0.00	32.00
	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	0.00	0.00	0.00
Total		412.52	75.90	336.62

Location		Non-hazardous waste (Unit: ton)		
		Total waste	Recycling	Landfill
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	81.67	74.52	7.15
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	449.00	449.00	0.00
	FOSTER ELECTRIC CO., (NANNING) LTD.	125.74	0.00	125.74
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	278.55	278.55	0.00
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	315.54	225.58	89.96
	FOSTER ELECTRIC (DA NANG) CO., LTD.	190.79	129.61	61.18
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	80.38	44.87	35.51
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	1,186.68	746.38	440.30
North America	FOSTER ELECTRIC (THILAWA) CO., LTD.	220.94	18.00	202.94
	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	380.40	229.04	151.36
Total		3,309.69	2,195.55	1,114.14

308-1 New suppliers that were screened using environmental criteria

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

Location		Percentage (%)
Domestic and overseas companies	All procurement sites (Japan/China/Vietnam/Myanmar)	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						
		By gender			By age group			
		Male	Female	Total	Under 30	30 - 50	Over 50	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	39	16	55	21	28	6	55
Overseas	All overseas sites	3,787	8,356	12,143	8,739	3,391	13	12,143

Location		Employee turnover						
		By gender			By age group			
		Male	Female	Total	Under 30	30 - 50	Over 50	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	17	14	31	10	14	7	31
Overseas	All overseas sites	3,705	13,363	17,068	9,320	7,626	122	17,068

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

Location*1		Contents
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	Retirement allowance
Overseas	11 Significant locations of operations	Medical insurance, parental leave, retirement allowance, life insurance, disability and illness compensation 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.	510	155	665	6	11	17
Overseas	All overseas sites	3,445	16,245	19,690	203	1,663	1,866

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.	6	4	10	100	100	100
Overseas	All overseas sites	204	1,370	1,574	100	91	92

Location		Total number of employees retained 12 months after returning to work following a period of parental leave (in the prior reporting period)			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.	5	1	6	100	100	100
Overseas	All overseas sites	163	1,412	1,575	71	74	74

*1 Total number of employees that were entitled to parental leave during the reporting period

*2 Total number of employees that were entitled to and took parental leave during the reporting period

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	1	0.79	1,354,650
Overseas	All overseas sites	0	0.00	1	0.02	46	1.02	45,598,722
iv. The main types of work-related injury		Fracture, wound, bruise, sprain etc.						

* 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 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 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 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	Male/ Female Total	Management	General	Management/ General Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	13	12	13	9	14	13
Overseas	All overseas sites	22	18	19	15	19	19

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

Location		Percentage (%)					
		Male	Female	Male/ Female Total	Management	General	Management/ General Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	84	72	81	88	79	81
Overseas	All overseas sites	58	45	47	71	46	47

405-1 Diversity of governance bodies and employees

Governance bodies (by gender/age)

Location		Percentage (%)				
		Male	Female	Under 30	30 - 50	Over 50
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	94	6	0	3	97
Overseas	All overseas sites	95	5	0	29	71

Employee (by gender/age)

Location		Percentage (%)				
		Male	Female	Under 30	30 - 50	Over 50
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	76	24	8	47	45
Overseas	All overseas sites	17	83	43	56	1

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	Percentage (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	3	3	100
Overseas	All overseas sites	197	179	91

* 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 percentage (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	521	52
Overseas	All overseas sites	46,338	88

414-1 New suppliers that were screened using social criteria

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

Location		Percentage (%)
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
		i. Complaints received from outside parties and substantiated by the organization	ii. Complaints from regulatory bodies	
Domestic and overseas companies	All the domestic and overseas companies	0	0	0

GRI Content Index

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
ORGANIZATIONAL PROFILE	102-1	Name of the organization	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
	102-2	Activities, brands, products, and services	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
	102-3	Location of headquarters	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
	102-4	Location of operations	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
	102-5	Ownership and legal form	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
	102-6	Markets served	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
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	102-8	Information on employees and other workers	P3-4 -	Corporate profile and financial information ▶ Securities report (available in Japanese)
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	102-15	Key impacts, risks, and opportunities	P2 -	Top message ▶ Securities report (available in Japanese)
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	102-19	Delegating authority	P36-30 -	Governance ▶ Corporate governance guidelines (available in Japanese)
	102-20	Executive-level responsibility for economic, environmental, and social topics	P5-9	Foster group CSR management
	102-21	Consulting stakeholders on economic, environmental, and social topics	P5-9	Foster group CSR management
	102-22	Composition of the highest governance body and its committees	- -	▶ Securities report (available in Japanese) ▶ Corporate governance guidelines (available in Japanese)
	102-23	Chair of the highest governance body	-	▶ Securities report (available in Japanese)
	102-24	Nominating and selecting the highest governance body	-	▶ Securities report (available in Japanese)

General Disclosures	GRI Standard No.	Disclosure	Page Number / URL	
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	102-26	Role of highest governance body in setting purpose, values, and strategy	P5-9	Foster group CSR management
	102-27	Collective knowledge of highest governance body	P5-9	Foster group CSR management
	102-28	Evaluating the highest governance body's performance	P10-13 P14-25 P26-30 -	Environment Social Governance ▶ Securities report (available in Japanese)
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	102-32	Highest governance body's role in sustainability reporting	P5-9	Foster group CSR management
	102-33	Communicating critical concerns	P26-30	Governance
	102-34	Nature and total number of critical concerns	-	Not applicable
	102-35	Remuneration policies	-	▶ Securities report (available in Japanese)
	102-36	Process for determining remuneration	-	▶ Securities report (available in Japanese)
	102-37	Stakeholders' involvement in remuneration	-	▶ Securities report (available in Japanese)
	102-38	Annual total compensation ratio	-	▶ Securities report (available in Japanese)
	102-39	Percentage increase in annual total compensation ratio	-	▶ Securities report (available in Japanese)
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	102-46	Defining report content and topic Boundaries	P5-9	Foster group CSR management
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	102-49	Changes in reporting	-	No significant changes in reporting
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Management Approach	GRI Standard No.	Disclosure	Page Number / URL	
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	201-2	Financial implications and other risks and opportunities due to climate change	P32-36	Data table
	201-3	Defined benefit plan obligations and other retirement plans	-	▶ Securities report (available 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	P32-36	Data table
	202-2	Proportion of senior management hired from the local community	P32-36	Data table
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	P23-24	"Social Contribution"
	203-2	Significant indirect economic impacts	-	Not applicable
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	P32-36	Data table
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	P32-36	Data table
	205-2	Communication and training about anti-corruption policies and procedures	P32-36	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

Environmental Topics	GRI Standard No.	Disclosure	Page Number / URL	
GRI 207: Tax	207-1	Approach to tax	-	N/A (Confidentiality constraints)
	207-2	Tax governance, control, and risk management	-	N/A (Confidentiality constraints)
	207-3	Stakeholder engagement and management of concerns related to tax	-	N/A (Confidentiality constraints)
	207-4	Country-by-country reporting	-	N/A (Confidentiality constraints)
GRI 301: Materials	301-1	Materials used by weight or volume	-	N/A (Information unavailable)
	301-2	Recycled input materials used	P32-36	Data table
	301-3	Reclaimed products and their packaging materials	-	N/A (Information unavailable)
GRI 302: Energy	302-1	Energy consumption within the organization	P32-36	Data table
	302-2	Energy consumption outside of the organization	-	N/A (Information unavailable)
	302-3	Energy intensity	P32-36	Data table
	302-4	Reduction of energy consumption	P32-36	Data table
	302-5	Reductions in energy requirements of products and services	P12 P32-36	"Environmentally Friendly Products" Data table
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	P11	"Environmental Activities"
	303-2	Management of water discharge-related impacts	P11	"Environmental Activities"
	303-3	Water withdrawal	P32-36	Data table
	303-4	Water discharge	P32-36	Data table
	303-5	Water consumption	P32-36	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	-	N/A (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	-	N/A (Information unavailable)
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	P32-36	Data table
	305-2	Energy indirect (Scope 2) GHG emissions	P32-36	Data table
	305-3	Other indirect (Scope 3) GHG emissions	P32-36	Data table
	305-4	GHG emissions intensity	P32-36	Data table
	305-5	Reduction of GHG emissions	P32-36	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
GRI 306: Effluents and Waste	306-1	Water discharge by quality and destination	P32-36	Data table
	306-2	Waste by type and disposal method	P32-36	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	-	N/A (Information unavailable)

Environmental Topics	GRI Standard No.	Disclosure	Page Number / URL	
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	P32-36	Data table
	308-2	Negative environmental impacts in the supply chain and actions taken	-	No "negative environmental impacts in the supply chain and actions taken", according to the SAQ result containing these questions.

Social Topics	GRI Standard No.	Disclosure	Page Number / URL	
GRI 401: Management Approach Disclosures	401-1	New employee hires and employee turnover	P32-36	Data table
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P32-36	Data table
	401-3	Parental leave	P32-36	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	P21-22	"Health and Safety"
	403-2	Hazard identification, risk assessment, and incident investigation	P21-22	"Health and Safety"
	403-3	Occupational health services	P21-22	"Health and Safety"
	403-4	Worker participation, consultation, and communication on occupational health and safety	P21-22	"Health and Safety"
	403-5	Worker training on occupational health and safety	P21-22	"Health and Safety"
	403-6	Promotion of worker health	P21-22	"Health and Safety"
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P21-22	"Health and Safety"
	403-8	Workers covered by an occupational health and safety management system	P21-22	"Health and Safety"
	403-9	Work-related injuries	P21-22 P32-36	"Health and Safety" Data table
	403-10	Work-related ill health	P21-22 P32-36	"Health and Safety" Data table
GRI 404: Training and Education	404-1	Average hours of training per year per employee	P32-36	Data table
	404-2	Programs for upgrading employee skills and transition assistance programs	P20-21	"Human Resource Development"
	404-3	Percentage of employees receiving regular performance and career development reviews	P32-36	Data table
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	P32-36	Data table
	405-2	Ratio of basic salary and remuneration of women to men	P32-36	Data table

Social Topics	GRI Standard No.	Disclosure	Page Number / URL	
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	-	Not applicable
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	-	No "Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk", according to the SAQ result containing these questions.
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	-	No "Operations and suppliers at significant risk for incidents of child labor", according to the SAQ result containing these questions.
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	No "Operations and suppliers at significant risk for incidents of forced or compulsory labor", according to the SAQ result containing these questions.
GRI 410: Security Practices	410-1	Security personnel trained in human rights policies or procedures	P32-36	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	-	N/A (Information unavailable)
	412-2	Employee training on human rights policies or procedures	P32-36	Data table
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	N/A (Information unavailable)
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	P23-24	"Social Contribution"
	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	P32-36	Data table
	414-2	Negative social impacts in the supply chain and actions taken	-	No "Negative social impacts in the supply chain and actions taken", according to the SAQ result containing these questions.
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	-	N/A (Information unavailable)
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	N/A (Information unavailable)
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	-	N/A (Information unavailable)
	417-2	Incidents of non-compliance concerning product and service information and labeling	-	N/A (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	P32-36	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 2020

- About this report
The "Sustainability Report 2020" (the Report 2020) was prepared to comprehensively report the Foster Group's corporate social responsibility (CSR) activities during the fiscal year ending March 31, 2020 (fiscal 2019), 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 2020 is from April 1, 2019, to March 31, 2020 (fiscal 2019). The Report also includes statements concerning activities outside the reporting period, including those in fiscal 2020.
- 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 2020.
- Month of issue:
July 2020
- Next issue of the Sustainability Report (planned):
July 2021
- 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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The illustration on the cover of this report represents our globally-expanding solution of sound and vibration in our key automotive business. It portrays our vision “To make contributions for future society through acoustics” in the change of technology surrounding the world, with the scattered image of our automotive speakers, vibration actuators, our own brand FOSTEX speakers and headsets.

July 2020 Edited in Japan