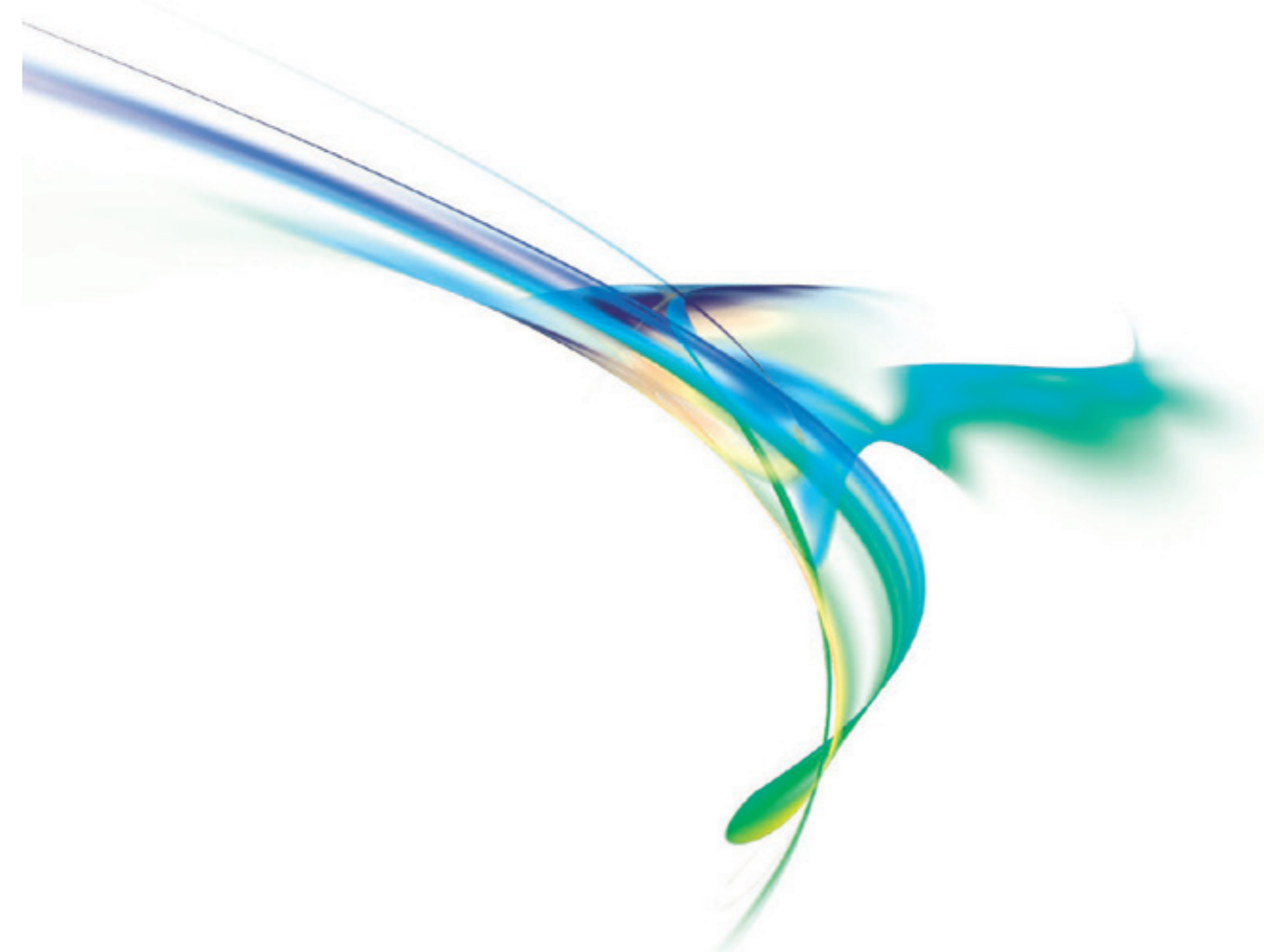


Acoustic Solution Partner

Corporate Report 2016
PROFILE & CSR



FOSTER ELECTRIC CO., LTD.

Phone: 042-546-2311 Fax: 042-546-2317
URL <http://www.foster.co.jp/>

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Tokyo, 196-8550, Japan
Phone: +81- (0) 42-546-2311
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Contributing to future society through acoustics, and delivering products that resonate with people around the world



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.

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 (merchants from current Shiga 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.

That society is currently experiencing major changes. With the industrial revolution being brought about by IoT (the Internet of Things), cars with automated driving capabilities, the growing use of drones, the development of AI and many other advances, we feel that the development of technologies with the potential to fundamentally change our way of life, and other changes in society, are progressing undeniably, at a pace that far exceeds anything that we anticipated.

In order for Foster to contribute to future society through acoustics and provide thrilling, heart-moving experiences that resonate with people around the world, we must continue to uphold the basic philosophy of “sincerity” that the Company has adhered to since its founding, while at the same time making major changes ourselves as we move forward.

The key players who take the central role in achieving this are people: the tens of thousands of Foster Group employees around the world. In addition to producing higher-caliber human resources, increasing opportunities for personnel exchange to achieve greater globalization and improving and enhancing our training programs, we will also make proactive efforts to utilize and promote a wider range of human resources within our organization. We will accelerate these initiatives, and work proactively towards reforming the way in which we work—without being restrained by conventional ways of thinking—to enable a greater number of valuable human resources to overcome various constraints, to excel and take an active role within the Foster Group. We will seek to achieve diversity, in the true meaning of the word.

Uniting People with Digital Technology through Acoustics, and Becoming a Company that is Loved by All

As a specialist in acoustics, we will continue to pursue better quality sound to delight music-lovers worldwide. Through acoustics, we provide not only music, but an interface between digital signals and human beings, and continue to contribute to the creation of a new age.

Moving forward, the Foster Group will continue to maintain compliance and promote environmental activities as part of our CSR activities, to ensure thorough quality control and risk management, and strive to become an enterprise that is loved by society and offers satisfaction for its various stakeholders; by continuing to conduct our business operations based on the values of discipline, responsibility and social contribution.

President **Hiromi Yoshizawa**

Corporate Creed, Vision and Mission

| | |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. |

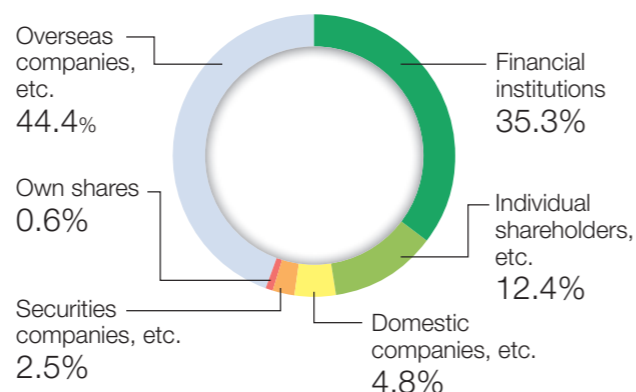
| CONTENTS | | Foster Group CSR | |
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Company Profile (as of March 31, 2016)

| | |
|---------------------------|------------------------------------------------------------------------------|
| 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 | 49,266 (including the employees of the outsourcee in Guangzhou Panyu, China) |
| Date of closing accounts | March 31 |

Share distribution by shareholder

(for the year ended March 2016)



Head office building

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. Customers can experience the high-quality sound performance and get a feel for FOSTEX products via our "Anfelit" showroom.

"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."

Operating Results (for the year ended March 2016)

(Millions of yen)

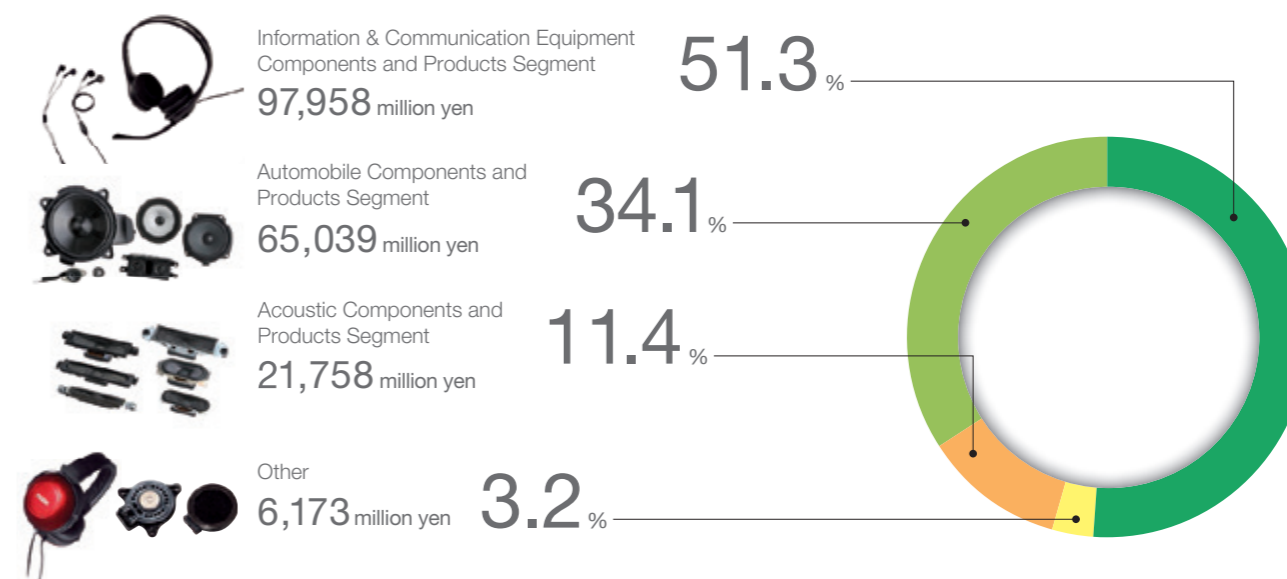
| | Consolidated |
|---------------------------------------------|--------------|
| Net sales | 190,928 |
| Operating income | 10,351 |
| Ordinary income | 10,847 |
| Net income attributable to owners of parent | 6,833 |

About the FOSTER CSR Report

This report is 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.

Net Sales by Segment (for the year ended March 2016)



Editorial Policy

- The CORPORATE REPORT 2016 ("the Report 2016") was prepared to comprehensively report the Foster Group's corporate social responsibility (CSR) activities throughout the fiscal year ended March 31, 2016 (fiscal 2015), for our stakeholders.
- The Environmental Reporting Guidelines 2012 by the Ministry of the Environment and the GRI Sustainability Reporting Guidelines G4 were referred to when preparing the Report 2016.
- The reporting period of the Report 2016 is from April 1, 2015, to March 31, 2016 (fiscal 2015). The Report also includes statements concerning activities outside the reporting period, including those in fiscal 2016.
- The reporting scope of the Report 2016 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 2016 • Next issue of the CSR report (planned): June 2017
- Contact: Foster Electric Company, Limited Phone: +81-(0)42-546-2311 Fax: +81-(0)42-546-2317

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 43 locations in 15 countries and regions 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

1 FOSTER ELECTRIC CO., LTD. (HEADQUARTERS)



- 2 KANSAI SALES OFFICE
- 3 IGA WAREHOUSE
- 4 FOSTEX COMPANY
- 5 FOSTER MICRO ACOUSTIC COMPANY
- 6 FOSTER TRANSPORTATIONS LTD.
- 7 FOSTER ELECTRONICS LTD.
- 8 FOSTER FINANCE CO., LTD.

9 FOSTER ELECTRIC CO., (HONG KONG) LTD.

10 GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY
*Outsourcee



- 11 FOSTER ELECTRIC CO., (GUANGZHOU) LTD.
- 12 SHANGHAI OFFICE
- 13 FOSTER ELECTRIC CO., (NANNING) LTD.



14 FOSTER ELECTRIC CO., (HEYUAN) LTD.



15 FOSTER ELECTRIC CO., (CHONGZUO) LTD.



16 FOSTER ELECTRIC CO., (TAIWAN) LTD.

17 FOSTER ELECTRIC (SINGAPORE) PTE, LTD.

- 18 PENANG OFFICE
- 19 PT FOSTER ELECTRIC INDONESIA



- 20 FOSTER ELECTRIC IPO (THAILAND) LTD.
- 21 FOSTER ELECTRIC (THILAWA) CO., LTD.



22 FOSTER ELECTRIC (VIETNAM) CO., LTD.



23 FOSTER ELECTRIC (DA NANG) CO., LTD.



- 24 MEKONG FACTORY
- 25 FOSTER ELECTRIC (QUANG NGAI)CO.,LTD.
- 26 FOSTER ELECTRIC (BAC NINH)CO.,LTD.



27 ESTec CORPORATION



- 28 ESTec ELECTRONICS (JIAXING) CO., LTD.
- 29 ESTec VINA CO., LTD.
- 30 ESTec PHU THO CO., LTD.
- 31 ESTec ELECTRONICS (M) SDN. BHD.
- 32 ESTec CORPORATION (CAMBODIA) LTD.

33 FOSTER ELECTRIC (EUROPE) GmbH

- 34 MUNICH OFFICE
- 35 SWEDEN OFFICE

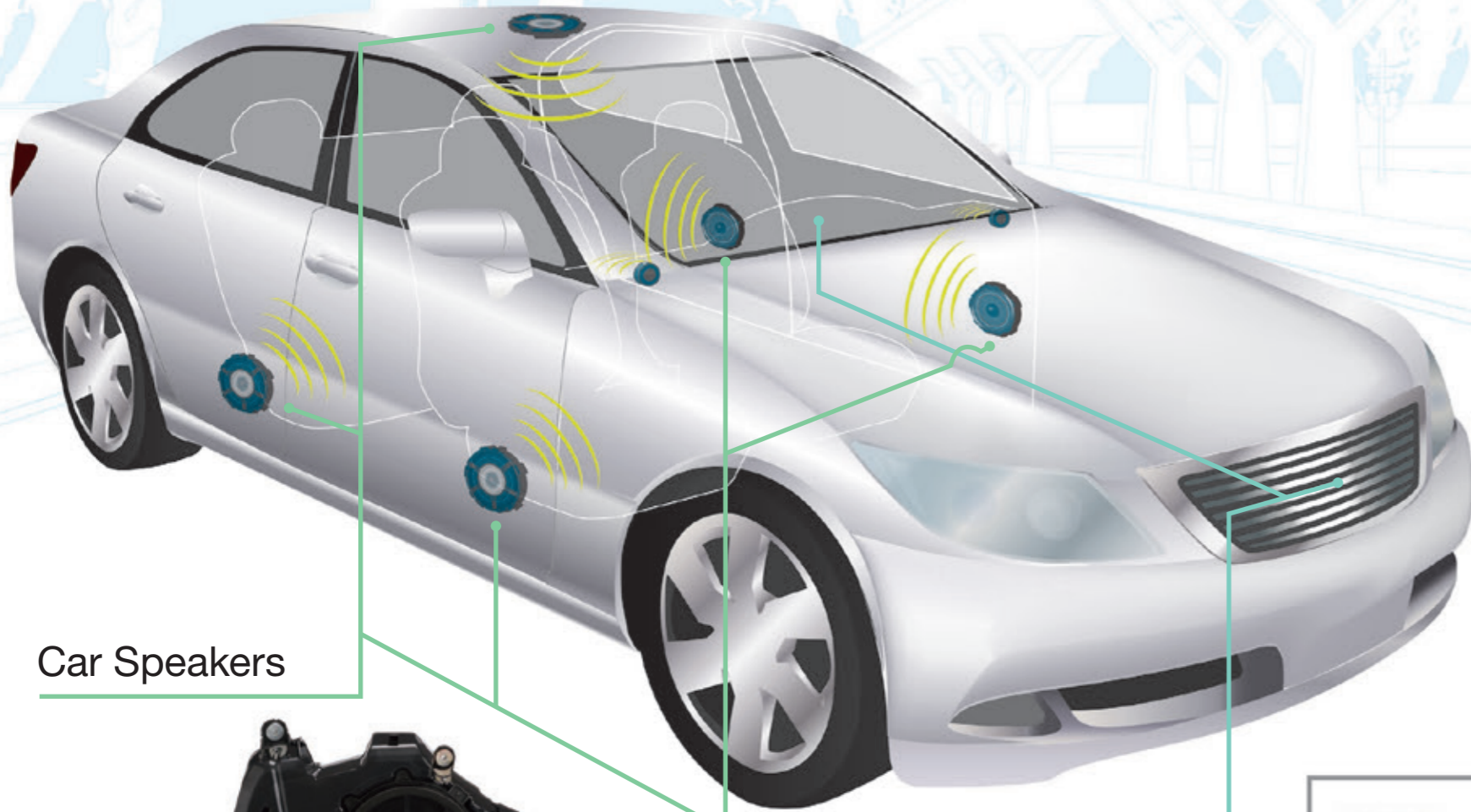
36 FOSTER ELECTRIC (U.S.A.), INC.



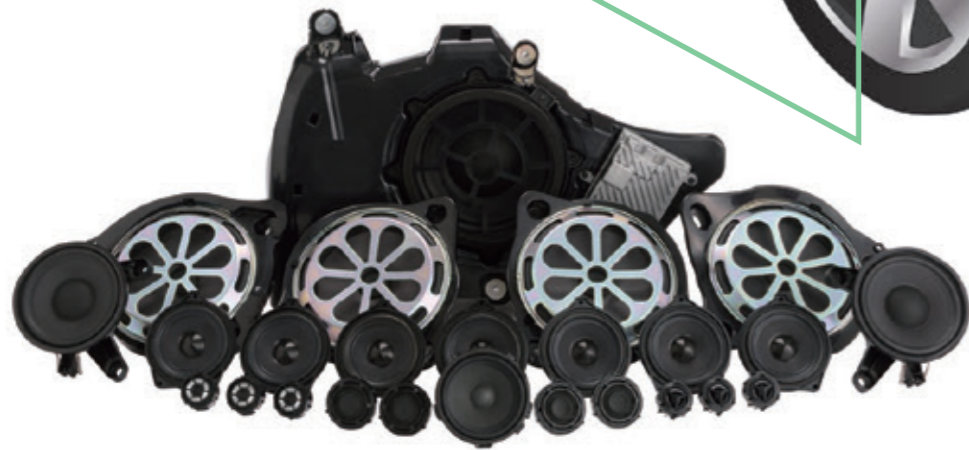
- 37 DETROIT OFFICE
- 38 EL PASO OPERATIONS
- 39 LOS ANGELES OFFICE
- 40 SAN JOSE OFFICE
- 41 BOSTON OFFICE
- 42 Thomas KL Indústria de Alto Falantes S.A.
- 43 ESTec AMERICA CORPORATION

*Numbers of employees and business locations are as of March 31, 2016. Numbers of employees for all ESTec companies are included in ESTec Corporation, and are as of December 12, 2015.

Product Lineup



Car Speakers



Car manufacturers' genuine built-in component speakers, developed to enjoy high-quality music playback in the cars

Alarm and Micro Acoustic Products



Buzzers and speakers for an alarm/warning-sound, for use in speedometers, sliding doors, E-Call (emergency report calling) and proximity warning devices for pedestrians

Speakers for TV and Digital Devices



Built-in speaker units and external speaker systems for TVs

Built-in speakers for smartphones, tablets and PCs

Wireless Speakers

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



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 <http://kotori.fostex.jp/>



Fostex



Audio speaker units for home-build applications which continue to be loved over 50 years after their initial launch The photograph shows the limited-production FE108-Sol, built as an evolutionary model based on the well-received FE103-Sol



Our vacuum-tube equipped, dedicated headphone amplifier launched in 2015 This amplifier achieves high-quality sound playback by making full use of analog technology



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

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 Tsushin Kogyo Co., Ltd. (currently Sony Corporation). The popularity of this radio rapidly enhanced the reputation of Shinano Onkyo's speakers, which significantly contributed to establishing the business foundations on which the Company is currently based

1959
Shinano Onkyo Co., Ltd., was renamed as Foster Electric Co., Ltd.

1960

1960
Constructed the Akishima Factory

1962
Started the manufacturing and sales of microphones.
Listed the Company shares on the Second Section of the Tokyo Stock Exchange

1964
Started the manufacturing and sales of headphones

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



From 1964 through 1965, we developed solid-state FM 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 outsourced processing and fabrication at our Panyu Factory in China

1990

1991
Established P.T. Foster Electric Indonesia

1992
Became the first supplier from outside Germany to deliver in-vehicle speakers to Daimler-Benz



Speaker/speaker system using the "Biodyna" diaphragm



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

1994
Mr. M. Takada took office as the president of the Company



1997
Opened the Detroit Office in the United States.
Established a logistics center in El Paso, Texas, U.S.A.
Established a factory in Bintan, Indonesia



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

1999
Listed on the First Section of the Tokyo Stock Exchange

2000

2000
The Company headquarters acquired the ISO14001 certification

2001
Opened the Taipei Office in Taiwan
Established Foster Electric Co., (Guangzhou) Ltd.

2002
Opened the Shanghai Office in China
Opened the Chubu Sales Office in Anjo City, Aichi Prefecture

2003
Merged with Fostex Corp.

2005
Mr. Y. Higashi took office as the president of the Company



2006
Established Foster Electric (Vietnam) Co., Ltd.
Opened the San Jose Office in the United States



Closed-type biocellulose headphones

2007
Established Foster Electric Co., (Nanning) Ltd., in China

2008
Established Foster Electric IPO (Thailand) Ltd.
Established Foster Electric (Da Nang) Co., Ltd., in Vietnam

2009
South Korea-based ESTec Corporation took office as a consolidated subsidiary of the Company

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



2010

2010
Established Foster Electric Co., (Heyuan) Ltd., in China
Established Foster Electric (Bac Ninh) Co., Ltd., in Vietnam

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

2012
Established Myanmar Foster Electric Co., Ltd.
Headquarters moved to Tsutsujigaoka, Akishima City, Tokyo

2013
Established Foster Electric (Quang Ngai) Co., Ltd., in Vietnam

2014
Acquired the micro-acoustic transducer business from Star Micronics Co., Ltd.



Micro acoustic equipment

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



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

2015
Opened "Anfelt" Fostex showroom.



Started operation of Foster Thilawa factory



CSR Management

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

Since its founding, the Foster Group has aimed to become indispensable to society, and continued to grow and develop under its corporate philosophy of "Sincerity." For more than half a century since its founding, the Group has continued its activities in the spirit of its corporate creed of "Sincerity," the essence of which remains 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.

The Foster Group's Corporate Governance Code, which was established in 2015, presents "appropriate cooperation with stakeholders other than shareholders" as one of its basic 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 and expectations 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 strongly emphasize 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.



Officer in charge of CSR
Senior Managing Director

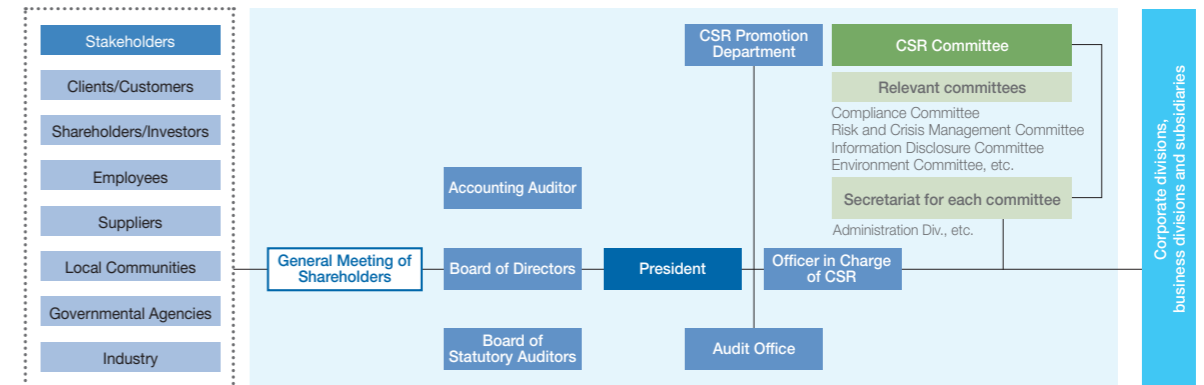
Atsushi Narikawa

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 monitoring and collaborative promotion 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



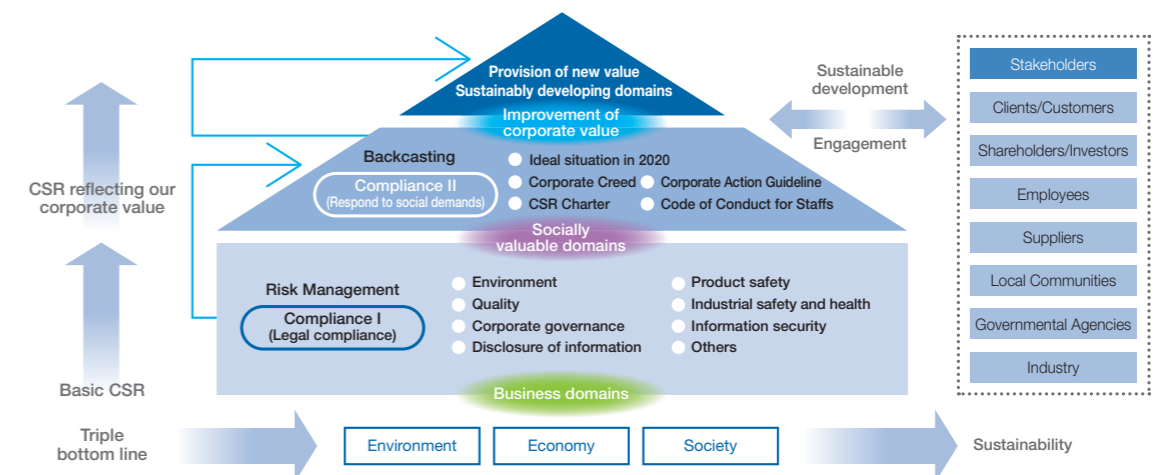
Our CSR Activities

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 also implement our CSR activities in compliance with the ISO26000 standard.

* 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 31 on-site audits by six corporate customers during the period from April 2015 to March 2016. Over the course of the year, we also received 23 requests (from 14 different customers) to complete and return self-assessment checklists, and responded to these requests accordingly.

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

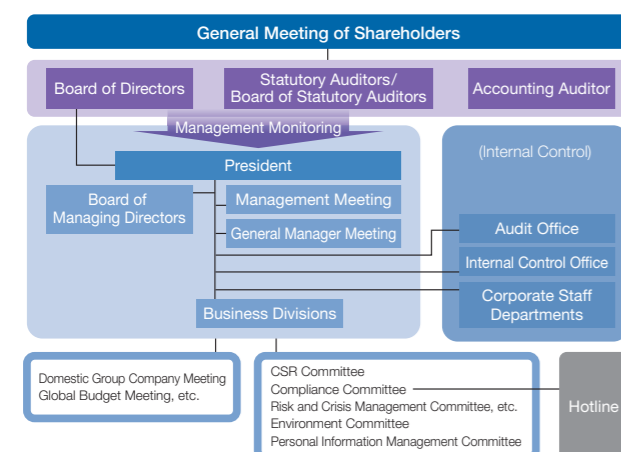
The Foster Group will strive to remain a sustainable enterprise for the continuation of which is strongly desired by society and ensuring a solid management structure.

Corporate Governance

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

As a Group, we have also established Corporate Governance Guidelines that express our basic way of thinking and framework with regard to corporate governance. Details of these guidelines can be viewed via our website (Japanese).

http://www.foster.co.jp/csr/foster_group/management.html



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, in order to expedite decision making processes and ensure that unified decisions are reached.

On a Group-wide level, twice a year, in order to facilitate consolidated management within the Group, the Domestic Group Company Meeting is held by the top executives responsible for the management of the domestic Group companies; the Global Budget Meeting is held by the top executives of the overseas Group companies to

discuss their budgets; and the Global Strategy Meeting is held to discuss global strategies with regard to sales, technology, quality control and manufacturing. Through these meetings, we share and reaffirm the direction in which the entire Foster Group is heading, and reinforce collaborative efforts within the Group.

Nominating Committee and Remuneration Committee

The Company has established Nominating and Remuneration committees as advisory organizations offering voluntary advice to the Board of Directors. These committees are designed to enhance fairness and transparency in selecting and appointing people to managerial positions, and in determining the details of their remuneration, etc. Each committee consists of representative directors, managing directors, outside directors, statutory auditors, and outside statutory auditors (currently a total of six members including three 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 | Felix | | | | | |
| Groupware, workflows, etc. | Process control, Pre-Process, Intranet, e-Mail, etc. | | | | | |
| Global business operations | Each business operation system | | | | | |

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.

In fiscal 2016, too, 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 Business Continuity Plans (BCPs).
3. Assurance of the 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.

The Company 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 their families and the employees 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.

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

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.

Organization Structure

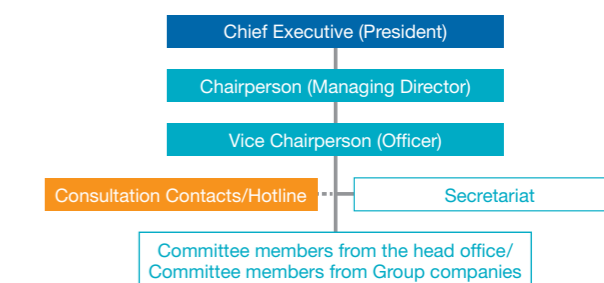
Compliance and risk management efforts are led by the Compliance Committee and the Risk and Crisis Committee based on the respective internal regulations.

In December 2015, in an initiative lead by the Compliance Committee, compliance training was held, in which an external lecturer (lawyer) was invited to lecture to employees with the objective of making compliance-related issues known throughout the Group and ensuring thorough observance.

The Risk and Crisis Committee was also convened in fiscal 2015 to deliberate important issues relating to risk management. As a specific example, while the incident in which a large scale explosion occurred in the city of Tianjin, China in August 2015 had no particular impact on the Foster Group, it did create an opportunity for the Risk and Crisis Committee to issue instructions for the review and general inspection of the Group's organizational structures relating to safety management in China, as well as in countries such as Vietnam and Indonesia, with the aim of reinforcing the Group's risk/crisis management structure.

Organization of the Compliance Committee

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



Employee's voice

The department that I work in is responsible for the planning, deployment and management of information systems for the entire Foster Group. We work on a global scale, from a business management perspective. I am mainly in charge of network infrastructure and security. I work hard in my daily duties with the aim of achieving Group-wide optimization, to provide users with a secure and stable user environment.

IT Infrastructure Construction Section, Corporate Information Strategy Dept. Yoichiro Sako



With Our Business Partners

The Foster Group's activities are sustained by its relationships with various business partners that excel in areas such as CSR, quality control, environmental response, technology and delivery time. Moving forward, too, the Group will continue to build sound relationships with its business partners.

Basic principles

In order to fulfill its social responsibilities in developing its businesses globally, the Foster Group has established basic "Principles of Procurement" that apply across the Group's entire supply chain, including the Company and its business partners. We are continuously striving to build sound and fair relationships based on these basic principles.

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-electric.com/procurement/basic.html>

CSR Procurement

The Foster Group recognizes that across-the-board CSR procurement along its entire supply chain is essential in developing its global materials procurement activities. To this end, we have established the Foster Group Supplier CSR Code of Conduct, based on our CSR-related regulations and Basic Materials Procurement Policy. Based on this standard, we distribute CSR-related questionnaires to our suppliers, and ask that they cooperate with us on our CSR initiatives.

The Foster Group's Response to Conflict Minerals

In recent years, the illegal mining and smuggling of minerals by armed forces/groups in the Democratic Republic of the Congo and its surrounding countries—and the fact that these activities not only provide a source of funding for these groups, thereby fueling further conflict, but also lead to forced labor, human-rights violations and other issues—has become a major social problem; and it is being demanded that companies making use of mineral resources should take responsibility for the problem.

The Foster Group has established a Basic Policy on Conflict Minerals, and conducts investigations into the

production areas and distribution processes used in relation to minerals in its supply chain. In fiscal 2015, we achieved a 99% response rate for investigations into conflict minerals carried out on a group of 280 suppliers.

In the future, too, the Group will continue to conduct detailed investigations, and to work actively towards ensuring the responsible procurement of minerals.

Our policy regarding conflict minerals can be viewed via our website.

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

Green Procurement

The Group has formulated and revised its "Green Procurement Standard" governing the chemical substances contained in procured parts and raw materials, and asks its suppliers to provide parts and materials that do not contain harmful substances, in compliance with various national and regional regulations and the demands of customers. In order to verify that such substances are not contained in supplied parts and materials, we ask suppliers to submit constituent analysis results and certificates. The Group will continue in its efforts to ensure the procurement of eco-friendly materials.

Global Communication

The Foster Group believes that communication with business partners is critical to the global development of its business activities, the establishment of suitable production locations, and the procurement of parts and raw materials. To nurture mutual understanding and build healthy and sound relationships with our partners, we hold briefing meetings regarding procurement, environmental and CSR-related agendas.



Industry Exhibition (Vietnam)



Briefing meeting on the environment (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 disclose necessary information to our shareholders and investors swiftly and precisely, enabling them to deepen their understanding of the current management circumstances of the Group. Via our website, we implement timely disclosure and make news releases and other various information available as and when needed; as well as providing English versions of the Group's financial results. Through such efforts, we are endeavoring to improve and enhance our IR information disclosure.

IR briefing meetings

We hold financial results briefings (on the Group's financial settlements) twice a year for analysts and institutional investors. At this year's briefings, the President and other Company officers outlined our business operations and explained our future outlook. The materials used at the meeting are posted on the Company's website.

We also hold quarterly individual meetings with analysts and institutional investors, and convey information to senior management as appropriate.



Financial results briefing meetings

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

General meeting of shareholders

In holding our general meeting of shareholders, we implemented the following policy measures to create an environment that would secure sufficient time for our shareholders to consider the agendas under discussion, and enable them to exercise their voting rights in a suitable manner.

- Avoiding peak period when setting the meeting date
- Sending out invitation notices at an early stage (three weeks prior to the meeting)
- Disclosing the notice on the Company's website, etc., prior to sending the invitations
- Preparing and disclosing English translations of invitation notices
- Voting via the internet and the adoption of an electronic platform that enables shareholders to exercise their voting rights electronically

At the general meeting of shareholders, we endeavored to present details of our business operations in an easy-to-understand format through the use of visualization. We also held a social gathering for our shareholders after the general meeting. At the meeting venue, we displayed some of the Group's products and created opportunities for communicating with our shareholders, such as through direct



General Meeting of Shareholders

question and answer sessions with members of the Group's senior management team.

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

This is my second year with the Company, and I am assigned to the Procurement Department. My main duties involve purchasing in-car speaker parts for customers in the U.S.A. and Europe and so on. I perform tasks that include finding and selecting new suppliers who excel in terms of quality, stable supply and CSR-related aspects, mainly focusing on China and the ASEAN region. The best part of my job is that it requires active communication, since it covers various countries and regions. Going forward, I want to continue to grow and develop, so that I can build a reliable network enabling the procurement of high-quality parts and materials, while at the same time pursuing mutual benefits for the Group and its suppliers.

Procurement Section 1 Procurement Dept., Production Div. Yoo Jisun



Employee's voice

I belong to the IR & Legal Affairs Department. I am mainly involved in organizational legal affairs, such as contractual legal affairs work and operational duties of the general meeting of shareholders. I aim to offer friendly and approachable legal affairs support, simplifying difficult-to-understand legal terminology and complicated laws as much as possible, and working and studying hard every day to create an environment so that other employees can easily approach and consult with me. In the running of the general meeting of shareholders, I directly support the Company officers while at the same time building trusting relationships with other surrounding parties. I want to work proactively so that we can achieve constructive dialogues with all of our shareholders and investors.

Legal and Intellectual Property Section, IR and Legal Affairs Dept., Administration Div. Hiroshi Ono



With Our Employees

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

Our head office—with its bright open spaces incorporating meeting and reception spaces, cafeteria and refreshment corners—is designed to facilitate natural, open communication between employees.

Such a workspace arrangement is part of our initiative based on our policy that freewheeling thinking brings more creative achievements.

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.



■ The women-only rest and refreshment rooms attached to our changing rooms are used as a convenient place for meeting and communicating with one another. The mirrors are rated highly for being just like those an actress might use in her dressing room.



■ The meeting corners installed around the open-ceiling stairwells are comfortable spaces that receive bright natural sunlight from the top light above, and proactive interactions and exchanges of information take place there.

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.

In addition to implementing flex-time for employees with young children, we are also working to support the way of working available to working parents, including starting a trial-run work-at-home program.

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.

There are history of actual cases of employees who had no choice but to leave from the Company—due to reasons such as marriage, pregnancy, childbirth, child care, providing elderly or nursing care for a family member or transfer/relocation of their spouse's workplace—have returned to work healthily and happily with us. In 2013, we formally introduced a "Welcome Back" scheme to support the return of ex-employees who left for reasons such as these.



■ Data on employees who took child-care leave during fiscal 2010 to fiscal 2015

| 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, 2016 |
|-----------------------------------------------|-----------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------|
| 27 | 28 (including one male employee) | 100% | 100% |



■ We consider the transformation of working styles to be one of the most important management issues that we should work towards as a company. We currently hold regular round-table talks as part of our innovative working style project, towards the realization of diverse and flexible working styles.

Employee's voice

I gave birth to my first child in March 2010, and my second in June 2014. After obtaining maternity and childcare leave for both of them, I returned to continue working at Foster.

There are many times where raising two young children offers little or no flexibility and I have a hard time getting by, but with the understanding of those around me, I am managing by making use of the flex-time and work-at-home schemes. In particular, working at home doesn't require any commuting time, it saves the time and energy, which is a great help. Right now every day is a race against time for me, but I want to continue working and doing my best at Foster going forward.

Sales Control Section, Mobile Audio Sales Dept., MA Business Div. Misako Kurosaki



Voices of employees at overseas locations



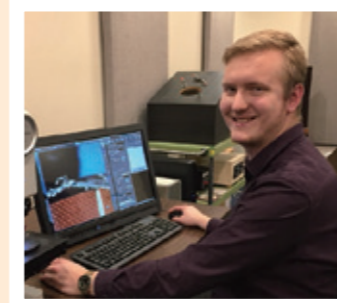
Ms. Pham Thi Mai



I work as a deputy leader at the Production Division of Foster's Da Nang factory in Vietnam. This is my seventh year with the company, and I'm also a member of the factory's 5S-3T team. The working environment at Foster is very good, and the welfare and benefits aspects are also very comprehensive. Foster also offers sports competitions and many other entertainment activities for its employees outside of work, so I am living a happy and fulfilled life here. There are many opportunities to grow and develop at Foster, too. I will continue working hard with the aim of becoming a manager here in the future.



Mr. Chris Alborn



I belong to the Quality Assurance Division of Foster U.S.A. I analyze quality control data and manage demands from customers. It's been only two years since I joined Foster, but I enjoy working at a company that specializes in acoustics, and I feel that the Company really cares about employees. In the future, too, I want to continue to be involved in the world of sound and acoustics at Foster.



Ms. Jiang Qiu Xiang



I am part of the Quality Control Section of the Speaker Quality Assurance Department at Foster's Panyu factory in Guangzhou, China. I was previously engaged in translation and purchasing duties, but I was later transferred to my current position. One thing that surprised me working at Foster is that the company allows even young employees with limited experience to challenge themselves at new jobs. The company not only provides in-house training, but also offers opportunities for external training sessions. In the future, too, I want to continue building a career in Foster's stable working environment.



Mr. Cho Yeon Deung



I am in charge of business planning, budget management and cost management in the Business Administration Team at Foster's Korean group company, ESTec CORPORATION. At ESTec, as a partner to Foster—which is one of the top-level players in the acoustics industry—we work towards achieving the realization of Foster's medium-term business management indices. I believe that the growth of the company also leads to opportunities for personal growth and development, so I want to make full use of my own capabilities and contribute to the growth of the company.

With Our Communities

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

Domestic



Local communities and Foster

In October 2015, Foster Electric hosted the 6th Screen Music-no-Utage music festival at the Akishima Community Hall, commonly known as the KOTORI Hall. The KOTORI headphone brand name was given to the hall by Foster in April 2014.

At the event, Foster exhibited and sold KOTORI brand products. It was a good opportunity for people in the local community to learn about the Company's activities, conducted under the corporate philosophy of contributing to future society through acoustics; and about the origins of the KOTORI Hall.



KOTORI products being introduced at the event



The KOTORI Hall's main entrance

Investing in the environment and human resources for the future



Exhibition at the Akishima Industrial Festival



Winter Vacation Parent & Child Crafts Class

As a company that regards harmony with the environment as one of the important issues in its business management activities, Foster has carried out various environmental activities. In October 2015, we held environmental studies classroom sessions, and invited elementary school students in the city to take part. These sessions enabled the children who will play a role in the next generation of adults to learn about the importance of environmental preservation, and about the care for the environment that goes into our products.

As a member of Akishima City's Environment Friendly Business Operator Network we participated in the Akishima Industrial Festival, where we conducted promotion of our environmental activities and eco-friendly products, and also heard the valuable opinions of members of the local community in relation to our activities.

In December 2015, as a winter holiday event for parent and child interaction, we held a Winter Vacation Parent & Child Crafts Class for sponsoring the event as a part of the Akishima Crafts Classroom community course. The event was well received by local citizens, as an event that created good memories for the winter holidays.

In addition to these activities, Foster is also deepening communication with the local community through efforts, such as participating in the Akishima Tourism & City Planning Association, to carry out tourism activities in the local community; cooperation with the Akishima Location Service to engage in activities for revitalizing the local area; and donations to the social welfare council to contribute to welfare in the local community.

Crime prevention and disaster readiness initiatives

Wishing the success of 2020 Tokyo Olympic and Paralympic Games, Foster is cooperating with the Tokyo Metropolitan Police Department's ANTEP (Anti-Terrorism Partnership, Tokyo) initiative, conducting disaster drills under fire department oversight, and otherwise bolstering its crime prevention and disaster readiness initiatives in the local community.



A disaster readiness drill

Employee's voice

I joined the Company in 1992, and have experienced a wide range of duties. It has now been three years since I started my current post in the General Affairs Department. It is a type of work that requires me to take on all of the various duties of the office in one go, but I feel that it is a rewarding work. I study every day—under the guidance of my bosses and senior employees—to provide the necessary communication support to enable us to provide an easy-to-work environment for the other employees.

General Affairs Dept., Administration Div. Hideaki Kobayashi



Overseas



On November 14, 2014, the 13th International Symposium on Advanced Technology (ISAT-13) was held at the University of Da Nang.

The hosting of the symposium was made possible by a joint effort between Foster Electric (Da Nang) Co., Ltd., the University of Da Nang, Da Nang University of Technology (all located in Da Nang, Vietnam), Southern Taiwan University of Technology (Taiwan) and Kogakuin University (Japan). Research presentations were given on advanced materials, renewable energy, alternative fuels, methods of transportation, lifestyle oriented information communication technologies (ICT) and various other technologies for the future, under the theme of "Technological Innovations for a Sustainable Future." Since the symposium,

Foster Da Nang has continued to proactively accept students from Da Nang University of Technology for internship placements, providing students with opportunities for learning in practice.

Foster Group companies in Vietnam are engaged in various volunteering activities, providing support to match the needs of residents in local communities; such as through medical support activities in doctorless villages, donation activities for children in low-income households, and distribution of essential day-to-day supplies for impoverished families. Many employees have also participated in blood donation activities held within the company.



Free medical care activities



Donation activities for low-income households



Donations for children



Foster Electric Co., (Nanning) Ltd., a Foster Group company in Nanning, China, sponsored the 9th Nanning Sports Festival, which was held in the city in May 2015.

As one of the few Japanese companies to have taken the initiative in establishing themselves in the city, Foster Nanning will continue to progress as a company that is both friendly and approachable to the local community and its residents.

Opening ceremony of the 9th Nanning Sports Festival



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

Every year since 2004, under the corporate vision "To make contributions for future society through acoustics," ESTec cosponsors the Eom Jeong Haeng South Korea National Choir Contest.

Twice a year, ESTec conducts fundraising activities, and donates the money collected from all of its employees to the residential life support office of the Yangsan Office. In line with the thinking of the company's officers—that if everyone works together and combines their power, it is easily possible to help at least one people—the collected donations are being conveyed, via the residential life support office, to people in need of support in the Yangsan area.

ESTec also conducts a blood donation twice each year to the Korean Red Cross.

On December 12, 2015, all the employees at ESTec attended the "With Compassion—Share Kimchi" campaign, and donated handmade 1,500 kg of kimchi for the coming winter to a volunteer center in Yangsan City. These donation activities have been carried out every year since 2010.



Donations to Yangsan County Office's residential life support office



ESTec's president and company officers participate in making Kimchi for the "With Compassion—Share Kimchi" campaign

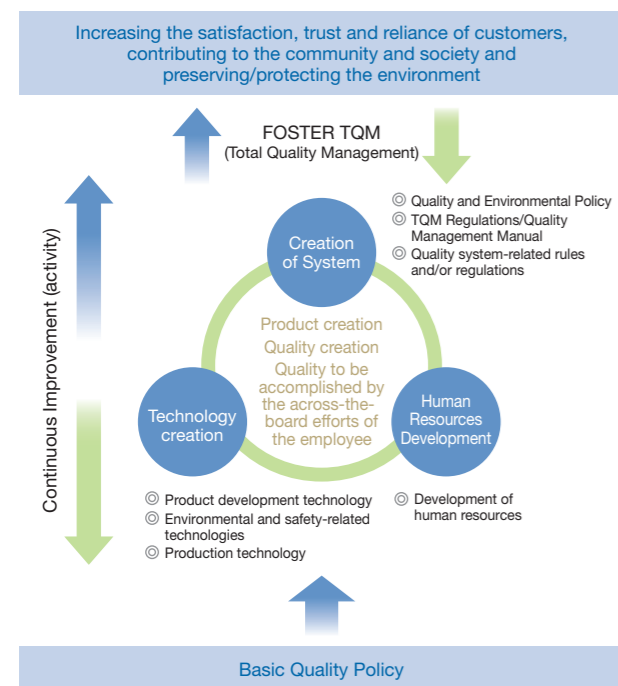
With Our Customers

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

The Group has developed a global quality assurance systems, connecting the head office, 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 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 May 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 for all of its employees.

Developing the Next Generation Leaders

As part of our efforts to develop the next generation leaders to drive forward its operations based on strategic thinking, we have introduced training corresponding to business management quality programs, and are working to achieve improved management quality and to renovate the corporate culture of our organization.



QC Circle Activities

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 head office of the Company, we announced the results of our quality improvement activities at each overseas factory of the Company. The "Wing of Sound" team from our Nanning factory in China was selected as the winner of the highest award for excellence.



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 CO₂ 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

The Foster Group is engaged in initiatives to reduce greenhouse gas emissions towards the prevention of global warming. This year, the Group has set a new medium-term target towards 2020, and is advancing further activities to reduce CO₂ emissions.

Medium-term target for the reduction of CO₂ emissions

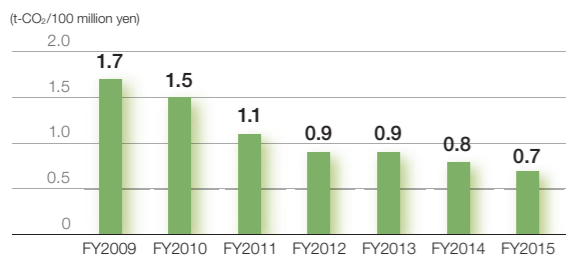
To reduce CO₂ emissions by an average of 1% per year per unit of sales (Target for 2020: to reduce emissions by 7.73% or more compared with fiscal 2012 as the reference year)

The greenhouse gas emitted from the Group's business activities is CO₂ 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.

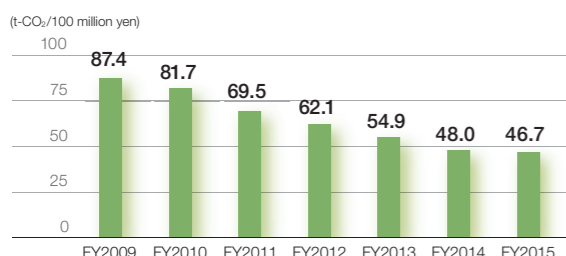
We continued to work during fiscal 2015 to reduce the use of electricity at each production base. Consequently, Foster Electric achieved a 6% year-over-year reduction in CO₂ emissions in Japan, and the Group achieved a 2% year-over-year reduction in CO₂ emissions per unit of sales at Foster Group overseas production locations.

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).

CO₂ emissions per unit of sales (Domestic)



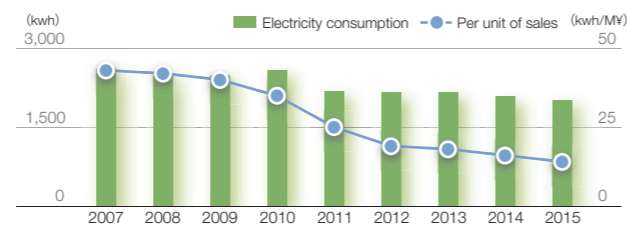
CO₂ emissions per unit of sales (Overseas)



Activities to reduce the environmental burden (Domestic)

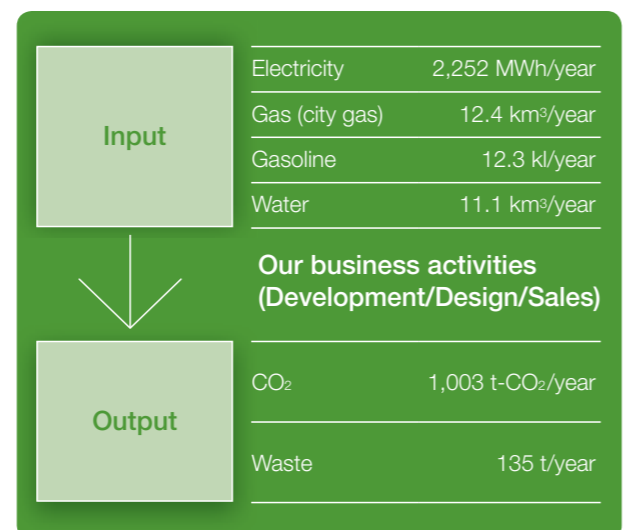
The head office of Foster Electric moved to a new company building in November 2012 and was reborn as an eco-friendly office building using many technologies to reduce the environmental burden. Such technologies include lighting control using daytime sunlight,* which effectively brings daytime sunlight 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, and contributed significantly to reductions per unit of sales.

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



We will continue to implement energy-saving adjustments by setting the optimal air conditioning temperature for each of our facilities, and work towards further reducing CO₂ emissions towards 2020.

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 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 2015, we monitored 50 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 some chemical substances, such as certain phthalate esters which are used as plasticizing agents (referred to as certain phthalate ester-free manufacture.)

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 adhesive-less 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 study sessions in promoting our operations.



In-house environmental education provided in 2015 at Foster Electric head office

Environmental accounting (Domestic)

At the head office of Foster Electric, we 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 | FY2015 | | FY2014 | |
|---------------------------------------------|-----------------------------------------------------------------------------------|------------|-----------|------------|-----------|
| | | Investment | Cost | Investment | Cost |
| 1. Business area costs | | 0 | 25,515 | 0 | 31,120 |
| (1) Pollution prevention costs | Air and water control-related prevention countermeasures | 0 | 616 | 0 | 178 |
| (2) Global environmental conservation costs | Prevention of global warming, as well as energy-saving measures | 0 | 1,086 | 0 | 1,124 |
| (3) Resource circulation costs | Waste disposal and recycling | 0 | 23,813 | 0 | 29,818 |
| 2. Administration costs | Environmental education and the establishment of an environment management system | 0 | 8,889 | 0 | 10,609 |
| 3. R&D costs | Research and development | 0 | 1,515,717 | 0 | 1,362,991 |
| 4. Social activity costs | Tree planting | 0 | 654 | 0 | 615 |
| 5. Total | | 0 | 1,550,775 | 0 | 1,405,334 |

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.

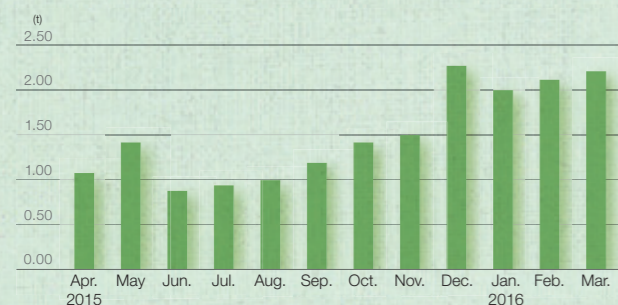
Zero emissions (Domestic)



At Foster Electric head office we are engaged in the recycling of waste, etc., (waste that contains recyclable elements) into raw materials through the sorting and separation of regular waste, plastics and industrial waste, and thorough awareness raising activities.

Already assembled products and parts are being recycled into raw materials through a professional recycling business operator, as part of our continuing activities aiming to achieve zero waste emissions from our business activities.

Recycled products (and parts)



Mini-clean activities

As part of our environmental activities, we conduct "mini-clean" activities every month, cleaning the footpaths and sidewalks around our head office. We also participate in the Akishima Cleanup movement, and are working towards the beautification of our local area.



Carbon offsetting

At the head office of Foster Electric, aiming to become a company trusted by the local community, we are providing support for global environmental preservation activities through the Akishima Environment Friendly Business Operators Network. We are also participating in activities run by Akishima City and the town of Iwaizumi (in Iwate Prefecture) as part of efforts in carbon offset.



Eco-friendly design

The Foster Group designs and develops products by taking into account all aspects of product life-cycles; from the procurement of raw materials to the manufacturing, use, disposal and recycling of its products. We strive to develop and provide products with the least possible environmental burden, such as through the manufacture of eco-friendly products that minimize the use of harmful chemical substances, and the creation of lightweight products engineered to reduce CO₂ emissions.

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 CO₂ emissions from vehicles.
- 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 VOC 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.
- As one aspect of our environmental activities, we are working to develop speakers that reduces the use of soldering, and have so far achieved an 80% reduction in the amount of solder used.



Headphones and headsets

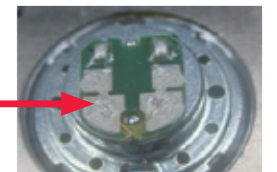
For headphones and headsets, we have been active in incorporating environmental considerations in our product and/or process design. For reducing the substances in our products that burdens the environment, we address the most up-to-date information regarding country-specific legal requirements and the 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 raw materials that would be disposed as wastes. We also have been keen on measures to minimize the volume of waste materials, reuse raw materials by introducing new equipment and developing products using natural materials as well as addressing the manufacturing of more eco-friendly products with less use of adhesives and developing a manufacturing method using less solder.



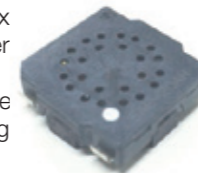
Measure for solderless production

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



In-vehicle speakers that support reflow soldering

- We have achieved the development of speakers that can be mounted by reflow soldering, which not only achieve reductions in mounting time required on the customer side when fitting the speakers by automatic mounting machine, but also enable reductions in the amounts of solder used and waste flux produced, through the use of paste solder during mounting.
- Connections inside the product are achieved without the use of solder, using heat and pressure joining techniques.



- Despite their high acoustic pressure of 800 Hz 95 dB/10 cm, the speakers are lightweight at approximately 3 g, also contributing to weight reduction in our customer's products.
- It is highly resistant to heat, and produce no VOC even under high-temperature conditions.
- It employs 100% Sn-plated phosphor bronze (composed of copper, tin and phosphorus) in their solder-attachment contacts. Residual materials cut out during component processing are all recycled and reused during repeat phosphor bronze fabrication processing.

Energy-saving active speaker systems

By adopting a class-D digital amplifier (a class of audio amplifier) as the amplifier that drives the woofers and tweeters in our active speaker system, we have been able to reduce electric power consumption during operation in comparison with analog amplifiers.

The system also conforms to the European Eco-Design ErP (Energy-related Products) Directive [EN50564: 2011], and reduces idle power consumption to 0.5W by automatically going into standby mode when no input signal is detected over a period of approximately 15 minutes.

