



**FOSTER**<sup>®</sup>

Sustainability | Report | **2017**

# Corporate Creed

## Corporate Creed

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

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

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

Corporate Creed	Vision	Mission
<b>Sincerity</b>	To make contributions for future society through acoustics	Through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world. A truly global enterprise our future society counts on.

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# Foster Rhythm

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

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

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

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

## - Principles & Values -



### THE LEADING *SOUND-TO-LIFE* SOLUTION COMPANY

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

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



### ALWAYS IMPROVING

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

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



### EVER MORE GLOBAL AND INCLUSIVE

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

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

# Top Message



FOSTEX Speaker System G2000a

*Hiromi Yoshizawa President*

# Corporate Social Responsibility and Management

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

Omi Shonin (merchants from modern 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. I believe that many corporate entities that have been operating for more than 100 years secure these “three goods” by making reasonable profits and returning them for the good of society. Securing these “three goods,” we also aim to be a centennial company that has a shining presence in the coming new society.

Society is currently experiencing major changes. With the industrial revolution being brought about by IoT (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 to realize our corporate vision “to make contributions for 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 Foster has adhered to since its founding, while simultaneously making major changes ourselves as we move forward. The key players who have a central role in achieving this are people, the tens of thousands of Foster Group employees around the world. 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 reforms to our working method to enable a greater number of valuable human resources to overcome various constraints, to excel and to play an active role within the Foster Group. We will seek to achieve diversity, in the true meaning of the word.

To unite people with digital technology through acoustics and become a company that is loved by all, Foster will continue to be a specialist in acoustics that pursues better quality sound to delight music-lovers worldwide.

In addition, 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 conduct our business operations based on the values of discipline, responsibility and social contribution.

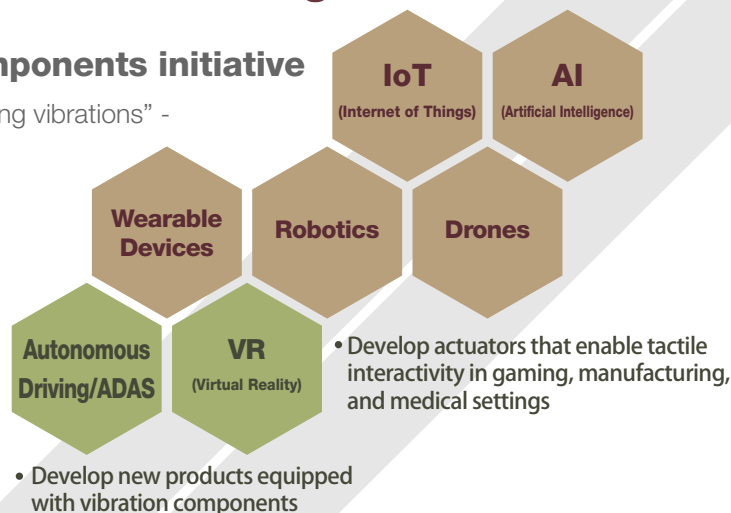
Foster Group has signed the “United Nations Global Compact” to represent our commitment to CSR activities. We have also defined “Foster Rhythm” to clearly describe “Principles & Values,” penetrate the concept of our corporate philosophy to our employees, and strengthen and hand the foundation of the corporation on to future generations.

We will continue to strive to become an enterprise that is loved by society and that offers satisfaction for its various stakeholders.

## Technologies involving interfaces between acoustic signals and human beings

### Strengthen vibration components initiative

- Develop “making sound” into “making vibrations” -



# Interview

## Challenges of Foster to Become a Centennial Company

Foster Group will mark its 68th anniversary in July of this year. We have responded to the expectations of our customers all over the world, “enjoying sounds,” through the OEM business specialized in acoustic products since our founding. Those products have been born from “the power of approximately 50 thousand employees” who are working around the world.

Looking forward, we have started to become a corporation with a history of 100 years, a centennial company. The bridge between the Foster of the past and the future Foster targeting its 100th year anniversary depends mostly on the power of each employee.

To achieve these goals and dreams, approach the “Vision” of “making contributions for future society through acoustics” and to align the vectors of all members, Foster employees played a central role in developing the “Foster Rhythm Guidebook.” This so-called manual provides guidance for our daily behavior. Currently, employees around the world have the “Principles & Values” card, which has been translated into nine languages.

Together with the “Foster Rhythm,” the skills that will lead us to the future are nothing less than the acoustic technology that we have accumulated over more than 60 years. We have especially focused on acoustic quality to improve our technology.



Foster Rhythm Card

It is said that the most important part that determines the quality of a speaker’s sound is generally the one made of a saucer-shaped thin material, called the diaphragm. This diaphragm is the part that converts the sound signals input via various means such as a CD or a smartphone into vibrations and outputs them as audible sounds. In other words, for us to hear any sounds from the speaker, the diaphragm plays the role of an interface between acoustic signals and human beings.

The diaphragm that produces sounds is generally called cone paper. Relying on the fact that sounds differ depending on the selection and manufacturing method for cone paper materials, we test the possibilities of various materials at the development division in Akishima headquarters in Tokyo and develop the materials that are the most suitable for these respective sounds.



Takashi Mikuniya, Material Development Section,  
Speaker Engineering Department 3, SP Business Division  
In charge of the development of the diaphragm materials

It is said that the materials most suitable for the cone paper should have the following three elements: 1. lightness, 2. strength, and 3. internal loss (vibration energy damping). In addition to the conventional paper pulps, we combine a wide range of materials such as non-wood pulp (kenaf); natural materials including mitsumata, which is also used for bills, and ganpi, which is also used for Japan paper; and high-modulus fibers including aramid and carbon to explore the possibilities of a limitless expanse of sounds.

Cellulose nanofiber is a material that our development engineers have employed to actual cone paper in collaboration with a material manufacturer. There are various types of cellulose nanofibers such as one made of wood and one produced with the help of bacteria. The thickness of a single fiber is

approximately 1/5000 to 1/10,000 of human hair, yet it is five times stronger than iron. While maintaining that strength, the internal loss (vibration energy dump) performance of this fiber contributes to the production of quality sounds that are obviously different from the other materials.

As you see with the case of the cellulose nanofiber, our development engineers who keep exploring suitable materials are like “cooks” who create recipes of materials that will produce quality sounds, from various materials. Using those recipes, we manufacture cone paper at our internal factories in China and Myanmar. This is because we deeply understand that different recipes for cone paper create different sounds that are desired by customers, which is to say, those recipes are the source of our value creation.

Speakers generally consist of a small number of parts. With such a limited number of components, which create the different sounds, we closely examine materials with a strong persistence for each of those parts to create the recipes of the materials. The recipe created by a “cook” (development engineer) is then handed over to another “cook” (design engineer), who combines such parts to produce the sounds that are desired by our customers.

Our customers deliver the sounds we have produced through various types of products, including automobiles, smartphones, and audio products to their end-users as top-level companies in each field. They are located in not only Japan but also in a wide range of regions such as Asia, America, and Europe. Therefore, they have different cultural backgrounds and substantially different target “sounds.” To catch the subtleties of those desired “sounds” is very much a part of the technology we have accumulated.



Masahiro Miwa, Diaphragm Engineering Section,  
Speaker Engineering Department 3, SP Business Division  
In charge of developing diaphragms



Yuji Yokota, Speaker Engineering Department 2,  
SP Business Division  
In charge of designing speakers for customers

In the section “Foster Rhythm” above, “Steadfast” and “Expert” are listed as “Principles & Values.” While focusing on the analog area (using sounds to appeal to hearing, which is one of the five senses of human beings), we continue our steady efforts to sincerely produce the “sounds” that are desired by our customers as specialists. We will continue to recognize its value.

Like many other excellent companies, we will continue to work towards our ambition of being a centennial company while appreciating our corporate culture of the “three goods”—good for the seller, good for the buyer and good for the society— (“we do our best for our customers and other stakeholders while keeping in mind that a proper attitude as human beings is more important than acquiring income from the business”).

We will also continue to develop as a specialist of sounds and fulfill our social mission with “sincerity” to contribute to the continuous development of society.

# CSR Management

Since its founding, the Foster Group has aimed to become indispensable to society, and has 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.

With the 70th anniversary in 2019, while “aiming to be a centennial company” the Group recognizes it as the key to continue to adhere to the management that is based on its corporate creed of “Sincerity,” that is, “always convey the truth and offer human- and environmentally friendly services to all stakeholders with cordiality.”

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.



**Atsushi Narikawa**

Officer in charge of CSR, Senior Managing Director

## Foster Group CSR Charter

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

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

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

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

1. We stand and act on our corporate creed, vision and mission.
2. We act in accordance with the “Foster Group Corporate Action Guideline” that a company should comply, and the “Foster Group Code of Conduct for Staffs” that all directors and employees of the group should abide by.
3. We regard variety of stakeholders including customers, employees, suppliers, shareholders and investors, and local communities as the subject of our CSR activities, and pay respect to diversified sense of “value”, “culture” and “economic, environmental or social” circumstances that vary depending on countries or areas.
4. We act in accordance with laws, regulations of home and abroad, and international rules by responding to various requirements. Those requirements are compliance to corporate ethics, security of product quality and safety, environmental protection, improvement of work environment, maintenance of employment, development of human resources, respect to human rights, fair competition, contribution to society and community, and proper tax payment.



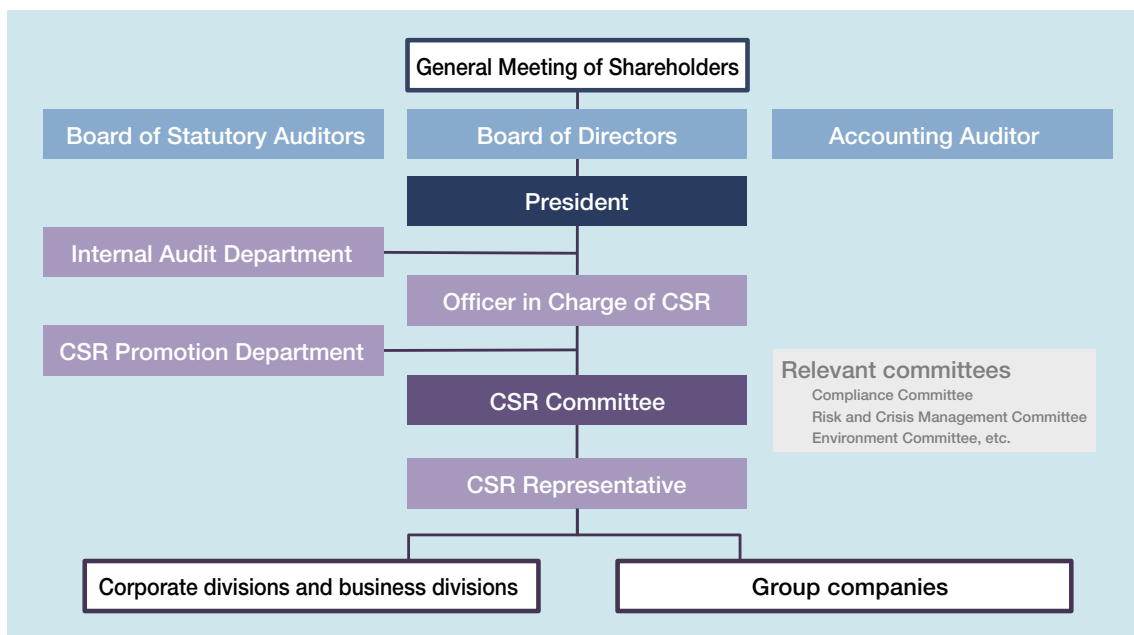
5. We perform proper risk control, disclose information timely and adequately with accountability to support the reliability of CSR, and put value on having dialogue with stakeholders.
6. We identify company representatives responsible for ensuring implementation of the management systems and associated programs in order to comply with this CSR Charter. Status review, with personnel designated by managements, is held on a regular basis.

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

# Foster Group CSR Promotion

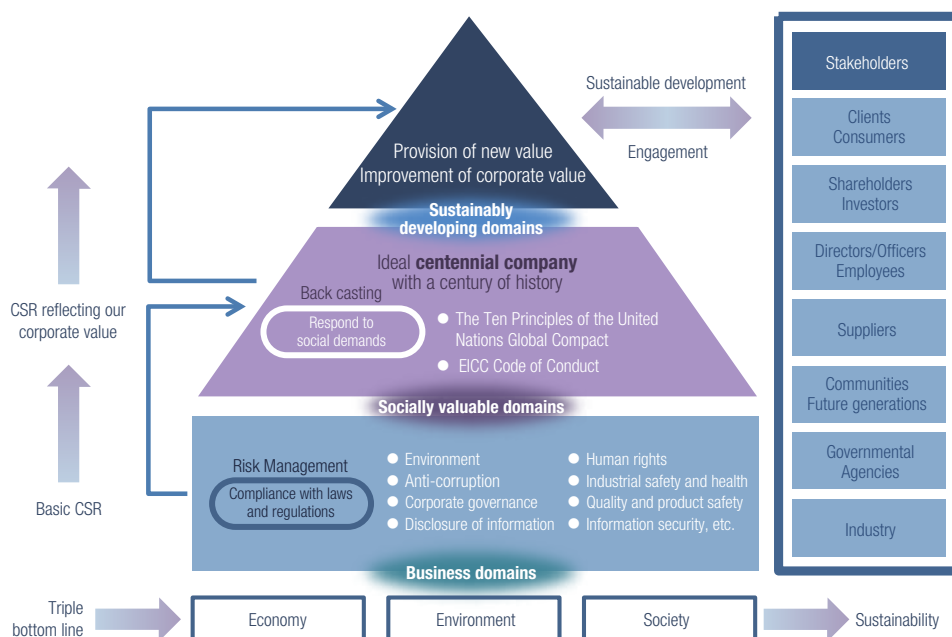
## Foster Group CSR Systems

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



## Conceptual Drawing of CSR Management

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



## Core of CSR Activities

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

\* Electronic Industry Citizenship Coalition

## Development of CSR Materiality

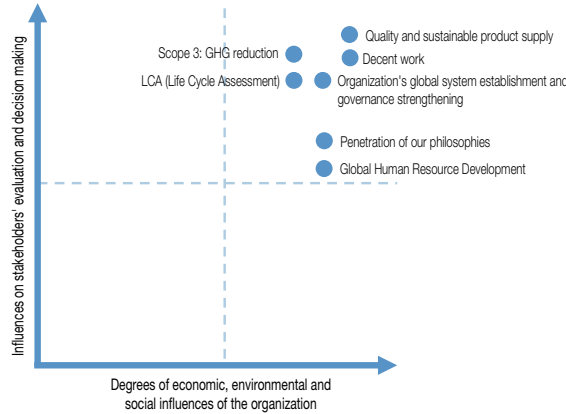
The Foster Group developed the CSR Materiality for the first time in 2016. The development method and procedures were determined by extracting the important items for CSR from the policies and their items set out by the Company. The basic policies and extracted items are:

1. The Major policy “To establish a base of global business and create a profitable structure toward the year 2020” from “2016 Managerial Policy.”
2. The following two items were extracted from “Annual TQM (Total Quality Management) Policy for Fiscal Year(2016)”:
  - Draw and execute an improvement plan suitable for the maturity of each site for “customer claim reduction” measures.
  - Establish a global environment management system and embody and promote the orientation of “energy management” targeting 2020.
3. The following two items were extracted from “Environmental Policy”:
  - Conserve the global environment by promoting resource and energy saving in product development and design.
  - Prevent contamination and reduce CO<sub>2</sub> emissions in all phases of business activities including manufacturing and disposal.
4. The item “Raise the awareness of environmental protection and biodiversity and thereby develop human resources who contribute to society” was extracted from the “Medium-term Environmental Policy.”

The extracted materiality items are as follows:

1. Responsibilities in the value chain: Decent work, quality, customer-oriented and environmental conservation
2. Global human resource development and utilization
3. CSR-based global Group governance

For item 1, we consider the entire value chain as a primary body and divided it into items for “strengthening positive effects” and items for “minimizing negative effects.” From each of those items, we extracted the detailed items.



### CSR Materiality-based PDCA

Goal	Materiality	Results and Progress	Future Plan
1. Responsibilities in the value chain: Decent work, quality, customer-oriented and environmental conservation	Strengthening positive effects	Decent work	We implemented various activities such as reduced working hours in the first year of the working style innovation.
		Decent work	We signed the United Nations Global Compact and started considerations on activities regarding human rights and labor for 10 principles in four areas.
		Quality and sustainable product supply	We maintained a record of zero failures that would have serious influences on society (human life, property, environment and so on).
	Minimizing negative effects	LCA (Life Cycle Assess)	We started considerations aiming to define the life cycle range and set KPIs.
		Scope 3: GHG reduction	In addition to Scopes 1 and 2, which we already had started implementing, we started considerations for reducing GHG in Scope 3.
		Scope 3: GHG reduction	We will develop an activity plan for the future using the results of consideration on Scope 3: GHG reduction.
2. Global human resource development and utilization	Global Human Resource Development	To further promote diversity, we started consideration on the introduction of a global grade system, which enables employees at Group companies worldwide to work more globally.	
	Penetration of our philosophies	We developed the “Foster Rhythm Guidebook” to penetrate our philosophies, and started distributing it to all employees in our Group.	
3. CSR-based global Group governance	Organization's global system establishment and governance strengthening	We selected the persons in charge of CSR at the headquarters and seven Group companies, and established a global CSR structure.	
			We will continue the CSR promotion activities for Group companies based on the established CSR promotion system.

# CSR Assessments and Audits

## CSR Internal Audits

In order to penetrate CSR at the manufacturing sites, the Foster Group is implementing CSR internal audits. We implemented 43 total internal audits at the facilities in the last fiscal year. We implemented the audits by basically using the local laws as the standards and guidelines and also by referencing various social requests such as the EICC Code of Conduct, EICC VAP(Validated Audit Process), SA8000 and customer standards to confirm compliance of the activities and check for any measures beyond the laws.

## Customer Audits and Assessments

To meet various requests from customers, the Foster Group accepts audits by customers at its manufacturing sites. In terms of the environment and occupational safety and health, our production facilities in China and Vietnam received 16 on-site audits by 4 corporate customers during the period from April 2016 to March 2017. Over the course of the year, we also received 20 requests (from 11 different customers) to complete and return Self-Assessment Questionnaire, and we responded to these requests accordingly.

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



External view of the factory in Vietnam



Customer audit closing meeting (China)

## Surveys from External Organizations

The Foster Group also responded sincerely to the CSR surveys received from external investigatory bodies. Last year, we received and responded to eight surveys regarding CSR, environmental management, ESG, SRI and others. Among them, as a result of the “CSR company ranking survey,” which was conducted by Toyo Keizai Inc., we ranked 248th, which was a significant improvement from 323rd two years ago. We will continue to address the survey requests from external investigatory bodies with sincerity.

# Expansion of CSR In-house Education

## Holding the Global CSR Communication Conference

We held the “Global CSR Communication Conference” on November 15 and 16, 2016. A total of 29 directors, officers and employees involved in CSR gathered from the headquarters and 10 overseas sites on Penang Island, Malaysia, where the Southeast Asia Procurement Center is located, in order to exchange their opinions through the accumulation of knowledge, information sharing, team building and other initiatives to accelerate the Foster Group's CSR activities.

We will continue to provide places for periodic communication to deepen mutual understanding beyond cultural, ethnic and regional borders and unite as the Foster Group to actively promote in-house CSR education.



People holding discussions



Group photo of participants

# Contributions to the community

## Policies

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

## Code of Conduct

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

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

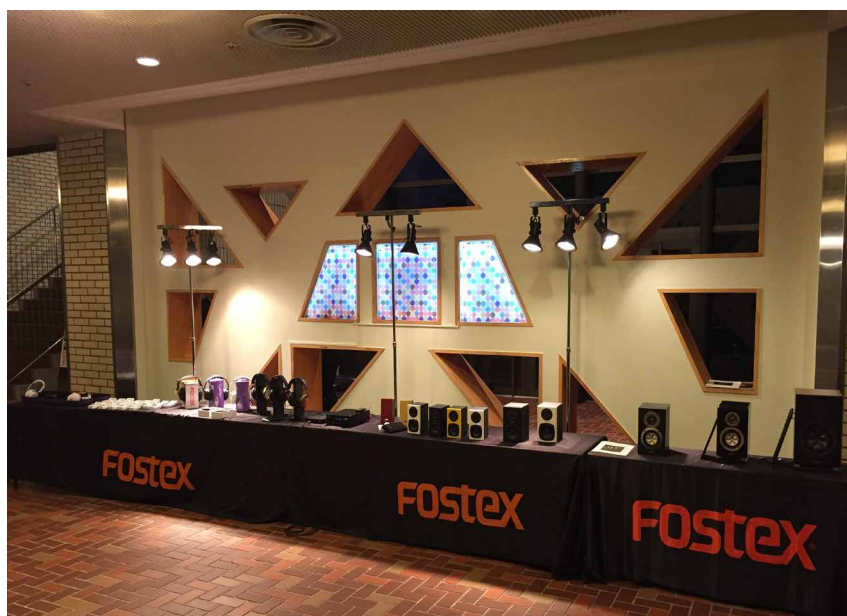
## Activity Promotion Structure

The Foster Group's social contribution activities are promoted by the CSR Promotion Department in cooperation with all departments, including General Affairs, Manufacturing, Engineering and Sales.

## Main Activities

### Communicating with the community

We continued the naming rights contract with Akishima City regarding Akishima Community Hall, which is known locally as KOTORI Hall by the citizens of Akishima City. The KOTORI brand name was given to the hall by Foster in April 2014. In October 2016, Foster hosted the seventh “Screen Music-no-Utage” music festival. At the event, Foster exhibited and sold KOTORI brand products. It built bridges between people in the local community and the Company with the corporate philosophy of contributing to future society through acoustics.



Products being exhibited at KOTORI Hall

As a company that regards harmony with the environment as one of its highest priority issues in its business management activities, Foster held environmental studies class sessions and invited elementary school students in Akishima City to take part in October 2016. These sessions enabled the children who will play a role as 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.



Our product being explained at the gallery of our headquarters



Session about our care for the environment (headquarters)

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



Exhibition booth



Our products being introduced at the booth

### Investing in human resources for the future

In December 2016, we held a Speaker Study Class for general citizens at the Citizen's College Forum and a Winter Vacation Parent & Child Crafts Class for sponsoring the event as a part of the Akishima Crafts Classroom community course as a winter holiday event for parent-child interaction. The event was well received by local citizens as an event that created good memories for the winter holidays.



Trainers who taught at the crafts class



Making speakers

In March 2017, we held a speaker making class, which was the first event sponsored for children by our consumer brand FOSTEX company, at “Anfelit” showroom, where the FOSTEX products were exhibited. Eight children, between late elementary to junior high school students, learned the mechanism of sound making and enjoyed making speakers that play melodies.



Making speakers



Listening to sounds from the speakers that the children made

**Sponsoring community development**

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

**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.

**Future Plan**

Based on the Foster Group's policies, we will continue to conduct activities for communicating with not only the people in the community, but also a wide range of stakeholders through our acoustic products and solutions.



# Community Contribution Activities at Overseas Sites



Students from Thanlyin Technological University visiting Foster Thilawa

Foster Group's overseas manufacturing sites are active in local human resource development. We accept students from universities and career colleges in the local communities for internship placements, providing students with opportunities to deepen their expertise by learning through practice and acquiring techniques that have not been taught in schools. The Foster Thilawa in Myanmar not only accepted students for internships but also donated machines for learning to Thanlyin Technological University so that the students can learn techniques and practice at school too.



Employees of Group company in Vietnam and people in the affected area

In 2016, central Vietnam suffered flooding and the inhabitants suffered extensive damage. Our subsidiary in Vietnam is conducting support activities for the disaster victims. Clothes, rain coats, blankets, drinking water containers and other items were delivered to the disaster victims. Our subsidiary also donated money collected from employees to the victims.



Donation activity for children in low-income households conducted by the employees at our Group company in Vietnam



Donation activity for deprived areas conducted by the employees at our Group company in China

Foster Group's overseas companies are engaged in various volunteering activities. Our subsidiary provides support to match the needs of inhabitants in local communities; such as donation activities for children in low-income households and the distribution of essential daily supplies for impoverished families.



Blood donation activity conducted by the employees at Foster Indonesia

Our subsidiary has also actively participated in the blood donation activities held by the Red Cross in that area. Some overseas sites also conduct blood donation activities held within the company on a regular basis every year and many employees have participated.



"With Compassion—Share Kimchi" campaign in which the chairman and president of ESTec Corporation also participated

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

In line with the thinking of the Company's officers—that if everyone works together and combines their power, it is easy to help at least one person—the collected donations are being conveyed, via the inhabitant life support office, to people in need of support in the Yangsan area in February and September 2016.

On December 3, 2016, all the employees at ESTec attended the "With Compassion—Share Kimchi" campaign, and donated 1,500 kg of handmade kimchi for the coming winter to a volunteer center in Yangsan City. These donation activities have been carried out every year since 2010.

# UN Global Compact

## United Nations Global Compact

The Foster Group signed and joined the “United Nations Global Compact (UNGC),” the world’s largest corporate sustainability initiative promoted by the United Nations, in January 19, 2017.

As a company that operates globally, we support the 10 principles of the UNGC of “Human Rights,” “Labour,” “Environment” and “Anti-Corruption” and conduct activities for compliance, decent work, care for the environment, and CSR procurement, etc.

To report the progress of those activities, we prepared the Communication On Progress (COP) for fiscal 2017.

### UNGC Communication On Progress (COP) 2017

Human Rights		<p>The Foster Group's commitments to human rights, labor, environment and anti-corruption are defined in the Foster Group Code of Conduct for Staffs. This code covers the provisions of the EICC (Electronic Industry Citizenship Coalition) Code of Conduct and Rev. 4, which was revised in April 2017, is currently effective. The items that correspond to the 10 principles are:</p> <p>Human Rights                      10. Responsible sourcing of minerals                      23. Respect to Human Rights and No Discrimination</p> <p>Labour                      23. Respect to Human Rights and No Discrimination                      27. Compliance with Labor-related Laws</p> <p>Environment                      17. Preservation and Protection of Environment</p> <p>Anti-Corruption                      2. Compliance with Laws and Norm                      8. Prohibition on Bribes to Foreign Officials</p> <p>In addition, our commitments to the environment are defined in the Foster Group Environmental Policy.</p>
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	
Principle 2	make sure that they are not complicit in human rights abuses.	
Labour		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	
Principle 4	the elimination of all forms of forced and compulsory labour;	
Principle 5	the effective abolition of child labour; and	
Principle 6	the elimination of discrimination in respect of employment and occupation.	
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	
Principle 8	undertake initiatives to promote greater environmental responsibility; and	
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	



Network Japan  
**WE SUPPORT**

- Foster Group's activities regarding UNGC:  
<http://www.foster-electric.com/csr/ungc/index.html>
- Foster Group Code of Conduct for Staff:  
[http://www.foster-electric.com/csr/governance/pdf/coc\\_for\\_staffs.pdf](http://www.foster-electric.com/csr/governance/pdf/coc_for_staffs.pdf)
- Foster Group Environmental Policy:  
<http://www.foster-electric.com/csr/environment/index.html>

## Sustainable Development Goals (SDGs)

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

We will promote the following items among the 17 goals through our business activities to support societal change.



■ Sustainable Development Goals (SDGs):

United Nations Website: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

# SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



# Governance

The Corporate Management Division is carrying out its operations regarding finance, accounting, IR (Investor Relations), legal affairs and intellectual property.

It has a function that governs not only the headquarters in Japan but also the subsidiaries around the world.



**Tatsuhito Tanaka**

Executive Officer and Head of Corporate Management Division

## Corporate Governance

### Policies

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

### Corporate Governance Structure

#### Board of Directors

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

#### Board of Managing Directors

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

#### Management Meeting, etc.

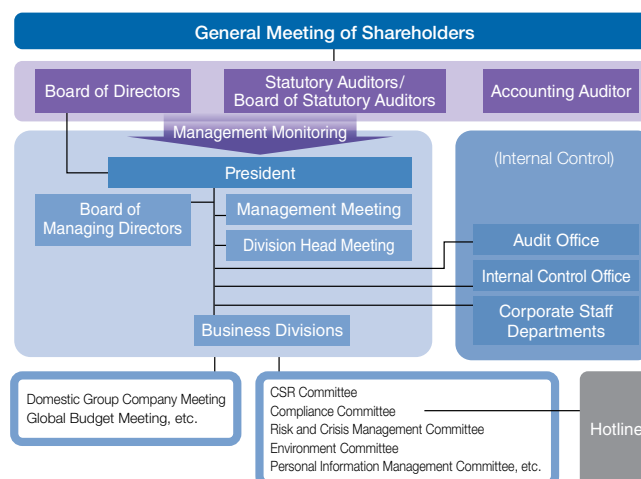
Mainly comprising the president and the head of the Company's business divisions (including those who serve concurrently as director or executive officer), the Management Meetings and the Division Head Meetings are held to report and discuss matters concerning the execution of businesses at the business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

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

#### Nominating Committee and Remuneration Committee

The Company has established Nominating and Remuneration committees as advisory organizations offering voluntary advice to the Board of Directors. These committees are designed to enhance fairness and transparency in selecting and appointing people to managerial positions, and in determining the details of their remuneration, etc. Each committee

consists of representative directors, managing directors, directors, standing statutory auditors, and statutory auditors (currently a total of six members including two independent officers).



## Corporate Governance Guidelines

The Foster Group has established Corporate Governance Guidelines that express our basic way of thinking and framework with regard to corporate governance. Details of these guidelines can be viewed via our website (Japanese).

[http://www.foster.co.jp/csr/foster\\_group/pdf/20160401\\_corporate\\_governance\\_guideline.pdf](http://www.foster.co.jp/csr/foster_group/pdf/20160401_corporate_governance_guideline.pdf)

## Corporate Governance Report

This report describes the concept and structure of our corporate governance in accordance with the regulations of the Japanese stock exchange.

## Foster Group Corporate Action Guideline

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

■ Foster Group Corporate Action Guidelines:

[http://www.foster-electric.com/csr/governance/pdf/corporate\\_action\\_guideline.pdf](http://www.foster-electric.com/csr/governance/pdf/corporate_action_guideline.pdf)

# Compliance

## Policies

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

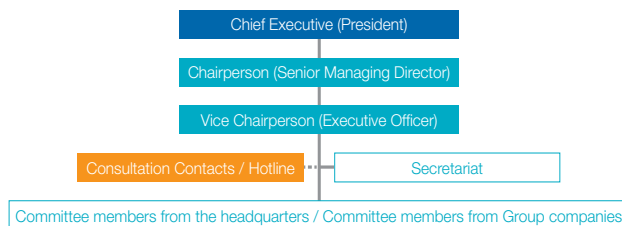
## Compliance Structure

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

For the protection of whistleblowers, internal regulations are established and disseminated to ensure that are treated fairly or not involved in any trouble as a result of the 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 headquarters and 11 major business locations are under supervision for compliance with the J-SOX requirements.

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



## Compliance Committee

Compliance efforts are led by the Compliance Committee based on the respective internal regulations. In fiscal 2016, a compliance test was conducted to help improve awareness of compliance among employees, and in an initiative led by the Compliance Committee, an outside expert (lawyer) was invited to lecture to employees with the objective of making compliance related issues known and ensuring thorough observance.

## Future Plan

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

# Risk Management

## Policies

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

## Risk Management Structure

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

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

## Risk and Crisis Management Committee

As the basic operation policy in fiscal 2016, we promoted the enhancement and global expansion of risk management ability and crisis responsibility and established a structure for prompt responses in the event of a crisis and a response structure for any serious risk or incident when it is predicted, and enhanced the risk management system for usual conditions. Specifically, we also held the Risk and Crisis Management Committee meeting in fiscal 2016 to review the measures for the safety of the manufacturing facilities and inspection rooms on a Foster Group-wide basis. In addition to those activities, we extracted important items to be monitored in fiscal 2017 at the Risk and Crisis Management Committee, aiming to enhance the risk and crisis management structure.

## Future Plan

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

# Our Stance on Tax Matters

## Basic Stance

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

## Dealings Between Affiliated Companies

The Foster Group determines prices for dealings between its affiliated companies based on the principles of pricing between independent companies. Taxes are paid in a timely and appropriate manner according to the earnings based on tax laws and agreements in each country.

## Relationship with Tax Authorities

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

## Transparency

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

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

# Business Continuity Plan (BCP)

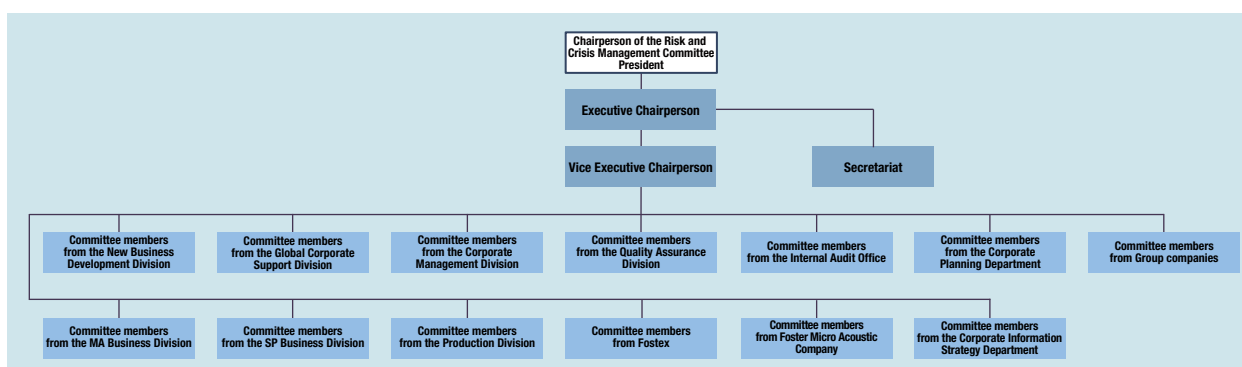
## Policies

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

In these activities, the Company has developed the “Business Continuity Plan” in order not to suspend important business operations in the event of disaster and even when operations are suspended, resume them as quickly as possible to minimize the effects on customers and other stakeholders and enable a smooth response to an emergency.

## Activity Promotion Structure

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



## Main Activities and Measures

### Operation of the emergency-contact network (safety confirmation system)

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

### Disaster drills conducted by headquarters and domestic offices

- Once a year, the Foster Group conducts disaster drills involving all employees at headquarters and domestic offices. At headquarters, the drill was conducted in October 2016. Firefighting training was conducted by the fire-extinguishing team of the self-defense fire-fighting force on the day.



All employees evacuating to the parking lot next to the headquarters building



Firefighting training

- The Company provides an opportunity to participate in the self-defense fire-fighting examination board hosted by the relevant fire department to improve the skills of the self-defense fire-fighting force members. In past examination boards, the team has achieved impressive results, with our women's team winning first prize for instance.



Self-defense fire-fighting examination board

### Disaster drills at overseas sites

The Foster Group appoints a person in charge of BCP for each overseas site. In addition, overseas sites conduct disaster drills on a regular basis to encourage employee awareness of disaster defense.



★ Chemical substance treatment practice (Vietnam)



★ Firefighting training (Vietnam)



★ Fire drill (China)



★ Fire drill (South Korea)

## Future Plan

The Foster Group plans to implement the jointly hosted business continuity plan (BCP) drill this term by increasing the level of disaster drills that have been held at each site in Japan and other countries/regions to further strengthen the system.



# Information Security and Personal Information Protection

## Policies

The Foster Group recognizes the importance of securing the trust of its customers, suppliers, shareholders, employees, and other stakeholders based on its corporate creed “Sincerity,” and appropriate management of information assets is an important part of the management agenda.

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

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

## Activity Promotion Structure

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

## Main Activities and Measures

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

In addition, when the Group outsources all or part of its business, it implements thorough reviews on the appropriateness of the outsourcing companies, requests them to maintain the same or higher security level as the Group, and works on periodical reviews of the outsourcing companies and strengthening of the agreements with them.

## Future Plan

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

Details on our personal information protection can be viewed at our website (Japanese):

■ Personal information protection:

<http://www.foster.co.jp/privacy/index.html>

# Responsible Procurement

The Foster Group makes efforts to trade with suppliers that are not only superior in terms of quality, technologies, and delivery time, but also makes efforts to trade with suppliers that carry out social responsibilities such as CSR (green procurement, human rights, labor, safety, and compliance).

We will continue to build sound relationships with our suppliers through agreement with our CSR procurement policies, deepening of mutual understanding, and sharing of our goals.

## Basic Principles of Procurement Policy

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

- |  |  |
|--|--|
| 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 |

Details can be viewed at our website:

<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 Principles of Procurement. Based on this standard, we distribute CSR-related questionnaires to our suppliers, and ask that they cooperate with us on our CSR initiatives.

In fiscal 2016, the Company conducted a survey on all procurement sites in Japan, China, Vietnam, Indonesia, and Myanmar. Many of our suppliers considered CSR as a social trend and we received positive replies from 97% of them.

We are now considering the possibility of requesting our suppliers to fill in the “check sheet” to acquire a more detailed understanding of CSR in the future.

Details on the “Foster Group Supplier CSR Code of Conduct” can be viewed at our website:

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

## 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 2016, we achieved a 99% response rate for investigations into conflict minerals carried out on a group of 389 suppliers.

Going forward, the Group will continue to conduct detailed investigations as the refinery certification status changes (addition and deletion), and to work actively towards ensuring the responsible procurement of minerals.

Details can be viewed at our website:

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



In-house briefing (headquarters)

## Green Procurement

The Group has established and revised its “Green Procurement Standard” governing the chemical substances contained in procured parts and raw materials, and asks our suppliers to provide parts and materials that do not contain harmful substances, in compliance with various national 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.

Details on our green procurement can be viewed at our website: <http://www.foster-electric.com/procurement/green.html>

## Education

In fiscal 2016, our Company held nine study sessions (basic and advanced) on CSR procurement and green procurement for domestic and overseas sites.

For CSR, we held the Global CSR Communication Meeting in Penang, Malaysia to share the opinions and future policies of CSR procurement among CSR-related personnel. For green procurement, our Company is fostering human resources who can acquire the knowledge needed to reduce environmental risks and conduct procurement operations in a socially responsible way.



Lesson in the Global CSR Communication Meeting 2016

## Global Procurement Structure

The Foster Group is promoting the global development of business activities, local procurement, and local production for local consumption. In doing this, we consider it vital to share a mutual understanding with our suppliers and we therefore hold procurement, environment, and CSR briefings to promote a strong and healthy relationship with them.



Training across sites by using the TV conference system (headquarters and Vietnam)



Technological exchange with our suppliers headquarters



Social gathering at the procurement briefing 2017 (China)



Conference held at the procurement briefing 2017 (China)

## Future Actions (Request to Fill in the CSR Self-Assessment Questionnaire)

We have started requesting our suppliers to check the status of their activities regarding human rights, safety and health, environment, and ethics.

We analyze and evaluate risks on our suppliers based on the self-assessment results and conduct interviews and/or audits if necessary.

# Social

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



**Iwaki Tsugane**

Deputy Head of Global Corporate Support Division

## Human Rights Protection

### Policies

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

An outline is provided below.

#### Respect for Employees' Humanity

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

#### Respect for Human Rights and Anti-discrimination

Working to maintain healthy worksites at all times, we respect the human rights of each employee and do not conduct any actions that lead to discrimination.

We do not engage in irrational discrimination based on place of birth, nationality, race, origin, creed, religion, gender, age, disability of various kinds, hobby, academic background, etc.

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

#### Sexual Harassment

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

#### Protection of Personal Information and Privacy

With respect to personal information and privacy of Foster Group Directors and Staff or for persons outside the Company that become known to Foster Group Directors and Staff during the course of work, we only use the personal information for the work and control it strictly. We control it strictly so that it will not be divulged outside the Company.

#### Worksite Health and Safety

We give priority to the provision of safety and health, endeavor to maintain a safe and healthy workplace environment, understand the laws and orders concerning work-related safety and health and comply with them. If any work-related disaster arises under any circumstance, Foster Group Directors and Staff strive to carry out the prescribed procedures

such as the creation of an immediate report in order to minimize and prevent the recurrence of such accident in a reliable manner.

### **Compliance with Labor-related Laws**

We comply with the labor-related laws and endeavor to maintain a comfortable and healthy workplace environment. In order to ensure that the working conditions stay within the limit set forth in the “Labor Standards Act,” we strictly control working days and working hours.

We do not force labor that compels excessive work or over-time work and so on.

Managers take into consideration the condition of the physical and mental health of subordinates at all times.

### **Activity Promotion Structure**

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

## **Diversity and Inclusion**

### **Policies**

The Foster Group seeks to create the systems and environments that maximize the abilities of a diverse workforce, regardless of personal attributes such as gender, age, nationality, and background. It aims to encourage a vigorous approach to work, accommodating needs for a diversity of work styles at each life event, such as raising children and providing nursing care.

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

### **Activity Promotion Structure**

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

### **Main Activities, Measures, and Development**

#### **<Supporting Employees Raising Children and Providing Nursing 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 also formally introduced the work-at-home program in March 2017 to support employees who are raising children or providing nursing care.

Going forward, we will expand work options and provide a place for communications among employees who are working while providing child care or nursing care, so that they can obtain useful information.

#### **<Promoting Women's Active Participation>**

By providing female employees with planned cultivation and supporting their career development, we are aiming to have female managers represent 30% of all managers by the end of March 2021. We will continue to support the continuous career development of female employees and establish in-house network events such as communication meetings.

#### **<Our Activities for LGBT (Sexual Minority)>**

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

### <Global Human Resource Employment>

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

### Future Plan

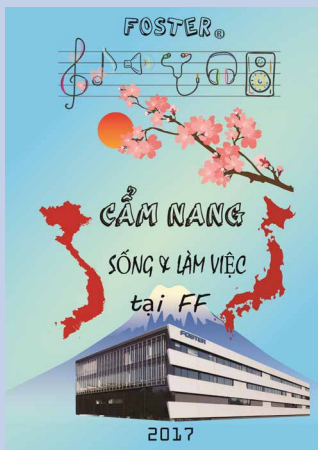
- Female manager rate: To increase the female manager rate to 30% of all the managers.
- Foreign employee rate at headquarters: To increase the foreign employee rate to 30% of all employees working at headquarters.
- Employment rate of persons with disabilities: To keep the employment rate above the mandatory rate required by law.
- Displaced worker for nursing care: Aim to be zero.

### Upgrading and Expanding Our Support for Trainees and Transferred Employees from Overseas Sites

The Foster Electric accepts many trainees and transferred employees from overseas sites at the headquarters every year. In fiscal 2016, we accepted 12 trainees and transferred employees from Vietnam for periods of 6 to 12 months. In circumstance where many employees from overseas experience a long stay in Japan for the first time, we have prepared the “Living and working at Foster in Tokyo” guidebook to minimize their concerns about life and work.

This guidebook was prepared mainly at the initiative of Vietnamese employee working at headquarters. This guidebook is written in Vietnamese and consists of 14 chapters in 43 pages. It covers a wide range of information from the general information required to stay in Japan, including the way to headquarters after arrival, to information required to work at headquarters. With this guidebook, even employees visiting Japan for the first time can prepare for their stay in Japan with confidence.

The guidebook was completed in March this year and distributed from the Human Resources Department at the Vietnam site to their local employees. It is already being used as a guide for visiting Japan. We will review the contents on a regular basis to further upgrade and expand our support for employees from overseas.



Cover page of the “Living and working at Foster in Tokyo” guidebook



Guidebook preparation team

# Labor (Labor Practices and Decent Work)

## Policies

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

## Activity Promotion Structure

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

## Main Activities, Measures, and Development

### <Work-style reforms>

Since September 2016, we have started a trial-run diverse working style project, such as a flex-time system and individual working shift system, to promote diversity and realize a work-life balance. We have also shortened the predefined working hours by 15 minutes a day.

Since March 2017, as phase 2 of the trial-run diverse working style project, we have started a trial-run of a new flex-time system and fully introduced a work-at-home program.

In addition, along with the private-public initiative of the Premium Fridays, which is promoted by the Ministry of Economy, Trade and Industry, we have set a Premium Friday every month and started activities to encourage employees to leave at 3:00 p.m. or obtain a paid holiday.



Encouraging employees to go home on Premium Friday (headquarters)

### <Health Enhancement>

Mental and physical health is essential for employees to feel job satisfaction and work with vigor. We position the enhancement of employees' health as an important management measure and conducted a trial run of the “Health Point System,” in which we give points and provide health incentives to employees depending on their health check results. This system gave employees an opportunity to review their health check results, which are often forgotten after they have received.

In January 2017, we issued the “Declaration of Healthy Company” sponsored by the Tokyo Promotion Conference of Health Company Declaration. Going forward, we will actively promote activities to prevent an increase in the severity of lifestyle diseases, antismoking measures, mental health measures and other activities.

## Future Plan

- To improve the rate of paid holidays taken
- To reduce overtime work
- To improve the rate of periodic health examinations taken

# Health and Safety

## Policies

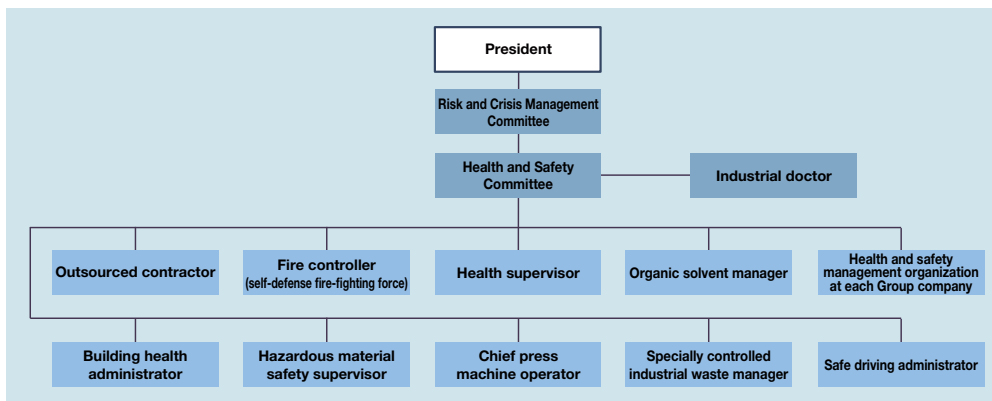
We have established a rule to “prioritize securing of health and safety, and endeavor to create a safe and healthy working environment.” Based on this rule, we are advancing redressing activities, which are carried out mainly by the Health and Safety Committee, which governs health and safety, and the health and safety management organizations at respective sites.

Abstract from the “Code of Conduct”

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

## Activity Promotion Structure

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



## Main Activities

The health and safety initiatives carried out by the Foster Group are separated into initiatives to address Group-wide issues, which are conducted mainly by the Risk and Crisis Management Committee, and initiatives to address site-specific issues, which are conducted by the health and safety management organization at each site.

We are carrying out initiatives to address the “Group-wide issues” based on the Foster Group Corporate Action Guidelines and the Foster Group Code of Conduct for Staff.

In the next fiscal year, we will start initiatives to address issues common to the Group by using ISO 45001-Occupational Health and Safety, which will be established as part of the mid-term plan.

The Foster Group implemented safety inspections of the inspection facilities as an issue common to the Group for preventive maintenance.

The headquarters has developed and promoted the implementation plan of the policy of the Health and Safety Committee, “Prepare for Disasters,” as an initiative to address site-specific issues.

Particularly in response to the revision of the Industrial Safety and Health Act, we launched the chemical substance risk



assessment project in 2015 and have worked to reduce the risks of chemical substances. We will enhance initiatives for mental health care this year, aiming to create a mentally and physically healthy working environment for our employees through a stress check system.

In addition, our Health and Safety Committee implemented the 5S inspection at headquarters in cooperation with senior management and industrial doctors to raise employees' safety awareness in offices, an area that tends to receive less attention.

## Future Plan

We will expand the global industrial health and safety project based on ISO 45001-Occupational Health and Safety Management System and share the information.

## Our Activities at Overseas Sites

We have allocated a health and safety person in charge at each site. Each site holds lectures on health and safety (such as handling of chemical substances) on a regular basis to promote activities for raising employee awareness of health and safety.



Lecture on handling of chemical substances (Vietnam)

# Human Resource Development

## Policies

Our human resource development is based on our policy of “continuously implement development while organically cooperating with various personnel systems depending on the individual human resource development goals determined based on the mid- and long-term business strategies and each employee’s personality (strength and weakness).”

The ideal for human resource development is as follows:

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

## Activity Promotion Structure

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

## Main Activities, Measures, and Development

- To promote philosophy-focused management (Way Management), enhance the power of human resources and organization, and transform the organization, the Foster Group developed the action guidelines by redefining “the ideal company.” We summarized those into the “Foster Rhythm Guidebook” and “Foster Rhythm Card” and distributed them to our employees across the world. We will also continue to expand awareness raising activities in the future.
- We are working to promote diversity and foster and enhance the global mind of our employees by regularly conducting “Inter-Cultural Communication Training” at various levels.
- To ensure that effective human resource development continues globally, we have introduced the online-based “Learning Management System” and the “Talent Management System” for skills management and the planned development of successors.
- To promote localization of overseas site management, we have also actively worked on the nurture of the local managing staff at each site. Specifically, we ran the Global Leader’s Training and facilitated human resources exchange by the Overseas Trainee Program and the international employee reassignment within Group companies, etc. to develop human resources globally.

## Future Plan

- Further instilling our corporate philosophies (understand -> empathize -> perform)
- Promotion of use of the Learning Management System and expansion of its contents
- Full-scale use of the Talent Management System and enhancement of the talent management
- Establishment of global human resource utilization base and development of global leaders

# Customer Satisfaction

## Foster Group Sales Department

### Policies

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

### Structure

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

### Activities

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

## Future Plan

- We provide our products equally in the fields of cars, entertainment, and communications and deliver happiness to people around the world through our sounds.
- As new markets for cars, entertainments, and communications are growing at an accelerated pace and surrounding fields are getting involved accordingly, the markets are being integrated into a comprehensive living field. Under these circumstances, we provide new products that meet changing needs and deliver greater satisfaction to people around the world.

## Fostex Company

### Policies

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

### Activity Promotion Structure

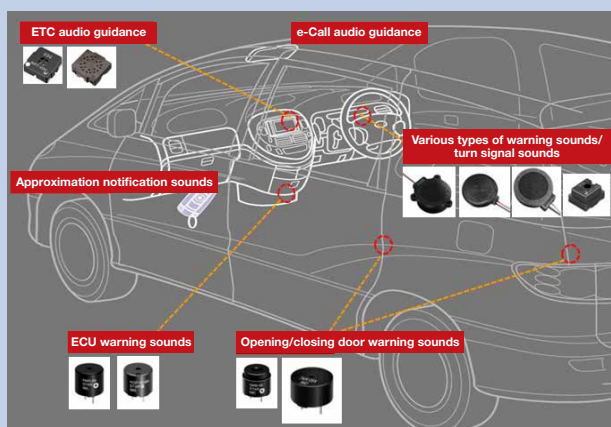
We always listen to our customers' voices and seek what product they need now to offer products our customers can use with satisfaction and peace of mind. Based on these activities, we have established a project promotion structure across our sales and technical units. In addition to the domestic market, we also identify needs in each country and region around the world and strive to develop products specific to each region.

### Main Activities

As domestic activities, we share information with the dealers who are constantly in contact with our customers and also make efforts to listen to as many customers' voices as possible at exhibitions and trial listening events. In overseas markets, we aim to identify the needs of customers from overseas countries/regions through cooperation with our contracted sales agencies.

## Future Plan

We will continue to supply our trusted original brand, FOSTEX brand products, to introduce our high technical competences and the high competitiveness of our products. In addition, we will continue to develop products (mainly speaker units, speaker systems, and head phones) that can deliver greater listening pleasure to our customers through the sound.



### Alarm buzzer and speaker products for accident prevention

Our products are incorporated in a variety of devices to issue alarm sounds and audio guidance for human safety.

In automobiles, our products are used to issue alarm sounds for the ADAS (Advanced Driver Assistance System) function supports (automatic braking, crash prevention, lane keeping assist, etc.), warning sounds when a slide door is opened/closed, and approximation notification sounds of HV and EV vehicles.

- Product lineup:  
<http://www.foster-electric.com/products/index.html>

# Quality and Safety Assurance

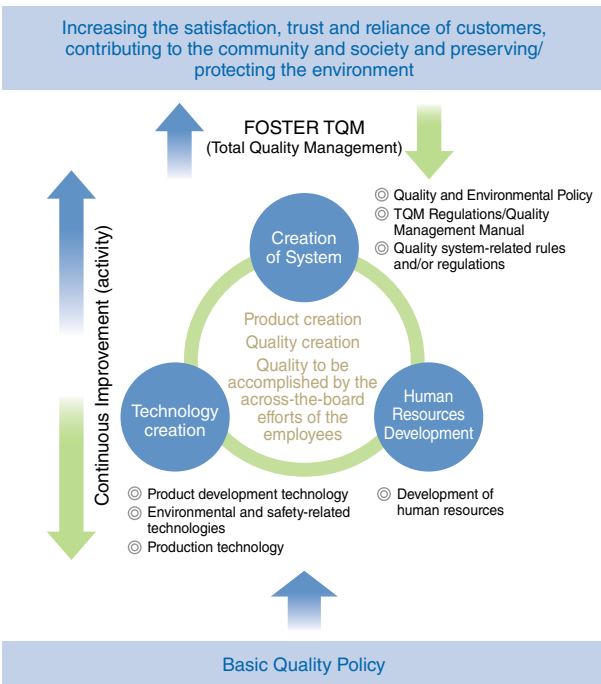
The Foster Group is promoting and deploying quality assurance activities based on the FOSTER TQM (Total Quality Management).

## Our Quality Assurance Activity Policies and Actual Activities

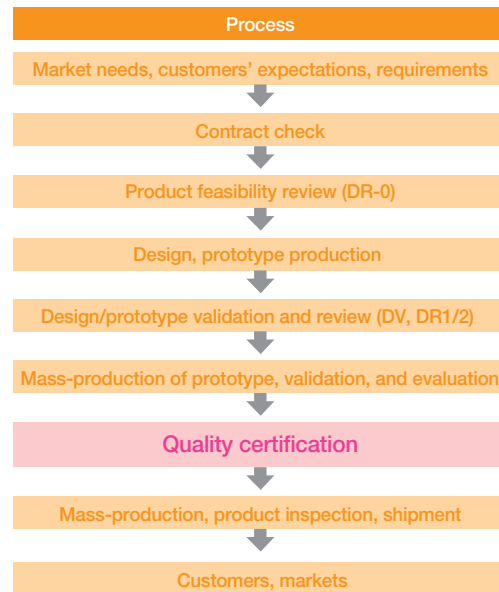
Under our customer-focused philosophy, the Foster Group considers delivery of safe, eco-friendly, products of reliable quality by satisfying the customers' expectations and social requirements as the basics of quality assurance.

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

The product safety, reliability, and product environmental quality of our products and components are certainly taken into account during the processes (product/process design, purchase, and manufacturing) supported by our high level technologies.



● Our Quality Assurance Activity System (Main Process) and Mechanism



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

## 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 Quality Assurance Structure

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



## Maturing Quality Awareness

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

### Main Events Held Last Fiscal Year

#### ■ Holding the quality lecture presentation

The quality lecture presentation was held by inviting outside lecturers. More than 100 employees attended this event, which led to an improvement in their quality awareness.



Quality lecture presentation (headquarters)

#### ■ Encouraging our employees to participate in quality-related forums

#### ■ Asking for a quality slogan

We asked for a quality slogan for each division during the period. They were compiled in a booklet, which is carried with all employees at all times.



Quality slogan card

(the photo shows the card for the Quality Assurance Division)

#### ■ Holding the Global QC Circle Convention

At each overseas factory of Foster Group, through the QC Circle activities, opinions from production sites are valued and used to improve product quality.

Each year, more than 100 QC circles in total are conducting activities at overseas factories. Among them, 12 teams that won the QC Circle Convention at each factory give presentations of their results at headquarters.



QC Circle Convention (headquarters)

## Future Plan

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

# Environment

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



**Ryoji Otowa**

Executive Officer and Head of Quality Assurance Division

## Environmental Philosophy and Policy

### Environmental Philosophy

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

### Medium-Term Environmental Policy

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

## Environmental Management Structure

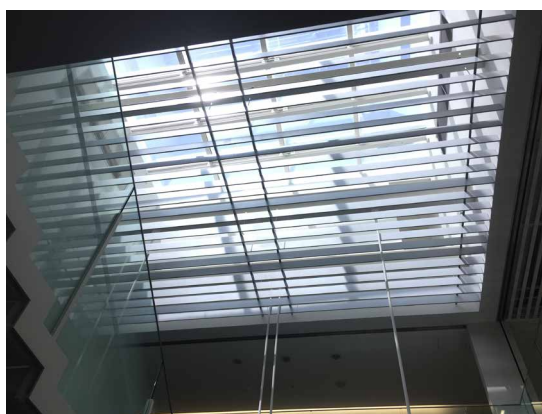
We have established an environment management system at headquarters and overseas manufacturing sites and embody the Foster Group's environment philosophies and mid-term environment policies.

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

### Activities to Reduce the Environmental Burden (headquarters building)

Headquarters moved to a new company building in November 2012 and was reborn as an eco-friendly office building using multifarious technologies to reduce its environmental burden. These 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 enabled a peak cut in the daytime use of electricity; and a double-skin facade, that maximizes heating efficiency. Adopting all these technologies, the efficiency of electricity use has been maximized. In addition, thorough temperature control through the Cool Biz and Warm Biz campaigns further helped control of electricity use, and contributed significantly to reductions per unit of revenue.

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



Daytime sunlight brought from the top of the staircase  
(ceiling at 4th floor of the Headquarters building)

## 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 2017, we monitor 41 substances as controlled substances and banned heavy metals such as lead, cadmium, mercury and hexavalent chromium together with other highly harmful substances from use so that our products are completely free of these substances.

In compliance with the trend of legal regulations and/or 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).

## Environment Management System based on ISO14001

Since 2000, when head office was certified ISO14001, all manufacturing sites worldwide have obtained the ISO14001 certification and are making continuous improvements.

In fiscal 2017, HEAD OFFICE of Foster Electric (1-1-109, Tsutsujigaoka, Akishima City, Tokyo, Japan) and the Miyazawa office of the Fostex Company (512, Miyazawa-cho Akishima City, Tokyo, Japan), as registered organizations and addresses, switched to ISO14001: 2015. Our manufacturing sites overseas are also sequentially switching to Version 2015.

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

## Environmental Education

The Foster Group is continuing its environment management activities, based on the belief that such activities are vital to survive as a centennial company. To accompany the switch to the ISO14001: 2015, we provided training on the key points of this revision to our management and all employees working at headquarters to improve our activities.



Training on ISO14001: 2015 (headquarters)

Our manufacturing sites across the world are implementing emergency practices on site.



Practice against leakage at China factory (Nanning)

## Winning the award of “Excellence in Environmental Empowerment Award 2016”

We won the Encouragement Award at the Excellence in Environmental Empowerment Award 2016, an initiative hosted by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD) to honor companies that are developing superior environmental leaders. To respond to demands in the environment field, which is expanding with globalization, we are actively developing environmental leaders who will work globally.



Commendation certificate at the “Excellence in Environmental Empowerment Award 2016”



Encouragement Award ceremony

■ Examination results of the “Excellence in Environmental Empowerment Award 2016”:

<http://www.env.go.jp/press/103892.html> (Japanese)

■ Projects won at the “Excellence in Environmental Empowerment Award 2016”:

<http://www.eco-lead.jp/commendation/history/winner2016/> (Japanese)

■ Our projects that won awards:

[http://www.eco-lead.jp/award/2016/practices/2016\\_foster.pdf](http://www.eco-lead.jp/award/2016/practices/2016_foster.pdf) (Japanese)

## Zero Emissions

At headquarters we are engaged in the recycling of waste, etc., (waste that contains recyclable elements) through the sorting and separation of regular waste, plastics and industrial waste, together with comprehensive awareness raising activities.

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 materials being carried out (headquarters)



## Mini-clean Activities

As part of our CSR activities, we conduct “mini-clean” activities, cleaning the footpaths and sidewalks around our headquarters, and develop an annual plan, which is to be implemented every month. We also participate in the Akishima Cleanup movement, and are powerfully working towards the beautification of our local area.



“Mini-clean” activities in which all our divisions participate in turn (headquarters)

## Iwaizumi (Carbon Offsetting Activities)

Aiming to become a company trusted by the local community, we are providing support for global environmental preservation activities through Akishima-shi environment consideration enterprise network. We are also taking part in the Arbor Day for Future and other activities run by Akishima City and the town of Iwaizumi (in Iwate Prefecture, closed the friendship city agreement with Akishima City) as part of our carbon offset initiatives.



Participating in the carbon offsetting activity (at Iwaizumi in Iwate Prefecture)

## Environmental Activities at Overseas Sites

Our Vietnam factory was commended for the “Binh Duong Green Book 2016” by the Department of Natural Resources and Environment of Binh Duong Province as an environmentally friendly company.



At the awarding ceremony (Vietnam)

As one of their environmental activities, the China factory (Panyu) has added the carbon filter to the exhaust equipment to exhaust cleaner air.



Carbon filter being installed to the outdoor exhaust equipment (China)

## Environmentally Friendly Products

The Foster Group designs and develops products by taking into account all aspects of product life-cycles; from the procurement of raw materials to the manufacturing, use, disposal and recycling of its products. We strive to develop and provide products with the least possible environmental burden, such as through the manufacture of eco-friendly products that minimize the use of harmful chemical substances, and the creation of lightweight products engineered to reduce CO<sub>2</sub> 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 the need to reduce overall CO<sub>2</sub> 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 have employed adhesives that do not contain harmful solvents and put them to practical use with the aim of reducing the volume of VOC remaining inside the passenger cabin of vehicles. We are taking steps to eliminate solvents in new models.
- 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 have developed and found practical application for speakers that reduce the use of solder. We will disseminate this activity to all Group companies and expand in mass production.



Lightweight speaker for in-vehicle use

### Headphones and headsets

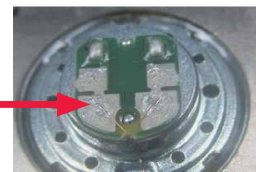
For headphones and headsets, we have been active in incorporating environmental considerations in our product and/or process design. For reducing the substances in our products that burdens the environment, we address the most up-to-date information regarding country-specific legal requirements and the 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 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.



Environmentally friendly headphone and headset

#### 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 SAE-20D-30

These products not only achieve reductions in the mounting time required on the customer side when fitting the speakers by automatic mounting machine, they also enable reductions in the amounts of solder used and waste flux produced, through the use of paste solder during mounting.

Moreover, connections inside the product are achieved without the use of solder, using heat and pressure joining techniques.

In addition, acoustic-structure design is no longer required because a three dimensional sound emitting hole (duct) is added on the back of the speakers to separate the sounds from the front and back of the speakers (patent pending).

Despite their high acoustic pressure of 800 Hz approximately 91 dB/10 cm, the speakers are lightweight at 3 g, also contributing to weight reduction in our customer's products.

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.

#### ■ SAE-20D-30 product information:

<http://www.foster-electric.com/products/micro-acoustic-transducers/sae-20.html>



### Compact personal amplifier AP20d

A low power consumption power amplifier that employs a class-D digital amplifier.

This product is equipped with the auto standby function that automatically reduces power consumption after input signals have been at a certain level or lower for a certain period of time, and allows users to turn ON/OFF the auto standby function and set the time before this function is enabled.

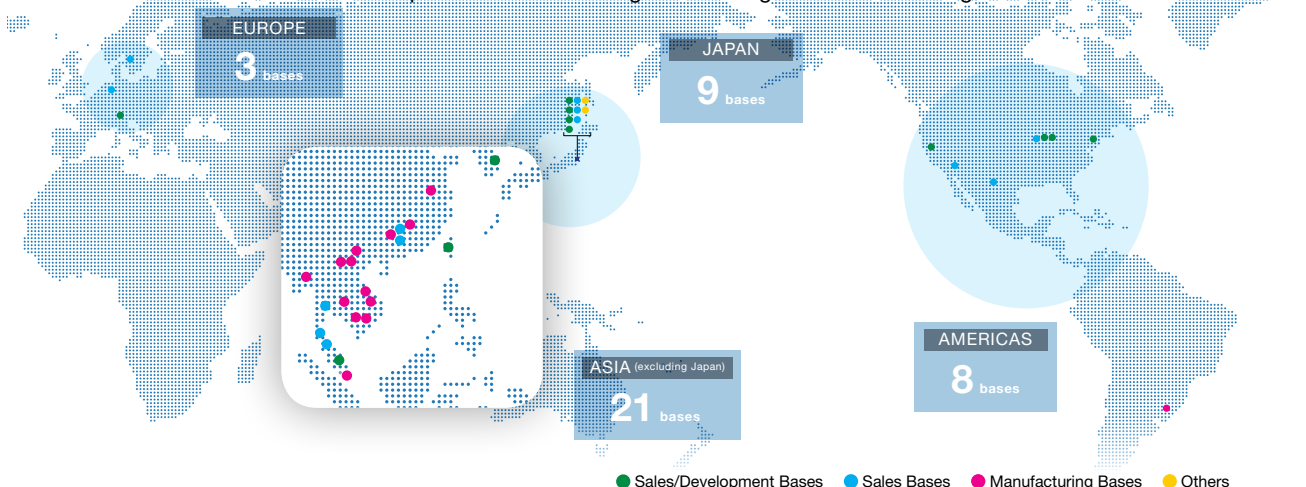
#### ■ AP20 d product information:

<http://www.fostex.jp/products/ap20d/> (Japanese)



### Group Companies

The Group operates 41 bases in 15 countries and regions worldwide as bases for development, manufacturing and sales bases. We have established a sophisticated production system integrating processes from components manufacturing to finished goods manufacturing.



#### JAPAN

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

#### ASIA (Excluding Japan)

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

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

#### AMERICAS

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

#### EUROPE

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

## Company Information

### Company Profile (As of March 31, 2017)

<b>Company Name</b>	Foster Electric Company, Limited
<b>Founded</b>	June 20, 1949
<b>Common Stock</b>	¥6,770,360,135 Listed on the First Section of the Tokyo Stock Exchange
<b>Headquarters</b>	1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan Phone: +81-42-546-2311 (switchboard) FAX: +81-42-546-2317
<b>Number of employees</b>	476 (Total of group companies: 49,194); Total number includes the employees of our outsourcee in Panyu, China.
<b>URL</b>	<a href="http://www.foster-electric.com/">http://www.foster-electric.com/</a>

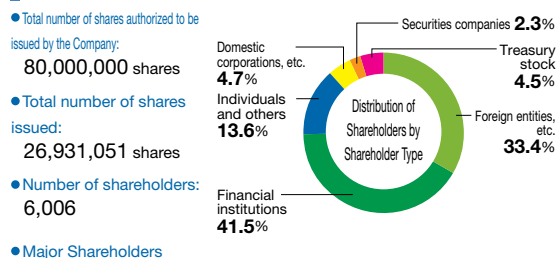
### Directors and Statutory Auditors (As of June 22, 2017)

President and Representative Director	Hiroimi Yoshizawa	Senior Officer	Terushige Nagasawa
Senior Managing Director	Atsushi Narikawa	Senior Officer	Takuro Yamaguchi
Managing Director	Kazuhiro Kishi	Senior Officer	Masatoshi Kohama
Managing Director	Lu San Tie	Officer	Yoichi Takahashi
Director	Hidetoshi Shirakawa	Officer	Tatsuhito Tanaka
Director <sup>*1</sup>	Minoru Matsumoto	Officer	Ryoyi Otowa
Director <sup>*1</sup>	Chieko Matsuda	Officer	Yasuhide Takahara
Standing Statutory Auditor	Tsutomu Inokuma	Officer	Naoki Kanai
Statutory Auditor <sup>*2</sup>	Takuma Ino	Officer	Yuji Harada
Statutory Auditor <sup>*2</sup>	Takashi Suzuki	Officer	Roy Ching-Sheng Chen
Statutory Auditor <sup>*2</sup>	Yasuhiro Goto	Officer	Oh In-Yong

\*1 Minoru Matsumoto and Chieko Matsuda are Outside Directors.  
\*2 Takuma Ino, Takashi Suzuki and Yasuhiro Goto are Outside Corporate Auditors.

## Stock Information

### Status of Shares (As of March 31, 2017)



Shareholder's Name	Number of Shares Held (Thousand)	Ratio of Shares Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,833	11.01
The Master Trust Bank of Japan, Ltd. (trust account)	1,680	6.53
Mizuho Bank, Ltd.	1,016	3.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	945	3.67
Japan Trustee Services Bank, Ltd. (trust account 9)	764	2.96
GOVERNMENT OF NORWAY	699	2.71
J.P. Morgan Bank Luxembourg S.A. 380578	693	2.69
DFA INTL SMALL CAP VALUE PORTFOLIO	599	2.32
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT OM25	457	1.77
SHOWA AIRCRAFT INDUSTRY CO., LTD.	446	1.73

Treasury stock (1,201,261 shares) is excluded for the calculation of the "Ratio of Shares Held."

## Consolidated Financial Information

### Consolidated Financial Highlights

(Millions of yen)

	81st Fiscal Year (Fiscal Year ended March 31, 2015)		82nd Fiscal Year (Fiscal Year ended March 31, 2016)		83rd Fiscal Year (Fiscal Year ended March 31, 2017)	
	Interim Period	Full Year	Interim Period	Full Year	Interim Period	Full Year
Net sales	87,481	189,124	96,641	190,928	68,342	160,896
Operating income (loss)	3,852	9,747	5,524	10,351	△ 182	2,963
Ordinary income	4,342	10,398	5,927	10,847	28	3,017
Net income (loss) attributable to owners of the parent	2,285	4,858	4,406	6,833	△ 227	1,088
Net income (loss) per share (Yen)	97.95	206.18	164.71	255.44	△ 8.51	41.16
Net Assets	52,056	64,944	68,415	67,017	60,913	63,901
Total Assets	107,264	104,843	107,099	98,735	97,557	102,409
Net assets per share (Yen)	2,089.51	2,279.32	2,404.39	2,350.26	2,138.03	2,316.09
Equity ratio (%)	45.4	58.2	60.1	63.7	58.6	58.2

Note: All amounts less than 1 million yen are truncated.

### Consolidated Financial Statements (Summary)

(Millions of yen)

#### Consolidated Balance Sheets

	83rd Fiscal Year As of March 31, 2017	82nd Fiscal Year As of March 31, 2016
<b>Assets</b>		
Current assets	69,315	69,959
Non-current assets	33,094	28,775
Total assets	102,409	98,735
<b>Liabilities</b>		
Current liabilities	29,390	29,111
Long-term liabilities	9,116	2,605
Total liabilities	38,507	31,717
<b>Net assets</b>		
Shareholders' equity	58,972	60,954
Accumulated other comprehensive income	620	1,924
Non-controlling interests	4,309	4,138
Total net assets	63,901	67,017
Total liabilities and net assets	102,409	98,735

#### Consolidated Statements of Income

	83rd Fiscal Year From April 1, 2016 to March 31, 2017	82nd Fiscal Year From April 1, 2015 to March 31, 2016
Net sales	160,896	190,928
Cost of sales	143,527	163,876
Gross profit	17,369	27,052
Selling, general and administrative expenses	14,405	16,701
Operating income	2,963	10,351
Non-operating income	750	1,072
Non-operating expenses	696	576
Ordinary income	3,017	10,847
Extraordinary income	736	719
Extraordinary losses	354	1,578
Income before income taxes	3,399	9,989
Total income taxes	1,818	2,610
Net income	1,581	7,378
Net income attributable to owners of the parent	1,088	6,833

#### Consolidated Statements of Cash Flows

	83rd Fiscal Year From April 1, 2016 to March 31, 2017	82nd Fiscal Year From April 1, 2015 to March 31, 2016
Operating activities	4,372	24,057
Investing activities	△ 11,089	△ 3,946
Financing activities	1,690	△ 6,676
Effect of exchange rate changes on cash and cash equivalents	△ 795	△ 1,499
Net increase (decrease) in cash and cash equivalents	△ 5,820	11,934
Cash and cash equivalents, beginning of period	17,858	5,924
Cash and cash equivalents, end of period	12,037	17,858

Note: All amounts less than 1 million yen are truncated.

### Overview by Segment (Consolidation)

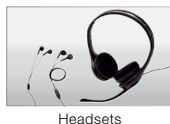
#### Information & Communication Components and Products Segment

45.9%

Net sales: ¥73,815 million

(A 24.6% year-over-year decrease)

Revenue declined as headset sales shrank due to lower-than-expected sales of major customers' smartphones, in addition to the transition period to new models.



Headsets

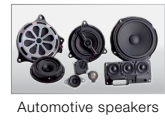
#### Automotive Components and Products Segment

38.7%

Net sales: ¥62,288 million

(A 4.2% year-over-year decrease)

Despite strong sales of automotive speakers and speaker systems buoyed by demand in the North American market, revenue declined due to the strong yen.



Automotive speakers

#### Other Segment

3.6%

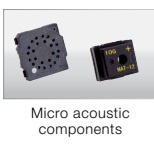
Net sales: ¥5,762 million

(A 6.6% year-over-year decrease)

Net sales of this segment, including micro acoustic components and "FOSTEX" brand products, were flat year-over-year.



FOSTEX products



Micro acoustic components

#### Acoustic Components and Products Segment

11.8%

Net sales: ¥19,029 million

(A 12.5% year-over-year decrease)

Although sales volumes of flat TV speakers and speaker systems, audio speakers and headphones were generally in line with our plan, revenue fell due to the effects of a strong yen.



TV speakers

83rd Fiscal Year  
Net sales  
¥160,896 million

# Foster History

## 1949 1960 1970 1980

### 1949

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



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



Our first 3.5-inch speakers were shipped



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

### 1953

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

### 1955



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

### 1959

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

### 1960

Constructed the Akishima Factory

### 1962

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

### 1964

Started the manufacturing and sales of headphones

### 1965

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



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

### 1966



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

Started the manufacturing and sales of audio amplifiers and tuners

### 1969

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

### 1970

Established Foster Transportations Ltd.

### 1971



Dynamic wireless microphone MWF-2

### 1972

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

### 1973

Established Foster Electric (Europe) GmbH in West Germany

### 1974



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

### 1976

Established Foster Electronics Ltd.

### 1978

Jointly developed micro motors with Philips and started the production

### 1980



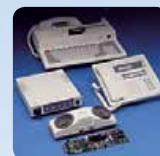
Started the production of audio equipment for professional use, including 8-channel mixers, PA speaker systems, PA amplifiers and professional microphones

### 1982



Started the shipment of in-vehicle speakers for GM Delco

### 1985



Released various data converters using audio signals

### 1986

Merged with Tonegen Co., Ltd.

### 1987

Started manufacturing speakers in the United States

### 1988

Started outsourced processing and fabrication at our Panyu Factory in China

1990

**1991**

Established P.T. Foster Electric Indonesia

**1992**

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



Speaker/speaker system using the "Biodyna" diaphragm



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

**1994**

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

**1997**

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



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

**1999**

Listed on the First Section of the Tokyo Stock Exchange

**2000**

The Company headquarters acquired the ISO14001 certification

**2001**

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

**2002**

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

**2003**

Merged with Fostex Corp.

**2005**

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

**2006**

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



Closed-type biocellulose headphones

**2007**

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

**2008**

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

**2009**

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

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



2010

**2010**

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

**2011**

Net sales for the year ended March 2011 reached 100 billion yen  
Established Foster Electric Co., (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

**2017**

Joined "United Nations Global Compact (UNGC)"



- All Foster Groups
- FOSTER ELECTRIC CO., LTD. (Headquarters)
- Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.
- All Manufacturing Sites
- All Procurement Sites
- No mark Indicated locations only

## Economic data

### G4-EC9

Proportion of spending on local suppliers at significant locations

Target	Description	Rate (%)
All procuring sites in Vietnam	Local procurement ratio of materials at overseas manufacturing sites (Vietnam). *1	33
All procuring sites in Singapore and Indonesia	Local procurement ratio of materials at overseas manufacturing sites (Singapore and Indonesia). *2	28
All procuring sites in China	Local procurement ratio of materials at overseas manufacturing sites (China). *3	79

\*1 Index showing the amount of transaction with ASEAN corporations out of all the procurement transactions.

\*2 Index showing the amount of transaction with ASEAN corporations out of all the procurement transactions.

\*3 Index showing the amount of transaction with China corporations out of all the procurement transactions.

## Social data

### G4-LA1

New employee hires/employee turnover

Company name		Number of new employee hires			Number of employee turnover			Average age
		Female	Male	Total	Female	Male	Total	
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	9	21	30	6	32	38	44
Overseas	All overseas companies	33,987	3,999	37,986	36,927	3,736	40,663	30

### G4-LA3

Childcare leave

Company name		Total number of employees entitled			Total number of employees who took the leave			Total number of employees retained		
		Female	Male	Total	Female	Male	Total	Female	Male	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	6	21	27	6	2	8	6	2	8
Overseas	All overseas companies	4,120	347	4,467	4,082	337	4,419	3,062	340	3,402

### G4-LA5

Percentage of total workforce represented in formal joint management-worker health and safety committees

Company name		Rate (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	100
Overseas	All overseas companies	100

### G4-LA6

Industrial accidents

Company name		Number of injuries	Number of absent days	number of fatalities	Frequency rate	Severity rate
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	2	42	0	1.437	0.030
Overseas	All overseas companies	195	1,658	0	1.256	0.011



● **G4-LA8**

Percentage of health and safety topics covered in formal agreements with trade unions

Company name		Rate (%)
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	-
	FOSTER ELECTRIC CO., (NANNING) LTD.	-
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	-
	PT FOSTER ELECTRIC INDONESIA	16
	FOSTER ELECTRIC (THILAWA) CO., LTD.	-
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	6
	FOSTER ELECTRIC (DA NANG) CO., LTD.	6
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	6
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	6
	ESTec CORPORATION	9

Health and safety topics covered in Collective agreements with trade unions.

● **G4-LA9**

Training hours (training hours per employee)

Company name		Average hours
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	20 h 10 minutes
Overseas	All overseas companies	11 h 42 minutes

● **G4-LA11**

Percentage of employees receiving regular performance and career development reviews

Company name		Rate (%)		
		Femal	Male	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	100	100	100
Overseas	All overseas companies	20	51	23

● **G4-LA12**

Age group

Company name		Rate (%)		
		Less than 30 year old	30-50 year old	Over 50 year old
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	13	51	36
Overseas	All overseas companies	54	46	0

● **G4-LA13**

Ratio of basic salary and remuneration of women to men

Company name		Rate (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	100

● **G4-LA14/G4-HR10/G4-SO9**

Supplier Screening

Company name		Rate (%)
Domestic and overseas companies	All procuring sites	97

Percentage of suppliers who have procurement contract with Foster Groups and agreed to "Foster Group Supplier CSR Code of Conduct" by the end of December, 2016.

**G4-50/G4-LA16**

Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.

Company name		Number
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0

**G4-50/G4-HR2**

Human rights trainings

Company name	Rate (%)		
	Female	Male	
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	4	21
Overseas	All overseas companies	89	77

**G4-HR7**

Human rights trainings for security personnel

Company name	Security personnel (Internal)			Security personnel (Outsourcing)			
	Number of employees	Number of students	(%)	Number of employees	Number of students	(%)	
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0	0	0	3	3	100
Overseas	All overseas companies	319	318	93	265	263	99

**G4-HR11**

Impact assessment on human rights

Company name		Ratio (%)
Overseas	All overseas companies	99

Collection ratio of supplier questionnaire for conflict mineral due diligence activities.

**G4-50/G4-HR12**

Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms

Company name		Number
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	8

**G4-50/G4-SO11**

Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

Company name		Number
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	2

## Environmental data

### G4-EN3

Energy consumption

Company Name		Purchased Electricity (MWh)	Gasoline (liter)	Diesel Oil (liter)	Type-C Heavy Oil (liter)	LPG (kg)	Natural Gas (m <sup>3</sup> )	City Gas (m <sup>3</sup> )
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	2,078	12,650	0	0	0	0	12,656
ASIA	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	48,406	93,563	22,071	0	0	88,853	0
	FOSTER ELECTRIC CO., (NANNING) LTD.	13,745	72,736	16,545	0	0	0	0
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	18,930	55,817	26,717	0	0	78,937	0
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	27,907	33,047	1,520	0	150,161	0	0
	FOSTER ELECTRIC (DA NANG) CO., LTD.	10,267	22,836	4,708	0	59,270	0	0
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	3,863	4,194	0	0	29,716	0	0
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	16,996	36,377	7,204	0	44,826	0	0
	PT FOSTER ELECTRIC INDONESIA	7,601	4,860	13,748	240	24,192	0	0
FOSTER ELECTRIC (THILAWA) CO., LTD.	2,184	10,144	22,152	0	0	0	0	
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	468	1,330	0	0	0	0	52,770
Total		152,444	347,554	114,665	240	308,164	167,790	65,426

### G4-EN8

Water consumption

Company Name		Water Consumption (Unit: m <sup>3</sup> )
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	10,656
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	823,259
	FOSTER ELECTRIC CO., (NANNING) LTD.	144,350
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	342,177
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	378,002
	FOSTER ELECTRIC (DA NANG) CO., LTD.	115,391
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	76,127
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	73,443
	PT FOSTER ELECTRIC INDONESIA	24,477
FOSTER ELECTRIC (THILAWA) CO., LTD.	37,649	
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	2,111
Total		2,027,642

### G4-EN23

Weight of disposed waste

Company Name		Hazardous Waste (unit: ton)			Non-hazardous Waste (unit: ton)		
		Waste Generation	Recycled	Final Disposal	Waste Generation	Recycled	Final Disposal
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	0.46	0.00	0.46	124.85	84.00	40.85
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	238.59	238.59	0.00	1,531.87	0.00	1,531.87
	FOSTER ELECTRIC CO., (NANNING) LTD.	31.20	31.20	0.00	269.80	155.50	114.30
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	56.47	56.47	0.00	559.60	559.60	0.00
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	218.03	186.11	31.91	2,248.68	782.74	1,465.94
	FOSTER ELECTRIC (DA NANG) CO., LTD.	123.00	118.50	4.50	820.70	261.50	559.20
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	24.10	23.88	0.22	254.22	103.55	150.67
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	82.07	18.11	63.96	603.80	221.00	382.80
	PT FOSTER ELECTRIC INDONESIA	123.83	82.23	41.60	433.84	151.80	282.04
FOSTER ELECTRIC (THILAWA) CO., LTD.	2.37	2.37	0.00	25.77	21.82	3.95	
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	0.04	0.04	0.00	869.00	126.00	743.00
Total		900.15	757.50	142.65	7,742.13	2,467.51	5,274.62

**G4-EN15/G4-EN16/G4-EN18/G4-EN19**

CO<sub>2</sub> emission

Index		2012	2013	2014	2015	2016
Scope 1 (Direct greenhouse gas emission from business activities)	(Unit: t-CO <sub>2</sub> )	2,198	2,403	2,431	2,155	2,549
Scope 2 (Indirect greenhouse gas emission due to energy usage in business activities)	(Unit: t-CO <sub>2</sub> )	87,178	91,547	88,568	86,668	88,222
Scope 1+2 total	(Unit: t-CO <sub>2</sub> )	89,375.88	93,950.15	90,998.80	88,823.10	90,771.67
Unit of net sales	(Unit: t-CO <sub>2</sub> /100 million yen)	62.3	56.6	48.1	46.5	56.4

Scope

FOSTER ELECTRIC CO., LTD. (Headquarters) and 10 overseas manufacturing sites as in EN23)

CO<sub>2</sub> conversion factor (Electric)

Japan: Ministry of Environment, 2012 factor based on CO<sub>2</sub> conversion factor of electric power supplier (2013)

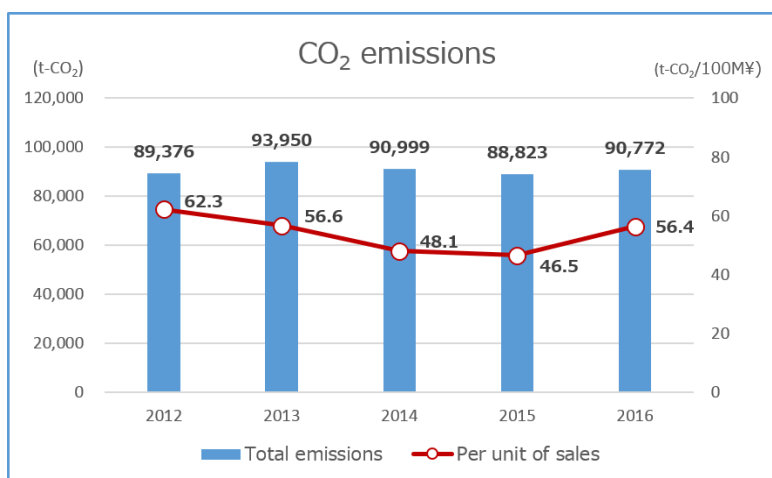
Overseas: IEA, 2012 factor based on CO<sub>2</sub> emissions from fuel combustion (2014)

CO<sub>2</sub> conversion factor (Fuel)

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

Global warming potential

Incorporated 100 year value of IPCC Second Assessment Report (AR2)



**G4-EN31**

Environmental preservation cost (classification through business operations)

Company Name		Environmental preservation cost (Classification according to business activities)				
		Category	Key activity and the outcome	Investment	Cost	
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	(1) Business area cost		0	11,570	
		Breakdown	(1)-1 Pollution prevention costs	Air and water control-related prevention countermeasures	0	545
			(1)-2 Global environmental conservation costs	Prevention of global warming, as well as energy-saving measures	0	1,258
			(1)-3 Resource circulation costs	Waste disposal and recycling	0	9,767
		(2) Upstream/downstream cost	Green purchasing expenses		0	0
		(3) Administration costs	Environmental education, EMS construction expenses etc.		0	8,900
		(4) R&D costs	Research and development		0	1,604,629
		(5) Social activity costs	Tree planting		0	877
(6) Environmental damage handling costs			0	0		
		Total		0	1,625,975	

\* Unit (one thousand yen)

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

**G4-EN32**

Supplier Screening

Target		Rate (%)
Domestic and overseas companies	All procuring sites	97

Percentage of suppliers who have procurement contract with Foster Groups and agreed to "Foster Group Supplier CSR Code of Conduct" by the end of December, 2016.

## GRI Guideline (G4) Table

GENERAL STANDARD DISCLOSURES	GRI		This report or Corporate Site	
STRATEGY AND ANALYSIS	G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	P3~4	Top message
	G4-2	a. Provide a description of key impacts, risks, and opportunities.	P3~4 -	Top message <a href="#">▶ Securities report (Japanese)</a>
ORGANIZATIONAL PROFILE	G4-3	a. Report the name of the organization.	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-4	a. Report the primary brands, products, and services.	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-5	a. Report the location of the organization's headquarters.	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-7	a. Report the nature of ownership and legal form.	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-9	a. Report the scale of the organization, including: <ul style="list-style-type: none"> <li>• Total number of employees</li> <li>• Total number of operations</li> <li>• Net sales (for private sector organizations) or net revenues (for public sector organizations)</li> <li>• Total capitalization broken down in terms of debt and equity (for private sector organizations)</li> <li>• Quantity of products or services provided</li> </ul>	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	P43~44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	-	<a href="#">▶ Securities report (Japanese)</a>
	G4-12	a. Describe the organization's supply chain.	-	<a href="#">▶ Securities report (Japanese)</a>
	G4-13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> <li>• Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) including selection and termination</li> </ul>	-	<a href="#">▶ Securities report (Japanese)</a>

GENERAL STANDARD DISCLOSURES	GRI		This report or Corporate Site	
ORGANIZATIONAL PROFILE	G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	P19~26 P27~36 P37~42 -	Governance Social Environment <a href="#">▶ Securities report (Japanese)</a>
	G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P7-16 P17-18	Foster Group CSR Management UN Global Compact (COP)
	G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>• Holds a position on the governance body</li> <li>• Participates in projects or committees</li> <li>• Provides substantive funding beyond routine membership dues</li> <li>• Views membership as strategic This refers primarily to memberships maintained at the organizational level.</li> </ul>	P17-18	UN Global Compact (COP)
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents	P43-44 -	Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>
	G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P7-16	Foster Group CSR Management
	G4-19	a. List all the material Aspects identified in the process for defining report content.	P7-16	Foster Group CSR Management
	G4-20	a. For each material Aspect, report the Aspect Boundary within the organization, as follows: <ul style="list-style-type: none"> <li>• Report whether the Aspect is material within the organization</li> <li>• If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either:                             <ul style="list-style-type: none"> <li>- The list of entities or groups of entities included in G4-17 for which the Aspect is not material or</li> <li>- The list of entities or groups of entities included in G4-17 for which the Aspects is material</li> </ul> </li> <li>• Report any specific limitation regarding the Aspect Boundary outside the organization</li> </ul>	P7-16 -	Foster Group CSR Management <a href="#">▶ Securities report (Japanese)</a>
	G4-21	a. For each material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none"> <li>• Report whether the Aspect is material outside of the organization</li> <li>• If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified</li> <li>• Report any specific limitation regarding the Aspect Boundary outside the organization</li> </ul>	P19-26 P27-36 P37-42 P43-44 -	Governance Social Environment Company Profile/Financial Results <a href="#">▶ Securities report (Japanese)</a>

GENERAL STANDARD DISCLOSURES	GRI		This report or Corporate Site	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	-	No restatements
	G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	-	No significant changes
STAKEHOLDER ENGAGEMENT	G4-24	a. Provide a list of stakeholder groups engaged by the organization.	-	<a href="#">▶ General Meeting of Shareholders</a> <a href="#">▶ Financial Result Briefing</a> Procurement Briefing
	G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	P19-26	Governance
	G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P7-16 P19-26	Foster Group CSR Management Governance
	G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	-	None
REPORT PROFILE	G4-28	a. Reporting period (such as fiscal or calendar year) for information provided.	P47-62	Data
	G4-29	a. Date of most recent previous report (if any).	P47-62	Data
	G4-30	a. Reporting cycle (such as annual, biennial).	P47-62	Data
	G4-31	a. Provide the contact point for questions regarding the report or its contents.	P47-62	Data
	G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	P47-62	Data
	G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	-	None
GOVERNANCE	G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	-	<a href="#">▶ Corporate Governance Guideline (Japanese)</a>
	G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	P19-26 -	Governance <a href="#">▶ Corporate Governance Guideline (Japanese)</a>
	G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	P7-16	Foster Group CSR Management

GENERAL STANDARD DISCLOSURES	GRI		This report or Corporate Site	
GOVERNANCE	G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	P7-16	Foster Group CSR Management
	G4-38	a. Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> <li>• Executive or non-executive</li> <li>• Independence</li> <li>• Tenure on the governance body</li> <li>• Number of each individual's other significant positions and commitments, and the nature of the commitments</li> <li>• Gender</li> <li>• Membership of under-represented social groups</li> <li>• Competences relating to economic, environmental and social impacts</li> <li>• Stakeholder representation</li> </ul>	-	<ul style="list-style-type: none"> <li>▶ <a href="#">Consolidated Financial Results</a></li> <li>▶ <a href="#">Corporate Governance Guideline (Japanese)</a></li> </ul>
	G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	-	▶ <a href="#">Securities report (Japanese)</a>
	G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> <li>• Whether and how diversity is considered</li> <li>• Whether and how independence is considered</li> <li>• Whether and how expertise and experience relating to economic, environmental and social topics are considered</li> <li>• Whether and how stakeholders (including shareholders) are involved</li> </ul>	-	▶ <a href="#">Corporate Governance Guideline (Japanese)</a>
	G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> <li>• Cross-board membership</li> <li>• Cross-shareholding with suppliers and other stakeholders</li> <li>• Existence of controlling shareholder</li> <li>• Related party disclosures</li> </ul>	-	▶ <a href="#">Corporate Governance Guideline (Japanese)</a>
	G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	P7-16	Foster Group CSR Management
	G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	P7-16	Foster Group CSR Management



GENERAL STANDARD DISCLOSURES	GRI		This report or Corporate Site	
GOVERNANCE	G4-44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.</p>	P19-26 P27-36 P37-42	Governance Social Environment
	G4-45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	P7-16	Foster Group CSR management
	G4-46	<p>a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.</p>	P7-16	Foster Group CSR management
	G4-47	<p>a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.</p>	P7-16	Foster Group CSR management
	G4-48	<p>a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.</p>	P7-16	Foster Group CSR Management
	G4-49	<p>a. Report the process for communicating critical concerns to the highest governance body.</p>	P19-26	Governance
	G4-50	<p>a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.</p>	P19-26 P47-62	Governance Data
	G4-51	<p>a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:</p> <ul style="list-style-type: none"> <li>• Fixed pay and variable pay: <ul style="list-style-type: none"> <li>– Performance-based pay</li> <li>– Equity-based pay</li> <li>– Bonuses</li> <li>– Deferred or vested shares</li> </ul> </li> <li>• Sign-on bonuses or recruitment incentive payments</li> <li>• Termination payments</li> <li>• Clawbacks</li> <li>• Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees</li> </ul> <p>b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.</p>	-	<a href="#">▶ Corporate Governance Guideline (Japanese)</a>
	G4-52	<p>a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.</p>	-	None

GENERAL STANDARD DISCLOSURES	GRI		This report or Corporate Site	
GOVERNANCE	G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	-	None
	G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-	None
	G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-	None
ETHICS AND INTEGRITY	G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct	P1-2 - -	Corporate Philosophy <a href="#">Corporate Action Guideline</a> <a href="#">Code of Conduct for Staff</a>
	G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	P19-26	Governance
	G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	P19-26	Governance

ECONOMIC	GRI		This report or Corporate Site	
ECONOMIC DMA			P3-4	Top message
ECONOMIC PERFORMANCE	G4-EC1	Direct economic value generated and distributed.	-	None
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	-	None
	G4-EC3	Coverage of the organization's defined benefit plan obligations.	-	None
	G4-EC4	Financial assistance received from government.	-	None
MARKET PRESENCE	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	-	None
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	-	None
INDIRECT ECONOMIC IMPACTS	G4-EC7	Development and impact of infrastructure investments and services supported.	-	None
	G4-EC8	Significant indirect economic impacts, including the extent of impacts.	-	None
PROCUREMENT PRACTICES	G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	P47-62	Data

ENVIRONMENTAL	GRI		This report or Corporate Site	
ENVIRONMENTAL DMA			P3-4 P37-42	Top message Environment
MATERIALS	G4-EN1	Materials used by weight or volume.	P37-42	Environment
	G4-EN2	Percentage of materials used that are recycled input materials.	P37-42	Environment
ENERGY	G4-EN3	Energy consumption within the organization.	P47-62	Data

ENVIRONMENTAL	GRI		This report or Corporate Site	
ENERGY	G4-EN4	Energy consumption outside of the organization.	P7-16	Foster Group CSR Management
	G4-EN5	Energy intensity.	P47-62	Data
	G4-EN6	Reduction of energy consumption.	P47-62	Data
	G4-EN7	Reductions in energy requirements of products and services.	P37-42	Environment
WATER	G4-EN8	Total water withdrawal by source.	P47-62	Data
	G4-EN9	Water sources significantly affected by withdrawal of water.	P37-42	Environment
	G4-EN10	Percentage and total volume of water recycled and reused.	P37-42	Environment
BIODIVERSITY	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-	None
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-	None
	G4-EN13	Habitats protected or restored.	P37-42	Environment
	G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-	None
EMISSIONS	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	P47-62	Data
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	P47-62	Data
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	P7-16	Foster Group CSR Management
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	P37-42	Environment
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	P37-42	Environment
	G4-EN20	Emissions of ozone-depleting substances (ODS)	-	N/A
	G4-EN21	NOX, SOX, and other significant air emissions.	-	N/A
EFFLUENTS AND WASTE	G4-EN22	Total water discharge by quality and destination.	P47-62	Data
	G4-EN23	Total weight of waste by type and disposal method.	P37-42	Environment
	G4-EN24	Total number and volume of significant spills.	-	N/A
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ANNEX I, II, III, and VIII, and percentage of transported waste shipped internationally.	-	N/A
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	-	None
PRODUCTS AND SERVICES	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	P37-42	Environment
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	P37-42	Environment
COMPLIANCE	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	-	N/A
TRANSPORT	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	P7-16	Foster Group CSR Management
OVERALL	G4-EN31	Total environmental protection expenditures and investments by type.	P47-62	Data

ENVIRONMENTAL	GRI		This report or Corporate Site	
SUPPLIER ENVIRONMENTAL ASSESSMENT	G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	P47-62	Data
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	-	None
ENVIRONMENTAL GRIEVANCE MECHANISMS	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	-	N/A (Headquarters)

SOCIAL	GRI		This report or Corporate Site	
SOCIAL DMA			P3-4 P27-36	Top message Social
LABOR PRACTICES AND DECENT WORK	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	P47-62	Data
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	-	None
	G4-LA3	Return to work and retention rates after parental leave, by gender.	P47-62	Data
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	-	None
LABOR PRACTICES AND DECENT WORK	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	P47-62	Data
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	P47-62	Data
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	-	None
	G4-LA8	Health and safety topics covered in formal agreements with trade unions.	P47-62	Data
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	P47-62	Data
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	-	None
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	P47-62	Data
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	P47-62	Data
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	P47-62	Data
	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	P47-62	Data
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	-	None
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	P47-62	Data
HUMAN RIGHTS	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	-	None

SOCIAL	GRI		This report or Corporate Site	
HUMAN RIGHTS	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P47-62	Data
	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	-	N/A
	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	-	None
	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	-	None
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	-	None
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	P47-62	Data
	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	-	N/A
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	-	None
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	P47-62	Data
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	P47-62	Data
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	P47-62	Data
	SOCIETY	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	-
G4-SO2		Operations with significant actual and potential negative impacts on local communities.	-	None
G4-SO3		Total number and percentage of operations assessed for risks related to corruption.	-	None
G4-SO4		Communication and training on anti-corruption policies and procedures.	-	None
G4-SO5		Confirmed incidents of corruption and actions taken.	-	None
G4-SO6		Total value of political contributions by country and recipient/beneficiary.	-	None
G4-SO7		Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	-	N/A
G4-SO8		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	-	N/A
G4-SO9		Percentage of new suppliers that were screened using criteria for impacts on society.	P47-62	Data
G4-SO10		Significant actual and potential negative impacts on society in the supply chain and actions taken.	-	None
G4-SO11		Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	P47-62	Data

SOCIAL	GRI		This report or Corporate Site	
PRODUCT RESPONSIBILITY	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	-	None
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	-	None
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	-	None
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-	None
	G4-PR5	Results of surveys measuring customer satisfaction.	-	None
	G4-PR6	Sale of banned or disputed products.	-	None
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	-	None
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	-	N/A
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provisions and use of products and services.	-	N/A

# Provision of Information Regarding Sustainability

## Our Point of View on Disclosure

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

## Items Reported in Sustainability Report 2017

- About this report

The "Sustainability Report 2017" (the Report 2017) was prepared to comprehensively report the Foster Group's corporate social responsibility (CSR) activities throughout the fiscal year ended March 31, 2017 (fiscal 2016), for our stakeholders. With regard to our CSR activities, your valued opinion would be greatly appreciated to help us fulfill our corporate social responsibilities in the years to come. We hope this report will help you better understand the CSR activities of the Foster Group.

- Reporting scope

Unless specifically indicated, the reporting scope of the Report 2017 includes the CSR activities of the Foster Group, which consists of Foster Electric Company, Limited, and its consolidated subsidiaries in Japan and overseas.

- The reporting period of the Report 2017

The reporting period of the Report 2017 is from April 1, 2016, to March 31, 2017 (fiscal 2016). The Report also includes statements concerning activities outside the reporting period, including those in fiscal 2017.

- Referenced guidelines

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 2017.

- Month of issue:

June 2017

- Next issue of the CSR report (planned):

June 2018

- Reporting to the United Nations Global Compact

As a company that has signed the United Nations Global Compact, we have announced this report as the "Global Compact Communication on Progress (COP)" for the four fields and ten principles to our stakeholders. Details on our activities related to the United Nations Global Compact can be found in page 17.

- Provision of the sustainability information on our corporate website

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

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The cover page features 15 colorful and slender threads that are crossing one another. These 15 colors indicate the number of countries and regions in which the Foster Group has its sites and the slender threads indicate every employee. This design expresses the Foster Group being weaved from every employee and the culture of each country/region.