

A C O U S T I C

S O L U T I O N

P A R T N E R



**CORPORATE REPORT 2015**  
PROFILE & CSR

2015  
FOSTER  
ELECTRIC

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## Top Message

# Foster will contribute to future society and deliver products that resonate with

# through acoustics, people around the world.



### 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 loved by our various stakeholders by maintaining a consistent spirit of doing business for society and people based on our corporate creed of "sincerity."

*Omi Shonin*, or merchants from the Mikawa region (currently Aichi Prefecture), used to say that in business you should have "three goods"—good for the seller, good for the buyer and good for the 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 "To make contributions for future society through acoustics," we aim to be a corporation that has a shining 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 treating all concerned parties of the Company with cordiality. 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 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," that we have adhered to since our establishment.

### Inspire People around the World and become a Company Loved by All

As a specialist in acoustics, we will continue to pursue better quality sound to delight people around the world, and increase music lovers worldwide. Using the analog technology of acoustics, we provide an interface between digital signals and human beings to deliver touching experiences to everyone. Meanwhile, as a corporate entity that associates with society in various ways, we are asked to proactively accommodate to changes in the social environment so that we are welcomed by the community and can achieve sustainable growth.

The Foster Group will continue to maintain compliance and promote environmental activities as part of our CSR, and ensure quality control and risk management, 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.

President **Hiromi Yoshizawa**

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# 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 based on the acoustic technologies that have been constantly refined since its foundation. The touching experiences delivered to people around the world is the proof of Foster's high quality products. Foster will continue to support global customer brands of audio equipment and the end users of our products around the world



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.

## Editorial Policy

- The CORPORATE REPORT 2015 ("the Report 2015") was prepared to comprehensively report the Foster Group's corporate social responsibility (CSR) activities throughout the fiscal year ended March 31, 2015, 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 2015.
- The reporting period of the Report 2015 is from April 1, 2014, to March 31, 2015 (fiscal 2014). The Report also includes statements concerning activities outside the reporting period, including those in fiscal 2015.
- The reporting scope of the Report 2015 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 2015
- Next issue of the CSR report (planned): June 2016
- Contact: Foster Electric Company, Limited  
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## Corporate Profile

### Business Summary

Foster Group was founded in 1949 as a manufacturer of speakers and a specialist of sound. We have supplied a wide range of products and technologies to the world by continually enhancing the acoustic technologies accumulated as a comprehensive manufacturer of acoustic equipment and components from the gateway to the exit of sound.

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

We also offer various digital audio equipment, monitor speaker systems, and hi-fi speaker systems based on our original audio technology, under our own brand, FOSTEX, for professionals and audiophiles. These products are in use at professional studios around 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 the man-machine interface in various fields related to sound by aggressively adopting the newest technologies and acoustic theories, while promoting R&D efforts and introducing eco-friendly materials.

Under the slogan "Sound Around You. There is Foster," the Foster Group makes concerted efforts to satisfy all kinds of customer requirements on sound for "contributing for future society through acoustics."



Headquarters building

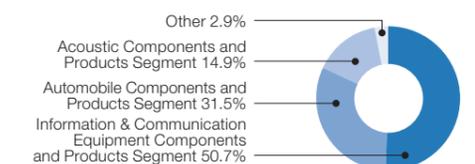
### Company Profile (as of March 31, 2015)

Company name	Foster Electric Company, Limited
Founded	June 20, 1949
Capital stock	¥6,770 million (Listed on the First Section of the Tokyo Stock Exchange)
Number of shares issued	26,931,051 shares
Number of Group employees	55,247 (including the employees of the outsourcee in Guangzhou Panyu, China)
Date of closing accounts	March 31

### Operating Results (for the year ended March 2015)

	(Millions of yen)
	Consolidated
Net sales	189,124
Operating income	9,747
Ordinary income	10,398
Net income	4,858

### Net Sales by Segment



### About the FOSTER CSR Report

The FOSTER CSR Report 2015 was prepared to publicly disclose the Foster Group's CSR activities. 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.

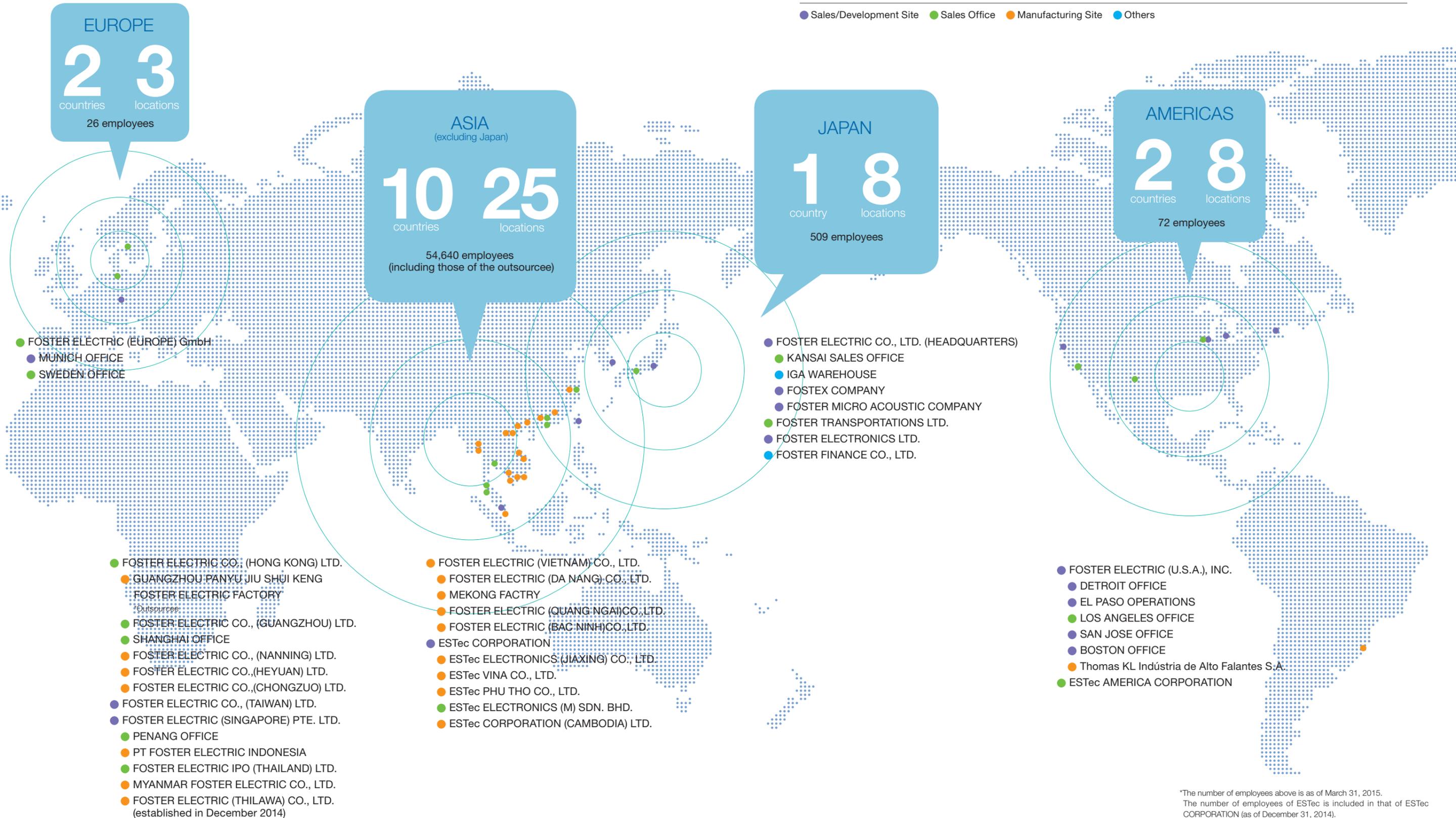
We hope this report will help you better understand the CSR activities of the Foster Group.

# Global Network

Foster's integrated production systems ensure the fulfilment of customer needs.

The Foster Group has a global network with development, manufacturing and sales offices at 44 locations in 15 countries worldwide. Based on its highly advanced and integrated production systems covering the manufacturing of parts to finished products, the Foster Group meets various customer needs, including a shorter period of delivery and efficient cost management, with the highest reliability.

● Sales/Development Site ● Sales Office ● Manufacturing Site ● Others



\*The number of employees above is as of March 31, 2015.  
The number of employees of ESTec is included in that of ESTec CORPORATION (as of December 31, 2014).

# Product Lineup



Since its first launch in the market, Foster's DIY speaker units have enjoyed patronage for more than 50 years. The image above shows the FOSTEX FE103-Sol model marketed in commemoration of its 50th anniversary.



Portable wireless speaker systems for smartphones or tablets connected via Bluetooth/WiFi to play music.



High-end hi-fi speaker systems for playing music with high-quality sound at a high resolution.

Built-in in-vehicle and commercially available speakers and systems that ensure high-quality sound inside automobiles.



Reference monitor speaker systems for adjusting sound at broadcasting stations or elsewhere as professional use.



Built-in speaker units for television sets.

# Headphones

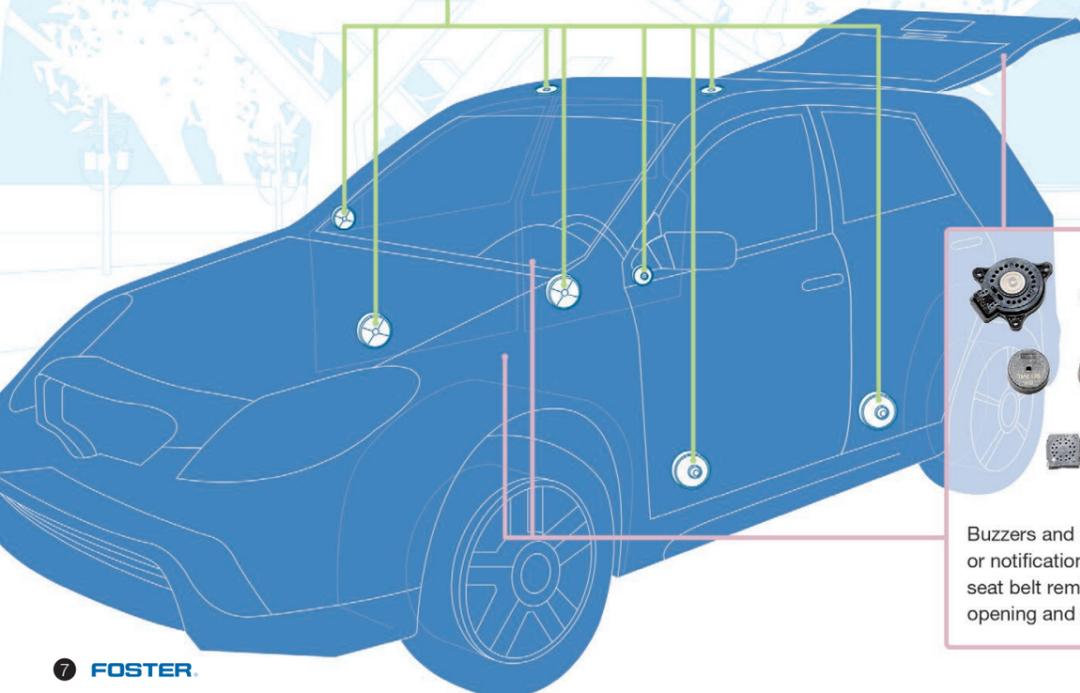
Headphones and earphones, for enjoying music played with high quality sound at a high resolution with smartphones or tablets, are produced on an OEM basis or with our consumer brand, KOTORI. Available online at <https://kotori.fostex.jp/>



Built-in small speaker units and systems for smartphones, tablets and PCs.



# Car Audio

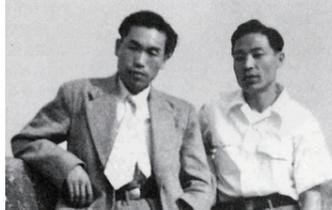


Buzzers and speakers used as alarms or notifications. Direction indicator for cars, seat belt reminder, and notification for opening and closing of doors, etc.

# Foster History

## 1949

**1949**  
Mr. S. Nishimura and Mr. H. Shinohara established Shinano Onkyo Institute in Shibuya, Tokyo, to start manufacturing speakers.



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



Our first 3.5-inch speakers were shipped.



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

## 1953

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

## 1955



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

## 1959

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

## 1960

**1960**  
Constructed the Akishima Factory.

**1962**  
Started the manufacturing and sales of microphones.

**1962**  
Listed the Company shares on the Second Section of the Tokyo Stock Exchange.

**1964**  
Started the manufacturing and sales of headphones.

**1965**  
Established Foster Electric Co., (Hong Kong) Ltd.



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

## 1966



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

Started the manufacturing and sales of audio amplifiers and tuners.

## 1969

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

## 1970

**1970**  
Established Foster Transportations Ltd.

## 1971



Dynamic wireless microphone MWF-2

## 1972

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

## 1973

Established Foster Electric (Europe) GmbH in West Germany.

## 1974



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

## 1976

Established Foster Electronics Ltd.

## 1978

Jointly developed micro motors with Philips and started the production.

## 1980



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

## 1982



Started the shipment of in-vehicle speakers for GM Delco.

## 1985



Released various data converters using audio signals.

## 1986

Merged with Tonegen Co., Ltd.

## 1987

Started manufacturing speakers in the United States.

## 1988

Started operations of the Guangzhou Panyu Jiu Shui Keng Foster Electric Factory.

## 1990

## 1991

Established P.T. Foster Electric Indonesia.

## 1992

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



Speaker/speaker system using the "Biodyna" diaphragm.

## 1994

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



## 1997

Opened the Detroit Office in the United States.

Established a logistics center in El Paso, Texas, U.S.A.

Established a factory in Bintan, Indonesia.



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

## 1999

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

## 2000

## 2000

The Company headquarters acquired the ISO14001 certification.

## 2001

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

## 2002

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

## 2003

Merged with Fostex Corp.

## 2005

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



## 2006

Established Foster Electric (Vietnam) Co., Ltd. Established Foster Electric Co., (Changzhou) Ltd., in China.

Opened the San Jose Office in the United States.



Closed-type biocellulose headphones

## 2007

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

## 2008

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

## 2009

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

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



## 2010

## 2010

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

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

## 2011

Net sales for the year ended March 2011 reached 100 billion yen.

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

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

## 2012

Established Myanmar Foster Electric Co., Ltd.

Headquarters moved to Tsujigakoa, Akishima City, Tokyo.

## 2013

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

## 2014

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



Micro acoustic equipment

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



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

## 2015

Net sales for the year ended March 2015 reached 180.0 billion yen.

# CSR Management

We fulfill our corporate social responsibilities by enhancing our corporate value while increasing the satisfaction of our stakeholders.

## CSR activities of the Foster Group

Since its foundation, the Foster Group has aimed to become indispensable for the society, and continued our growth. Along with its corporate creed "Sincerity," the Group initially presented three mottoes as its corporate philosophy: "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." For more than half a century since its foundation, the Group has maintained the essence of these mottoes in its spirit of CSR, as well as the corporate creed "Sincerity," which has stayed unchanged to date.

We express the notion of CSR, or CSR management, for the Foster Group as follows.

- To concentrate on its core business based on its corporate philosophy for the purpose of sustainable development as a global corporation.
- To fulfill its social responsibility by enhancing its corporate value while increasing the satisfaction of stakeholders not only in economic terms but also via the harmonious interrelationship between the environment and society.

In Japan, the Corporate Governance Code has been introduced in June 2015, which presents "appropriate cooperation with stakeholders other than shareholders" as one of its general principles. This reflects the ever-increasing social demand for the environmental, social and governance (ESG) activities of a business entity. 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 seek greater corporate value by addressing the needs of our stakeholders in the most appropriate way.

## CSR Charter

1. Stand on the company creed that is our corporate philosophy.
2. Act in accordance with the "Foster Group Corporate Action Guidelines" that should be complied with as a company and the "Foster Group Code of Conduct for Staff" with which all directors, officers and employees of the group should abide.
3. We regard the variety of stakeholders including customers, employees, shareholders and investors or the local community as the beneficiaries of CSR and pay respect to the diversified values, culture and economic, environmental or social circumstances of each country or area.
4. We engage in various CSR activities that refer to not only compliance with laws and orders inside and outside Japan, internal regulations or international rules but also compliance with corporate ethics, the security of product quality and safety, environmental protection, improvement of the working environment, the employment and nurturing of human resources, respect for human rights, fair competition, contributions to society and community and proper payment of taxes.
5. We make much of risk control, as well as the timely and proper disclosure of information and accountability, transparency and dialogue with stakeholders, to support the reliability of CSR.
6. The Foster Group clearly identifies the company representatives responsible for ensuring the implementation of the management systems and associated programs in order to comply with this CSR Charter. A party designated by management reviews the status of the management system on a regular basis.



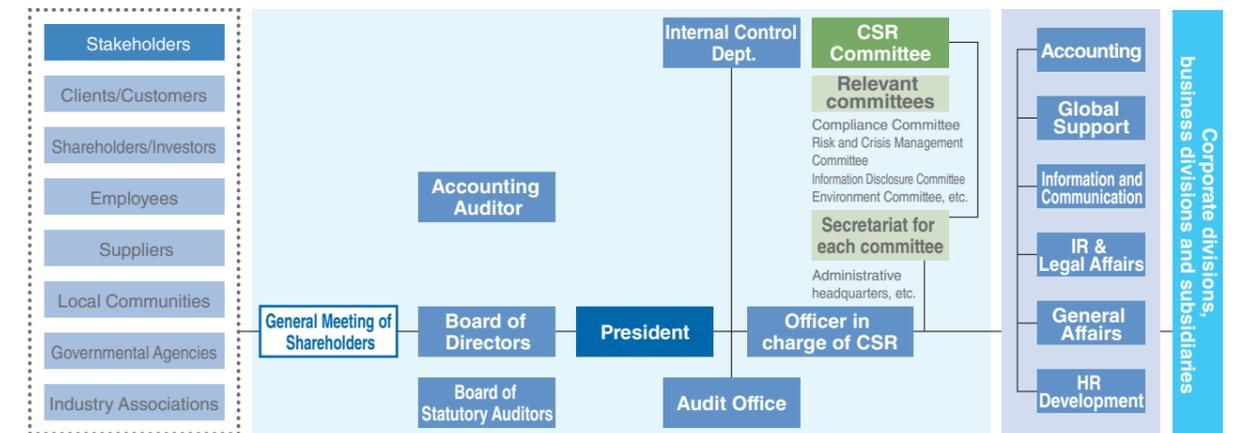
**Tatsuhito Tanaka**  
Officer in charge of CSR

## Organization for Promoting CSR Activities

The Foster Group's organizational structure for promoting CSR activities is shown in the Foster Group CSR System diagram below. At the headquarters, there is the CSR Committee with representatives of related sections as core members. CSR Committee

Meetings are held monthly to ensure the Group-wide collaboration of CSR activities both at the headquarters and the Group's overseas business locations, each of which has an appointed person responsible for the promotion of CSR activities.

### Foster Group CSR Systems



## Our CSR Activities

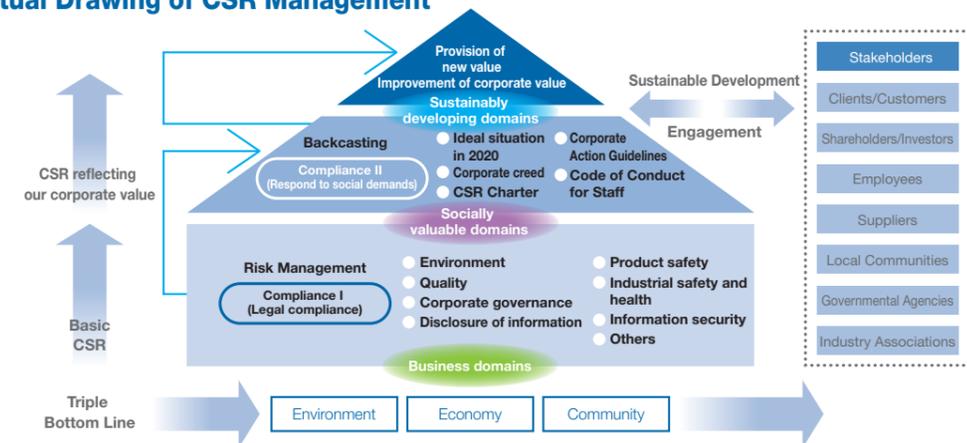
The Foster Group issued the first version of its CSR Charter in 2006, and renovated it in 2010 by reflecting a global perspective. At the same time, we reviewed various global CSR standards and adopted the EICC\* Code of Conduct, which was established by U.S. Electronic Industry Citizenship Coalition, and incorporated as our basic policy in consideration of global versatility and universality. Items originally set

out by the Company also have been added to the Code for reinforcement of the Group's CSR management.

In addition to these efforts, we will implement CSR activities in compliance with the ISO26000 standard in fiscal 2015.

\*EICC: Electronic Industry Citizenship Coalition

## Conceptual Drawing of CSR Management



## Customer Audits

To meet various requests from customers, the Foster Group accepts audits by customers at its manufacturing sites. In terms of environment, and occupational safety and health, our production facilities in China and Vietnam received 25 audits by six corporate customers during the period from January 2014 to March 2015.

We will continue to promote attention to environment and safety in our manufacturing practices and address the requests from customers with sincerity.



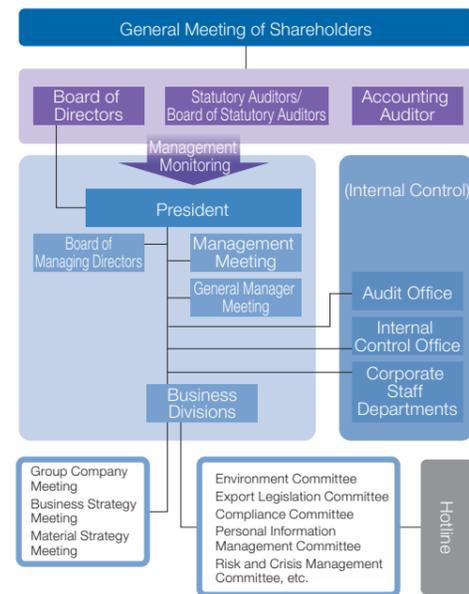
External view of the factory in Vietnam

# Management Structure

The Foster Group will strive to remain a sustainable enterprise for the continuation of which is strongly desired by society and ensuring a solid management structure.

## 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 proper decision making to accommodate an ever-changing business environment and the execution of appropriate and legitimate business operations.



## Structure for Business Execution

### Board of Directors

Meetings of the Board of Directors are held regularly on a monthly basis and whenever necessary to discuss and decide important agendas and business execution concerning the Group's management policies and strategies.

### Board of Managing Directors

The Board of Managing Directors mainly consists of representative directors, managing directors, senior officers and the standing outside statutory auditor. Decisions on the execution of business operations are made after discussions at the meetings of the Board of Managing Directors.

### Management Meeting, etc.

Mainly comprising the president and the general managers of the Company's business divisions (including those who serve concurrently as director or executive officer), the Management Meetings and the General Manager Meetings are held to report and discuss matters concerning the execution of businesses at the business divisions to ensure prompt and unified decision making.

On a Group-wide level, to share the direction of the entire Foster Group and to reinforce collaboration 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. The Global Strategy Meeting is held to discuss direction of the Group.

### Nominating Committee and Remuneration Committee

These committees are designed to enhance the fairness and transparency in selecting the people to assume managerial positions, and determining the details of their remuneration, etc. Each committee consists of representative directors, managing directors, outside directors, statutory auditors, and outside statutory auditors (currently consists of four members including independent officers).

## Information Security

The Foster Group utilizes Information and Communication Technology (ICT) to construct information systems shared across the Group to provide an integrated business system environment for the entire Group, and aiming to enhance the quality and efficiency of business operations.

### Integrated Business Systems for the Foster Group

System Functions	Business Locations/Systems					
	Japan	China	Vietnam	Singapore	U.S.A.	Europe
Management Information	FUSION					
Consolidated Accounting System	Consolidated Financial system					
Enterprise System, Production Control	ERP	ERP	ERP	ERP	ERP	ERP
PDM (product data management), CAD (computer-aided design), technology information, inquiry management PDM/CAD	Felix					
Groupware, workflows, etc.	Process control, Pre-Process, Intranet, e-Mail, etc.					
Global business operations	Business operation system for each					

The Group addresses the following two concepts to protect private information and ensure information security.

1. Establish systems for protection and prompt responses for incident.
2. Improve ethics and awareness of information security for employee.

The Group considers protecting private information and ensuring information security as issues of risk management. Being attentive to these issues, we aim to create our corporate value and ensure a corporate culture for customers to initiate a business relationship with reliance.

The Group will continue to address the following three agendas.

1. Enhancement of the infrastructure for information protection and promote implementation on a global basis.
2. Conduct of risk analyses and plan of concrete preventive measures based on the Group's Business Continuity Plans (BCPs).
3. Assurance of the Group-wide awareness on the information security guidelines.

## Compliance and risk management

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

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

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

For the protection of whistleblowers, internal regulations are established and disseminated to ensure that are treated fairly or not involved in any trouble as a result of their act.

The risk management activities of the Company are focused on predicting risks in advance and taking preventive measures so that such risks will not materialize. Specifically, we have established internal regulations for risk management, and the Risk and Crisis Management Committee to identify risks using a checklist, analyze such risks and promote preventive measures against them 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.

As an example of crisis management measures, the Company's headquarters building was certified as a "Superior Fire Safety Building" in February 2015, making it the 11th

company to be granted said certification in Akishima City, where the headquarters is located. This certification recognizes the Company's efforts and high awareness of disaster prevention.



Ceremony of granting the Superior Fire Safety Building certification by the Akishima Fire Station Chief

## Organization Structure

Compliance and risk management efforts are led by the Compliance Committee and the Risk and Crisis Committee based on the respective internal regulations.

When a large-scale demonstration took place near the Vietnam factory in 2014, the Risk and Crisis Committee was immediately convened to collect information and provide direction for proper actions to take. The demonstration ended without affecting any of the Company's employees and facilities.

### Organization of the Compliance Committee

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



## Employee's voice

I work at the Information Systems Division, and in charge of the operation and maintenance of ERP (Enterprise Resource Planning) systems. In pursuing my duties, we place utmost priority on ensuring the stable operation of the system so that users can securely use the system. We are also proactively making improvements for enhancement of corporate value through cost reduction and enhancing productivity.



## With Our Business Partners

The procurement activities of the Foster Group are sustained by various business partners that excel in technology, quality, delivery time, the stable supply of each product, environmental responses and/or CSR. The Group will continue to enhance sound relations with its business partners and promote global business development.

### Basic principles

To develop our businesses on a global scale, the Company formulated the following basic “Principles of Procurement” involving its entire supply chain including business partners to fulfill its social responsibility.

1. To observe laws, regulations and social norms
2. Fairness and impartiality
3. Green procurement
4. Confidentiality
5. CSR procurement
6. Focus on quality, delivery time and stable supply

Please see the Company’s Web site for further details.  
<http://www.foster.co.jp/procurement/basic.html>

### CSR Procurement

To develop materials procurement activities globally, our entire supply chain requires across-the-board CSR procurement. To this end, we promote CSR procurement by establishing Supplier CSR Guidelines.

### Measures to Address Conflict Minerals

By identifying the issue of tantalum, tin, tungsten and gold and their derivatives produced in the Democratic Republic of the Congo and their surrounding countries being a principal source of funding for the armed forces that are causing atrocities and destroying the environment as a serious CSR issue, we, in cooperation with our business partners, strive to ensure transparency in our supply chain and procure raw materials and parts responsibly.

### Green Procurement

The Company formulated its “Green Procurement Standard” for chemical substances contained in procured parts and raw materials. In line with the standard, the Group strives to procure eco-friendly materials, in compliance with regulations and customer demand.

### Global Communication

In procuring parts and materials in association with the global development of our business activities, our communication with business partners is very critical. To foster mutual understanding and build healthy and sound relationships, we hold briefing meetings regarding procurement, environmental and CSR agendas.



Briefing meeting on global procurement in fiscal 2015 (China)



Briefing meeting on the environment in fiscal 2014 (Vietnam)

## With Our Shareholders

The Group strives to disclose its shareholders and investors with swift and precise information, and establish an appropriate communications system that responds to the nature of our respective business.

### Timely and appropriate information disclosure

We endeavor for the 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. We also provide an English version of financial results of the Group to improve our IR information disclosure.

#### IR briefing meetings

We disclose financial results quarterly pursuant to the disclosure rules set by the Tokyo Stock Exchange. In May 2015, we held a briefing on financial settlements for analysts and institutional investors, where the President and officers of the Company outlined the results of operation and explained our outlook. We plan to hold such a meeting twice a year. The materials used at the meeting are posted on the Company’s website.

For institutional investors, we provide opportunities for individual interviews with management and disclose and collect such information as necessary. The Company has also addressed compliance with the Corporate Governance Code formulated by the Financial Services Agency of Japan and the Tokyo Stock Exchange in June 2015.



Financial results briefing meetings

### General meeting of shareholders

We strive for early dispatch of notice for the general meeting of shareholders and make use of visual materials to more easily explain the content of our businesses. Starting with the general meeting of shareholders in 2015, the Company adopted an electronic voting system through which shareholders can vote via the Internet. After the close of the general meeting of shareholders, a roundtable conference is held with a product exhibition, where shareholders can view our products exhibited at the venue of the meeting and the Company’s management answer questions from the shareholders on the spot—a good opportunity for communication with shareholders.



The 80th General Meeting of Shareholders

### Basic dividend policy

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 while setting the increase of corporate value as management agenda.

To ensure stable profits and an appropriate distribution of profits to shareholders, the Company aims to achieve a dividend payout ratio of 20% or more on a consolidated basis.

#### Employee’s voice

We are aiming for the optimal procurement and steady supply at each business site as well as the Group.  
 (Headquarters)

We are striving daily with an awareness of quality and cost.  
 (Factory in Vietnam)



#### Employee’s voice

In the two years since I joined the Company, I have been engaged in the operation of general meeting of shareholders and the issuance of business reports. The Company has a culture that allows employees without much experience to be in charge of certain operations, therefore I can learn many things through my work. I feel fortunate to have such a good working environment.

Every day is a learning process, and the people around me are supportive. I would like to continue to work proactively to produce rich content to provide information for more shareholders and investors to better understand the Company.



# With Our Employees

The Group's personnel philosophy is to be a company that ensures its employees 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 to review our way of working, promote a work-life balance, enrich welfare schemes and benefits, and improve working conditions.

For example, the headquarters building, which was conferred the Good Design Award 2013, is designed to have a free-address office area, meeting and reception spaces, a cafeteria and a refreshing corner in a bright and open space to encourage open communications among employees. Such a workspace arrangement is part of our initiative based on our policy that freewheeling thinking brings more creative achievements.

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

The Group has many overseas sites where communications are routinely exchanged among employees in different countries, and 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.



Inside the headquarters building

## Supporting the Balance between Work and Child Care

To promote a working environment where employees who are raising young children can work at ease, we have improved our system to support the balance between work and child care.

Such a support system includes a dedicated website designed to help employees fulfill their child care period and to remove concerns about returning to work after the leave, tablet-type information terminals lent to employees for exchanging information with other workers to help the smooth return-to-work.

In addition, a flexible working time was adopted for employees with young children, to improve a flexible working environment. Thanks to these initiatives, we have achieved a 100% in the ratio of employees returning to work after their child-care leave for the past five years.

In 2013, we introduced a "Welcome Back" system to

support the return of previous employees of the Company who had no choice but to retire due to marriage, pregnancy, childbirth, child care, elderly care or transfer of the spouse. In 2014, the Company acquired the next-generation accreditation mark "KURUMIN."



Data on employees who took child-care leave during fiscal 2010 to fiscal 2014

Number of employees who gave birth to a child	Number of employees who took child-care leave	Ratio of those taking child-care leave	Ratio of those who returned to work after child-care leave as of March 31, 2015
23	24 (including one male employee)	100%	100%

## Employee's voice

I belong to the Sales Administration Section of the Mobile Audio Sales Department. In December 2012, I gave birth to my first child and took child-care leave until April 2014. Although I was worried at the beginning about temporarily leaving work and returning to work, such anxiety gradually faded through exchanging e-mails with my boss and staying informed on the current situation of the Company. The child-care leave was a precious time for me to completely leave behind the work and give full attention to my child.

When I returned to work after the leave, I had an opportunity to consult with the Company staff and have my request heard that helped me to return to work easily. Currently, I am working at a department supporting sales using a flexible working time system.

Although it takes so much to keep a good balance between work and child care, people around me are supportive, which I really appreciate. I would like to continue to work for Foster Electric in the future as well.



## Overseas Voices from manufacturing sites



### Why did you join Foster Electric?

- ▶ When I joined Foster, Foster was a Japanese company that was just established in Vietnam. I decided to join as I thought Foster is a large company within this region where I could work steadily.
- ▶ My friend recommended Foster. I decided to join Foster because I was attracted by its youthful and energetic corporate culture.
- ▶ After graduating from school, I thought I wanted to join a company where I could work steadily and at the same time to grow by learning through work. That is why I chose Foster, a local major company. Foster has great working environment and good welfare and benefits. Therefore, even after the three years since I joined Foster, I am confident about my decision I had made.



Awards ceremony at FOSTER IDOL 2014, a singing contest held at the factory in Vietnam

### What is Foster's workplace like?

- ▶ A friendly atmosphere.
- ▶ Foster's employees are like part of my family. I feel secured for working here. I would like to grow so does the company grows.
- ▶ Although I am sometimes too busy working, this company still provides an opportunity of self-learning so that I can advance to the next challenging level.
- ▶ It's been two years since I joined Foster. When I have trouble with my daily duties, my boss and coworkers help me. It is such a supportive workplace.

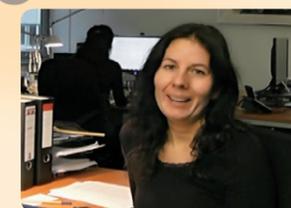


1st dance festival held at the Panyu Factory in Guangzhou, China, in December 2014

### What do you think of your future at Foster?

- ▶ It's been three years since I joined Foster. Recognizing this year's management policy—to improve operational quality—I want to make efforts to improve the quality of our products to meet customer demand.
- ▶ Foster's factories are expanding their production scale. I want to continue to work for Foster as well in the future.

## Overseas Voice from sales offices/development sites



I work for Foster Electric (Europe) GmbH in the Accounting Department, preparing financial documents and analyzing sales and pricing data. I also summarize the business results with the staff from Group companies. I would like to continue to work in friendly relationships with coworkers in Japan and in China.

## Overseas Voice from sales offices/development sites



The years have passed quickly since I joined Foster Electric. I have been working as an engineer to address various customer demands in North America. I have been enjoying designing and developing subwoofer systems! In the future, I want to become a manager and create high-quality products in collaboration with the headquarters.

# With Our Communities

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

## Domestic



### Involvement in local communities

Foster Electric acquired the naming rights to the Akishima Community Hall in April 2014 and named it KOTORI Hall after a brand name of headphones produced by the Company. In October 2014, the Company sponsored the 5th Screen Music-no Utague, a music festival, with enriched content incorporating famous pieces of opera music that highly acclaimed by the audience. This is part of the Company's special initiative given its corporate vision "To make contributions for future society through acoustics."



Performance at the Screen Music-no Utague



Exhibition at the Akishima Industrial Festival

As a business entity taking environmental preservation measures in Akishima City, Foster Electric has been a member of the Akishima Eco-Friendly Companies Network, an initiative to contribute to the sustainable development of local community. Since fiscal 2014, the Company has been participating in environmental preservation activities as a leading company related to PR activities. At the Akishima Industrial Festival in November 2014, the Company conducted a PR for environmental activities with eco-friendly products, a good opportunity to let community residents know about its activities and products.

In February 2015, we participated in the Akishima *Machiaruki* (Akishima Town Walk), held by the Akishima Sightseeing and Town-Building Association, and we introduced the Company to the community residents. Aiming to be a company loved by the community, the Company is conducting daily efforts for communication with the local community such as cosponsoring the Akishima Local Performance and Arts Festival, held in May each year; cooperation with the Akishima Location Service to contribute to the revitalization of the local community; and donation to the social welfare council.



The Company tour for community residents as part of the Akishima *Machiaruki* route

### Security of the Area

Foster Electric also emphasizes its initiative for the security of the area. As part of such an initiative, the Company registered its headquarters as "*Pipo-kun no Ie*," a refugee site for children in the community who are followed by a suspicious person. In addition, Foster Electric cooperates in the "Anti-Terrorism Partnership, Tokyo" campaign.



## Employee's voice

The headquarters relocated to Akishima in 1969, and during the 46 years since then, the Company has grown together with Akishima City where commemorated its 60th anniversary in 2014. I joined the Company in 1985 and received apprentice training at the Akishima Factory, where some residents of here were working as employees. I still remember the the training provided to me with hospitality at that time by senior associates. Although the factory function has moved to overseas sites, my appreciation toward the residents of Akishima is still alive along with the good memory, and with that in mind I am now working in the General Affairs Department to help enhance communication with the community.



## Overseas



At our factory in China, as part of our industrial-academic collaborations, Foster Electric is accepting trainees in alliance with a local specialty school. We provided an opportunity for students to be able to learn part of our production process by directly touching the products, experiencing the manufacturing process and using equipment at the design, development and production lines. Through the training, the factory hired participating students wishing to join the Company, and contributed to nurturing local human resources.



Students receiving training for the assembly at a production line



ESTec CORPORATION ("ESTec"), a Group company in South Korea, is actively conducting social contribution activities.

Under the corporate vision "To make contributions for future society through acoustics," ESTec cosponsored the South Korea National Choir Contest.

ESTec conducted a donation activity twice during the year, and the money collected from all the employees was donated to the residential life support office of the Liangshan County Office. ESTec also conducts a blood drive twice each year to the Korean Red Cross.

In December 2014, all the employees at ESTec have attended the "With Compassion—Share Kimchi" campaign, and donated handmade 1,500 kg of kimchi for the coming winter to a volunteer center in Liangshan



Awards ceremony of the 12th South Korea National Choir Contest held in July 2014



"With Compassion—Share Kimchi" campaign activity

County. We intend to continue such volunteer activities going forward as well.



In the Southeast Asian region, which has a shortage of medical facilities, our Group companies are conducting various volunteer activities.

Our Group company in Vietnam is offering healthcare aids in a doctor-less village and distributing necessities to the surrounding poor households to support local residents. Many employees participated in a blood drive held at the Company.

In Myanmar, Foster Electric regularly donates money to a clinic within the industrial complex adjacent to the Company's factory.



Accompanying a doctor to a doctor-less village and providing free medical examination (Vietnam)



Distributing necessities to poor households in neighboring areas (Vietnam)



Conducting a blood drive inside the factory (Vietnam)



Donating to a clinic inside the industrial complex (Myanmar)



The Group company in Europe cosponsored traffic safety activities. Foster Electric held a coloring session using coloring materials issued by a police department in Germany, helping children learn about traffic safety.



Children in Germany holding the paper they colored

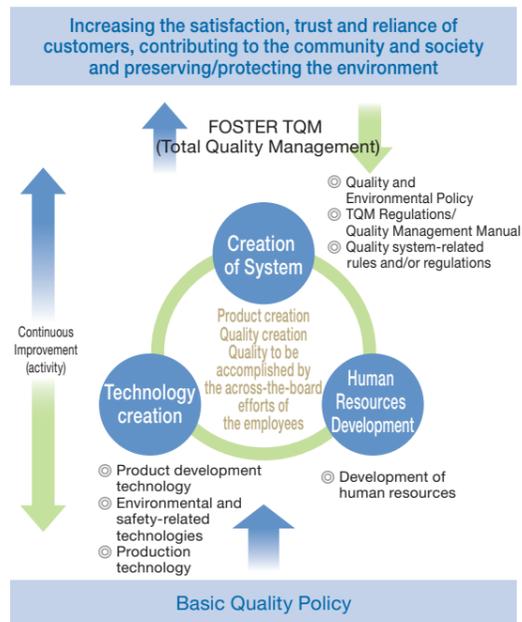
# With Our Customers

The Foster Group promotes and develops quality assurance activities based on the 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 kaizen (improvement) activities.



## Global Quality Assurance System

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



**Foster TQM and Quality Management System (QMS)\***  
 ▲As for the quality management system of the Company, quality assurance and management activities have been innovated and developed under its customer-focused philosophy on quality since the Company's foundation.  
 ▲In 1975, we formulated the Total Quality Control (TQC) Regulations in accordance with the philosophy of FOSTER Total Quality Control (TQC). In 2006, the TQC Regulations were upgraded as the Total Quality Management (TQM) Regulations.  
 ▲Since 1998, all the Group companies have successfully acquired the certification of the quality assurance (system) standards (including the ISO9001: 1994).  
 ▲In 2004, all the Group companies successfully acquired the certification of the ISO/TS 16949, a quality standard based on the ISO9001: 2000, which has continued to be renewed to date.

\*QMS: Quality Management System

## Global Human Resource Development

With the slogan, "Quality to be accomplished by the across-the-board efforts of the employees," the Group is developing quality-related education.



**QC Circle**  
 At each overseas factory of Foster Electric, through the QC\* Circle activities, opinions from production sites is valued and utilized to improve the quality of products.

At the Global QC Circle Convention, held at the headquarters of the Company, we announced the results of our quality improvement activities at each overseas factory of the Company.

\*QC: Quality Control

### Comment from the winner of the highest prize in fiscal 2014 (Nanning Factory in China)



We participated in the QC Circle Convention this time and gained valuable experience. We would like to continue to cooperate with the staff of other Group companies to enhance the level of the whole Group by sharing each company's best practices.

# Environmental Philosophy and Basic Policies

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, 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

Foreword

In pursuit of harmony with the environment as a top issue for management, each employee of the Foster Group prioritizes eco-friendliness in his/her 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 phases of our 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 awareness of environmental protection and biodiversity and thereby develop human resources who contribute to society.
5. We maintain and improve an environmental management system and promote external communication.

## Environmental Management

The Foster Group promotes the acquisition of the ISO14001 certification at its major factories worldwide for environmental management.



### Management of chemical substances

We provide safe products and manage chemical substances to prevent any kind of substance hazardous to the environment or human health from being leaked. We settled on a self-control target in 1997 to reduce environmentally hazardous substances and abolish controlled substances.



### Compliance with environmental law

The Foster Group continually monitors the revisions to and promulgation of environmental laws. We announce them to our group companies and monitor and measure for compliance. We are also compliant to customers' request that we accepted.



### Prevention of global warming

We take measures against the emission of carbon dioxide and to improve the efficiency of production processes, air conditioning and use of energy resources.

# Environmental Activity Report

## Energy Management

Recognizing the necessity of appropriate measures against global warming, the Foster Group is promoting further reduction of CO<sub>2</sub> emissions, monitoring the emissions from our business locations.

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

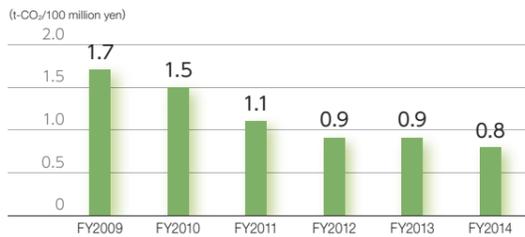
To reduce CO<sub>2</sub> emissions by 15% per unit of sales in 2010–2015 compared with fiscal 2009 as the reference year

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

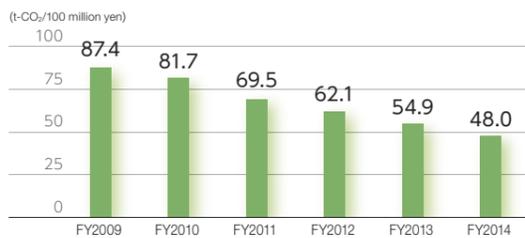
We continued to work during fiscal 2014 to restrict the use of electricity at each production base. Consequently, we achieved a 16% year-over-year reduction in CO<sub>2</sub> emissions per unit of sales in Japan and a 12% year-over-year reduction in CO<sub>2</sub> emissions per unit of sales at overseas bases.

We also made efforts to increase the number of 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).

### CO<sub>2</sub> emissions per unit of sales (Domestic)



### CO<sub>2</sub> emissions per unit of sales (Overseas)



## Activities to reduce the environmental burden (Domestic)

The headquarters of Foster Electric moved to a new company building in November 2012 and was reborn as an eco-friendly office building using many technologies to reduce the environmental burden. Such technologies include "lighting control using daytime sunlight," which effectively brings daytime sunlight into the office, and removing the need for lighting; the "human-body sensor light control," which turns lights on and off by sensing people's movements; "air conditioning using outside air," which brings in natural air to optimize the efficiency of air conditioning; an ice thermal storage air conditioning system,\* which realized a peak cut in the daytime use of electricity; and a double-skin facade, which maximizes the efficiency of electricity use. Adopting all these technologies, the efficiency of electricity use has been maximized. In addition, thorough temperature control by conducting the Cool Biz and Warm Biz campaigns further helped control electricity usage. As a result, we were successful in the continued reduction of CO<sub>2</sub> emissions during fiscal 2014.

As for 2015 through 2020, by adopting an energy saving tuning system to set the optimal temperature for each facility depending on the function, we will strive to further reduce CO<sub>2</sub> emissions.

\*A system to use the air conditioner during the daytime that cold air is made from the ice produced during the nighttime.

## Environmental burden that accompanies our business activities (Domestic)



## Management of chemical substances

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

Based on the aforementioned scheme, we have established an optimum management system for the efficient search and collection of information about chemical substances that are contained in parts and materials and precise communication of information necessary in the supply chain. We have taken all possible measures to ensure that we do not miss to cope with annually added chemical substances that need to be monitored in accordance with the EU's RoHS2.0 Directive and the REACH regulations implemented in 2013. In addition, to ensure communications of related information, we provide our suppliers with briefing meetings every year primarily at our overseas sites. In fiscal 2014, we monitored 49 substances as controlled substances and banned heavy metals such as lead, cadmium, mercury and hexavalent chromium and other highly harmful substances from use so that our products 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 without such chemical substances as halogens (chlorine, bromine compound) and phthalate esters, etc.

## VOC\* reduction activities

The Foster Group is conducting activities focused on industrial safety and health and product environment, such as shifting to eco-friendly solvents and reviewing the manufacturing process. Through these activities, we continuously strive to reduce the VOC volumes of use and emissions significantly.

Attention to industrial safety and health	Reduction of n-Hexane (switching to highly safe solvents in the cleaning process)
	Review of the parts at manufacturing process (shifting to water soluble or non-solvent type impregnating agents)
Attention to the product environment	Switch adhesives to water soluble or non-solvent type
	Design of adhesiveless speakers (caulking processing of magnetic circuits)
	Review the parts at manufacturing process (e.g., the rubber processing process)

\*VOC: Volatile Organic Compounds

## Environmental education

The Group provides ISO14001 certification-based education for in-house staff and external associates (supplier management). In addition, we provide education regarding compliance, customer demand and analysis methods, which are all important in the product environment on industrial safety and health that is drawing attention in line with the recent revisions to related laws and regulations overseas.

To improve knowledge and promote understanding concerning energy management and biodiversity, we plan and utilize in-house training sessions in promoting our operations.



In-house environmental education provided in 2014 (Overseas sites)

### Environmental accounting (Domestic)

At the headquarters of Foster Electric, we are conducting activities to quantitatively monitor the effects of our environmental conservation activities through business operations. We adopted an environmental accounting system in fiscal 2003 to tabulate various costs incurred with environmental activities based on the Environmental Accounting Guideline 2005, published by the Ministry of the Environment of Japan.

(Thousands of yen)

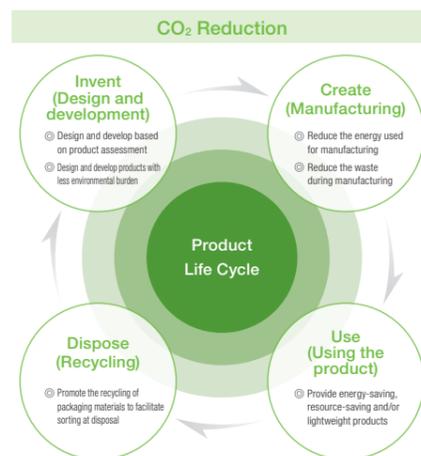
Category	Key activity and the outcome	FY2014		FY2013	
		Investment	Cost	Investment	Cost
1. Business area costs		0	31,120	0	27,621
(1) Pollution prevention costs	Air and water control-related prevention countermeasures	0	178	0	864
(2) Global environmental conservation costs	Prevention of global warming, as well as energy-saving measures	0	1,124	0	325
(3) Resource circulation costs	Waste disposal and recycling	0	29,818	0	26,432
2. Administration costs	Environmental education and the establishment of an environment management system	0	10,609	0	9,287
3. R&D costs	Research and development	0	1,362,990	0	1,370,356
4. Social activity costs	Tree planting	0	615	0	243
5. Total		0	1,405,334	0	1,407,507

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 activities.

### Eco-friendly design

The Group designs and develops products by taking into account the life-cycle assessment of products from the procurement of raw materials, manufacturing, use and disposal to the recycling of products. We strive to develop and provide products with the least possible environmental burden, such as eco-friendly products for which the use of harmful chemical substances is minimized, and lightweight products with reduced CO<sub>2</sub> emissions.

In fiscal 2014, we provided more than 180 eco-friendly models, mainly for in-vehicle use.



### Zero emissions (Domestic)

When the headquarters of Foster Electric moved to a new company building in November 2012, we reduced paper use significantly by adopting a multi-function copier/scanner/fax machine, streamlining the invoice issuance work flow and promoting the electronic preparation of documents (paperless) for individuals and electronic information handling. In addition, we use LED lighting equipment, extending the life of the lighting products, to reduce waste from clerical work. In our development division, for product design at the stage of product feasibility review, we adopted a production method using the 3D-CAD virtual space, and reduced waste generated from the actual assembly work of prototype products. From fiscal 2014, already-assembled prototype products have been recycled using a professional recycling business operator into raw materials, as part of our zero emission activities for pursuing zero waste out of our business activities.



### Introducing our specific zero-emission activities

#### Lightweight speaker for in-vehicle use, eco-friendly speakers

We developed a lightweight speaker, optimum for next-generation eco-friendly vehicles such as electric vehicles (EVs). We reduced the weight of the speaker significantly to 140 grams for a speaker with a diameter of 17 centimeters while minimizing the suppression of its sound pressure level, a fundamental performance feature 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 and 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.
- The diaphragms and the center caps, made out of recyclable paper with the high waterproofing of speakers required for in-vehicle use.

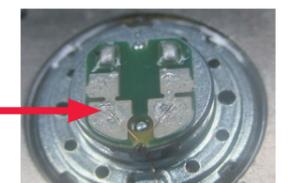
#### Headphones and headsets

For headphones and headsets, we have been active in incorporating environmental considerations in our product and/or process design. For reducing the substances in our products that burdens the environment, we address the most up-to-date information regarding country-specific legal requirements and the RoHS2 to promote proposals to our customers and dissemination to all the Group companies. We have reduced energy consumption in manufacturing and the volume of



#### Measure for solder-less production

By applying resistance welding for headphone frame terminals, we achieved eco-friendly welding without using solder.



### Carbon offsetting forestation activities

At the headquarters of Foster Electric, aiming to become a company trusted by the local community, we participate in global environmental conservation activities led by Akishima City. In 2014, as part of the initiative for carbon offset, Akishima City and Iwaizumi-cho in Iwate Prefecture conducted a signing ceremony for a global environmental conservation partnership agreement, in which Foster Electric also participated.

