

# CORPORATE REPORT 2014

## Profile & CSR

*Acoustic Solution Partner*



**FOSTER®**

# FOSTER'S OUTSTANDING SOUND TECHNOLOGIES SUPPORT GLOBAL BRANDS

Foster meets the diverse demands of customers by responding sensitively and rapidly to a changing operating environment.

Foster has earned the confidence of customers with systems that are designed to achieve consistently high sound quality, and which are based on acoustic technologies that have been constantly refined since the company was established.

The proven quality of Foster's inspirational products resonates with people around the world.

In the future, Foster will continue to enhance its stature as a global brand.

## CORPORATE CREED

### Sincerity

## VISION

To make contributions

For future society through acoustics

## 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.

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## Editorial Policy

- The CORPORATE REPORT 2014 ("the Report 2014") was prepared to report the Foster Group's corporate social responsibility (CSR) activities throughout the fiscal year ended March 31, 2014, in an easily understandable manner for our stakeholders.
- The Environmental Reporting Guidelines 2012 by the Ministry of the Environment and the GRI Sustainability Reporting Guidelines 2006 were referred to when preparing the Report 2014.
- The reporting period of the Report 2014 is from April 1, 2013, to March 31, 2014 (fiscal 2013), although the Report includes statements concerning activities outside the reporting period, including those in fiscal 2014.
- The reporting scope of the Report 2014 includes the CSR activities of the Foster Group, which consists of Foster Electric Company, Limited, and its consolidated subsidiaries at home and abroad.
- Month of issue: June 2014
- Planned issue month of the next CSR report: June 2015
- Contact: Foster Electric Company, Limited  
Tel.: +81-42-546-2311 Fax: +81-42-546-2317

# Top Message



To expand our global growth toward 2020, we will continue to promote our CSR efforts in concert with our business operations.

President **Hiromi Yoshizawa**

## **Corporate Social Responsibility (CSR) and Management**

As we fulfill our corporate social responsibilities while reconfirming the *raison d'être* of the Company, we sincerely wish to be a corporate citizen that is relied on and respected by our various stakeholders by maintaining a consistent spirit of doing business for society and people based on the corporate creed of “sincerity.”

*Omi Shonin*, or merchants from the Mikawa region (current Aichi Prefecture), used to say that in business you should have “three goods”—good for the seller, good for the buyer and good for society—and a corporate entity must secure these “three goods” by making reasonable profits and returning them for the good of society.

Under the corporate vision “Contributions to the future society with acoustic technology,” we will aim to be an innovative presence in the future society.

## **Our corporate creed and CSR philosophy**

“Sincerity” has been the Company’s corporate creed and corporate philosophy since its establishment.

By the term sincerity, we mean the act of doing the best we can for all parties concerning the Company from their standpoint. Although the term CSR may be comparatively recent, the concept of CSR, which shares the same basic philosophy as the corporate creed of “sincerity,” has always underlain the Company’s corporate management and business operations since its foundation.

To continue to grow in the new age to come, 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,” that we have adhered to since our establishment.

## **To be a sustainable enterprise desired by society**

As its existential proposition, an enterprise is asked to contribute to society through creating jobs, generating profits from business operations and paying taxes. Meanwhile, it is also asked to proactively accommodate itself to changes in the social environment so that it is welcomed by the community and can achieve sustainable growth and development.

The Foster Group will continue to not only maintain compliance but also promote environmental activities as part of CSR and ensure quality control and risk management. And by continuing business operations based on the spirit of discipline, responsibility and social contribution, we will strive to remain a selected enterprise that is strongly desired by society.

## **FOSTER CSR Report**

The FOSTER CSR Report 2014 is issued to publicly disclose the Foster Group’s CSR activities.

We understand that our CSR activities need to be enhanced in many respects. Therefore, 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.

# Corporate Profile

## Business Summary

Since its predecessor was founded in 1949 as a manufacturer of loudspeakers, the Foster Group, as a specialist of sound, has supplied a wide range of innovative products and technologies to the world of sound through its core business of manufacturing acoustic conversion devices by continually enhancing the acoustic technologies it has accumulated as a comprehensive manufacturer of acoustic equipment and components.

Foster Electric's accumulated expertise and innovative acoustic technologies have been offered through a broad range of products, including home audio equipment (loudspeakers for audiovisual equipment), high-end hi-fi speaker systems, car-mounted speakers, compact speakers for information devices (e.g., mobile phones, mobile audio players, tablets and PCs), headphones, headsets and buzzers. The unrivalled sound and quality of these products have fulfilled the expectations of our demanding customers. Many of Foster Electric's products are marketed under the brand of our customers in various parts of the world, thereby contributing to people and

society all over the world.

We also offer various digital audio equipment and monitor speaker systems, including hi-fi speaker systems based on our innovative audio technology, under our own brand, FOSTEX, for professionals and audiophiles. These products are in use at professional studios all over the world.

"Electro-acoustic device technology," or the core competency of the Foster Group, provides a man-machine interface in a society that is experiencing growing diversification of digital media. With this recognition, we will propose the most advanced forms of man-machine interface in various fields related to sound by aggressively adopting the newest technologies and acoustic theories, while promoting R&D efforts, including ecofriendly materials.

Under the slogan "Sound Around You. There is Foster," the Foster Group makes concerted efforts to satisfy all kinds of customer requirements regarding sound, thereby "contributing to the world's future society through sound."

## Company Profile (as of March 31, 2014)

Company name	Foster Electric Company, Limited
Founded	June 20, 1949
Capital stock	¥3,770.36 million (Listed on the First Section of the Tokyo Stock Exchange)
Number of shares issued	23,506,015 shares
Number of Group employees	61,222 (including employees of outsourcing contractors)
Date of closing accounts	March 31



## Operating Results (for the year ended March 2014)

(Millions of yen)

	Consolidated
Net sales	167,640
Operating income	6,021
Ordinary income	6,327
Net income	2,321

## Net Sales by Segment





## Lineup of various products for customers' requirement across the world

We arrange acoustic solutions for customers' requests.

Creativity, accumulated expertise

The fine arts of acoustic solution will provide sophisticated, high fidelity sound and quality.



Headphones



Speaker System for TVs



Car Speaker



Car Speaker System



Speaker System



Headsets



Micro acoustic Transducer

### Our Brand, FOSTEX



Under the Foster Group's own brand, FOSTEX, various audio equipment, including loudspeaker-related products and professional acoustic products, are accepted worldwide with a philosophy of supporting sound specialists for A/D and D/A conversion.

The Foster Group's accumulated acoustic

technologies and state-of-the-art digital technologies, as well as a broad range of creative products born from its ceaseless R&D efforts, continue to provide innovative and creative propositions in the fields of sound and music.

#### Professional audio line of products



**RS-N2**  
Reference monitor speaker system for broadcasting stations



**6301B**  
Monitor speaker for professional use



**AR501**  
Mic preamplifier

#### Hi-fi audio line of products



**GX100Limited**  
Compact hi-fi speaker system



**GX2000a**  
High-end hi-fi speaker system

#### Personal audio line of products



**TH900**  
Premium reference headphones



**HP-A4**  
DAC headphone amplifier



**PM0.1**  
Personal active speaker system



**PM-SUBmini**  
Active sub woofers

#### Crafted audio line of products



**FE103En**  
DIY speaker unit



**P800-E**  
DIY speaker box



# About FOSTER



OUR MISSION IS TO ACHIEVE HIGH-FIDELITY SOUND REPRODUCTION THAT MEETS THE NEEDS OF PEOPLE WORLDWIDE

We apply accumulated expertise in innovative acoustics technologies to produce a wide array of high-quality products that answer the specific needs of our customers.

CUTTING-EDGE R&D DRIVE THE ACOUSTICS TECHNOLOGIES OF THE FUTURE

Foster's research and development anticipate future trends. We exploit the latest measurement technologies when carrying out research on new materials and eco-materials, and apply simulation technologies in basic areas such as vibration and stress analyses, as well as element technology.

## History of Foster

### ▶ Jun. 1949

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

### ▶ May 1953

The institute was organized Shinano Onkyo Co., Ltd. Trade name, "Foster" registered.

### ▶ May 1959

Renamed Foster Electric Co., Ltd.



3.5inch speaker with brand name Pearl



### ▶ Dec. 1970

Established Foster Transportations Ltd.

### ▶ Jul. 1972

Established Foster Electric (Singapore) Pte. Ltd.

### ▶ Oct. 1972

Established Foster Electric (U.S.A), Inc.

### ▶ Oct. 1973

Established Foster Electric (Europe) GmbH in West Germany.



MMF-2 (Dynamic wireless microphone)

### ▶ Aug. 1977

Established Foster Electronics Ltd.



PR Microphones, Headphones, Speakers

1949

1960

1970

1980

### ▶ Mar. 1960

Akishima factory constructed.

### ▶ Feb. 1962

Started the sales of microphones.

### ▶ May 1962

Company's stock listed on the Tokyo Stock Exchange Market.



G-205 Speaker loaded into SONY Transistor radio TR-55

### ▶ Feb. 1965

Established Foster Electric Co., (H.K.) Ltd

### ▶ Feb. 1969

Established Foster Electric Co., (Taiwan) Ltd.

### ▶ Jul. 1969

The head office moved to Akishima, Tokyo.



FM multistereo tuner



Products for enterprise audio equipment

### ▶ Nov. 1986

Merged with Tonegen Co., Ltd.

### ▶ Sep. 1987

Started manufacturing loudspeakers in U.S.A.

### ▶ Apr. 1988

Established Guangzhou Panyu Jiu Shui Keng Foster Electric Factory



Data converters

## TOTAL QUALITY CONTROL UNDERPINS FOSTER'S LEGENDARY RELIABILITY

Foster's production and development bases around the world have acquired ISO14001, ISO/TS16949 certification.

We are dedicated to achieving the highest levels of reliability in all processes from product development to mass production. Furthermore, we are committed to an environmentally friendly approach to quality management.



Speaker Accelerated Life Test

▶ **Mar. 1991**

Established P.T.Foster Electric Indonesia.

▶ **Oct. 1995**

Established holding company in U.S.A.  
Corporate restructuring into one from three subsidiaries

▶ **Feb. 1997**

Established Detroit Office



Speaker systems with Kenaf cone paper

▶ **Nov. 1997**

Established the warehouse in El Paso, U.S.A.  
The factory was built in Bintan, Indonesia

▶ **Sep. 1999**

Transferred to the 1st section from the 2nd section in Tokyo Stock Exchange Market



Loudspeakers with hybrid diaphragm (Pearl mica)

▶ **Jan. 2010**

Established Foster Electric Co., (Heyuan) Ltd.

▶ **Mar. 2010**

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

▶ **Mar. 2011**

Established Foster Electric Co., (Chongzuo) Ltd.

1990

2000

2010

▶ **Apr. 2001**

Established Taipei Office.

▶ **Oct. 2001**

Established Foster Electric Co., (Guangzhou) Ltd.

▶ **Oct. 2002**

Established Shanghai Office  
Established Chubu Sales Office (Aichi)

▶ **Apr. 2003**

Merged with Fostex Corp

▶ **Jan. 2006**

Established Foster Electric (Vietnam) Co., Ltd.



Sub woofers Speaker systems for Home theater

▶ **May 2006**

Established Foster Electric Co., (Changzhou) Ltd.

▶ **Oct. 2006**

Established San Jose Office

▶ **Nov. 2007**

Established Foster Electric Co., (Nanning) Ltd.

▶ **Apr. 2008**

Established Foster Electric IPO (Thailand) Ltd.

▶ **Jun. 2008**

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

▶ **Mar. 2009**

ESTec corporation was added to the consolidated subsidiary



Cellulose Clip-on Headphones / In the ear Headphones



Closed type Headphones

▶ **Dec. 2011**

Established Foster Electric Co.,(Gaozhou)Ltd.



Hi-Fi Speaker Systems

▶ **Mar. 2012**

Established Myanmar Foster Electric Co., Ltd.

▶ **Nov. 2012**

Headquarters moved to 1-1-109, Tsutsujigaoka, Akishima City, Tokyo

▶ **Feb. 2013**

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

▶ **Jan. 2014**

Took over the micro acoustic transducer business from Star Micronics.



Micro acoustic transducer



# Global Network



## WE ANSWER ALL THE NEEDS OF OUR CUSTOMERS THROUGH STANDARDIZED PRODUCTION SYSTEMS

Foster's production bases are located around the world. We have built advanced production systems that ensure consistency from the production of components to the assembly of final products.

Our systems guarantee the high reliability needed to respond to various customer needs including prompt delivery and efficient cost management.



Speaker Unit Assembly Equipment

### Major Foster group

#### Sales/Development Bases

- 1 FOSTER ELECTRIC CO., LTD. (HEADQUARTERS)



- 2 FOSTEX COMPANY
- 3 FOSTER MICRO ACOUSTIC COMPANY
- 4 FOSTER ELECTRIC CO., (TAIWAN) LTD.
- 5 FOSTER ELECTRIC (SINGAPORE) PTE. LTD.



- 6 MUNICH OFFICE
- 7 FOSTER ELECTRIC (U.S.A.), INC.



- 8 DETROIT OFFICE
- 9 SAN JOSE OFFICE
- 10 EL PASO OPERATIONS
- 11 BOSTON OFFICE
- 12 ESTec CORPORATION



#### Sales Bases

- 1 FOSTER ELECTRONICS LTD.
- 2 FOSTER TRANSPORTATIONS LTD.
- 3 FOSTER ELECTRIC CO., (HONG KONG) LTD.



- 4 SHANGHAI OFFICE
- 5 FOSTER ELECTRIC CO., (GUANGZHOU) LTD.
- 6 FOSTER ELECTRIC (EUROPE) GmbH



- 7 SWEDEN OFFICE
- 8 LOS ANGELES OFFICE
- 9 FOSTER ELECTRIC IPO (THAILAND) LTD.
- 10 PENANG OFFICE







### Manufacturing Bases

① FOSTER ELECTRIC CO., (CHANGZHOU) LTD.



② GUANGZHOU PANYU JIU SHUI KENG  
FOSTER ELECTRIC FACTORY  
\*Outsourcee



③ FOSTER ELECTRIC CO., (NANNING) LTD.



④ FOSTER ELECTRIC (VIETNAM) CO., LTD.



⑤ FOSTER ELECTRIC (DA NANG) CO., LTD.



⑥ P.T. FOSTER ELECTRIC INDONESIA



⑦ FOSTER ELECTRIC (Bac Ninh) CO., LTD.



⑧ FOSTER ELECTRIC CO.,(HEYUAN) LTD.



⑨ FOSTER ELECTRIC CO.,(CHONGZUO) LTD.



⑩ FOSTER ELECTRIC CO., (GAOZHOU) LTD.

⑪ MYANMAR FOSTER ELECTRIC CO., LTD.

⑫ FOSTER ELECTRIC (QUANG NGAI)CO.,LTD.



# Foster Group's CSR

We consider our CSR as fulfilling corporate social responsibilities by enhancing our corporate value while increasing the satisfaction of our stakeholders.

## CSR Activities of the Foster Group

Foster Group has maintained its company creed, "Sincerity" and three mottos; "Customer satisfaction through manufacturing of products with low price and excellent quality," "Life of employees based upon trust and cooperation" and "Stability of company and social contribution" which were established as its corporate philosophy in 1958 and represent the indispensable for the society and is always on the growing trend.

Although expressions of these three mottos have been adjusted as necessary over time, for more than half a century since its inception, the essence of the CSR of the Group has been reflected in its operational process and practice to date.

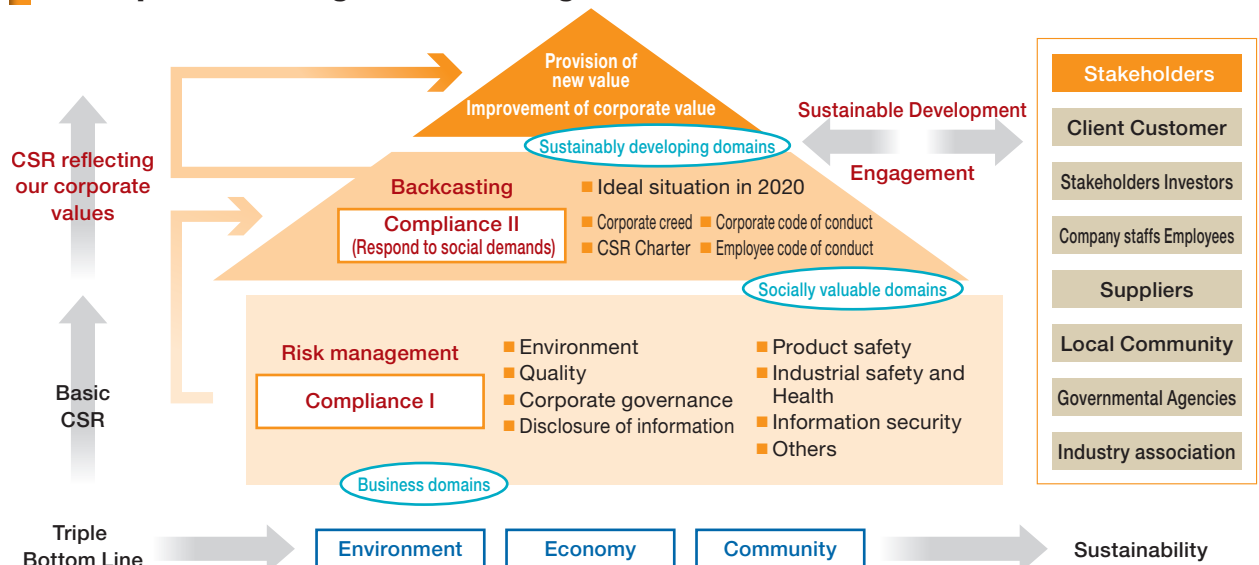
We understand that the CSR (Corporate Social Responsibility) or the CSR Management (operation of a

company) that fits the Group means "to concentrate on its core business based on its corporate philosophy for the purpose of sustainable development of a company as a global corporation and to fulfill its social responsibility of a company by enhancing its corporate value while leveling up the satisfaction of stakeholders not only in terms of finance but also in the midst of harmonious interrelationship between environment and society."

In order to achieve such objective, from the global point of view, the Foster Group and all of us directors, officers and employees hereby declare that we will engage in the "corporate activities with sincerity" as follows:

1. Stand on the company creed that is a corporate philosophy,
2. Behave ourselves in accordance with the "Foster Group Corporate Action Guideline" that should be complied with as a company and the "Foster Group Code of Conduct for Staffs" that every one of directors, officers and employees of the group should abide by.
3. We regard variety of stakeholders including customers, employees, shareholders and investors or local community as the subject of CSR and pay respect to diversified sense of value, culture and economic, environmental or social circumstance that vary depending on countries or areas.
4. We engage in various CSR activities that refer to not only compliance with laws and orders in and out of Japan, internal regulations or international rules but also compliance with corporate ethics, security of product quality and safety, environmental protection, improvement of working environment, employment and nurturing of human resources, respect for human rights, fair competition, contribution to society and community and proper payment of tax.
5. We make much of risk control, timely and proper disclosure of information and accountability, transparency and dialogue with stakeholders that support the reliability of CSR.
6. Foster Group clearly identifies company representative[s] responsible for ensuring implementation of the management systems and associated programs in order to comply with this CSR Charter. Designator by management reviews the status of the management system on a regular basis.

## Conceptual Drawing of CSR Management





## EICC Code of Conduct –The standards for our CSR activities

Including the CSR Charter, the Group has three internal regulations that define its CSR activities. Although they reflected the trends at that time, they were fully renovated in 2010 to reflect the current times and a global perspective.

At the same time, we compared various global CSR standards and adopted the EICC\* Code of Conduct, which was established by U.S. Electronic Industry Citizenship Coalition, Incorporated, as our basic policy, considering its global versatility and universality.

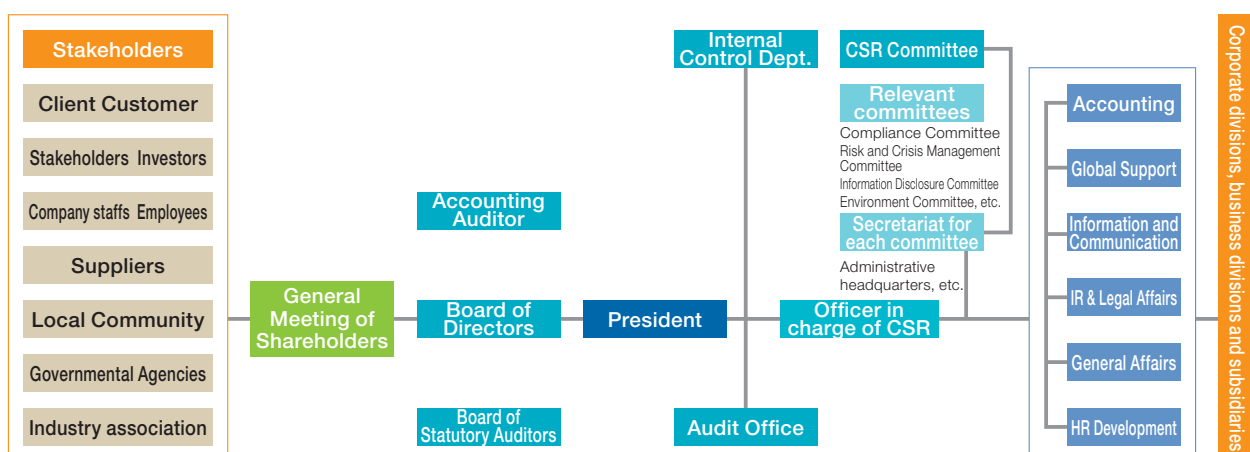
Furthermore, the Company added items originally established in order to reinforce the Foster Group's CSR management.

\*Electronic Industry Citizenship Coalition

## Goals of our CSR activities

The Group's CSR goals to reach by 2020 are set for the following nine fields in which we are involved on a Group-wide basis: 1) Compliance; 2) Environment; 3) Corporate Governance; 4) Information Disclosure; 5) Labor, Safety and Hygiene; 6) Employment and Human Resources; 7) Information Security; 8) Personal Information Protection; and 9) Response to Conflict Minerals. To ensure the achievement of the goals, short-, medium- and long-range follow-up is conducted on the progress of the CSR activities in each field.

## Foster Group CSR System



## CSR promotion systems, etc.

The Group has two types of CSR promotion systems. The first such system is described below and consists of a corporate governance system and CSR-related committees that lead the corresponding CSR activities across the different business functions.

Members of the secretariats for these committees comprise the core part of the CSR committee at the headquarters and they promote the CSR activities at the headquarters. In addition, a person who leads the promotion of CSR activities is placed at each of the Group's overseas business locations.

The second system for CSR promotion is risk management. To address an increasing number of the Group's production facilities in promoting CSR activities, any measures that can be shared across different fields of business activity of the Group, including overseas facilities, are essential. To work out such measures, it is important to identify the degree of compliance to the requirements of the internal CSR regulations. Until now, the identification of CSR risks has been conducted at the headquarters, but it is going to be globally conducted, including at the overseas business locations.

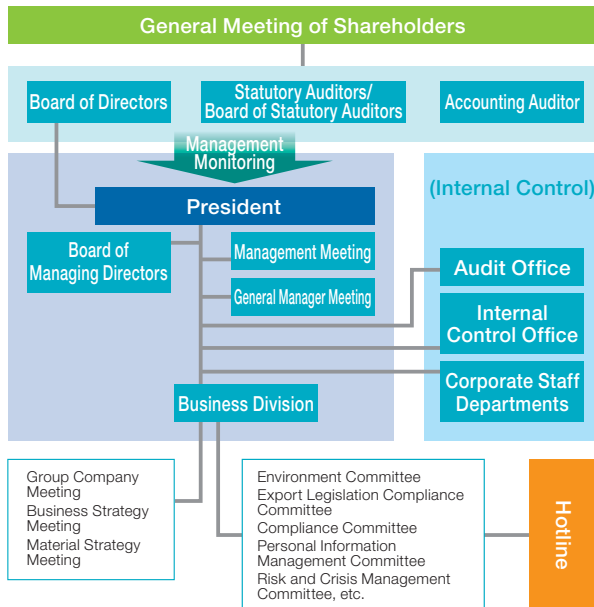
# Management System

The Foster Group will strive to remain a sustainable enterprise the continuation of which is strongly desired by society by promoting environmental activities and exercising strict quality control and risk management, as well as by maintaining discipline and fulfilling responsibilities in the course of business operations and continuing social contribution activities.

## Corporate governance

To maximize our corporate and shareholder values, we aim to establish a fair and sound corporate management system and a managerial structure that enables quick and correct decision making to accommodate an ever-changing business environment and the execution of appropriate and legitimate business operations. Currently, the Company employs a management and auditing system comprising 7 Directors, including 3 outside Directors, and 3 Auditors. To help facilitate decision making, the upper limit number of Directors has been reduced considerably from 18 to 12.

At the same time, we introduced the officer system to further increase the efficiency of business operations.



## Compliance

The Group emphasizes compliance as a core element of its CSR philosophy and therefore has a compliance program for all Group companies. Under the program, each company's CSR-related department prepares and uses checklists to ensure compliance with the three main internal CSR regulations revised at the end of 2010. Confirmation of compliance based on these checklists already has been completed at the Company's headquarters, and such efforts have now been introduced by the Company's subsidiaries at home and abroad. Visualizing the status of compliance in this way will greatly contribute to expanding awareness of compliance, and help influence a change in mindset on an organizational basis.

Among various compliance issues, the Company emphasizes compliance with the internal control requirements of the Financial Instruments and Exchange Act—which are referred to as the J-SOX requirements. At many domestic and overseas business bases held by the Company, we plan to expand the testing function of operational processes.

## Risk management

Business operations carry various forms of risks. These risks must be addressed appropriately to ensure a stable corporate management. The Company has set the internal rules for risk management and designated a committee in charge of application of those rules, thereby addressing various risks.

In 2012, we moved to a new head office building, which has stronger earthquake resistance than our previous one. In addition, we implemented various countermeasures against possible risks by relocating the power generator and reinforcing various security measures. Continuing to implement these risk management efforts will surely lead to the trust of our stakeholders.



## Information security

We address the following two concepts to protect private information and ensure information security.

1. Prepares a protection system and ensures prompt responses to incidents as soon as they occur.
2. Heightens employees' sense of ethics and security consciousness.

The Group considers protecting private information and ensuring information security as issues of risk management. Being attentive to these issues, we aim to boost our corporate value and ensure a corporate culture that allows customers to initiate a business relationship with us without anxiety.

The Group will continue to address the following three issues in fiscal 2014, with a particular focus on the acquisition of the ISO27001 certification by 2015, with application by our overseas business locations starting in 2020.

1. Enhance the infrastructure for information protection and promote implementation thereof on a Group-wide basis toward the acquisition of the ISMS certification.
2. Spread information security on a global basis.
3. Enhance the Group's Business Continuity Plans (BCPs).

# With Our Communities

The Group will seek to build the trust of community stakeholders through various activities to live and grow together with residents in local communities.

## Employees' donations via local contributions

All employees of the Group make donations, for which an equal amount is matched by the Company, to the local welfare center.



## Cleaning activities

We conduct cleaning activities called "Mini-Clean Activity" as part of our local community volunteering program.

## Protection against local disasters and crime

Foster Electric cooperates in the "Anti-Terrorism Partnership, Tokyo" campaign and works to enlighten local people for minimizing disaster, fire and traffic accidents during the fire prevention and traffic safety campaign periods in the spring and autumn. In the aspect of disaster prevention, the Company established a self-defense fire brigade, which strives to improve its fire equipment-handling techniques and disseminate disaster-prevention awareness. Our fire brigade won the championship in the two-person parallel-running field at the Self-Defense Fire Fighting Competition 2013.



## Involvement in local communities

Foster Electric is active in conducting various environmental preservation activities including participation as a member of the Akishima Eco-Friendly Companies Network, financial support to the Akishima Society of Commerce and Industry, the Akishima Sightseeing & Town-Building Association and the Akishima Local Performing Arts Association and participation in the Akishima Industrial Festival to promote vigorous exchanges with local communities. In addition, Screen Music-no Utage, a music festival sponsored by Foster Electric, has been highly acclaimed by local residents. Furthermore, Foster Electric opened KOTORI Hall after acquiring the naming rights to the Akishima Community Hall in April 2014.



KOTORI ホール  
＜ 昭島市民会館 ＞



# With Our Employees

The Group's personnel philosophy is to be a company that ensures its employees to have "Easy-to-work" and "Rewarding" working conditions.

## Diversity and Inclusion

Under our labor-management trust and mutual cooperation, we address creating easy-to-work worksites by taking the initiative in reviewing our work styles, promoting a work-life balance, enriching welfare schemes/benefits and improving working conditions.

For example, the headquarters building, which was conferred the Good Design Award 2013, is designed to locate appropriate spaces such as a free-address office area, meeting/reception spaces, a cafeteria and a refreshing corner in a bright and open space to encourage natural communications among employees. This kind of environmental arrangement is based on our policy that more creative achievements can be pursued from freewheeling thinking.

Meanwhile, aiming to become an attractive company that provides working environment for the self-realization of every employee, we are working to streamline personnel management schemes from the perspective of diversity.

For the Group, which has many overseas bases where communications are routinely exchanged among employees of the Group companies in different countries, the corporate culture naturally accepts and utilizes diverse values.

Taking advantage of this valuable strength in promoting diversity, we endeavor to meet our stakeholders' expectations.



# With Our Customers

The Foster Group promotes and develops quality assurance activities group-wide based on FOSTER TQM (Total Quality Management).

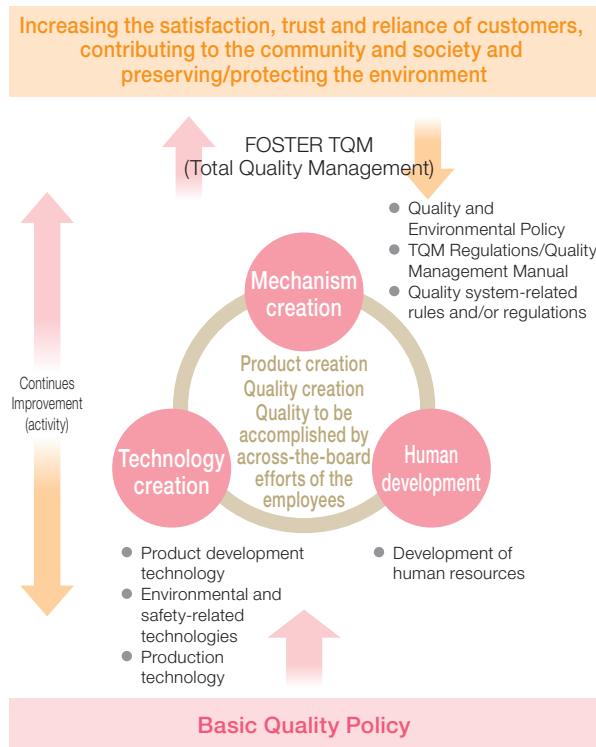
## Our Activities and Initiatives for Quality Assurance

Based on its customer-oriented and customer-focused philosophy, the Group aims to deliver products that satisfy customers' expectations and requirements, respect safety and the environment, and have high quality that can earn the trust of customers as the basis of its quality assurance.

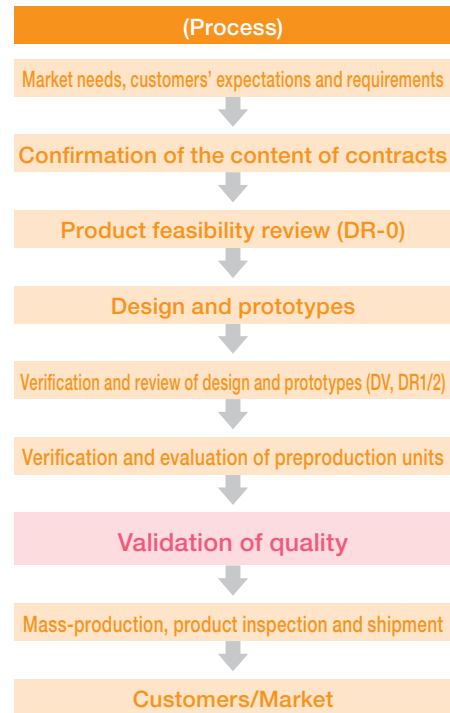
In addition, under the Basic Quality Policy, we at the Group continue to make concerted efforts to further improve quality and enhance customer satisfaction by continuously executing ongoing kaizen (improvement) activities.

## Framework and system of Our Quality Assurance Activities

● Framework of our activities for quality creation and quality assurance:



● Structure (Major processes) and mechanism of our quality assurance activities:



Note: DR-0: Product feasibility review DV: Product design verification DR1/2: Product design review

## Foster TQM and Quality Management System

As for the quality management system of the Company, quality assurance and management activities have been innovated and developed under its customer (quality)-oriented and customer (quality)-focused philosophy of orientation to and emphasis on quality since the Company's foundation.

In 1975, to meet the requirements of the Japanese and global markets and customers, we formulated the Total Quality Control (TQC) Regulations to realize our orientation to and emphasis on quality, in accordance with the philosophy of FOSTER Total Quality Control (TQC). In May 2006, the aforementioned TQC Regulations were upgraded as the Total Quality Management (TQM) Regulations, which have been the basic quality guideline

for us to further uphold total quality management and quality assurance activities.

Since 1998, we have implemented and developed the quality assurance (system) standards (QS-9000) that were set out by the "Big 3" U.S. automakers (GM, Ford and Chrysler) including the ISO9001: 1994 and all the Group companies successfully acquired the certification from third-party registrars.

In 2004, all the Group companies implemented the ISO/TS 16949, which is an international quality standard based on the ISO9001: 2000 quality management system and an upgrade of the QS-9000 standard. All the Group companies have acquired certifications for the ISO/TS 16949 from third-party registrars.

# With Our Business Partners

We are sustained by various relationships with business partners that excel in quality, delivery time, product pricing, environmental responses and/or CSR. The Group will establish sound relations with its business partners in accordance with the "Basic principles of procurement" set out by Foster Electric.

## Basic principles of procurement:

To extend our business on a global scale, we at the Foster Group are resolved to fulfill our social responsibilities within the supply chain including our business partners and us as described below.

- 1. To observe laws, regulations and social norms**  
We observe the laws, regulations and social norms applied in the country and region in which we are conducting business.
- 2. Fairness and impartiality**  
We build mutual confidence by giving the highest priority to fairness and impartiality under an open-door policy.
- 3. Green procurement**  
We procure only those articles that are friendly to the environment.
- 4. Confidentiality**  
We control all the information acquired in the course of trading activities under strict control rules.
- 5. CSR procurement**  
We promote the Foster Group's CSR procurement under the rules concerning labor, human rights, safety and health, as well as ethical behavior.
- 6. Focus on quality, delivery time and stable supply**  
Quality, delivery time and stable supply are focused on in order to meet our customers' needs.

## Communications in global procurement

We strive to have opportunities for communication to establish better relations with our business partners.



Briefing meeting for procurement in 2013 (Guangdong, China)



Briefing meeting for environment and CSR in 2013 (at the headquarters, Japan)

# With Our Shareholders·Investors

The Group strives to provide its shareholders and investors with swift and precise information disclosure and establish an appropriate communications system that responds to their respective nature of business.

## Timely and appropriate information disclosure

We endeavor for swift and precise disclosure of necessary information to our shareholders and investors so that they can deepen their understanding of the management circumstances of the Foster Group.

## Roundtable conference for shareholders

Foster Electric holds a roundtable conference for shareholders every year after the close of the general meeting of shareholders. We answer questions from the shareholders present, on the spot, concerning our products exhibited at the venue of the meeting.

## Basic dividend policy

The Group's key management task is to increase its corporate value. At the same time, the Group's basic policy on the distribution of dividends is to raise shareholders' interests in a comprehensive manner while maintaining a harmonious balance of performance-based distribution of profits with the increase in retained earnings from a long-term viewpoint.



Business Report



General meeting of shareholders/  
Exhibition of products

# Environmental Activity Report

The Foster Group addresses diverse environmental activities as a significant task in its business activities in pursuit of producing eco-friendly products in parallel with strengthened efforts to increase stakeholders' satisfaction.

## Environmental Philosophy

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

## Environmental Policy

### Foreword

In pursuit of harmony with the environment as a top issue in business management, people of Foster Group give priority to ecofriendliness in various fields of corporate activities.

1. We conserve the global environment by promoting resource and energy saving in product development and design.
2. We prevent contamination and reduce CO<sub>2</sub> 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.

## ● Environmental Management

Foster Group promote to acquire ISO 14001 certification at major factories worldwide for environmental management.

### Management of chemical substances

We provide safe products and manage chemical substance to prevent to leak any kind of hazardous substance against environment and human health. We have settled a selfcontrol target in 1997, for reducing environmental hazardous substance and abolition of certificate substance.

### Compliance with environmental law

Foster Group searches the information about revisions and promulgation of environmental law. We announce them among group companies and keep monitoring and measuring for compliance. We are also compliant to customers' request that we accepted.

### Prevention of global warming

We take measures against emission of carbon dioxide and improve efficiency of product process, air conditioning and usage of energy resources.





## Energy Management

The Foster Group recognizes the necessity of appropriate measures against global warming and engages in reducing CO<sub>2</sub> emissions toward the achievement of medium-term target while monitoring those emissions from our business locations.

### Medium-term target for the reduction of CO<sub>2</sub> emissions

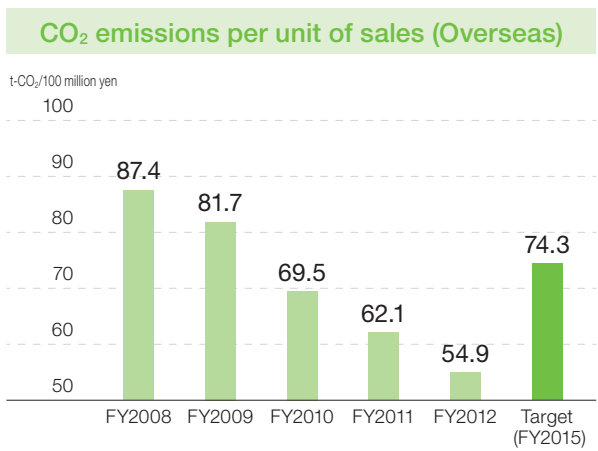
To reduce CO<sub>2</sub> emissions by 15% per unit of sales in fiscal 2010-2015 compared with fiscal 2009 as the reference year

The greenhouse gas emitted from the Group's business activities is CO<sub>2</sub> from energy sources. Every production base, therefore, addresses energy-reduction activities to reduce the use of electricity, which is the main energy factor behind gas emissions.

Following the previous fiscal year, we continued to work during fiscal 2013 to restrict the use of electricity at each production base. Consequently, we achieved a 11% year-over-year reduction in CO<sub>2</sub> emissions by maintaining the reduction trend that has been in place since fiscal 2010.

The Group has stressed increasing overseas production bases to strengthen our manufacturing system. When launching a new production base, we aim for the early stabilization of product quality and the establishment of an optimum production system that eliminates the wasteful use of input resources (e.g., energy, materials).

At present, major targets of monitoring CO<sub>2</sub> emissions are direct emissions resulting from the use of fossil fuels and indirect emissions represented by electric power inside of our companies. We intend to raise the precision level and increase the relevant data in view of such aspects as "CO<sub>2</sub> emissions by using parts and materials," "CO<sub>2</sub> emissions during the transport of products" and "CO<sub>2</sub> emissions due to dispatching employees on business trips."



## Management of chemical substances

The Group has set forth its autonomous management standard, on which applicable laws/regulations and customers' requests are reflected, for handling environmentally hazardous substances contained in its products to minimize their impact on

the environment. We eliminate any controlled substances from our products via eco-friendly procurement and management of necessary parts and/or materials purchased.

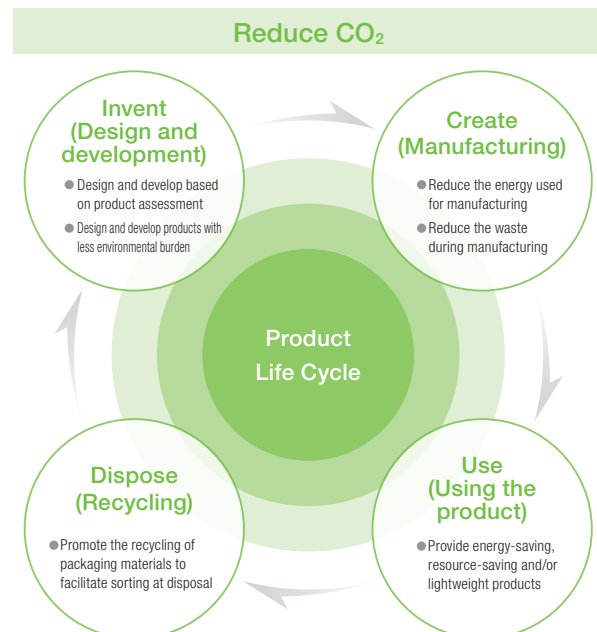
Based on the aforementioned scheme, we have established an optimum management system for the efficient search and collection of information about chemical substances that are contained in parts and materials and precise communication of information necessary in the supply chain. We have taken all possible measures to make doubly sure that we miss nothing to cope with annually added chemical substances that need to be monitored in accordance with the EU's RoHS2.0 Directive and the REACH regulations, which were implemented in 2013. In addition, to ensure communications of related information, we provide our suppliers with briefing meetings every fiscal year primarily at our overseas bases. In fiscal 2013, we monitored 48 substances as controlled substances and banned 25 heavy metals such as lead, cadmium, mercury and hexavalent chromium and related compounds from use. Our products, therefore, are completely free from these chemical substances.

In compliance with the trend of legal regulations and/or customers' requests, some of our products are manufactured free from Halogen (chlorine, bromine compound) or phthalate ester, etc.

## Eco-friendly design

The Group has established a life-cycle assessment of products by taking into account the procurement of raw materials, as well as the manufacturing, use and disposal of products. We evaluate the effects of our products on the environment, and then design, develop and provide products with the least possible environmental burden.

We provided more than 180 eco-friendly models, mainly for in-vehicle use, in fiscal 2013.



## Activities to reduce the environmental burden (Domestic)

We assume that energy consumption, water consumption, CO<sub>2</sub> emissions and waste discharge are the major factors relative to the environmental burden that accompany our business activities.

The total floor area of the headquarters in Japan has increased as a result of moving to a new company building in November 2012. We endeavor to maintain the previous levels of the burden by monitoring monthly data.

We aim to create more eco-friendly products by monitoring the environmental burden and practicing various actions to realize further reduction of the burden.

Input	
Electricity	2,400MWh/year
Fossil fuel (heavy oil)	0kl/year
Water	12,064m <sup>3</sup> /year

Our business activities

(Development/Design/Sales)

Output	
CO <sub>2</sub>	1,050t-CO <sub>2</sub> /year
Waste	249t/year

## CO<sub>2</sub> emissions (Domestic)

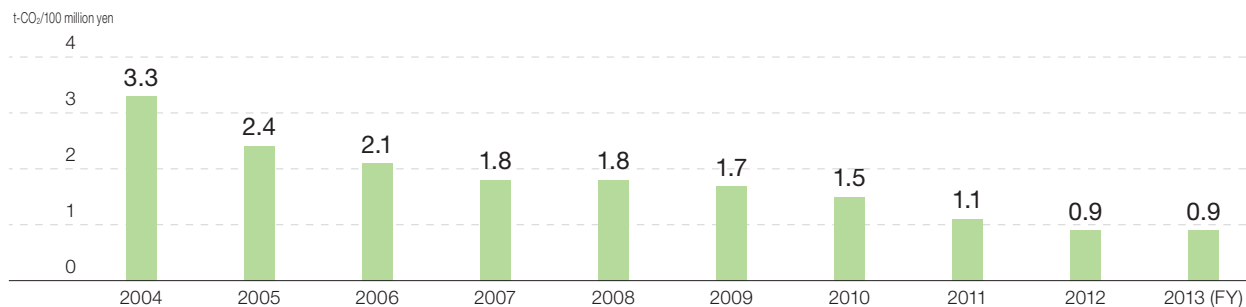
The headquarters of Foster Electric moved to a new company building in November 2012, thereby changing considerably the environment of energy consumption. In the summer of 2013, the implementation of an ice thermal storage air-conditioning system\*<sup>1</sup> improved cooling efficiency, realizing a peak cut in the daytime use of electricity. In addition, through the use of only electricity as a heat source without consuming fossil fuel (heavy oil), we could considerably curtail the increase in electricity consumption via enhanced

temperature management. Consequently, we continued to maintain the reduction trend seen in fiscal 2013.

In the future, we will further contribute to the reduction of CO<sub>2</sub> emissions by identifying and eliminating specific, the wasteful use of power by additionally utilizing demand data.\*<sup>2</sup>

1. A system to use the cold during the daytime, which was produced from the ice made and stored during the nighttime.
2. Graphed data of the maximum electricity used, which has been recorded over 24 hours for the respective 30-minute periods from each hour sharp and 30 minutes past each hour.

## Changes in CO<sub>2</sub> emissions per net sales unit (Domestic)



## Environmental accounting (Domestic)

We adopted an environmental accounting system in fiscal 2003 to present supportive economic evidence for environmental initiatives. The costs are tabulated in accordance with the Environmental Accounting Guideline 2005, which was revised and published in 2005 by the Ministry of the Environment of Japan.

The purpose of implementing the environmental accounting was to quantitatively monitor various costs incurred in association with environmental activities, improve efficiency thereof and conduct proactive information disclosure so that we can be a company truly trusted by society.

(Thousands of yen)

Category	Description of major activities	FY2013		FY2012	
		Invested amount <sup>1</sup>	Cost amount <sup>2</sup>	Invested amount <sup>1</sup>	Cost amount <sup>2</sup>
1. Costs inside our business area		0	27,621	0	14,827
(1) Pollution control costs	Air and water control-related prevention countermeasures	0	864	0	184
(2) Global environmental conservation costs	Prevention of global warming, as well as energy-saving measures	0	325	0	1,404
(3) Resource circulation costs	Waste disposal and recycling	0	26,432	0	13,239
2. Management activity costs	Environmental education and the establishment of an environment management system	0	9,287	0	1,497
3. R&D costs	Research and development	0	1,370,356	0	1,378,270
4. Social activity costs	Tree planting	0	243	0	0
5. Total		0	1,407,265	0	1,394,594

Notes: 1. "Invested amount" refers to equipment investments for the purpose of environmental conservation.

2. "Cost amount" refers to personnel and miscellaneous expenses/costs incurred for environmental conservation activity.



## Reducing waste

In line with the moving of the headquarters in November 2012, Foster Electric implemented several complex copier/scanner/facsimile machines and has considerably reduced the volume of paper used via a transfer to the computerization of information by promoting “a shift to an electronic work flow for the slip issuance operation” and the “computerization of personally held documents.”

We also endeavor to reduce waste volume by using longer product life LED lighting devices adopted at several locations.

Moreover, in the R&D departments, waste was previously produced by actually assembling prototypes. Now, we work to reduce the waste volume by repeatedly verifying the relevant processes in a virtual space that take advantage of 3D-CAD systems in the product design field.

## Promoting the recycling of resources

At the headquarters of Foster Electric, we suspended the use of separate trash boxes exclusively for employees, which had been conventionally placed for them. Currently, employees are requested to bring to and sort individual trash or waste at the recycling center located on each floor. With this measure, we are aggressively promoting the recycled use of disused articles while nurturing a sense of recycling among our employees.



## Adhesive-free speaker unit

- Regarding eco-friendly product design, we focused on developing an adhesive-free bonding technology by reviewing the structure and materials for the parts that had been adhesive-dependent.
- The adhesive-free technology brings advantages such as hazardous VOCs\* reduction and labor cost reduction for the assembly of speakers.

\* Volatile Organic Compounds



## Lightweight speaker for in-vehicle use

- We developed a lightweight speaker, which is optimum for next-generation, eco-friendly vehicles such as electric vehicles (EVs). We reduced by more than 20% year over year the weight of the speaker, which is 17 cm in diameter and weighs as little as 190 g, while restricting the suppression of its sound pressure level, a fundamental performance for speakers. Its advanced design has taken into account reducing overall CO<sub>2</sub> emissions from vehicles.
- Its frame is made of a specific polypropylene (PP) material. We have succeeded in reducing the frame weight while maintaining practical strength through profile optimization.
- We use adhesives that do not contain harmful solvents in view of reducing the volume of VOCs remaining inside the passenger cabin of vehicles.
- Diaphragms and center caps, which are made of recyclable paper, also have the high waterproofing required for speakers for in-vehicle use.



## Headphones and head sets

Also for headphones and head sets, we have been active in incorporating environmental considerations in our product and/or process design. As for the reduction of substances in our products that present an environmental burden, we respond to the most up-to-date information regarding country-specific legal requirements and the RoHS2 to promote proposals to our customers and dissemination to all the Group companies. We have reduced energy consumption in manufacturing and the volume of raw materials that would be disposed of as waste. In addition, we have continuously moved ahead with measures, such as minimizing the volume of waste materials, the reuse of raw materials by introducing new equipment and product development using natural materials. We also address the manufacture of more eco-friendly products with less use of solder and/or adhesives.

