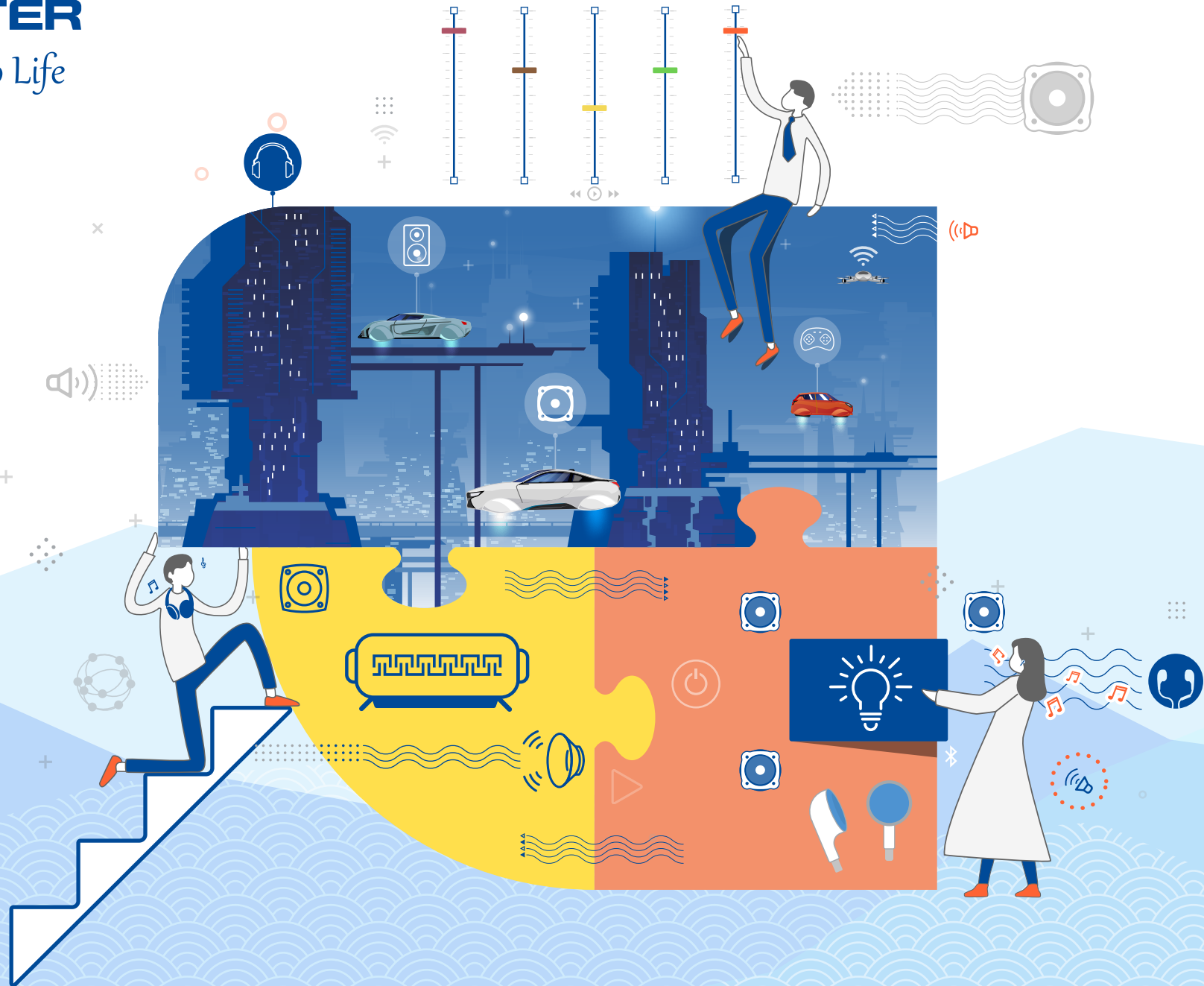


# FOSTER

Sound to Life



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**Period covered and frequency of reporting**

From April 1, 2022, to March 31, 2023 (fiscal 2022)  
 The report also includes statements concerning activities outside the reporting period, including those in fiscal 2023.  
 We publish this report annually.

**Reporting scope**

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

**Referenced standards and guidelines**

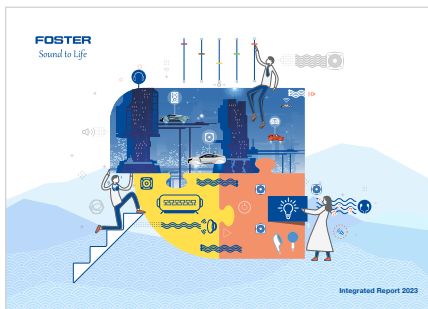
- IFRS Foundation, International Integrated Reporting Framework (2021)
- Ministry of Economy, Trade and Industry, Guidance for Collaborative Value Creation
- Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- Ministry of the Environment, the Environmental Reporting Guidelines 2018
- Global Reporting Initiative (GRI), Sustainability Reporting Standards (2021) [GRI content index](#)

**Disclaimer regarding forward-looking statements**

The forward-looking statements contained in this report, including our plans, strategies, and earnings projections, are based on the currently available information. Please note that actual results may differ from the content of this report due to various uncertain factors.

**Editorial policy**

This fiscal year, we began to publish the Integrated Report compiling both financial and non-financial information as a tool to enable readers to understand our medium- to long-term targets and strategies. This report was created with the goals of improving the transparency of the Foster Group and enhancing initiatives to increase the Foster Group's corporate value and achieving sustainable growth through dialogue with its stakeholders. We hope that this report will be useful for increasing your understanding of the Foster Group. Please refer to the Investor Relations pages of our website for detailed financial information and the Sustainability pages for our sustainability activities.



The illustration on the cover of this report represents our employees embracing new challenges every day, which is this year's internal slogan for our management policies. Our employees are cooperating to put together a puzzle. The upper part represents our vision, "To make contributions for future society through acoustics," in areas including music and entertainment, with acoustics surrounding flying cars and drones.

**Sound to Life**

The phrase, "Sound to Life" on the upper part of the cover is the slogan we strive to achieve created through our activities to instill our corporate philosophy. It has various meanings, including "To deliver sounds to life," "To enrich life through Foster acoustics," and "Sounds to reach lives and sustain healthy lifestyle."

## Corporate Philosophy

The corporate philosophy of the Foster Group consists of the corporate creed, vision, and mission. Each one of us will practice this corporate philosophy with the goal of making contributions to future society through acoustics.

Corporate Creed  
**Sincerity**

### Vision

To make contributions for future society through acoustics

### Mission

Through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world. A truly global enterprise our future society counts on.

## Foster Rhythm (Our Principles and Values)

Our corporate philosophy, principles, and values have been verbalized as Foster Rhythm to ensure our corporate philosophy becomes entrenched among our employees.

We aim to enable our employees all over the world to understand our corporate philosophy, principles, and values and put them into practice toward being the Foster that we want to be. Foster Rhythm was created by employees thinking on their own and proposing ideas which can be shared with employees from different cultures and backgrounds. It is shared by employees from all of the bases of the Foster Group, having been translated into their languages. We believe that our principles and values expressed in Foster Rhythm will help build a sound organizational culture and climate and improve the well-being of all of the employees working for Foster.

### Our Principles and Values

#### THE LEADING *Sound to Life* SOLUTION COMPANY

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

#### ALWAYS IMPROVING

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

#### EVER MORE GLOBAL AND INCLUSIVE

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

#### Trust

Earn the trust of users and partners

#### Inspiring

Take pride in our expertise in acoustic technology

#### Expert

Add unique value, motivate partners and excite customers

#### Fast and Flexible

Be fast moving and flexible

#### Reliable Quality

Deliver totally reliable quality via ever more efficient systems

#### Proactive

Embrace learning and proactive leadership

#### Steadfast

Show steadfast dedication in going beyond our promised goals

#### Open Mind

Be open-minded and inclusive

#### Team

Respect others as part of a team with shared goals

#### Responsible

Fulfill our duty to protect people and the environment

## Message from the CEO ■ Review of the Fiscal Year Ended March 31, 2023 and Replacement of CEO



Atsushi Narikawa

Director and Chairperson/former CEO

### Review of the Fiscal Year Ended March 31, 2023 and Evaluation of the Progress of the Medium-Term Business Plan

The COVID-19 pandemic declared in 2020 forced us to face the greatest crisis since our founding, including surging component, raw materials and ocean container transportation costs and concerns regarding the global COVID-19 lockdown. In the fiscal year ended March 31, 2023, however, we were coming out of the crisis thanks to many customers understanding the cost pass-through.

Net sales have already reached the medium-term target for the fiscal year ending March 31, 2025, and profits are returning to the pre-COVID-19 levels. In addition, I believe that our corporate resilience and management stability have increased dramatically thanks to many customers' approval of our introduction of a system which links product prices to costs.

Regarding the financial targets of the medium-term business plan, the car speaker business has gotten onto a growth track and we have received 90% of the targeted orders for the final year of the medium-term business plan. However, increasing our earning capacity remains a challenge. We will surely overcome the challenges revealed in the overhaul of the car speaker business, including those related to logistics, and focus our efforts on building a firm earnings structure. In logistics, it will be important that global logistics management be more detailed and higher-level, through efforts such as the optimization of inventory quantities, warehouse locations, and transportation routes. Regarding this, we have already established an organizational structure and begun to steadily take actions to improve.

At the same time, we also aim to strengthen ties with our strategic partners in the medium term, increase sales of automotive equipment other than car speakers, including infotainment equipment, and improve the profit level and margin of these products. We feel that our customers' criteria regarding the environment and human rights are becoming more strict every day. We understand that we won't even be given opportunities to propose solutions to customers if we do not continue to improve our global environmental initiatives and supply chain management. Looking back the COVID-19 pandemic, I believe that we have been able to increase the resilience of the structure of our business due to our experiencing and overcoming the pandemic. The price negotiations with customers we engaged in during the three-year period of the COVID-19 pandemic strengthened our relationships with customers and provided a foothold enabling us to advance partner strategies. Further, in the process of overcoming the pandemic, we were able to establish a correct understanding of our weaknesses (global logistics and local production for local consumption). This will enable us to take measures to overcome challenges and build a solid foundation for launching the next medium-term business plan.

### Strategies to Focus on in Fiscal 2023 to Achieve the Medium-Term Business Plan

In fiscal 2023, we will focus on strategies aimed at achieving the medium-term business plan. We are making steady progress in receiving orders and reducing costs in the car speaker business. We will accelerate the implementation of each strategy to steadily achieve the operating profit target of 5.0 billion yen at the end of the medium-term business plan. We are also making progress in our efforts to increase the sophistication of our foreign exchange sensitivity analysis of our sales and profits, which will support the implementation of the strategies. Positioning the remaining two-year period of the current medium-term business plan as the period for preparing to build a solid foundation for launching the next medium-term business plan, we will focus our efforts on the following three strategies in particular.

- Addressing challenges revealed through the overhaul of the Speaker Segment
- Accomplishing partner strategies by enhancing automotive products outside the Speaker Segment
- Determining the direction of the Beyond2025 strategy\* and promoting it

\* For details, please see [Beyond2025](#).

We have confirmed that the impact of the decline of demand for products bundled with earphones in the Mobile Audio Segment has hit bottom, and we have already found a direction in new fields in which we will move forward to achieve growth.

We will shortly set our direction regarding the specific focus areas in the Beyond2025 strategy. Therefore, we will allocate resources by narrowing down our targets to three pillars plus something extra, to build a structure that will enable us to respond agilely to market changes in the era of VUCA.

We have positioned audio accessories & speaker drivers, a headset for social infrastructure, and vibration devices (actuators) as the three pillars. In addition, we have positioned car headsets, robotics USB speakers, and next-generation digital auscultation devices for remote medical care as the long-term revenue bases, which are something extra to the three pillars. In these areas, we will proactively implement proposal activities unique to us in new markets such as the metaverse, autonomous vehicles, and EVs.

To accelerate these strategies, we replaced the CEO in June 2023. The new CEO has been leading Foster on the front lines of sales for a long time. I am sure that he will powerfully open up the path to the future of Foster that will be appropriate for the new era.

I highly appreciate your continued support.



## Future Strategies and Aspirations



Kazuhiro Kishi  
new CEO

I am Kazuhiro Kishi, the new CEO. We have been earning the trust of customers all over the world by providing high-quality, innovative products. We will continue to forge ahead with activities to enhance our corporate value by providing customers with valuable products and services.

We promise to contribute to society by conducting business with sincerity and transparency. We will continue to develop innovative products through the application of new technologies to help build a better future society through acoustics and vibration. We appreciate your support.

### Philosophy and Vision

Our corporate creed is "Sincerity." Our vision is "To make contributions for future society through acoustics." And our mission is "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." Throughout our history since our founding, we have aimed to be a sustainable company that is always needed by society, and a company that continues to develop.

Our long-term goal is to be the world's No.1 acoustic solution partner by fiscal 2030 by focusing our efforts on new market domains. To achieve this goal, we have steadily been building short-term, medium-term, and long-term revenue bases. We will also implement quality management and ESG management which are the base for the above. In our view, being the world's No.1 means having customers say "We will ask Foster about acoustics and vibration" as a specialist in acoustics solutions. We would like to engage with customers as an entity which can support and push forward a wider range of market needs by working on solutions related to the tactile and auditory senses in promising industrial fields that will contribute to the future society, such as games, virtual reality, healthcare and medicine, and social infrastructure, in addition to the automotive business.

As the manager of Foster, I believe that components of being the world's No.1 are the following:

- Solid management base and profitability
- Wide-ranging, deep knowledge and technological capabilities related to acoustics
- Sincerity and respect for stakeholders

Further, I believe that action guidelines for achieving the target are as follows.

- Take actions with pride so that anyone can rely on us, and respond to this trust with our technological capabilities and sincerity.
- Individual employees shall work fully displaying their capabilities and motivation.
- Employees shall act with respect and consideration for each other and all stakeholders.

### Our Universal Strengths for the Long-term Enhancement of Corporate Value

I believe that our universal strengths for the long-term enhancement of corporate value lie in our corporate climate which enables us to retain many sincere human resources who have strong senses of responsibility. The spirit with which we work on all operations sincerely and take on any difficulty seriously and truthfully to overcome it is the source of our strength. In addition, we have wide-ranging, deep knowledge and development skills related to acoustics and we are capable of applying them to mass production with high quality. This is a result of accumulating manufacturing technologies over many years and passing them down to new generations of employees.

Further, we have built strong relationships with important customers. Good relationships with customers are essential for the long-term development of business. This is also one of our strengths.

We have verbalized our corporate philosophy, principles, and values as Foster Rhythm, a more specific corporate climate initiative for recruiting, developing, and utilizing sincere human resources based on "Sincerity," the corporate creed that we have held since our founding. This 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." In addition, there has been progress in the activities on FOSTER STORIES\* which were suggested by employees voluntarily to enable Foster Rhythm to resonate both internally and externally. Taking advantage of these strengths, we will aim to achieve the long-term enhancement of corporate value and sustainable growth.

\* For details, please see [the special feature](#).

## Approach to Sustainability

At the base of our approach to sustainability is our positioning of our employees as the leading players in our corporate activities. The mission of the management team is to build an environment which enables each employee to hone and fully demonstrate their capabilities. Believing that we cannot establish an environment like this if our employees are not happy, we have set the goal, "Be Happy 80%."

We respect the diversity of all of the employees working with us and value an environment which enables them to choose their workstyles and careers. We aim to enable employees to maintain and improve their physical and mental health while ensuring their work enables them to develop personally, be satisfied in their jobs and take pride in their contributions to society. To achieve this we have set the goal, "Be Happy 80%." Our goal is to enable all of Foster's employees to be happy, reflecting not only satisfaction with our company and ourselves but also consideration for others. The 80% happy goal expresses a state of happiness with room left for the consideration of others, which is an ideal we aim to achieve at Foster. In "others," we include our stakeholders, the environment, all living things, and all matters other than human beings.

The wellbeing we aim to achieve is based on the assumption that we can continue to achieve "Be Happy 80%" for our employees by improving employee engagement, enabling employees to be motivated and giving them opportunities for personal development. We are also focusing our efforts on initiatives related to overall sustainability through ESG management. They include diverse initiatives, such as initiatives to improve employee wellbeing and reduce environmental impact and social contribution activities. We are also advancing sustainability initiatives in our supply chains.

## Specific Human Resource Development Initiatives at Foster, Where Human Resources are Regarded as the Foundation of Management

We regard our human resources as valuable assets. The slogan for our FY2023 management policies is, "Embracing new challenges every day," and we seek human resources who work on everything in good faith and take on challenges without fear of failure. Because we focus on overseas manufacturing and have many overseas customers, we have a wealth of human resources who flexibly accept overseas cultures and diversity.

In addition, we define globally competitive human resources as "human resources capable of carrying out missions in various environments with diverse values outside the framework of nation states." While foreign language skills are necessary to a certain extent, we attach more importance to the understanding of different cultures, readiness to accept diverse values, communication capabilities, and expertise which are the weapons wielded by human resources. Understanding and supporting Foster Rhythm and being able to embody it together with us is also important.

Our human resource development policies are based on our medium-term business strategy which we implement continuously as we work to

organically link our medium- to long-term business strategy with a range of personnel systems. This is why we have established human resources development programs for various phases, from training programs for acquiring specialized knowledge, foreign language skills, and other knowledge and skills to career development training programs based on job experience, with the key phrases, "strong will," "ability to take action," "autonomous growth capability," "expertise" and "ability to create value continuously."

Diversity is also important to us and we aim to enable diverse human resources of diverse genders, nationalities, and other attributes to work vibrantly to enable every employee to realize a fulfilling personal life and create new value. At present, we have approx. 15,000 non-Japanese human resources and approx. 600 Japanese human resources. In 2018, we were ranked No. 1 in terms of percentage of human resources that are non-Japanese.

We also continually review our systems and programs to support employees' workstyles, such as the diversification of pension schemes to cater to the diverse needs of employees, including our human resources whose nationality is other-than-Japanese, as well as introducing systems to enable employees to flexibly implement measures regarding remote working and long-distance commuting.

## Global Governance, Risk Management, and Compliance Structures

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 and build an appropriate group governance structure.

Our risk management activities are focused on predicting risks and taking measures to prevent risks from materializing. They also focus on minimizing damage should a risk develop and materialize. It is also important to increase the sophistication of the risk control matrix (RCM) framework and to reinforce our structure for managing and sharing information under the basic operating policy of "being prepared for forward-looking risk and crisis management."

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

## To Our Shareholders and Investors

Our basic approach to capital strategy is based on the equal division of capital between employees, the company, and shareholders. During the current medium-term business plan, our primary purpose is to ensure stable dividends. During the next medium-term business plan, we believe it will be important to allocate the company's profits to investments in future growth strategies, in addition to stable dividends.

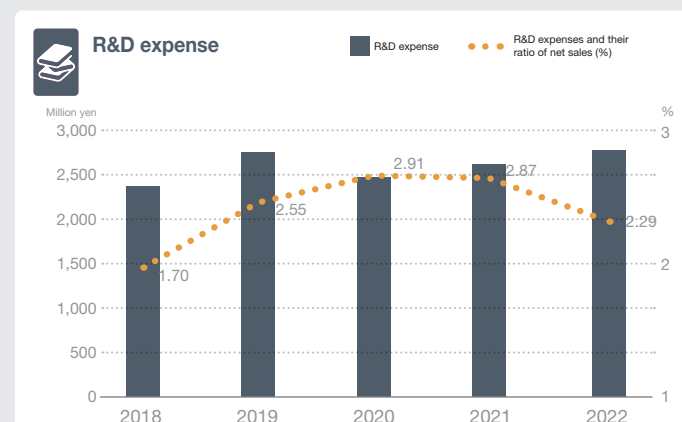
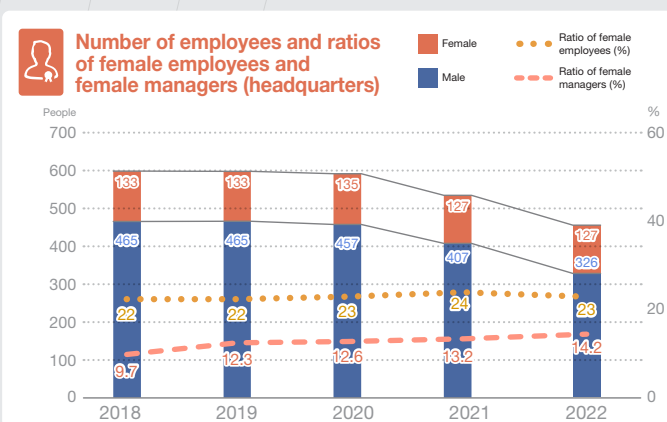
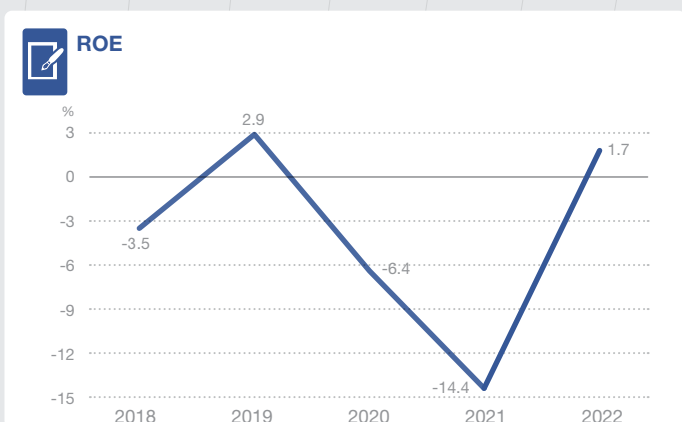
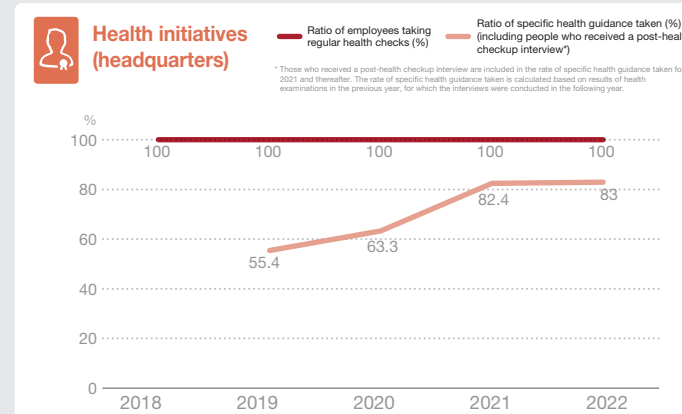
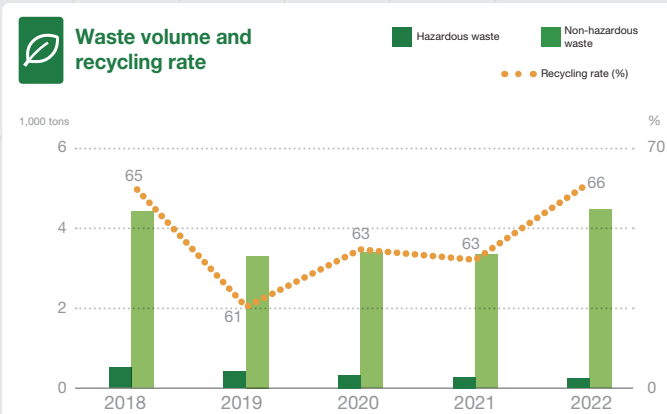
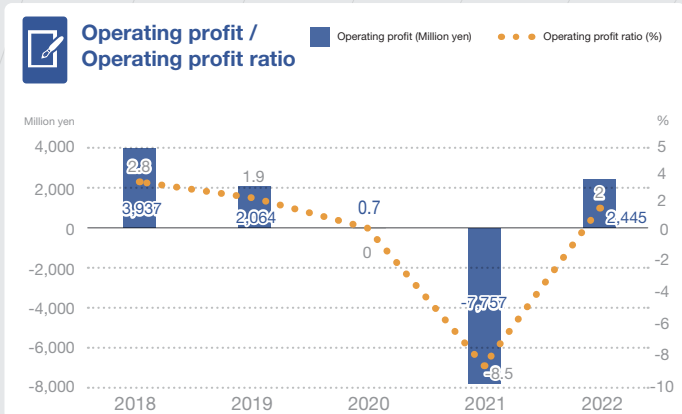
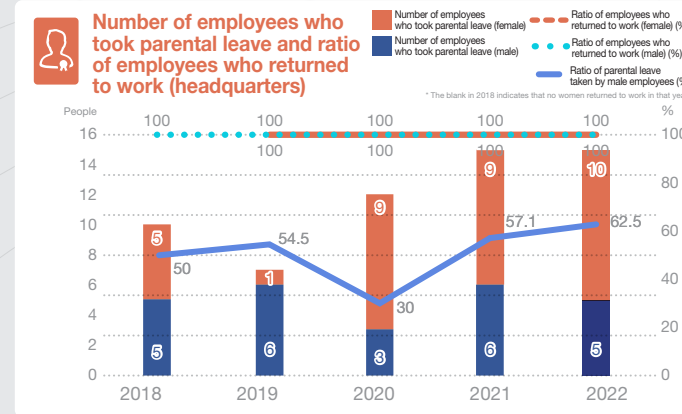
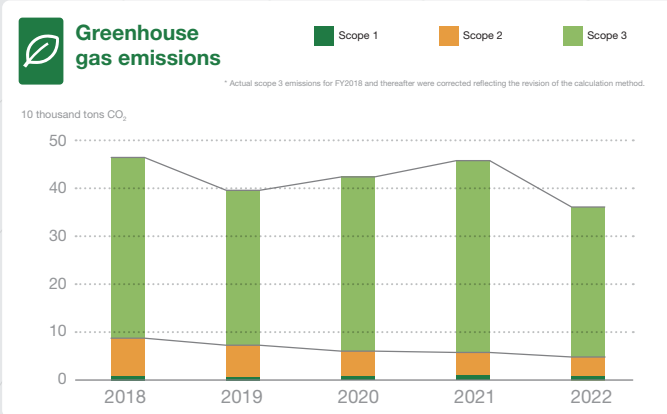
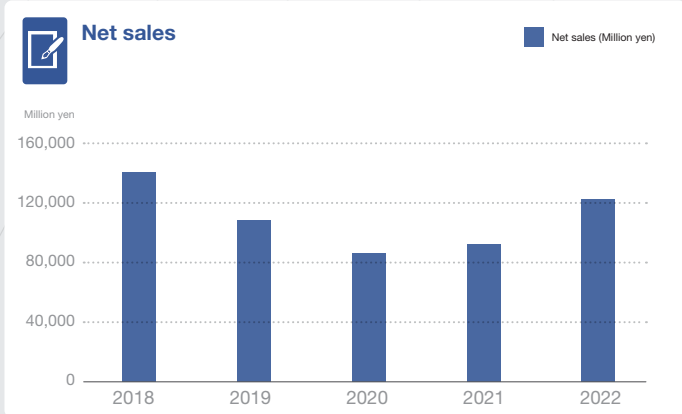
In the growth strategy in the next medium-term business plan, we will differentiate ourselves from our competitors through economies of scale, aiming to acquire a dominant market share in the area of automotive business by including expansion through acquisition among our potential options. Also in the area of acoustics, we will powerfully push forward with the Beyond2025 strategy, including strategic M&A activities, aiming to further enhance our product development capabilities and ability to achieve commercial production, which are backed by our proprietary technologies. Further, we will focus our efforts on improving our ability to develop interfaces, which is our strength, aiming to connect customers' products to our acoustic devices and vibration devices.

I became CEO in June this year, and my first duty is to work hard to steadily achieve our first goal, the current medium-term business plan, and to build a foundation for the next medium-term business plan. I ask our stakeholders for their continued understanding and support of Foster Electric's transformation to achieve sustainable growth.



# Financial and Non-financial Highlights

\* For details of the data, please refer to [Financial Summary \(10 years\)](#) and [Non-financial Data](#).





# Foster's History

## A relay race – From the pursuit of high-quality sound to a quest for high functionality

**Provision of compact, excellent and high-grade products**

1949 Pearl brand

A 5-inch speaker, our first product, was completed at the Shinano Onkyo Institute. Sales of the Pearl brand speakers began.



**Unending quest for materials that enable high-quality sound**

1992-1993  
Development of a speaker featuring a new diaphragm material

In response to market demand for high-quality sound, we developed a diaphragm using bio-cellulose fibers, enabling the detailed, beautiful reproduction of mid- to high-range sounds with high resolution. We also developed a diaphragm made from kenaf. This speaker not only features excellent full-range reproduction but it is also environmentally friendly.



**A metallic material with high functionality which ensures high-quality sound regardless of the environment**

2004 First in the world  
Pure magnesium diaphragm

We were the first in the world to succeed in developing a pure magnesium speaker diaphragm. This diaphragm uses a pure magnesium foil made into a rolled coil material using the continuous warm rolling method. (Jointly developed with Mitsubishi Steel Mfg. Co., Ltd.)



**Responding to the arrival of the digital era**

1985 Honeycomb (square flat) speaker

In response to the arrival of the digital era, we developed a flat speaker using a diaphragm made of a honeycomb material also used for aircraft.



**A fine item embodying 70 years of history**

2019 FE103A  
70th anniversary model

A revived model featuring alnico magnets sold to commemorate Foster Electric's 70th anniversary of foundation



**For a new form of entertainment**

2020 to 2021 Vibration actuators  
For details, please refer to Intellectual Capital.

A vibration actuator is capable of generating a wide range of vibrations accurately. For example, it can generate haptic feedback for a video game player via a game controller, based on the things the player is seeing and hearing while playing the game. By combining tactile sensations with visual and auditory sensations in this way, this device creates an immersive world of virtual reality.



**An evolved earphone for the era of the New Normal**

2020 Hearable device  
For details, please refer to Intellectual Capital.

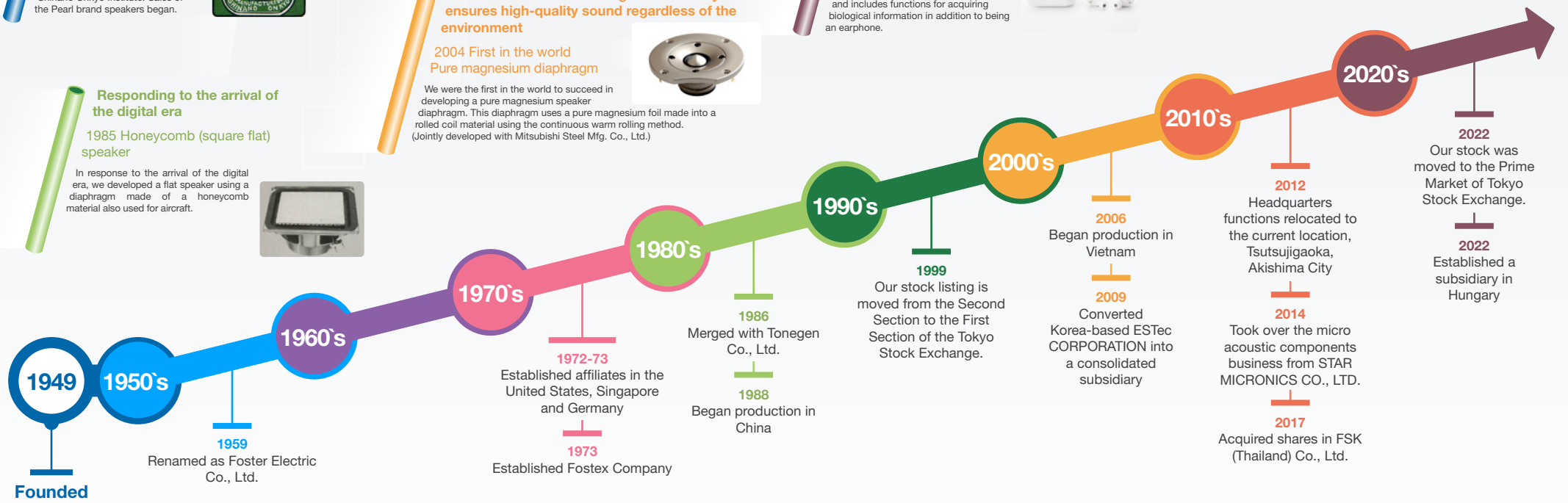
This product is similar to other wearable devices, such as watches and glasses, and includes functions for acquiring biological information in addition to being an earphone.



**Exploiting a new market through a collaboration that started in the R&D phase**

2022 PSZ (Personalized Sound Zone)  
For details, please refer to Intellectual Capital.

We have commercialized the world's first earphone that is equipped with the PSZ technology (which traps high-quality sound near the listener's ears and prevents sound from leaking out in any direction) owned by NTT sonority, Inc., as a result of our collaboration with them that began in the research and development phase.





# 10 Stories about Foster

## Column Do Shinano Onkyo Institute

The founders of Foster Electric, Shigehiro Nishimura and Hiroaki Shinohara, were co-workers involved in the manufacturing of radios at an electric equipment company in the postwar period. However, the company they were working for went bankrupt in the chaos after the war. Determined to complete the development of the speaker, which was only half done, Nishimura and Shinohara established the Shinano Onkyo Institute in 1949. This was the beginning of Foster's enthusiastic quest for acoustic experience.



## Column Re From the Shinano Onkyo Institute to Foster

In 1953, they changed from Pearl, the trademark that they had been attached to since they founded the company, to Foster. The name is inspired by Stephen Foster, an American composer loved by the public for his impressive melodies, and the verb, to foster. At present, the name Foster is also familiarly known because of Foster Hall in Akishima City, where our headquarters is located.



## Column Mi Starting overseas production and then local production for local consumption

In response to an increase in trade with overseas manufacturers, we began speaker production in Singapore and the United States in 1964. We later built production infrastructure in Asia, including in China and Vietnam. Regarding the operation of local subsidiaries, the headquarters believes it is important to support local staff rather than control them, which furthers the localization of management. In October 2024, we will start commercial production in Hungary in anticipation of the increase of demand in Europe, promoting local production for local consumption.



## Column Fa The Foster quality that we boast of to the world

In 1982, we took the delivery of products to a U.S. automaker as an opportunity to enter the automotive equipment market. Unlike audio-visual equipment for households, safety and durability are the top-priority qualities required of car speakers. Ready to mass-produce high-quality products able to endure the tough in-car environment, Foster has the largest share of the global car speaker market.



## Column So Mobile music culture that we spread around the world

In the 2000s, we achieved rapid growth due to orders received for earphones to be supplied with mobile phones. We played a role in the spreading of the culture of listening to your favorite music on the go, as well as via speakers in rooms. Even if you don't know the Foster name, you may have listened to sounds via the products that Foster has developed with its customers.



# 10 Stories about Foster



## Column La Elements of acoustics found in the headquarters

Various elements related to acoustics are found in our headquarters building which was completed in 2012. The pedestrian crossings on the premises were designed with a piano keyboard motif. In the lobby on the first floor, visitors are welcomed by the music of Beethoven's Ninth Symphony on the wall. The guest reception rooms are named after musical instruments. The cafeteria has an open atmosphere and its ceiling has a large curved section designed to evoke the image of a treble clef.



## Column Ti From "sounds you listen to" to "sounds you can touch (vibration)"

Sounds are vibrations that create waves in the air that carry to our ears. Applying this mechanism, a series of vibration products (actuators) have been developed and adopted in new areas. We are developing vibration products for a wide range of applications by thinking outside the box, so that they will be used not only for entertainment but also for alerts when vehicles are driving autonomously, for medical equipment and for other uses.



## Column Do FOSTEX 50th anniversary

In 1973, Foster's consumer products segment was spun off into FOSTEX. Established as a brand of products for general consumers, as well as an OEM, FOSTEX has been highly acclaimed for its reliable product quality and sound reproduction technologies. For example, A FOSTEX product was selected by NHK as its standard monitor speaker in 2004.



## Column # Foster's corporate climate

Operating globally, Foster has employees of many different nationalities. We are proceeding with the Foster Rhythm project, in which we share the direction of the company's values in a company-wide manner leveraging the diversity of individuals. In these activities, which are aimed at instilling our corporate philosophy, employees interact with each other through workshops, fostering the unique corporate climate of Foster. Further, we have posted the Be Happy 80% slogan for improving engagement, under which a climate that valuing people is being fostered, including an environment that enables people to be happy and considerate to others.



## Column b Becoming the world's No.1 acoustic solution partner

To date, we have been focusing our efforts on sound reproduction technologies, manufacturing, and the quality of products as an OEM/ODM supplier. Moving forward, we will contribute to society in the future by creating a comprehensive range of highly strategic products related to sound and vibration, so that people will think, "When it comes to sound and vibration, Foster is the first choice."



## Foster's Business

Foster Electric was founded as a loudspeaker manufacturer in 1949. Since that time, we have established ourselves as a specialist in audio technologies, and have provided the audio industry with many products and technologies. Among them, acoustic transducers have become our mainstay products. We have created a wide array of unique technologies and accumulated broad expertise, including in car speakers and other automotive audio products, audio equipment (AV speakers) for home entertainment, high-end Hi-Fi speaker systems, headphones and headsets, compact speakers for

information equipment, buzzers, and vibration actuators that apply audio technologies. With these technologies and accumulated expertise as our backbone, we pursue optimal quality and acoustic experiences that fulfill the expectations of our customers. Foster Electric's audio and vibration solutions have been used in many products around the world. Through these products sold under our client's brands, Foster Electric's audio and vibration solutions are delivered to customers.

In recent years, we have also focused on automotive products as a strategic area that has matters in common with all business segments — speakers, mobile audio and other businesses. Taking advantage of the opportunities of new technological trends, we continue to develop our acoustic signal and human interface technologies using our accumulated knowledge and expertise and continue to take on challenges in the development of new technologies and new businesses.

### Sales by Segment

#### Speaker Segment

Manufacturing and sales of car speakers and speaker systems, speakers and speaker systems for audio equipment and TVs, and others



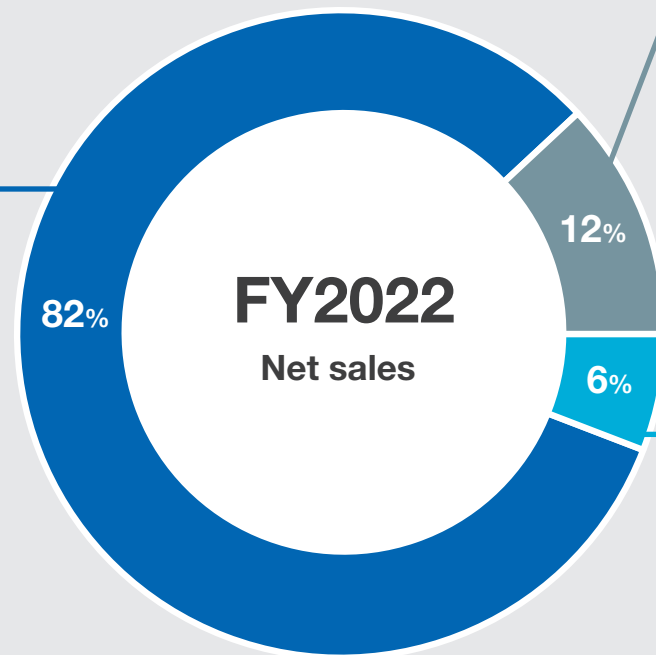
Car speakers



Car speaker systems



TV speakers



#### Mobile Audio Segment

Manufacturing and sales of headphones and headsets, earphone drivers, vibration actuators, and others



Headphones and Headsets



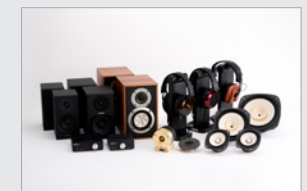
Actuators

#### Other Segment

Manufacturing, sales, and logistics services for warning buzzers and other buzzer products, FOSTEX brand products and others



Micro acoustic equipment



FOSTEX products



# Foster's Strengths

We have reaffirmed the strengths of Foster, namely "Responsiveness," "Creativity" and "Connections," which we have cultivated over our 74-year history since our founding in 1949. We will use these strengths as the sources for the sustainable creation of value in the future.

We will leverage these strengths to be the world's no. 1 acoustic solution partner that is able to support a wider range of needs related to the tactile and auditory senses, not only in the automotive business that is the center of our business portfolio but also in promising industrial fields that will contribute to the future society, such as automotive products, games, virtual reality, healthcare and medicine and social infrastructure.



## (1) Responsiveness to customer requirements

### Customer handling capabilities

Social and relationship capital

Since our founding, we have continued to build a global customer network (in Europe, the Americas, and Asia). This has enabled us to receive major

orders for high-quality products from very trustworthy customers able to be our strategic partners. We have also built a global support system that improves the quality of our responses to customers, the quality of our proposals to customers and the quality of products. As a result of these initiatives, we have also been involved in a number of innovative era-leading products.

### Manufacturing capability (1)

Manufacturing capital

As the changes of the times accelerate, the diversity of customer requirements related to the products of the Foster Group is increasing. We have built a manufacturing system that is capable of commercial production of customized high-quality products that respond appropriately to these requirements, in Asia, the Americas and Europe, transcending the borders between nations. We are also working to expand the global manufacturing system and improve its efficiency to cater to customers' needs for the local production of products for local consumption.

### Manufacturing capability (2)

Manufacturing capital

We are shifting steadily to the in-house production of key parts (such as papermaking, voice coil production, and resin molding) to enhance the added value of Foster Group products and reduce manufacturing costs.

### Quality control capability

Manufacturing capital

In the automotive business, we must be able to control product quality to conform faithfully to the quality standards of the International Automotive Task Force (IATF).



We respond appropriately to customers' quality needs leveraging the expertise we have accumulated over the many years since we began to deliver car speakers in 1982.

### Technical capabilities

Intellectual capital

We possess core technologies related to acoustics and vibration which are unique to us as a business operator specialized in acoustics. We can say that these technologies form the foundation for not only our car speakers but all of our products including audio accessories, actuators, compact audio products and acoustic vehicle alert systems.

## (2) Responsiveness to change

### Employees

Human capital

In our long history, we have faced a number of difficulties. Even after the revision of the business portfolio in 2018, we faced unprecedented crises due to various factors, such as the personnel expenses generated in relation to the transformation of the product portfolio, the response to the COVID-19 pandemic (the surging cost of ocean container transportation, raw materials and components) and the political upheaval in Myanmar. The crisis control capabilities and on-site capabilities of Foster Group employees, who face these crises and implement measures patiently to resolve them while sincerely addressing customer issues, have become a great force for responding to change.

### Environmental burden reduction

Natural capital

While the major trend towards protecting the global environment is accelerating around the world, customers' environmental needs are growing every day in many domains, mainly reflecting the tightening of government regulations in many countries and regions. In response to this major trend, we are proceeding steadily with medium- to long-term environmental action programs based on our ability to reduce environmental impact (conserving the resources used to manufacture products, improving manufacturing processes, managing chemicals, conserving biodiversity and partnering with customers and suppliers).

### Financial conditions

Financial capital

We have been steadily responding to the various changes in the business environment that have occurred recently based on our high equity ratio which contributes to the stability of management. We will continue to strengthen our foundation for medium- to long-term revenue and efficiently use capital in our efforts to develop and enhance our foundation for sustainable growth.



## Ability to make changes on our own and create things that exceed customers' expectations

### Technical capabilities

Intellectual capital

As professionals in acoustics, we have technological capabilities in acoustical evaluation and reliability testing, the ability to design environmentally friendly speaker products, and a technological capacity to make changes ourselves and manufacture products which exceed customers' expectations.

### Employees

Human capital

Through a program supporting employees taking on challenges (the Foster Incubation Program),\* we have continued efforts to discover and improve employees' potential value as human capital, aiming to enable employees to create an exciting society of the future on their own and develop an internal climate for taking on challenges.

\* Please refer to [Human Capital Initiatives](#).



## Partnerships with customers based on cooperation and trust

### Customers

Social and relationship capital

We have already dispatched our engineers to some customers, building strategic partnerships through collaboration in advanced development initiatives, among other efforts. We will continue efforts to improve our value as a strategic partner globally based on trust and cooperation with customers.

### Employees

Human capital

The Sales Division and Engineering Division at the headquarters and our overseas sales subsidiaries have sales and engineering human resources who are very experienced and propose many solutions to world-leading customers who lead the industry in their own domains.

### Procurement capabilities

Manufacturing capital

We have a supply chain that enables us to procure the optimal components for our sites around the world. Thus, we have established a system that enables the timely procurement of components.





# Value Creation Process

**Vision/Purpose: To make contributions for future society through acoustics**

**Goal: Being the world's no. 1 acoustic solution partner**

### Input

(management resources)

**Financial capital**  
High equity ratio that contributes to management stability

**Manufacturing capital**  

- Manufacturing technologies that enable both high quality and stable commercial production
- A global manufacturing system that enables us to optimally cater to customer needs

**Intellectual capital**  
Core technologies, elemental technologies, and applied technologies related to acoustics (vibrations)

**Human capital**  
Global on-site capabilities and crisis response capabilities

**Social and relationship capital**  
Global customer network

**Natural capital**  
Ability to reduce environmental impact

### Business Model

**Cultivated strengths**  
Responsiveness  
Creativity  
Connections

**Medium-term business plan**  
Main strategy: Partner strategy  
→ Elevate position from OEM/ODM supplier to strategic partner

**Value chain oriented toward building partnerships with customers who operate globally**  
Business proposals, technology development, high-quality manufacturing and global sales

### Output

(products and solutions)

**Focused market**  

- Automotive
- Audio
- Games
- Virtual reality
- Healthcare and medicine
- Social infrastructure

**Audio (vibration) products of focus**  

- Entertainment-related products: Speakers, audio accessories, and actuators  
→ Rich sounds, emotionally engaging sounds, and a wide variety of sensations
- Information-related products: Compact audio products and acoustic vehicle alert systems  
→ Clear sounds indicating safety and danger, effective alarm sounds, sound insulation, and healthcare

### Outcome

**Social**

<p>Customer Satisfaction</p> <ul style="list-style-type: none"> <li>● Prosperous lives, fun, pleasure and comfortable spaces created through the provision of analog value and emotional value (auditory and tactile senses) integrated into a digital society</li> <li>● Customer satisfaction with high-quality products</li> <li>● Reduction of environmental impact with environmentally friendly products</li> <li>● Reliability, safety and health</li> </ul>	<p>Employee Satisfaction</p> <ul style="list-style-type: none"> <li>● Stable life, personal development and job satisfaction</li> </ul>
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**Economy**

- Development of clients' businesses
- Enhancement of shareholder equity, dividends and tax payment

**Governance, ESG management and quality management that support global business activities**

## Progress in the Medium-Term Business Plan and Fiscal Year Ended March 31, 2023

### Medium-term business plan

We announced the medium-term business plan for FY2020 to FY2024 in November 2020. In this medium-term business plan, we positioned the automotive field and new fields related to 5G as strategic fields. In these domains, where changes in the market are expected to greatly impact society in the future, we will provide new emotional value using our acoustic technologies related to our founding business and vibration technologies which apply those acoustic technologies. In particular, we aim to be an essential entity for our clients in the field of automotive business, thus building a solid foundation for the management of Foster and achieving our medium-term financial targets.

During the period of this medium-term business plan, we will enhance investments while at the same time building a lean profit structure implementing labor-saving, automation, standardization and other initiatives while striving to maintain our sound financial standing. We aim to achieve our financial targets for FY2024, net sales of ¥120.0 billion, operating profit of ¥5.0 billion and an operating profit ratio of 4.2%.

In addition to the above financial targets, we aim to achieve our goal of elevating our position from being an OEM/ODM supplier to being a strategic partner by FY2024. For this purpose, in addition to playing the role of conventional OEM/ODM supplier which responds to customers

only after receiving an order, we are reinforcing our structure for quickly understanding customers' issues and needs and proactively proposing solutions incorporating new functions related to acoustics. We will propose solutions related to development and design from a position that is close to customers, such as jointly conducting sound field tuning to increase comfort with automotive manufacturers, something that was previously done by them alone. Thus, we will create products related to sound and vibration that are comprehensive and more strategic as a partner to our customers.

#### ■ Priority strategies for the period up to FY2024

During the current medium-term business plan, we will continue to enhance our existing activities, including the activities for shifting to the in-house production of key parts, standardization and quality improvement. In addition, we will mainly implement the following three measures as priority strategies to be a strategic partner for our important customers who operate globally (focusing mainly on finished vehicle manufacturers and tier-1 manufacturers) by FY2024.

1. This is a one-stop sales strategy for automotive products and services in fields related to sound and vibration. We aim to increase the number of our products used per vehicle by establishing a system enabling the one-stop provision of all automotive products, including actuators compatible with advanced driver-assistance systems (ADAS), speakers for acoustic vehicle alerting systems (AVAS)/eCall and automotive headsets, in

addition to devices for audio equipment that we have developed. To make this a reality, we will strengthen cooperation with partners within the Group and external partners, particularly to enhance the provision of emotionally engaging added value, such as the design of in-car sound fields and the proposal of tactile sensations using various vibration patterns.

2. We will strengthen regional strategies. In response to the automotive laws and regulations and environmental regulations of each country, we will switch from a business-by-business approach to a regional approach covering all products in Japan, the Americas and Europe which are our mainstay markets, in our efforts to improve our sales capabilities and streamline our sales activities. We will focus our efforts on the Chinese market more than ever before because it is becoming a promising market for us in the aspects of price and quality, reflecting the expansion and development of the market. Further, we will enhance our presence in the Chinese market by improving our sales capabilities in the country with our brand power and high-quality local production system.
3. The third measure is our M&A strategy. We will also consider strategic M&A activities as needed, aiming for the in-house production of core parts with high rarity and the acquisition of technologies in different fields which are necessary for us to be a strategic partner.



## Overview of FY2022 Business Performance and Evaluation of the Progress of the Medium-Term Business Plan

In the fiscal year ended March 31, 2023, net sales were ¥121.3 billion and operating profit was ¥2.4 billion. We achieved the FY2024 net sales target of ¥120.0 billion stated in the medium-term business plan ahead of schedule, due in part to an increase in the quantity of car speakers shipped and the contributions of the weaker yen. At the same time, the operating profit ratio was no higher than 2.0%. This indicates that reinforcing the profit structure is a challenge that still remains.

### Summary of financial results

(Million yen)

	FY2021	FY2022	Change	Change (%)
Net sales	91,106	121,338	30,232	33.2%
Operating profit	(7,757)	2,445	10,202	-
Ratio of operating profit to net sales	(8.5%)	2.0%		
Ordinary profit	(7,473)	2,327	9,800	-
Ratio of ordinary profit to net sales	(8.2%)	1.9%		
Profit (loss) <sup>1</sup>	(7,017)	848	7,865	-
Net profit margin or net loss margin <sup>1</sup>	(7.7%)	0.7%		
Profit per share	(315.53) yen	38.23 yen	353.76 yen	-
Dividend per share	10.00 yen	20.00 yen	10 yen	100.0%
Dividend payout ratio	-	52.3%		
ROE	(14.4%)	1.7%		

<sup>1</sup> Profit/loss attributable to owners of parent, ratio of profit/loss attributable to owners of parent to net sales

### Results by segment

(Million yen)

	FY2021	Component ratio	FY2022	Component ratio	Change (%)
Net sales	91,106		121,338		33.2%
Operating profit	(7,757)		2,445		-
Operating profit ratio	(8.5%)		2.0%		
Net sales	69,676	76.5%	99,087	81.7%	42.2%
Operating profit	(6,955)	-	2,004		-
Operating profit ratio	(10.0%)		2.0%		
Net sales	14,227	15.6%	14,691	12.1%	3.3%
Operating profit	(896)	-	1,203		-
Operating profit ratio	(6.3%)		8.2%		
Net sales	7,202	7.9%	7,558	6.2%	4.9%
Operating profit	94	-	(762)		-
Operating profit ratio	1.3%		(10.0%)		

<sup>2</sup> Values for other businesses were calculated based on values after the elimination of inter-segment transactions.  
Amount eliminated in FY2021: (Other businesses) ¥1,128 million, FY2022: (Other businesses) ¥2,845 million

### Results by segment

#### Speaker Segment

While the environment surrounding the automotive market was tough, net sales increased 42.2% year on year to ¥99,087 million, due to an increase in shipping quantity and the effect of the weaker yen. On the profit front, a deficit of around ¥700 million was posted at a consolidated subsidiary in Korea (whose fiscal year end is December) in the first quarter due to air transportation expenses incurred at the beginning of FY2022. This was more than offset by the overall progress in cost reduction, the reduction of fixed costs, and price pass-through. As a result, this segment returned to profitability, posting an operating profit of ¥2,004 million (compared to an operating loss of ¥6,955 million in the previous fiscal year).

#### Mobile Audio Segment

Shipments of actuators for consumer use and automotive headsets were made as planned although the forecast was pessimistic reflecting the shortage of semiconductor chips. Meanwhile, sales of headsets to be supplied with smartphones continued to decline. As a result, net sales stood at ¥14,691 million (up 3.3% year on year). On the profit front, this segment has remained profitable since the beginning of the fiscal year, with an operating profit at ¥1,203 million (as compared to an operating loss of ¥896 million in the previous fiscal year), reflecting the introduction and promotion of the R&D-oriented business in addition to efforts focused on high-value added products.

#### Other Segment

Net sales of other businesses, including the micro acoustic components business and FOSTEX brand products, increased to ¥7,558 million (up 4.9% year on year). On the profit front, this segment posted an operating loss of ¥762 million (compared to an operating profit of ¥94 million in the previous fiscal year), due to sluggish sales of FOSTEX brand products, inventory write-downs, and an increase in costs of products for the domestic market attributed to the rapid depreciation of the yen.

**Progress on priority strategies**

In the automotive business, we have already received approx. 90% of the orders targeted in the final fiscal year of the FY2024 medium-term business plan, mainly reflecting strong orders and the contribution of the weaker yen. In particular, sales of products for major Japanese brands are expected to increase due to the expansion of sales to tier-1 manufacturers which have their bases in North America. In addition, orders received from luxury car manufacturers in Europe have remained strong, and aggressive activities to promote the combined sale of speakers and micro acoustic components (including buzzers and speakers for acoustic vehicle alerting systems/eCall) or other products are beginning to bear fruit. Measures to increase resilience, such as the development of a production system for responding to the strong demand for speakers, are progressing as planned. Regarding products for the European market, which we have been manufacturing in Asia, we must build a system for the stable supply of products to important customers as soon as possible, reflecting the supply chain disruptions that have continued since the COVID-19 pandemic. In response, we have decided to establish our own manufacturing base in Hungary by borrowing a part of our affiliate's factory in that country. In December 2022, we established FOSTER ELECTRIC HUNGARY Kft., which is our first subsidiary in Europe. Many automobile-related manufacturers have entered Hungary. A good investment climate has been established in this country because the corporate tax rate is low and the local authorities are proactive and cooperative in attracting and supporting enterprises. While important customers in Europe are strengthening their policies regarding procurement from within the region, we will work to stabilize supply and also reduce CO<sub>2</sub> emissions from transportation.

We are also working to rebuild our production system in view of the risk of the intensification of the U.S.-China conflict. At our manufacturing bases in China, we will gradually shift to production for the Chinese market. While we manufacture products for markets other than China mainly in Vietnam, we will strengthen our production systems in the United States and Europe and work to build optimal production systems with an awareness of local production for local consumption. In Vietnam, we will begin speaker production at the Ho Chi Minh factory within the second half of FY2023, in addition to continuing production at the Bac Ninh factory. The Ho Chi Minh factory was previously the main factory for headphones for key customers.

**Long-term goal and direction of strategies**

We will steadily implement the medium-term business plan, aiming to be the world's no. 1 acoustics solutions partner, not limited to the automotive business, by FY2030. This is a position where we, a specialist highly evaluated by customers who say that they will ask Foster about acoustics and vibration, can be active in promising industrial fields which will contribute to society in the future. To make this a reality, we are accumulating technologies and services which will enable us to support a wide range of market needs in domains related to auditory and tactile senses and push forward in these domains.

As a long-term priority strategy, we will strengthen our businesses in existing fields and position the following market domains as targets for intensive development. We aim to be the world's no. 1 acoustic solutions partner in these domains by FY2030.

**MaaS:** We will offer products with high safety and durability by applying the technologies we have cultivated through the manufacturing of car speakers, by targeting the robotics and last mile markets.

**Wearables:** We see audio devices for smart glasses using AR/VR and biometric authentication devices (such as earphones) as promising markets. We will provide new products taking advantage of the ultracompact dimensions, high sound quality, and low distortion of our products, which are strengths we have cultivated, in view of the possibility that they will be adopted as a part of social infrastructure in the future.

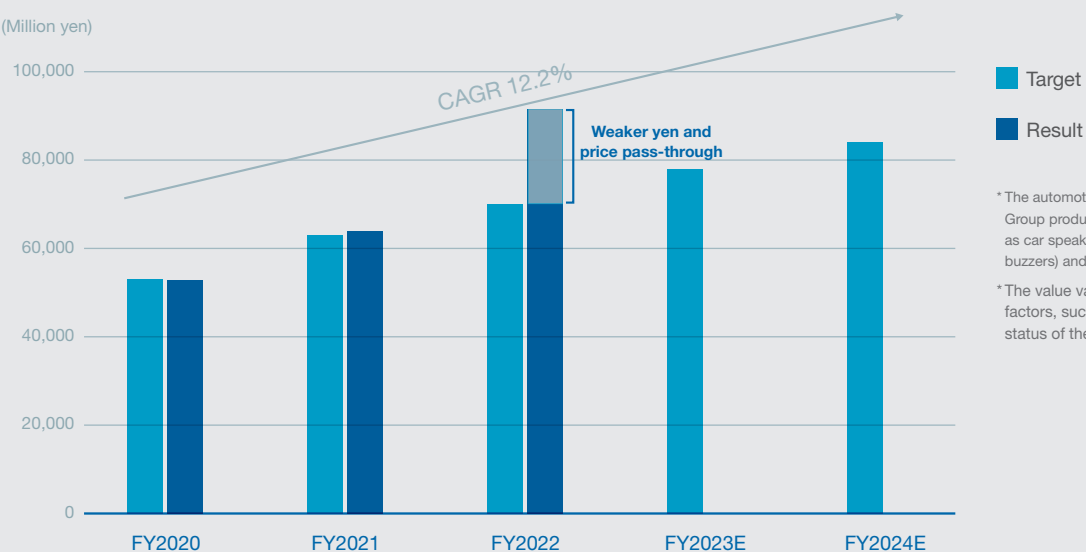
**Wellness:** We will shift to devices for bio-monitoring for health maintenance and promotion as the aging of society progresses. We will leverage our product track record used in blood pressure monitors and other products. We will also work on devices to supplement hearing.

**Entertainment:** In this domain, which includes the game market, there is demand for new emotional value as well as products with high sound quality. We will provide devices that appeal to the user's sensibility with acoustic components and vibrating components that apply them.

**Noise reduction/noise cancellation:** No matter how the world progresses, the importance of hearing, one of human's senses, remains unchanged. We will cater to diverse needs of society as a whole related to sound and sound quality control as a technological expert that has been dedicated solely to acoustics for more than 70 years.

**Automotive business sales targets**

(Million yen)



\* The automotive business includes all of the Foster Group products used for automotive applications, such as car speakers, micro acoustic components (such as buzzers) and automotive headphones.

\* The value varies greatly according to various factors, such as future automobile sales and the status of the orders we receive.



## Beyond2025

In the process of overcoming the crisis in the past three years, various weaknesses and issues we needed to address further emerged that had yet to surface when we formulated the medium-term business plan. Addressing these issues is also essential for establishing a revenue base for the automotive business, which is one of the targets in the medium-term business plan. Our strong relationships with customers, which we developed in overcoming the crisis, are a great foothold for developing the partner strategy in the Speaker Segment. Instead of restoring the pre-COVID-19 state, we will promote the partner strategy to build on the new relationships established while tackling the pandemic, with existing relationships as our foundation.

In addition, in fields including acoustic vehicle alerting systems (AVAS), we will reorganize our production system and improve our marketing capabilities, thus increasing our market share steadily and establishing a solid revenue base for Foster in the medium term. This is our task going forward.

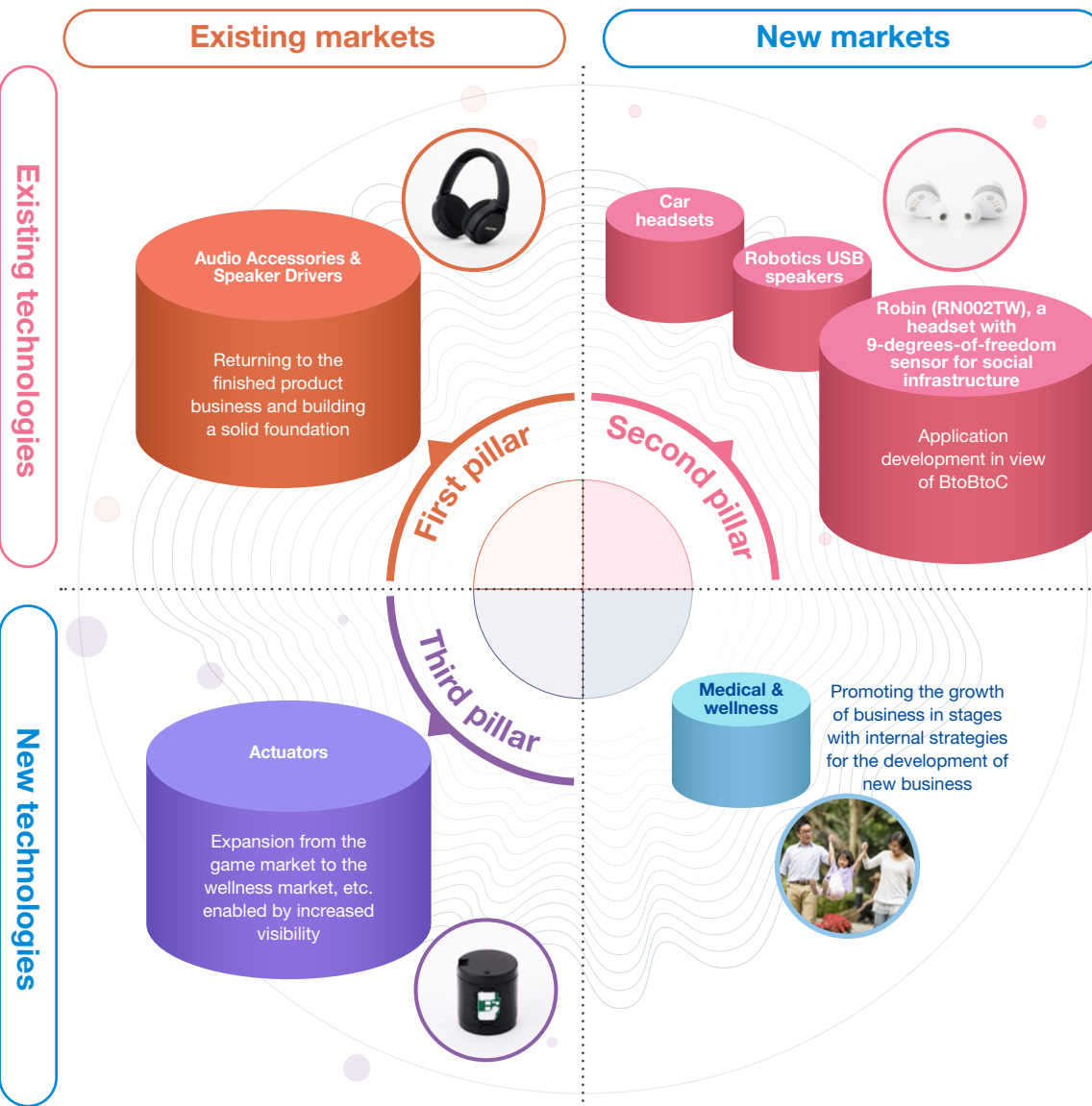
Throughout the fiscal year ended March 31, 2023, Foster Electric considered working on longer-term projects to establish a long-term revenue base. We call these Beyond2025 initiatives because the goal is to accomplish them in or after March 2025, the end of the current medium-term business plan.

Above all, from 2025 onward, when certain results will be achieved in the automotive business under the current medium-term business plan, we will aim to build businesses to enable us to be the world's no. 1 acoustic solutions partner with the foundation of our current Mobile Audio Segment. The Mobile Audio Segment has remained profitable since the beginning of the fiscal year ended March 31, 2023 and achieved a full-year net profit because of the various measures that have been taken since before the fiscal year ended March 31, 2022. We will accumulate models for success like these, to lead to successful Beyond2025 initiatives, and establish pillars that will forge the future of Foster.

Specifically, we will develop three pillars plus something extra to respond to market changes in the era of VUCA.

The first pillar is audio accessories (finished products) & speaker drivers. Because the market continues to grow, we will once again focus our efforts on the finished product business, which may be called the point of origin of the Mobile Audio Segment, aiming to achieve the regrowth of the business as a solid foundation for net sales and marginal profit.

The second pillar is a headset with 9-degrees-of-freedom sensor for social infrastructure (RN002 TW). We aim to achieve its commercialization as the first earphone-type device capable of acquiring biological information. It has the potential to establish a unique position in a new market. We are developing applications for it that meet users' lifestyle needs in various domains.



The third pillar is vibration devices (actuators). The haptics\* market has continued to grow, and it will be a new challenge for us. Based on established vibration technologies, we will lead the video game market and expand applications to the wellness and automotive equipment markets. In addition to the above, we will work proactively on car headsets, robotic

USB speakers, and auscultators and next-generation digital auscultation devices for remote medical care as a long-term revenue base. These are the something extra alongside the three pillars.

\* Haptics: Tactile technology that transmits force, vibration, movements, and other tactile sensations to the user as haptic feedback

## Sources of Strengths: Intellectual Capital

### Technology development and management systems

The Aufbau principle that is behind speakers, actuators and other acoustic products is relatively simple. However, because of its simplicity, there are many difficulties. Sounds and vibrations can be adjusted in a wide range by changing the material and shape (such as its thickness or weight) of the products parts and the combination of these parts. While there are countless sounds and vibrations, the sounds and vibrations that customers and consumers demand vary widely. Further, they are different due to place, usage, era and other factors. In a world with infinite options, a world of art, we are creating and accumulating the intellectual capital that is the source of our competitive advantage by working on technology and product development in a customer-oriented manner.

#### Organizations

We have established the Engineering Division, which oversees the Group, at the headquarters. Approx. 40% of the employees working at the headquarters are engineers. In addition, each of our overseas manufacturing bases has design and process engineering departments, which enables them to develop and manage technologies in collaboration with the headquarters. The Engineering Division at the headquarters consists of design, process engineering and development departments. Each one of them designs products for each segment, implements manufacturing preparations for commercial production, and conducts R&D into the basic technologies for materials, vibrating parts and acoustics. The engineers collaborate to develop advanced technologies while sharing the most up-to-date information beyond the boundaries between departments. Further, we apply for patents for inventions created through these activities so that our expertise is used only internally, increasing our competitive edge.

#### Passing down technologies



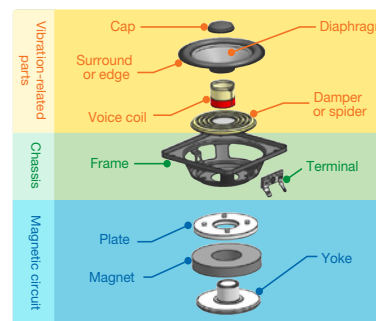
As an initiative to ensure that technologies are passed down to new generations of employees, which is an important task of a manufacturer, we hold the Technology Convention and the QC Circle Convention every year as company-wide events. At the Technology Convention, technology-related departments report selected contents of their development of technology from among the matters considered that year, and the reported content is compiled in the Technology Yearbook. At the QC Circle Convention, stories about solutions to issues at overseas manufacturing sites are presented, and technologies are shared and passed on to other employees. As a program for developing engineers at headquarters, we have continued

to provide the A La Carte Training program which includes 45 technology-related training options (cumulative total of more than 3,700 participants since 2011). Each department develops engineers through OJT in addition to standard training.

In addition, last year we established the Invention Discovery Task Force, which consists of a patent attorney from an external patent office, our engineering staff and staff from the Intellectual Property Section, for the purpose of digging into each invention from diverse perspectives simultaneously to identify patentability or notice something new, to encouraging patent applications or the improvement of inventions, and eventually helping build a strong patent network. The specific achievements of the task force include the significant increase in patent applications.

### Important technologies and products for which they are applied

We have established a core technology which vertically integrates the design and development, evaluation and manufacturing of key speaker parts in a unique way. Major examples of the key parts are the vibration-related parts which form the basis of a speaker's acoustic performance, such as the diaphragm, suspension and voice coil. With the foundation of this core technology, we have the following wide array of products.



Core technology affecting the speaker's acoustic performance

#### Car speakers

We accumulate technologies for custom-designing car audio device products in accordance with customer needs, including car audio speakers, speakers for acoustic vehicle alerting systems (AVAS), speakers for meter cluster panels (a part of automotive instrument panels), speakers for electric toll collection systems, and speakers for eCall. We have a track record of supplying car speakers, which we began to manufacture in 1982, to more than 50 companies as of the end of FY2022, and we estimate our global market share to be more than 30%.

#### Earphones and headphones

We have standardized compact units of various diameters that customers can choose from according to their intended use, which helps push forward the design and development of earphone and headphone products. We have equipped earphones with ear acoustic authentication, speech active noise cancelling and various sensor functions, as well as functions for listening to music. In addition, in October 2022, we newly developed a product with a function for acquiring biological information (ear canal surface temperature, pulse related information and head tracking information) and began to offer it in a wide range of markets including in the healthcare domain.

#### Actuators

We apply our speaker design technologies in the design and development of unique vibration devices, including actuators developed for haptics\* and wellness applications. We have acquired various patents for voice coil actuators (VCA) that are able to create a wider variety of tactile sensations. These actuators are becoming a great force for entering new markets.

\* Please refer to [Beyond2025](#).

### Examples of ongoing partnerships

#### NTT sonority, Inc.: Practical application of an earphone with PSZ function

Through a collaboration with NTT sonority, we have launched the world's first earphone with a PSZ function which traps sound near the listener's ears. We are proposing it widely for in-car use (to be mounted on seats). The PSZ technology owned by NTT sonority traps high-quality sound near the listener's ears and prevents sound from leaking out in any direction. Based on reverse thinking, with which the sounds from the back side of the speaker, which are not normally used, are used proactively, this technology controls interference using software in addition to creative measures devised for hardware to create a sound shell (a space in which sounds are trapped).

#### NEC Corporation: Development of a hearable device with a function for acquiring biological information

In this collaborative project, we have launched a true wireless-type hearable device (product name: RN002 TW) with crowdfunding. In this development project, we equipped the hearable device with an ear acoustic authentication technology owned by NEC, which identifies individuals based on an acoustic echo from the outer ear canal. We have thus created a hearable device which can provide new valuable data combined with personal identification using various sensors used in conventional products and sensing data acquired from the area around the ears, including biological information (ear canal surface temperature, pulse related information, and head tracking information).

#### ShareMedical, Inc.: Joint development of products for healthcare applications

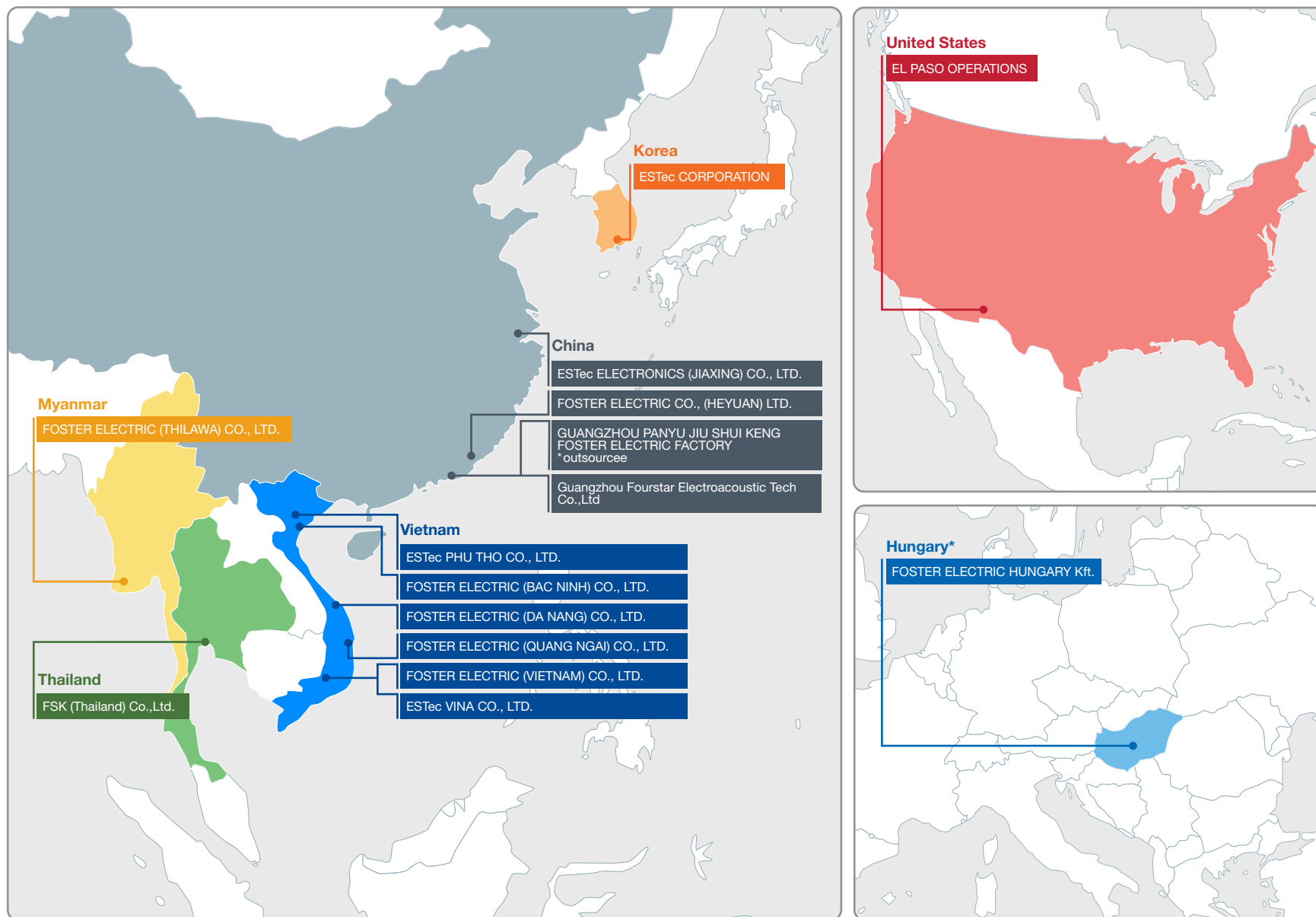
We jointly developed a next-generation digital auscultation device and medical acoustic equipment. ShareMedical, Inc. owns a basic patent for remote auscultation technology enabling online auscultation. The company has developed and sells Nexstetho, an auscultation device for online medical examinations. With a long track record in the development and manufacturing of acoustic products, Foster has cooperated to further improve Nexstetho's acoustic quality, along with the development and productization of headphones and speakers optimized for auscultatory sounds, which are faint and subtle, and a next-generation auscultation device. This is aimed at solving acoustic issues in the medical and healthcare field, not to mention the field of remote medical care which will continue to expand in the future. Designed in consideration of the convenience of physicians, the products feature simple designs which enable non-verbal understanding, and minimal interfaces that enable intuitive operation. Basic patents related to real-time remote auscultation technologies have also been acquired.

## Sources of Strengths: Manufactured Capital

### Global manufacturing system

With 15 manufacturing sites in seven countries worldwide (Vietnam, China, Myanmar, United States, Hungary\*, South Korea, and Thailand), we have established a comprehensive, advanced manufacturing system for producing everything, from parts to products.

\*Commercial production is scheduled to begin in October 2024.



Major manufacturing sites: As of March 31, 2023

## A manufacturing system that helps us cater optimally to customer needs

### Sophisticated manufacturing functions

Our major factories also have functions for developing and producing manufacturing equipment that is capable of producing acoustic products customized for each client.

Our production lines are designed to enable flexible production while holding down costs, which is made possible by the use of common base equipment and switching jigs (auxiliary tools) on a model-by-model basis. In addition, we produced most of the equipment and jigs in-house so that they are suited to our advanced manufacturing techniques. We have steadily been expanding in-house production of not only production line equipment but also key parts (such as papermaking, voice coil production, resin molding and magnet production (planned)). The in-house production of key parts starts from the in-house design of molds. Synergy with the in-house production of production line equipment has led to differentiation through product performance.

We have been developing our manufacturing philosophy over the many years since we began full-scale commercial production in Panyu, China in 1988. We can say that this philosophy forms the foundation of our competitive advantage.

The ideal mix of proactively introduced automated equipment and manual work processes create a harmony of machines and humans that enables us to cater flexibly to customer needs. Further, reflecting the environmental needs that are increasing around the world in the modern age, we are promoting a project to develop a next-generation speaker manufacturing line, aiming to manufacture the products desired by customers in an environmentally friendly manner and deliver high-quality products that meet environmental needs on time and for an appropriate price.

### Optimization of the material supply chain

We have built a global supply chain that enables us to procure optimal materials in a timely manner. While the headquarters globally controls suppliers, we proceed with initiatives such as the standardization of parts and materials, the consolidation of suppliers and the identification of new suppliers in our efforts to maximize efficiency. For example, we implemented the following to address supply chain disruption risks. Previously, key materials for car speakers (including paper, metals, magnets and resins) were procured mostly from China. We began to increase the percentage of these materials that we procure from other countries in our efforts to address procurement risks. As a result, the percentage of these materials procured from China was reduced to approx. 30% as of 2022.

In addition, while responding appropriately to recent unprecedented crises such as the COVID-19 pandemic, we are increasing the sophistication of our proper inventory management and increasing inventory through the advance procurement of irreplaceable materials, such as semiconductors and rare earth elements, in our efforts to optimize costs. The importance of reinforcing these risk management systems has also been instilled in the employees working on site. Therefore, with a strong sense of the responsibility we bear to ensure that customers' manufacturing lines do not stop even during the COVID-19 pandemic, our factory employees acted voluntarily to remain capable of continuing production, preventing delivery delays.

Regarding the materials we procure, we eliminate, consolidate and

standardize parts and raw materials, aiming to achieve the appropriate quality of our products for automotive use and low prices through thorough standardization. These efforts include the elimination of unnecessary parts and raw materials which we began in 2016. In addition, to cater to the rapidly growing environmental needs, we are pushing forward with the replacement of existing materials with environmentally friendly ones and stringently selecting suppliers based on our environmental policy and other criteria, aiming to achieve zero environmental impact.

## Manufacturing technologies that enable both high quality and stable commercial production

### Achieving the level of quality that is appropriate for products for automotive use

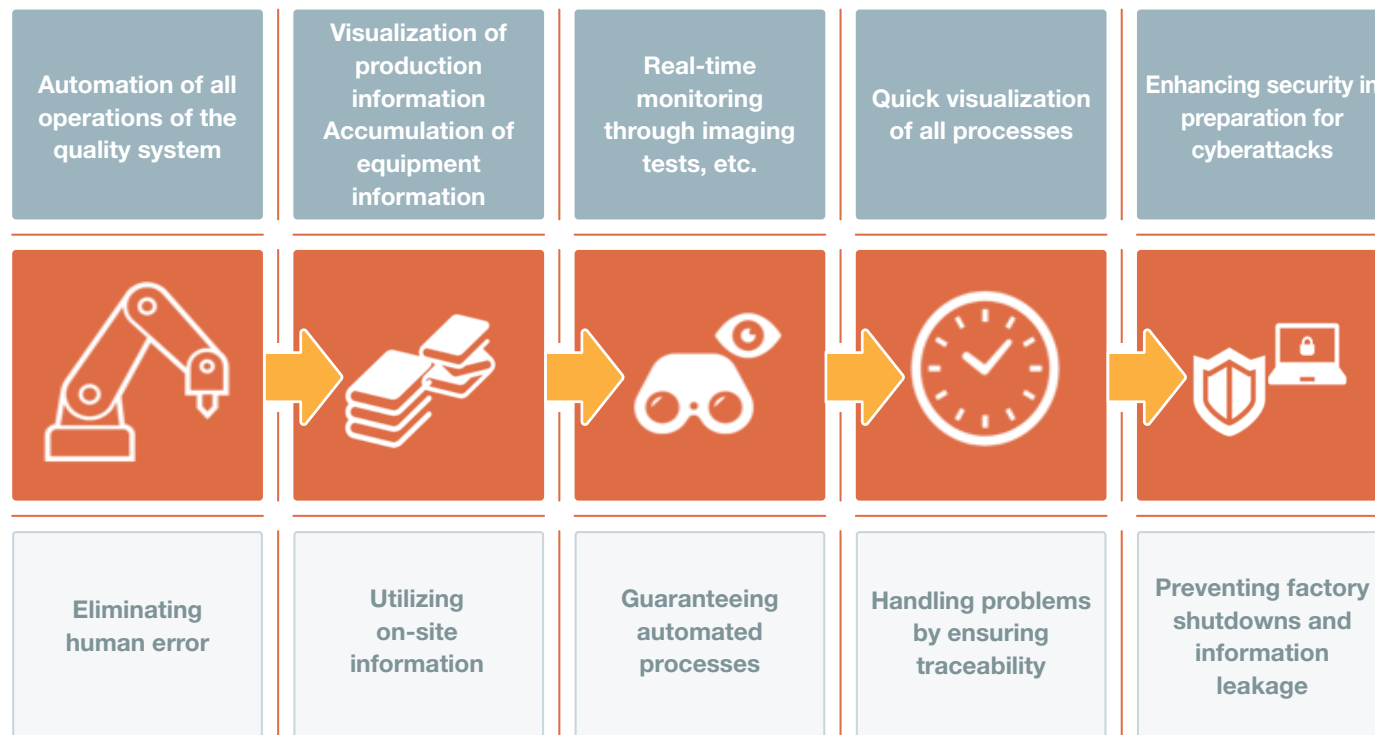
Since we began to deliver car speakers in 1982, we have steadily been accumulating expertise in the launch of the manufacturing of automotive products by conforming faithfully to automobile quality standards, as

automobiles are final products that involve human lives. By improving our quality control capabilities, we have realized manufacturing that ensures both high quality that meets the quality standards of the International Automotive Task Force (IATF) and stable commercial production. In addition, we have set the goal of introducing versatile production lines so that we are able to manufacture products anywhere. To enable commercial production using versatile production lines while meeting diverse specification requirements, we are creating product design rules, process design rules and equipment design rules steadily in a well-planned manner.

### Digital transformation (DX) of manufacturing

We are proceeding steadily with the Foster Smart Factory System (SFS) strategy for the automation of production processes, equipment maintenance and logistics in factories to eliminate human error and prevent problems using automatic analysis and predictions based on accumulated data. The final goal is to realize a direct contribution to profits such as the increase of customer satisfaction using the automatic proposal of countermeasures and system control.

## Main processes of the Foster Smart Factory System





# Special Feature: FOSTER STORIES

We show you

the tones created daily at Foster Electric.



## Voices — Our people who resonate with each other

Foster Electric is a specialist in acoustics with more than 70 years of history. Many stories have been told throughout its long history. These stories are decorated by the diverse tones that exist every day at Foster Electric. On its website, Foster Electric introduces the thoughts and challenges of its people who are pursuing ideal sound.

This project was launched in 2020 as a project under the program for supporting employees in taking on challenges (Foster Incubation Program).\* A total of eight short videos have been posted as Voices.

<https://www.foster.co.jp/stories/>

\* Please refer to [Human Capital Initiatives](#).

## Comments of the person in charge of the project

### How Foster Stories was started

I felt that because our mainstay business is original equipment manufacturing (OEM), we tend to regard an achievement in our daily work simply and entirely as something that we did to meet a customer requirement. This feeling inspired me to start Foster Stories. I thought that our future will be brighter if we look back at the past while also looking forward to see new things and notice the many attractive elements that are dormant within the company that are not being widely shared.

### How the stories are selected

I have selected stories that I want everyone to know. Although all of our employees are involved in great things, these things happen so usually that our employees see them as nothing special. Believing that these stories will look different when you look at them from a different perspective, I selected great things in our daily lives by looking at them from the perspectives of our external partners and others.

### Target stakeholders

I think that stakeholders with whom the stories resonate most strongly are our employees and students and alumni who are interested in our company. Of course, I feel that we can also communicate messages to people of all layers of society, including the local residents

who know us, our customers and our shareholders.

### Objectives

The objective is to make our organization more robust by enabling employees to internalize our vision, "To make contributions for future society through acoustics," and establish an environment, tools, and processes that enable each employee to say, "We are Foster which makes contributions for future society through acoustics," in their own words.

If more employees can talk about the vision as a matter they see as their own, regardless of their job category, the company's strengths should be increased automatically and the level of happiness of employees, who spend the majority of their time at the company, should also improve. Foster Stories helps embody and supports Foster Rhythm, which was formulated by employees as a set of values for cherishing our Principles, and enables the visualization and transmission of the things that are done daily based on this set of values. The final objective of the activities is to embody Foster Rhythm through actual operations and spread it widely both inside and outside the company.

### Responses and achievements

Many people say they like it. Above all, I was very happy to hear how employees' families reacted to Foster Stories. I heard that when an employee went back to his parents' home, his parents were talking about their son's company happily to their friends and showing them Foster Stories videos.

## Posted content

VOICES 01  
Intellectual capital

**An unprecedented sense of immersion realized through the rich expression of vibrations achieved through the application of speaker technologies**

This is a story about a six-year-long effort to develop a new vibration generator called a voice coil actuator. It enables people to experience a wider range of vibrations with a higher resolution through the application of a drive system that is different from conventional drive systems, such as motor drives.

VOICES 02  
Intellectual capital

**Challenges and pursuits leading to acoustics that defy imagination**

The Osaka Technical Base studies acoustics in cars on the level of the structure of the car body and its systems, supporting the development of the automotive audio products of Foster Electric. This story introduces the challenges faced by the Osaka Technical Base, which works closely with car manufacturers and anticipates change in the automotive industry.

VOICES 03  
Intellectual capital

**Sound Quality Samples for sharing Foster Electric's superior technological capabilities which serve as guidelines in the pursuit of high-quality sound**

This is a story about the launch and vision of the Sound Quality Samples project. This project is aimed at materializing and sharing our expertise in technologies for the in-house production of cone paper, which determines the quality of the sounds from a speaker, as a map to be used in our quest for high-quality sound.

VOICES 04  
Social and relationship capital

**Speaker Craft Workshop leveraging Foster's strengths**

Foster Electric's Speaker Craft Workshop is an educational program that incorporates speaker making that is provided to individuals in a wide age range. This story looks at the future of the workshop, which is aimed at increasing the brand's visibility and promoting the appeals of speakers.

VOICES 05  
Human capital

**FIP creates a culture of taking on challenges. It is a program that supports employees' initiatives.**

The Foster Incubation Program (FIP) was launched in 2020 with the goal of fostering a culture of taking on challenges by supporting employees in their attempts at new initiatives as the business environment surrounding Foster Electric has entered a phase of major change. This story focuses on the thinking behind the launch of the program, as well as its achievements and future outlook.

VOICES 06  
Intellectual capital

**You can hear it. We will continue to create these things as matter of course.**

Audio equipment delivers high-quality sound to people and space through connections with various devices. This story looks at the initiatives of the Electronic Engineering Dept., which supports the delivery of sound, and its activities to achieve its mission of creating markets with new added value of acoustic and vibration-related products.

VOICES 07  
Intellectual capital

**Key parts of speakers — invisible adhesives**

The adhesives which support speakers behind the scenes are essential in the manufacturing of high-quality products. This story showcases Foster Electric's R&D efforts related to adhesives as it overcomes many challenges in pursuit of optimal adhesion methods for the next era. These difficulties include the need to consider the properties of the parts to be used and use environment of products, as well as environmental regulations related to manufacturing.

VOICES 08  
Intellectual capital

**The possibilities of in-car sound field simulation with the goal of replicating the aesthetics of professionals**

In-car sound field simulation has the potential to change car speaker development greatly. If the technology for reproducing in-car environments using software, without using a real car, is realized, it will streamline the testing of car speaker systems and enable the proposal of a wide range of solutions to clients. This story looks at the challenges Foster faces in the development of the simulation technology and its future prospects.

## Foster's Sustainability

### Message from the sustainability officer

Since our founding in 1949, we have been working under the corporate creed of "Sincerity," our vision of "To make contributions for future society through acoustics," and 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." We have consistently aimed to become a sustainable company that is indispensable to society and that continues to develop.

In March 2021, we established our ESG Management Statement along with the formulation of medium-term business plan, thus announcing Foster's commitment to management focused on E (environment), S (social), and G (governance) initiatives, both internally and externally. In April 2022, we reorganized the ESG Promotion Department into the Sustainability Promotion Department, reinforcing our structure and enhancing our ability to push forward with ESG management to pursue the sustainability of Foster and society (medium- to long-term sustainability). Further, we support the United Nations Global Compact (UNGC) and refer to the Ten Principles of the UNGC and the ISO 14001, ISO 45001 and other standards in the promotion and management of our sustainability activities.

Above all, we position the realization of a decarbonized society as one of the most important business challenges we face and engage in initiatives accordingly. Specifically, we have set a new long-term goal, aim to achieve carbon neutrality by 2050. We have also revised our medium-term goal from the previous "reduce total Scope 1 and Scope 2 CO<sub>2</sub> emissions 30% by 2030 from a 2018 base-year" to reduce them by 50%, following a decision to accelerate initiatives. We will strive to build a sustainable society with all of the technological capabilities of the Foster Group, improving our promotion of ESG management from our previous "social responsibilities to be fulfilled by a company" to the "source of a differentiating competitive advantage."



Akihito Mochizuki  
Managing Director, CFO, and Sustainability Officer

Further, in addition to the environment, there have been growing social concerns about and requirements related to human rights, for the realization of a sustainable society. In 2017, the Foster Group joined the United Nations Global Compact, which supports and respects human rights protection with its Ten Principles in four areas. The Foster Group operates globally in Japan, the rest of Asia, the Americas, and Europe. Therefore, we advance initiatives to increase the respect for human rights within the Group and its supply chain, aiming to build workplaces and a society where people with diverse attributes, such as age, gender, nationality, and creed, respect and accept each other as they are.

Moving forward, we will continue to push forward with corporate activities with "Sincerity," our corporate creed that we set based on ESG management, by leveraging non-financial capital such as (1) intellectual capital, (2) human capital, (3) manufactured capital, (4) social and relationship capital, and (5) natural capital, and (6) financial capital, which are the sources of our strengths. By appropriately addressing the expectations and needs of our stakeholders through the above, we will continue to enhance our corporate value and contribute to the sustainability of not only ourselves but also society (medium- to long-term sustainability).

### ESG Management Statement

In March 2021, we established the ESG Management Statement. It expresses in specific term our commitment to working on ESG management in medium to long term and what we want to be like, toward the realization of the sustainability of both the Group and society, by positioning "Be happy 80%" ([see page 5](#)) for our employees at the root of all corporate activities and by improving their well-being.

#### Foster Group ESG Management Statement

Our ESG initiatives stem from our corporate creed, "Sincerity." The "Sincerity", is defined in Foster Rhythm\* as "Always tell the truth, be kind to others as well as the planet, and serve with all your heart."

At Foster, employees play the central role in ESG activities. A company cannot promote ESG if it cannot make its employees, who are at the root of all corporate activities, happy. Based on this idea, we have positioned "Be Happy 80%" for employees as the base point of our ESG activities. We would like to contribute to a future society to fulfill the expectations of all the stakeholders. We believe that 80%, not 100%, is the benchmark for happiness. We have left room to consider the satisfaction of other stakeholders as well as that of our company and ourselves.

\* Foster Rhythm: Corporate philosophies including the corporate creed of "Sincerity" which were expressed in plain words by our employees, so they will be understood by our global employees

#### Foster is strongly committed to ESG and aims to achieve the following from a long-term perspective.

1. Initiatives to promote "Decarbonized Society", "Resource Recycling", and "Harmony with Nature" and tireless efforts to achieve "Zero Emissions"
2. Exciting, unrestricted work styles appropriate for each life stage and goal in life
3. A society where people with diverse attributes, such as age, gender, nationality, and creed, respect and accept each other as they are
4. A true expert trusted by customers and business partners
5. Having "Zero Defects" established in various aspects, including product quality and business quality
6. Improving the quality of people's lives by providing solutions through sound and vibration technologies
7. Implementing strict risk management and enhancing the compliance structure, which contributes to strengthening corporate governance

=> Enriching people's lives with the power of sound and vibration and delivering happiness and sustainable future to all stakeholders -- this is what we desire to do at Foster.

# The Foster Group's Promotion of Sustainability

The Foster Group issued the first version of its CSR Charter<sup>\*1</sup> in 2006, and updated it to pursue global versatility and universality in 2010, by incorporating the EICC<sup>\*2</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 ESG management. In addition to these efforts, we also promote sustainability by referring to the United Nations Global Compact and the ISO 14001 and ISO 45001 standards, among other global guidelines.

\*1 Revised to Sustainability Charter in March 2022

\*2 Electronic Industry Citizenship Coalition (renamed Responsible Business Alliance in 2017)

## Foster Group Sustainability Charter

In March 2022, we established the Sustainability Charter as a revision of the CSR Charter to clearly state that we will pursue sustainability of both the Group and society, in addition to continuing to work on corporate social responsibility (CSR). The Charter is aimed at making it known that all officers and employees regard corporate sustainability (medium- to long-term sustainability including ESG elements) to be an important issue and ensuring that they will be conscious of and achieve sustainability in their daily activities. In this Charter and its supplemental rules, we stipulate the sustainability activities and ESG management that are appropriate for the Foster Group as an entity operating businesses globally. We also state that we will engage in corporate activities in accordance with the corporate creed of "Sincerity."

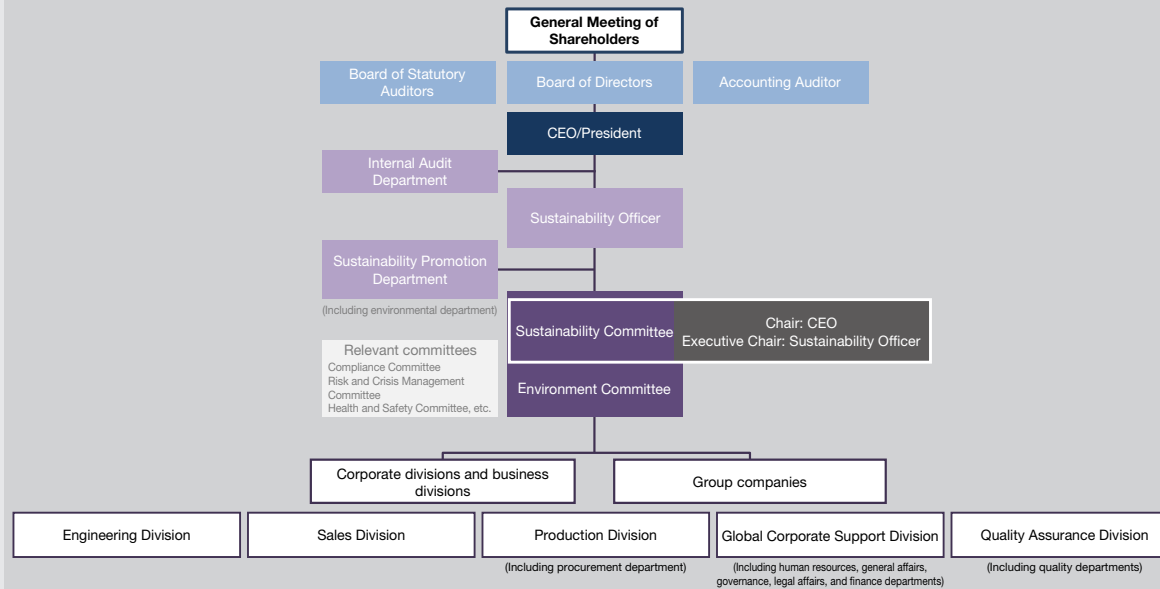
## Materiality (Priority Issues)

We issued the revised Materiality in March 2021. In identifying Materiality, we conducted backcasting from our ESG Management Statement and medium- to long-term goals under the mid-term business plan and listed the issues that should be addressed first by reflecting expectations of our stakeholders, including customers and external rating companies. Further, the ESG Promotion Task Force, consisting of staff and managers in each ESG field, held discussions, and material items were determined and approved by the Sustainability Committee and the Board of Directors. We will revise Materiality as necessary by continuing to evaluate and analyze its impact on our stakeholders and its importance to them, in accordance with the direction of our business.



## Sustainability Promotion Structure

At its headquarters, the Foster Group has established the Sustainability Committee chaired by the president. The core members of the committee are representatives of related sections. The Sustainability Committee, including the sustainability representatives and staff from the headquarters and each site, meets every month with the sustainability officer who is the executive chairman of the committee in attendance. They monitor the activities of the Group as a whole for the promotion of sustainability and engage in collaborative activities. Important matters about which the Sustainability Committee is consulted are deliberated and approved during Board of Directors meetings which are attended by directors and outside directors.



## Our Approach to Materiality

For the material items, which are set from the perspective of ESG, the department with the primary responsibility for each item sets annual targets and KPIs and pushes forward with initiatives to achieve them. Progress and results are deliberated at Sustainability Committee meetings, which are attended by officers and representatives of related sections, and revisions are made and improvement measures are taken. In addition, importance has been attached to human rights in recent years, reflecting the globally increasing concerns regarding human rights. Against this background, we are working to prevent infringements of human rights by ensuring that employees observe human rights, increasing their awareness of human rights, conducting human rights assessments and responsible minerals surveys in the supply chain, and implementing governance measures, such as compliance with labor laws, as part of the Materiality initiatives related to human rights. Through these initiatives, we understand the importance of human rights in the implementation of our corporate activities and we promote initiatives accordingly.

\* For details of our Materiality initiatives, please go to the next page.

## Our Approach to Materiality (Priority Issues)

\*1 CFRTP: Carbon Fiber Reinforced Thermo Plastics  
 \*2 Environmentally responsible speaker: A speaker with any environmentally friendly element, such as light weight, reduced applications of VOC or solder, and application of dry process  
 \*3 VOC: Volatile organic compounds  
 \*4 Important suppliers: Approx. 50 corporate suppliers who together constitute the top 80% or so in terms of the amount of our purchases  
 \*5 Rate of conformity to our CSR standards: Suppliers who have achieved CSR self-assessment scores of 66% or higher are deemed to conform to our CSR standards (those with 65% or lower are deemed non-conforming).  
 \*6 1. Examination and global expansion of the BCP structure 2. Management of the overall Group's fire protection framework 3. Enhancement of information security management system measures 4. Management of suppliers' business continuity 5. Response to logistics disruptions 6. Other risks predicted based on events which occur during the fiscal year

ESG	Materiality	Target (KPI)	Achievements until FY2022	Refer to	Corresponding SDGs
Environment (E)	Decarbonized society	<ul style="list-style-type: none"> <li>Absolute Scope 1, 2 emissions</li> <li>Absolute Scope 3 emissions</li> </ul>	<ul style="list-style-type: none"> <li>FY2025 Target: Reduce by 30% from a FY2018 base-year</li> <li>FY2030 Target: Reduce by 50% from a FY2018 base-year</li> <li>FY2025 Target: Reduce by 3% from a FY2018 base-year</li> <li>FY2030 Target: Reduce by 15% from a FY2018 base-year</li> </ul>	42% reduction from a FY2018 base-year	P. 29
	Resource recycling	Weight reduction ⇒ Develop element technologies to achieve further weight reduction from conventional car speakers.	FY2025 target: Develop products incorporating elemental technologies for speakers weighing less than 100 g.  2022 target <ul style="list-style-type: none"> <li>Weight reduction to less than 115 g</li> <li>Achieve development of a product developed on our own that incorporates a technology for weight reduction</li> </ul>	Completed production of a product developed on our own that incorporates the frame and CFRTP <sup>*1</sup> diaphragm material as a technology for reducing the weight of the product to less than 115 g.	P. 30
		Increase the ratio of environmentally responsible speakers <sup>*2</sup>	Increase the ratio of environmentally responsible speakers <sup>*2</sup> ⇒ The ratio of environmentally responsible car speakers (per sales): FY2025 target: 22%  <ul style="list-style-type: none"> <li>FY2022: 16%</li> <li>FY2023: 18%</li> <li>FY2024: 20%</li> <li>FY2025: 22%</li> </ul>	FY2022: 16%	
	Harmony with nature	Reduce the use of VOCs <sup>*3</sup>	<ul style="list-style-type: none"> <li>The ratio of toluene-free new mobile audio products: FY2024 target: 100%</li> <li>FY2022: 60%</li> <li>FY2023: 80%</li> <li>FY2024: 100%</li> </ul>	FY2022: 77.7%	
Social (S)	Product quality and safety	The number of failures with a serious social impact (human life, property, environment and so on)	Maintain 0 failures	0 failures	P. 34
	Supply chain management	Percent of suppliers submitting CSR self-assessments	<ul style="list-style-type: none"> <li>Percent of important suppliers<sup>*4</sup> who conduct CSR self-assessments: 100%</li> <li>Percent of important suppliers who conform to our CSR standards:<sup>*5</sup> 90% or higher</li> </ul>	100% 91%	PP. 32-33
		Percent of suppliers that responded to the responsible minerals survey	<ul style="list-style-type: none"> <li>Existing suppliers: 99% or higher</li> <li>New suppliers: 100%</li> </ul>	99% 100%	
	Creation of exciting workplace	<ul style="list-style-type: none"> <li>Deviation value of engagement survey (headquarters)</li> <li>Total working hours per employee (headquarters)</li> <li>Rate of specific health guidance taken (headquarters)</li> <li>Rate of periodic health examinations taken (headquarters)</li> <li>Displaced worker due to nursing care (headquarters)</li> </ul>	52.0 or more Monthly average of 153 hours or less 80%  Maintain 100% Maintain 0%	51.8 155.8 hours 83.0%  * Percentage including people who received a post-health checkup interview: 84.6% Maintain 100% Maintain 0%	PP. 36-39
Diversity and Inclusion	<ul style="list-style-type: none"> <li>Female manager ratio (headquarters)</li> <li>Ratio of overseas human resources (headquarters)</li> <li>Employment rate of persons with disabilities (headquarters)</li> <li>Ratio of males taking leave for spouse's childbirth and childcare leave (headquarters)</li> <li>Provide training to encourage the development of an organization where diverse people can demonstrate their capabilities (headquarters).</li> </ul>	FY2025: 30% FY2025: 30% More than 2.3% of the legal employment rate 100%  Provide training to eliminate unconscious biases which hamper the active participation of women and foreigners, and deepen understanding of SOGI and LGBTQ+ issues	12.6% (As of March 31, 2023) 14.2% (As of April 1, 2023) 11.0% (As of March 31, 2023) (Including Officers) 2.1% (FY2022 average) Ratio of males taking leave for spouse's childbirth: 85.7% Ratio of male employees taking childcare leave 62.5% (1) Basic skills training to improve mental toughness (FY2022 participation rate: 91%) (2) Training for creating a workplace free of harassment (FY2022 participation rate: 96%) (3) Career training for young, mid-career, and female employees given by a female director	PP. 38-39	
Governance (G)	Governance Enhancement	Enhancement of corporate governance	<ul style="list-style-type: none"> <li>Compliance with the Corporate Governance Code: 100%</li> <li>Promote the governance cycle. (Improve systems and operation based on governance assessment.)</li> </ul>	100%	PP. 43-45
		Reinforcement of compliance	<ul style="list-style-type: none"> <li>Maintain a response rate of 100% to the compliance test and the compliance survey.</li> <li>Percentage of employees informed of the internal whistleblowing system: 100%</li> <li>Provide compliance training and maintain the satisfaction level at 4 or higher out of 5.</li> </ul>	100% 100% Maintained 4 or higher on average.	P. 46
		Enhancement of risk and crisis management	<ul style="list-style-type: none"> <li>Improve the system and operation of risk and crisis management based on risk assessment.</li> <li>Completion rate of measures for key items<sup>*6</sup> within the fiscal year, which are identified through the monitoring of the items</li> </ul>	100% 100%	P. 46



## Sustainable Development Goals (SDGs)



The Foster Group will continue to promote the Sustainable Development Goals (SDGs), which are proposed by the United Nations, and conduct sustainability activities through the UNGC framework.



### Our Actions on SDGs

SDGs	Activities	Business	Social Contribution	In-house	Refer to
	Donation activities for low-income households, assistance with food, clothes, necessities, etc.		●		P. 42
	Participation in a blood donation program		●		P. 42
	Implementation of Health Point System and health enhancement online seminars			●	P. 39
	Provision of Speaker Craft Workshop and Parent-and-Child Speaker Craft Workshop, work experience program for junior high school students and provision of science education at junior high schools		●		P. 42
	Introduction of online training content related to diversity Implementation of career training for young and mid-career female employees			●	PP. 38-39
	Water risk management	●			P. 29
	CO <sub>2</sub> reduction	●			PP. 27 and 29
	Management of environmentally hazardous substances	●			P. 29
	Work style reform			●	P. 39
	Reduction of scheduled working hours			●	P. 39
	Lifting the ban on second jobs			●	P. 39
	Enrichment of holiday/leave programs			●	P. 39
	Multi-track career course system			●	P. 36

SDGs	Activities	Business	Social Contribution	In-house	Refer to
	Education on promoting diversity Driving the employment of diverse human resources, regardless of their nationality			●	PP. 38-39
	Management of chemical substances	●			P. 29
	Promotion of recycling	●			P. 29
	Environmentally friendly products	●			P. 30
	CO <sub>2</sub> reduction	●			PP. 27 and 29
	Promotion of clean energy use	●			P. 29
	Planting activities		●		P. 31
	Environmentally friendly products	●			P. 30
	Initiatives for responsible minerals sourcing	●			PP. 32-33
	Governance structure			●	PP. 43-48
	CSR assessments and audits	●			PP. 32-33
	Responsible procurement	●			PP. 32-33

## Initiatives to ensure respect for human rights

Guided by the corporate creed of "Sincerity," we position respect for human rights as an important task for society and take initiatives to ensure that human rights are respected throughout the processes in our entire value chain. In January 2017, we joined the United Nations Global Compact and expressed our commitment to the Ten Principles including respect for human rights and protection of labor-related human rights. We are promoting activities accordingly.

### Governance related to human rights

In 2003, we established the Foster Group Corporate Action Guidelines and the Foster Group Code of Conduct for Staff. They define our respect for human rights in compliance with all laws and regulations, international rules, and their spirit and intent, regarding aspects such as forced labor, child labor, discrimination, harassment, the protection of personal information, safety and health and responsible minerals sourcing. We have also established the Foster Group Supplier Sustainability Code of Conduct, under which we ensure respect for human rights throughout the entire supply chain with cooperation from suppliers.

[Foster Group Corporate Action Guidelines](#)

[Foster Group Code of Conduct for Staff](#)

[Foster Group Supplier Sustainability Code of Conduct](#)

### Respect for employees' human rights and increasing employees' awareness

We value employees' well-being and work to ensure that their human rights are respected, from the perspectives of respect for employees' human rights, the prohibition of discrimination, the prevention of harassment, the protection of personal information and privacy, workplace safety and health, compliance with labor laws, and other perspectives. Further, we provide harassment training for all employees, which is aimed at increasing their awareness of the issue, and provide e-learning programs to enable them to increase their understanding of LGBTQ+ issues as part of our activities promoting diversity. We inform employees of our internal whistleblowing system using a compliance questionnaire, and the percentage of employees informed of the internal whistleblowing system has been kept at 100%.

### Respecting human rights throughout the supply chain

We have our suppliers sign a letter of intent to comply with the Foster Group Supplier Sustainability Code of Conduct, conduct surveys on the status of initiatives taken including items related to human rights infringements (CSR self-assessments), and request that our suppliers take corrective actions as necessary. Further, in the sourcing of minerals, we conduct due diligence (a survey on responsible minerals sourcing) to confirm that the minerals we procure do not provide funding to armed forces/groups engaging in serious human rights violations, and procure minerals only from certified smelters.

[Responsible Procurement](#)

### Consultation Contacts / Hotline

We have established contacts for consultation and reporting such as the Compliance Hotline and the Harassment Helpline, our internal whistleblowing system and advise various stakeholders (including employees and officers of the Foster Group, their families, and employees of our business associates). When a vigorous investigation confirms a violation of human rights, we take corrective and punitive actions ensuring that the whistleblower will not be retaliated against or treated disadvantageously.

[Compliance Structure](#)



## Participation in the United Nations Global Compact (UNGC)

### About United Nations Global Compact

In January 2017, Foster Group signed and joined the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. 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 sustainability procurement, etc.



### Activities as a member of the Global Compact Network Japan (GCNJ)

The Supply Chain Subcommittee, Environmental Management Subcommittee, Subcommittee to Cultivate Awareness of the Global Compact, Human Rights Due Diligence (HRDD) Subcommittee, Disaster Risk Reduction (DRR) Subcommittee, SDGs Subcommittee, ESG Subcommittee, CSV Subcommittee, WEPs Subcommittee, Reporting Study Subcommittee, and Circular Economy Subcommittee of the GCNJ, which consist of the member companies of the UNGC, not only share the sustainability-related latest trends and study cases of each company through lecture meetings by influential individuals, but also are working to achieve diverse results supporting the sustainability activities of many companies based on the wide-ranging experience of the member companies. In addition, the knowledge obtained through the subcommittees is reflected in our sustainability activities.

# Natural Capital Initiatives: (1) Information Disclosure Based on the TCFD Recommendations

## The Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

Believing in the importance of topics related to the environment and climate change, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)\* in February 2022. At the same time, we joined the TCFD Consortium, where member companies, financial institutions, and other entities discuss effective information disclosure and appropriate initiatives following the TCFD recommendations.

*\*Task Force on Climate-related Financial Disclosures: This task force was established in 2015 by the Financial Stability Board (FSB), which comprises central banks, financial authorities, and international organizations from all over the world. It is aimed at considering how to estimate the impact of climate change on business management and how to disclose such information. It recommends that companies and other entities disclose information about climate change-related risks and opportunities.*

We will identify our climate change-related risks and opportunities and then continue to drive effective measures by leveraging internal and external knowledge. At the same time, we will disclose information proactively by following the TCFD recommendations.



### 1. Governance

Viewing sustainability as an important theme, we announced our ESG Management Statement and set goals of achieving “a decarbonized society” and “zero emissions in 2050” as part of our materiality (priority issues) in March 2021. These goals and reduction activities have been shared by all employees and are being driven by them.

We have set up the Sustainability Committee (which meets every month), chaired by the president, for the purpose of driving ESG management. This committee meets with the attendance of the sustainability officer, heads of divisions, and persons responsible for the promotion of sustainability activities appointed by departments of the headquarters and overseas bases. It identifies climate change-related issues, deliberates on and determines related policies and measures, and shares and monitors their progress.

The Board of Directors deliberates on and makes decisions on announcements of support and information disclosure related to TCFD concerning management issues, as well as reduction targets, measures, and other matters. It also receives reports on deliberations and progress made by the committee, regularly and as needed, thus supervising the committee's execution of operations.

Link to related page: [“Sustainability Promotion Structure” under “Foster Group ESG Management”](#)

### 2. Strategy

Under the framework advocated in the TCFD recommendations, we considered changes in the external environment in 2030 and analyzed the impact of climate change on us.

We adopted the 1.5-degree and 4-degree scenarios for analyzing risks and opportunities. Regarding transition risks, we consider how policies and markets will change for the alleviation of climate change. Concerning physical risks, we also analyzed how the frequency and impact of climate change-related weather disasters will change.

We reflected the identified risks and opportunities in the medium-term business plan. Moving forward, we will also consider the financial impact on the Company. We are conducting an analysis of the part of the automotive business, which is subject to a significant impact. We will continue the analysis by focusing on other businesses as well.

### Impact on Business Related to Climate Change Risks and Opportunities

Climate-related risks/opportunities		Impact on business activities	Assessment	Measures
Transition risks	Policies and regulations	<ul style="list-style-type: none"> <li>Increase in business costs for responding to climate change-related regulations (including carbon tax, investments in additional equipment for saving energy and using renewable energy, and the purchase of green energy certificates)</li> <li>Increase in cost, which is expected if regulations related to recycling and the use of recycled materials are tightened</li> </ul>	Large	<ul style="list-style-type: none"> <li>Promoting CO<sub>2</sub> reduction to achieve the mid-term environmental goals</li> <li>Introducing solar power generation equipment, procuring electricity from renewable energy sources, and purchasing green energy certificates</li> <li>Strengthening cooperation with suppliers</li> </ul>
	Technologies	<ul style="list-style-type: none"> <li>Risk that market share may be decreased due to a delay in technology development toward a decarbonized society</li> </ul>	Large	<ul style="list-style-type: none"> <li>Understanding the needs of society and developing environmentally friendly products</li> </ul>
	Market	<ul style="list-style-type: none"> <li>The impact that is expected if we fail to respond to business partners' requests to take environmental measures (such as introduction of renewable energy and use of recycled materials)</li> <li>Intensification of competition resulting from an increase in new entrants to the electric vehicle market, which is expected to expand</li> </ul>	Large	<ul style="list-style-type: none"> <li>Collecting information from customers and consumers and analyzing the information</li> <li>Engaging in proposal-based marketing activities and giving feedback to development personnel</li> </ul>
	Reputation	<ul style="list-style-type: none"> <li>Decrease in business opportunities resulting from insufficient initiatives to tackle climate change</li> <li>Risk of a decline in corporate value that may result from lower ESG ratings by customers and rating agencies</li> </ul>	Large	<ul style="list-style-type: none"> <li>Information disclosure regarding responses to climate change</li> </ul>
Physical risks	Acute	<ul style="list-style-type: none"> <li>Suspension of factory operations and supply chain disruptions resulting from damage from a disaster caused by climate change</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Formulating BCPs that are appropriate for the regions and businesses</li> <li>Appropriate inventory control</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>Increase in energy consumption for the use of air conditioners and other equipment</li> <li>Depletion of water resources and restrictions on water intake</li> <li>Risk of factory inundation resulting from rising sea levels</li> </ul>	Small	<ul style="list-style-type: none"> <li>Introduce energy-saving equipment</li> <li>Reinforcing the BCP management structure</li> </ul>
Opportunities	Resource effectiveness	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> to be achieved by promoting local production for local consumption</li> <li>Increase in sales opportunities resulting from manufacturing appropriate for a recycling-oriented society</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Promoting local production for local consumption</li> <li>Developing products using circulating materials</li> </ul>
	Energy sources	<ul style="list-style-type: none"> <li>Decrease in energy costs resulting from the introduction of energy-saving equipment and technologies</li> </ul>	Large	<ul style="list-style-type: none"> <li>Expanding the introduction of renewable energy and energy-efficient equipment</li> </ul>
	Products and services	<ul style="list-style-type: none"> <li>Increase in sales opportunities achieved by driving the development of technologies for low-carbon products</li> <li>Growth in demand for ADAS-compatible products resulting from the expansion of markets related to electric vehicles (development of a function that sends alerts with sounds and vibrations)</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Expanding sales of environmentally friendly products</li> <li>Marketing of high value-added products</li> </ul>

- Target business: Automotive as the Company's main business  
 - Level of impact on business activities: Evaluated on a three-point scale of Large, Medium, and Small

**[Scenarios that were used]**

Transition risks: International Energy Agency (IEA)<sup>1</sup>  
 - World Energy Outlook 2022:APS<sup>2</sup>, STEPS<sup>3</sup>  
 - Net Zero Emissions by 2050 Scenario<sup>4</sup>

\*1. IEA: International Energy Agency  
 \*2. APS: Announced Pledges Scenario  
 \*3. STEPS: Stated Policies Scenario  
 \*4. NZE: Net Zero Emissions by 2050 Scenario  
 \*5. IPCC: Intergovernmental Panel on Climate Change  
 \*6. SSP: Shared socioeconomic pathways

Physical risks: Intergovernmental Panel on Climate Change (IPCC)<sup>5</sup>  
 - 6th Report: SSP1-1.9, SSP5-8.5<sup>6</sup>

### 3. Risk Management

We have established the Risk and Crisis Management Committee, which is chaired by the president, to ensure that risks which may affect business management are addressed promptly and appropriately. This committee evaluates and manages company-wide risks and devises and implements measures to address them.

Especially, climate change-related risks are positioned among the top risks in the committee's total risk assessment. The Sustainability Committee identifies and evaluates such risks, implements measures to tackle them, and takes other initiatives to improve the effectiveness of risk management.

Information about the statuses of risk management and measures is also shared with the Board of Directors, which supervises and monitors risk and crisis management of the overall company and tries to ensure consistency between risk management and materiality analysis, thus enhancing the total risk management in the entire company.

### 4. Metrics and Targets

Toward the achievement of sustainability, we have established the Foster Group ESG Management Statement in March 2021, under which we aim for "Decarbonized Society" and "tireless efforts to achieve Zero Emissions" in the medium and long run. Under this Statement, we have revised our mid-term environmental goals for 2030 (Scope 1, 2) in line with the 1.5-degree goal of the Paris Agreement. We have also set a new long-term goal for 2050.

#### (1) Mid-Term Reduction Goals for 2030

- Scope 1, 2: Reduce absolute CO<sub>2</sub> emissions 50% by 2030 from a 2018 base-year
- Scope 3: Reduce absolute CO<sub>2</sub> emissions 15% by 2030 from a 2018 base-year

#### (2) Long-Term Reduction Goal for 2050

- Aim to achieve carbon neutrality by 2050

To achieve this goal, we have developed the CO<sub>2</sub> Reduction Action Program [Ver. 2023]. The headquarters and the other sites will work together in accelerating CO<sub>2</sub> reduction activities in a group-wide manner.

Link to related page: [Our Approach to Materiality \(Priority Issues\)](#)

#### (3) Specific Reduction Measures

- (i) Our own power-saving efforts (steady efforts and innovative activities)
  - Steady efforts
    - Specific measures:
      - Operational improvements: Improvements of operation, maintenance, heat retention, heat insulation, etc.
      - Introduction of energy-saving equipment: Remodeling or replacing equipment
    - Innovative activities
      - Activities:
        - Studying and introducing new manufacturing methods and design specifications
      - Specific measures:
        - Developing innovative technologies through a next-generation speaker project, etc.
  - (ii) Renewable energy procurement
    - Switching electricity purchased from electric power companies to an option with 100% renewable energy sources
  - (iii) In-house power generation from renewable energy sources
    - Introducing equipment for in-house solar power generation
  - (iv) Purchasing green energy certificates for offsetting (shortfalls)
    - Considering the use of green energy certificates by overseas factories

#### (4) Specific KPIs

- Setting "Power consumption ÷ Net sales" at each site as a KPI for power-saving activities
- Having each site set a goal of building a framework, which makes it possible to post the same amount of net sales with 23% less power consumption than the actual power consumption in fiscal 2022, by the end of 2024. We will achieve the interim goal for fiscal 2025 (30% reduction from a 2018 base-year), aiming to surely achieve the fiscal 2030 goal (50% reduction from a 2018 base-year).



# Natural Capital Initiatives: (2) Environment

## Environmental Philosophy and Policy

### Environmental Philosophy

As a global corporation in the acoustic industry, the Company contributes to the realization of a sustainable society in all fields of corporate activities by considering the harmony between; The activities under the company vision of "To make contributions for future society through acoustics", and Environment as one of essential tasks.

### Environmental Policy

- Preface -

Foster Group aims to contribute for "Decarbonized society", "Resource recycling" and "Harmony with nature", by pursuing eco-friendly technologies in the lifecycle of our products, and people of Foster Group act with priority on eco-friendliness.

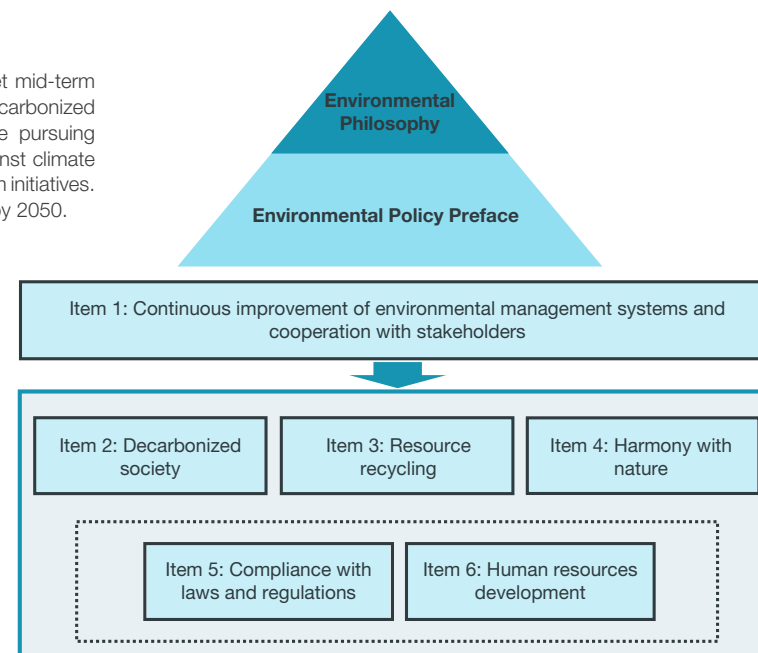
1. We contribute to the realization of a sustainable society by continually improving our environmental management systems, and by communicating and cooperating with our stakeholders proactively.
2. Realization of "Decarbonized society" We reduce CO<sub>2</sub> emissions throughout our value chain including procurement of raw materials, manufacturing, transportation, selling and disposal of our products.
3. Realization of "Resource recycling" We strive for the waste reduction by promoting effective use of resources in our group-wide activities and product development. We also use water resources responsibly in our manufacturing processes.
4. Realization of "Harmony with nature" We strive for the promotion of activities considering Biodiversity conservation, prevention of pollution and environmental load reduction by chemical substance management.
5. We comply with domestic and international environmental laws and regulations and other requirements related to our group-wide activities.
6. We develop human resources who practice environmental activities through enlightening people involved in group activities and educating employees.

[Issued following the approval by senior management in July 1993. Revised in March 2021.]

## Specific Environmental Initiatives

Based on our Environmental Philosophy and Policy, we have set mid-term environmental goals to achieve by 2025 for three issues: decarbonized society, resource recycling, and harmony with nature. We are pursuing specific initiatives to achieve these goals. Countermeasures against climate change are globally important tasks, and we need to take long-term initiatives. We are taking action with the aim of achieving carbon neutrality by 2050.

\* The Environmental Philosophy shows the goals of our environmental activities while the preface of the Environmental Policy shows the direction of such activities. The six items of Environmental Policy show the prerequisites for achieving the goals, three mid-term environmental goals, and the factors for achieving them, which are reflected in the Foster Group's environmental management system.



## Mid-Term Environmental Goals 2025

To achieve the mid-term environmental goals 2025 that we set in 2020, we continue activities to reduce the environmental load from a lifecycle perspective, by working together with manufacturing sites.

	Goals		2020-2025	FY2021 result
Item 2 of Environmental Policy	Decarbonized society	CO <sub>2</sub> emissions reduction (Scope1, 2, 3)	Scope 1, 2: Reduce absolute CO <sub>2</sub> emissions by 30% from a 2018 base-year Scope 3: Reduce absolute CO <sub>2</sub> emissions by 3% from a 2018 base-year	Refer to page 23 of this report.
Item 3 of Environmental Policy	Resource recycling	Resource saving products	- Establish technology for eco-friendly products	
		Improvement of production process	- Reduce the hazardous waste generated by 5% from a 2018 base-year - Reduce water consumption (Efficient use of water resource)	
Item 4 of Environmental Policy	Harmony with nature	Management of chemical substances	- Build global management system based on the company standards and regulations	
		Biodiversity conservation	- Establish a biodiversity policy and the mid-term action plan	
		Partnership with stakeholders	- Build a cooperative structure and implementation of activities with our suppliers	

\* For details of the mid- and long-term CO<sub>2</sub> reduction goals, see "4. Metrics and Targets" of "Information Disclosure Based on the TCFD Recommendations."

## Environment Management System and ISO 14001 Certification

We have obtained ISO 14001 certification at headquarters and all overseas manufacturing sites and embody the Foster Group's Environmental Philosophy and mid-term environmental goals.

At headquarters, we monitor the activities conducted at each site and check their results. We have expanded the scope of application to the Head Office of Foster Electric (1-1-109 Tsutsujigaoka, Akishima City, Tokyo) and its Shizuoka Office (6-12-2 Toro, Suruga Ward, Shizuoka City, Shizuoka) while maintaining the environment management system. We present the ISO 14001 certification at the request of stakeholders.

## Environmental Activities

### CO<sub>2</sub> Reduction (Scope 1, 2)

The Foster Group's absolute CO<sub>2</sub> emissions in fiscal 2022 were 14% less than the previous fiscal year and 42% below the fiscal 2018 level, partly reflecting restrictions on production activities amid the COVID-19 pandemic. For Scope 3 emissions, the data can be found in the Data Table at the end of this report.

### Activities to Preserve Biodiversity

We have set "Biodiversity conservation" as one of the tasks for "Harmony with nature," a mid-term environmental goal, and continue to hold lecture meetings and training on biodiversity, sessions for observing the immediate natural environment, and neighborhood cleanup activities. This fiscal year, we began to prepare for information collection and other initiatives for disclosing information based on the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD).

### Water Risk Management

Each site manages water withdrawal and discharge by setting their standards based on local laws and regulations. The headquarters uses "AQUEDUCT", a water risk assessment tool of the World Resources Institute (WRI), to understand the local water risks at each site. Since 2020, we have been addressing water risks by including "Reduce water consumption" in the mid-term environmental plan.

### External Communications

#### Green Value Chain Platform

As a corporate member, we participate in a network for promoting Green Value Chains as part of the Ministry of the Environment's Green Value Chain Platform.

URL: [https://www.env.go.jp/earth/ondanka/supply\\_chain/gvc/](https://www.env.go.jp/earth/ondanka/supply_chain/gvc/)

### Japan Climate Initiative (JCI)

In 2020, we joined the Japan Climate Initiative (JCI) by agreeing to its declaration of "Joining the front line of the global push for decarbonization from Japan".

URL: <https://japanclimate.org/>

### Environmental Digital Platform

In March 2023, we joined the Environmental Digital Platform operated by Konica Minolta, Inc.

URL: <https://edpf.konicaminolta.com/>

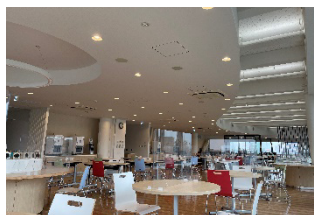
### Chemical Substance Management

The Group has set forth its autonomous management standard, which reflects the applicable laws and regulations of countries, including the RoHS Directive and REACH regulations, and customers' requests 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.

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

### Environmental Consideration at Headquarters

Our headquarters employs environmental load reduction technologies such as lighting control by daytime sunlight, air conditioning by outside air, ice thermal storage air conditioning system, and doubleskin facade. Electricity consumption is controlled further by limiting maximum power consumption during the day, promoting Cool Biz and Warm Biz campaigns, turning off all the lights in the building for lunch breaks, having employees work from home in response to the COVID-19 pandemic, and promoting the replacement of all of the lights in building with LEDs. The headquarters strongly promotes active participation in climate control measures by procuring clean energy prior to the other sites in the Group. In addition, as part of our ESG activities, we have ended the use of disposable plastics and paper cups and use reusable cups for the beverages sold in the cafeteria. Further, when renovating the tea server, we introduced a product that uses an environmentally friendly refrigerant.



LEDs (cafeteria)



Reusable cup



### Initiatives to Achieve Zero Waste Emissions

At headquarters, we are engaged in the recycling of waste and other materials through thorough activities to raise awareness of the sorting and separation of regular waste, plastics, and industrial waste. We have selected a new recycling service provider and continue our activities aiming to achieve zero waste emissions by continuing to raise awareness of recycling and promoting the recycling of waste from our business activities into raw materials.



Recycled materials being carried out

## Environmentally friendly products

### Speakers

We are accelerating moves to develop basic technologies for next-generation speakers for eco-friendly vehicles and to introduce such technologies to commercial products.

#### Development of lightweight speakers

We are developing on our own and productizing speakers incorporating technologies enabling lighter weight, by taking measures including optimization of resin and metal components, which are made with optimization design using CAE analysis, and studies of carbon fiber reinforced thermo plastics (CFRTP) as a new material. At present, we continue to develop element technologies for lightweight speakers, aiming to reduce the weight of 6.5" lightweight speaker, which is approx. 200 g, to 100 g or less by 2025.

#### VOC reduction

As initiatives to reduce the volume of VOCs remaining at production sites and in the passenger cabins of vehicles, we have cut the use of organic solvent adhesives for bonding parts and drive the development and adoption for commercial products of an adhesive with a reduced solvent content. We are also committed to the development of bonding methods which do not use adhesives, such as ultrasonic welding.

#### Reduction of CO<sub>2</sub> emissions

We are undertaking design development activities for reducing power consumed in manufacturing speakers to cut CO<sub>2</sub> emissions. We are making development efforts to achieve the medium-term CO<sub>2</sub> emissions reduction target, by improving and changing methods of bonding parts and by reducing the use of a drying furnace in stages.

\* We will continue development and introduction with a target of achieving 30% as the ratio (to sales) of commercialized car speakers incorporating these environmental technologies.

2022 result: 16%  
2025 target: 20% or higher  
2030 target: 30% or higher



Speakers developed with weight reduction technologies

### Actuators

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

\* CASE: Connected, Autonomous, Shared, Electric

### Headphones and Headsets

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

For microspeakers used for headphones or headsets, we are working towards environmentally friendly product manufacturing by introducing adhesives that do not contain toluene for new microspeakers in order to reduce VOCs.

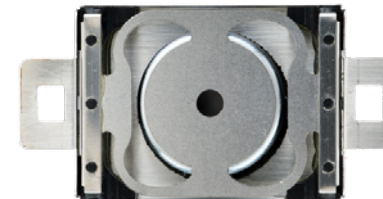
(Replacing the parts that use solvent adhesives.)

#### Development target and result for toluene-free products

- Target for 2024: The ratio of products that do not contain toluene to be 100%.
- FY2022 Result: The ratio of products using toluene-free adhesives: 78%

#### Plans for achieving targets

- Make confirmations based on requirements on the use of toluene in the development and design stage.
- Continue to study alternative adhesives to achieve 100% as the ratio of products using toluene-free adhesives.



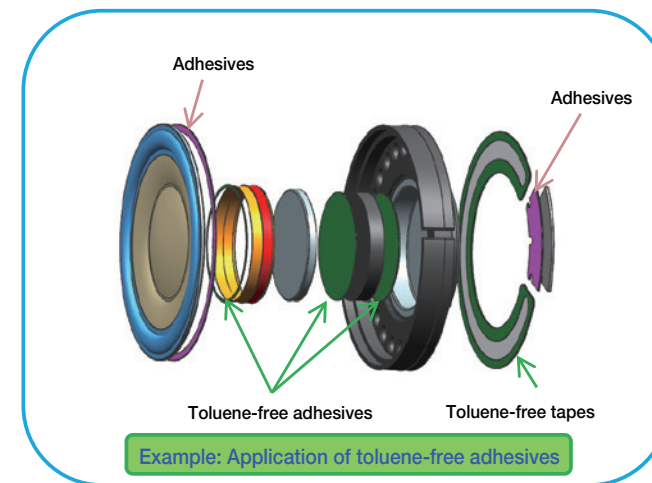
Automotive actuator featuring slim dimensions



Example of environmentally friendly microspeaker (Microspeaker with a 35 mm diameter for headphones)



Example: Product developed by using power-saving parts (Bluetooth wireless earphones)





## Environment Month Activities (Headquarters)

### Environment Lecture Presentation

We invited an outside expert to speak on SDGs initiatives to our officers, department heads, and group leaders (in the form of a Web conference). The lecture served as an opportunity to think about issues that we should address.

### Other activities

We solicited photos of the immediate natural environment, provided an environmentally friendly lunch menu, and participated in nature observation sessions, and thus we created catalysts for being in close contact with the immediate natural environment and thinking about environmental initiatives from different positions.

### Headquarters: Akishima City Cleanup Movement (Mini-Clean Activities)

Despite the many times these activities have been postponed or cancelled and the many employees working from home due to the COVID-19 pandemic, the annual number of participants increased by as much as 22.1% from the previous fiscal year, to 138 (participation rate: 25.1%). The total weight of waste increased to 15.1 kg. In addition, junior high school students were able to participate in the activities through a work experience program. This fiscal year, we will also participate in the city cleanup movement of Akishima City.



Mini-clean activities

### Shizuoka: Environmental training and river cleanup activities

We held a seminar and a tour of environmental facilities as part of internal training. We also participated in river cleanup activities in Shizuoka City, thus maintaining and improving the environment.

### Osaka: Environmental training and awareness-raising activities

We used environment month as an opportunity to motivate employees to think on their own and had each one of them set environmental targets, such as turning off the lights in offices and targets related to energy, food and CO<sub>2</sub>, thus increasing their awareness.

## Environment Month Activities (Overseas)

### China

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



City cleanup activities

### Vietnam

We cleaned up the area around each plant. We also undertook planting activities and provided environmental training internally at each plant.



Planting activities



Training activities



City cleanup activities

### Myanmar

We provided environmental training, undertook on-premises planting activities, and held environmental competitions (including an exhibition of works created using recycled items).



Training activities



City cleanup activities



Environmental competition

### USA

We participated in activities to clean up neighborhood parks, a ride-sharing program for commuting (Car pool registration), and a program for planting trees in parks (Remembrance tree program).



Planting activities



## Social and Relationship Capital Initiatives

### Promoting Sustainability in the Supply Chain

Driving sustainability activities is not limited within a company or group companies alone, but is to be managed by the entire supply chain including customers/suppliers. We are proactive in responding to sustainability-related requests from customers, driving sustainability activities within the Foster Group, and increasing suppliers' awareness of responsible procurement activities.

#### Customer Audit and Questionnaire

We respond to various sustainability-related requests from over 60 corporate customers concerning labor, human rights, safety and health, the environment, ethics, and status of operation of management system related to them. From April 2022 to March 2023, we conducted on-site sustainability audits of our manufacturing sites jointly with a third-party organization upon request from one corporate customer. In addition, we responded to a total of 40 sustainability-related surveys by 22 corporate customers in the past year. We will organize issues identified in this process, make improvements, and improve our sustainability initiatives further.

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

#### Internal Audit on Sustainability

In 2017, we started an internal audit on sustainability to check the status of our sustainability activities and to maintain a sound framework for driving such activities. We conducted a total of 21 sustainability-related internal audits at target sites during April 2022 to March 2023. The standards and guidelines for these audits were based on local laws, in principle, and we also applied RBA code of conduct, RBA-VAP (Validated Assessment Program), ISO 14001, ISO 45001, SA8000, TISAX, as well as customer standards.



An internal audit of our site in China

## Responsible Procurement

In our global expansion, we have developed the "Basic Principles of Procurement" for the supply chain, including ourselves and our suppliers, based on which we build fair and healthy relationships.

### Basic Principles of Procurement

We will deal with all of our suppliers in good faith.

1. Compliance with Laws and Ordinances  
We will comply with the laws, ordinances and regulations in the countries and regions where we conduct business activities, and will conduct purchasing duties in accordance with social ethics. We will not accept any gifts or entertainment that violates laws or social ethics.
2. Fairness and Impartiality  
We will keep our doors open and provide equal opportunities to all businesses, and will evaluate and select suppliers with impartiality based on reasonable criteria.
3. Sustainable Procurement  
We will promote clean and green procurement based on the Foster Group Supplier Sustainability Code of Conduct.
4. Partnerships  
We will endeavor to deepen mutual understanding with our suppliers and build bonds of trust with them.
5. Confidentiality  
We will strictly manage confidential information that comes into our knowledge in doing business.

### Clean Procurement

The Foster Group Code of Conduct for Staff stipulates that we shall comply with laws and internal rules related to entertainment and gifts to and from customers and suppliers, and prohibits us from providing and accepting profits in violation of such laws and rules. Specifically, we have set strict rules on transactions, including the provision and acceptance of money and coupons, acceptance of gifts, provision of goods as gifts, and provision and acceptance of entertainment.

### Representatives and Structures

The Procurement Department belongs to the Production Division and performs activities under the head of the division (senior executive officer) as the representative. Each manufacturing site and business division has a procurement department. We are enhancing sustainability activities in cooperation with each manufacturing site and business division. We share basic policies and priority issues, and take appropriate actions at Sustainability Committee meetings (held monthly), Global Procurement meetings held including representatives of the Procurement Department from all sites (held biannually), and the Supplier Procurement Conference, in which suppliers, our president and other directors participate (held once every two years).

## Management System

We strive to trade with suppliers who not only provide excellent technologies and quality and steadily meet delivery deadlines, but also implement sustainability initiatives regarding human rights, labor, safety, the environment, compliance, information security and other matters.

We believe the Procurement Department's promotion of sustainability to be an important business policy and conduct management review on a regular basis. Our suppliers conduct CSR self-assessments for us, and we include CSR requirements in the basic transaction agreements that we enter into with them. Further, we conduct CSR audits of our suppliers and request that they take corrective actions to improve based on the results of the CSR self-assessment and of the regular audits on quality (ISO, VDA, and IATF), the environment (hazardous substance management and ISO 14001), and CSR (status of CSR activities) and other evaluations regarding delivery dates, services, and other aspects of the relationships. We work on responsible minerals sourcing using a method following the OECD Due Diligence Guidance.

## Education

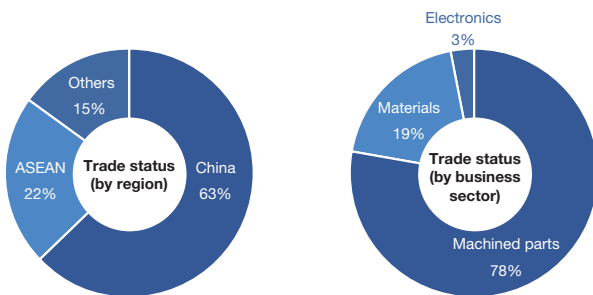
The Procurement Department implements an education and training plan covering an extensive choice of programs for acquiring a wide array of necessary skills, including ones on sustainability operations. In 2022, a total of 461 employees received training online in 93 courses, mainly those on overall sustainability matters, legal affairs (contracts and intellectual property), the environment (management of controlled substances, environmental measurement, and ISO 14001), quality (ISO, VDA, IATF), QMS, EMS (auditor training), the Subcontract Act, product technologies, and raw materials and components. These training courses are aimed at improving skills to solve problems at work sites. We provided the training for overseas sites by using a video conferencing system and LMS, thus developing human resources who will fulfill social responsibilities in procurement operations. Further, in 2022, we held an environmental briefing remotely for approximately 300 people from all of our 183 supplier companies and informed them fully of controlled substances and regulatory requirements that have been added, the time when they would come into effect, and other matters.

## Sustainable Procurement

To promote sustainable procurement activities, we established the Foster Group Supplier Sustainability Code of Conduct in 2016 and have been driving such activities since then. We first developed related internal rules and documents. In 2018, we started requesting suppliers to sign the agreement with the Foster Group Supplier Sustainability Code of Conduct, perform self-assessment, and take corrective actions. In 2022, we conducted SAQ (Self-Assessment Questionnaire) of approximately 300 suppliers, and where necessary, requested them to take corrective actions and performed on-site audit, in our efforts to build a sound supply chain. Moving forward, we will establish initiatives by working together with suppliers in identifying issues to address.

## Overview of Our Supplier Partners

We trade with approximately 300 suppliers, 63% of which are in China. The machined parts industry accounts for 78% of all business sectors. We work on sustainability initiatives throughout the entire supply chain and drive responsible procurement activities with Group companies and suppliers.



## Supplier Selection and Evaluation

The Foster Group sets the implementation of sustainability activities as a business condition when selecting suppliers. We ask new suppliers to agree to the Foster Group Supplier Sustainability Code of Conduct and reply to the SAQ (Self-Assessment Questionnaire). We conclude a basic transaction agreement containing CSR requirements with suppliers before starting trade with them. Regarding our existing suppliers, we identify important suppliers who together constitute the top 80% or so in terms of the amount of our purchases in the previous fiscal year, with a focus on those from whom we purchase important raw materials or irreplaceable items, and ask them to reply to the SAQ. Based on the results of the SAQ, we conduct audits, give instructions on corrective and improvement actions, and provide educational activities for them.

## Initiatives for Tier-2 and Lower-Tier Suppliers

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

## CSR Self-Assessments and Supplier Audits

In fiscal 2018, we began having our suppliers conduct CSR self-assessments concerning their initiatives addressing human rights, labor, safety, the environment, compliance, and information security. Based on the results of the self-assessment, we visit suppliers to inspect their work

sites and interview them as necessary. In fiscal 2022, we had approximately 300 suppliers conduct self-assessments. While no violations of standards were found, we requested that eight suppliers who were found to have issues and need improvements take corrective actions and audited four of them. We created corrective action plans by sharing specific points needing improvement in the on-site audits and requested the suppliers to take corrective actions proactively. We will continue to request that suppliers conduct self-assessments regularly and take corrective action immediately if any problems are identified, in our efforts to build a sound supply chain.

## Human Rights Initiatives in the Supply Chain

Based on results of self-assessments, we create opportunities to talk with and request corrective actions from suppliers with concerns regarding human rights risks related to child labor, forced labor and other items that we deem especially important. While no supplier violated standards related to these items in fiscal 2022, we will continue monitoring and make improvements promptly if we identify any issues.

## Intra-Industry Collaboration (Engagement)

Since fiscal 2016, we have been a member of the Global Compact Network Japan (GCNJ), a network of the United Nations Global Compact (UNGC), and have engaged in the activities of the Supply Chain Subcommittee of the GCNJ. In this subcommittee, we have discussed the latest global supply chain trends, beyond the boundaries between industries, and the practical issues regarding sustainable procurement that are faced by each industry and company. We work on tasks such as the creation of deliverables for solving the above practical issues as well as the consideration and revision of CSR self-assessments, among others. In addition, because the number of minerals to be managed to ensure responsible minerals sourcing is increasing, we participate in the Outreach Meeting hosted by the Responsible Business Alliance (RBA) and explanatory meetings on responsible minerals sourcing hosted by the Japan Electronics and Information Technology Industries Association (JEITA), to ensure that information is shared regarding the latest trends and to develop intra-industry collaborations that raise awareness in the supply chain and improve the efficiency of investigations into these minerals.

## Supply Chain Subcommittee of the GCNJ

### CSR procurement self-assessment tool set (Japanese)

<https://www.ungcnj.org/activities/topics/detail.php?id=357>

## Connecting with Our Business Partners in Environmental Burden Reduction

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

## Responsible Minerals Sourcing

We are addressing risks related to minerals from the Democratic Republic of the Congo, its surrounding conflict-affected areas, other Conflict Affected High-Risk Areas (CAHRAs) and other areas that are stipulated in the Dodd-Frank Wall Street Reform and Consumer Protection Act in the U.S. In addition to illegally mined minerals and smuggled minerals that are a source of funding for armed forces/groups, the aggravation of human-rights violations such as child labor and poor working conditions and environmental destruction in the minerals supply chain is a significant social problem. We promote responsible minerals sourcing throughout the entire supply chain to ensure the sustainability of our procurement activities.

## Our Approach to Due Diligence

We promote responsible minerals sourcing for the entire supply chain by communicating our policies to our business partners. Because responsible minerals sourcing requires cooperation from all the business partners including smelters, we use the Conflict Minerals Reporting Template (CMRT) published by the Responsible Minerals Initiative (RMI) as a standard tool. We also attend the inquiry briefings held by JEITA Responsible Minerals Trade Working Group and use investigation manuals/guidance commonly shared with automotive manufacturers and Japan Auto Parts Industries Association.

## Investigations into Responsible Minerals Sourcing

In fiscal 2022, we achieved a 99% response rate for investigations into responsible minerals sourcing carried out with approximately 300 suppliers. We conducted risk analysis and evaluation from collected CMRT and requested further examination according to the risk levels by each supplier. Among the smelters that we identified, 78% have passed the conformant smelters audits (RMI). Since fiscal 2018, we have conducted investigating cobalt and mica according to the due diligence guidance by OECD. We will continue to conduct investigations for tantalum, tin, tungsten, and gold (3TG) because the refinery certification status continues changing for these minerals. If any sourcing of a mineral involving a risk is identified, we will take appropriate actions by working together with the supplier.

## Foster Group Policy on Responsible Minerals Sourcing

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

## Quality and Safety Assurance

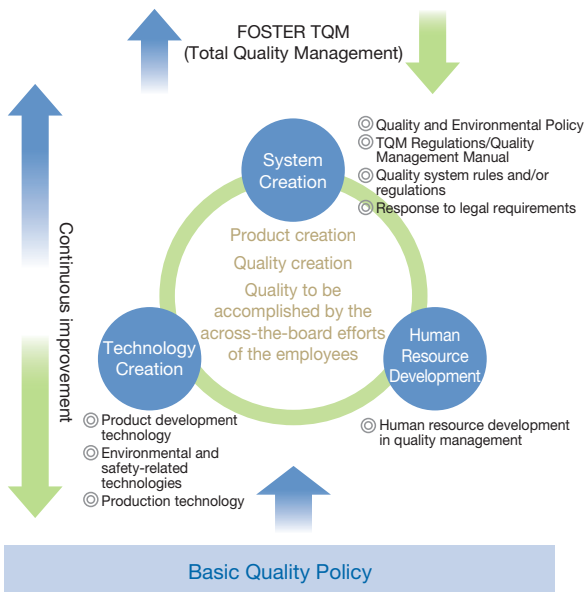
The Foster Group is promoting and deploying quality assurance activities based on the FOSTER TQM (Total Quality Management).

### Our Quality Assurance Policies and Actions

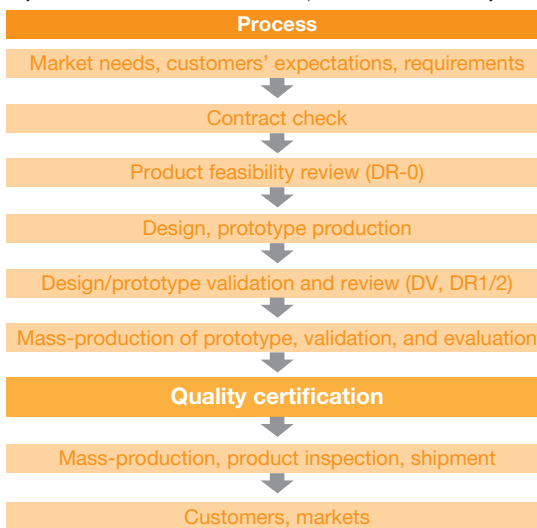
Under our customer-focused philosophy, the Foster Group considers the delivery of safe, eco-friendly products of reliable quality by fulfilling customers' expectations and social requirements as the basics of our quality assurance. In addition, under the TQM policy for each fiscal year, which is in place across company together with our management policies, we globally promote comprehensive quality assurance activities to ensure that our products are of high quality.

The safety and reliability of our products and components and the management of environmentally hazardous substances are achieved through processes (product/process design, purchasing, and manufacturing) supported by our high-level technologies.

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



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



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

### TQM and QMS<sup>1</sup> at FOSTER

Our QMS is based on the development of quality assurance and management activities under its customer-focused philosophy.

- ▲ In 1975, we formulated the Total Quality Control (TQC)<sup>2</sup> Regulations, which was upgraded to Total Quality Management (TQM) Regulations in May 2006.
- ▲ Since 1998, all the Group companies have successfully acquired the QS9000 certification (including ISO 9001: 1994).
- ▲ In 2004, all the Group companies successfully acquired the ISO/TS 16949 certification.
- ▲ In 2017, we switched to ISO 9001: 2015 and IATF 16949: 2016 standards company-wide and have continued to comply with them.

<sup>1</sup> QMS: Quality Management System

<sup>2</sup> TQC: Total Quality Control

### Global Quality Assurance Structure

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



## Enhancing Quality Awareness and Developing Human Resources in Quality Management

We drive training in a company-wide manner for developing quality specialists in each job class. We have also made November the Quality Month and hold a variety of events by involving overseas sites to improve quality awareness.



### Quality-related events including at overseas locations

- **Quality improvement case exhibition**  
We hold this exhibition online by collecting cases of quality-related improvement and know-how we should share from headquarters and all overseas sites, and summarizing them in documents and videos.
- **Quality lecture presentation**  
We invite a speaker from another company, select a quality-related theme which can be told as an attractive story, share our cases and problematic points with the speaker and then have a comparison and discussion of contents and frameworks of activities.
- **Global QC Circle Convention**  
More than 100 circle teams are conducting activities at overseas sites under the theme of quality improvement. Among them, teams that won the QC Circle Convention at each factory give presentations of their achievements at the company-wide convention.

### Developing quality specialists

We plan training programs on quality-related standard requirements and tools which not only provide knowledge but also includes practical information thus driving the development of quality specialists with skill levels that can be leveraged in practical operations and on site.

### Holding the Global Quality Meeting (GQM)

At this meeting, senior management from headquarters and overseas factories and sales companies share priority measures and issues faced by each division and site and determine commitments for the next fiscal year, thus unifying the overall company's direction and awareness regarding quality.

## Customer Satisfaction

### Foster Group Sales Department

#### Policies

We manufacture and sell products with a focus on acoustic transducers for the Speaker, Mobile Audio and Other Segments. While many of our products are used as components for playing back music, people around the world contact our products in many ways, not limited to uses involving playing back music. Our products serve people in various settings in their lives as micro acoustic components for warning sounds, actuators for haptics and other products. The purposes of use of sounds and vibrations that we offer are expanding daily. Working together with customers around the world, our Sales Department acts every day to widely deliver the value of our products to realize our vision, "To make contributions for future society through acoustics."

#### Structure

We engage in sales activities through five regional sales offices in Japan, the US, Europe, China and Asian countries and regions other than Japan and China. The value that is required is different in different markets around the world with different business customs, cultures and social situations. We have established a structure for satisfying customers around the world by sharing the value and ideas that only we can provide between regions while responding flexibly to local values. During the last few years, when business travel was restricted significantly, we established a system to enable inter-regional exchange to be more lively than ever before, transcending distance and time differences using new communication tools.

#### Activities

We emphasize making proposals for the future, and of course making sure that we deliver the products that are in demand every day. The things that are required of products change according to ever-changing social and economic situations, widespread environmental awareness, and many other factors impacting the business environment. By proactively proposing the functions that are appropriate for the sustainability of society in the future in addition to performance and prices, we will be a strategic partner that can be involved in development and design from a position that is closer to customers, aiming to achieve high-level customer satisfaction.

#### Future Plan

We aim to be an acoustic solutions partner that contributes for a future society. In our existing mainstay business, automotive products, we will enhance the lineup of products and services related to sound and vibration in addition to audio devices. We will also take on new outside-the-box challenges to expand the business in anticipation of the future. We will develop new business fields including entertainment and wellness and engage in activities to leverage our strengths to solve social issues.

### Fostex Company

#### Policies

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

#### Structure

We always listen to our customers' comments and seek the products that they need today and they will need in the near future. As such, we have established a project promotion structure across our sales and technical units. In addition to the domestic market, we also understand global needs to develop products specific to each region.

#### Activities

We share information with the dealers who are constantly in contact with our customers and also make efforts to listen to as many customers' voices as possible at exhibitions and trial listening events. As part of our educational activities for audio equipment, we offer speaker craft classes and lectures on working principles of speakers at universities, vocational schools, local junior high schools and in other places.

#### Future Plan

We will continue to supply products of our trusted original brand, FOSTEX, to introduce our high technical competences and the high competitiveness of our products. We will continue to develop products that can deliver greater pleasure in the creation of and listening to music.



TH900mk2 (OB), a model commemorating the 50th anniversary of FOSTEX that is offered exclusively outside of Japan



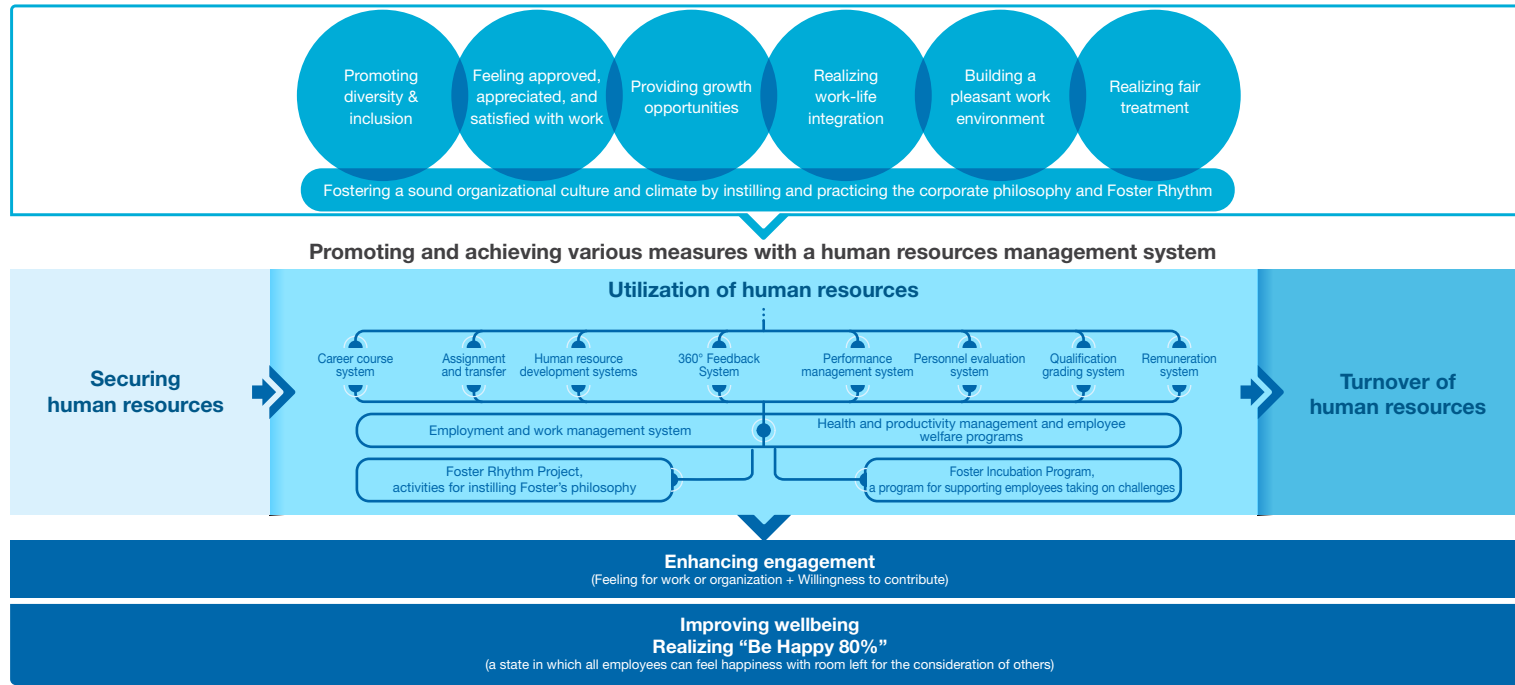
# Human Capital Initiatives

## Initiatives to Improve Wellbeing

We respect the diversity of all of the employees working for Foster and value the environment which enables them to choose their workstyles and careers. We aim to enable employees to maintain and improve their physical and mental health while ensuring that their work enables them to develop personally, be satisfied in their jobs and take pride in their contributions to society.

To achieve this, we have set the goal, "Be Happy 80%." Our goal is to enable all of Foster's employees to be happy, reflecting not only satisfaction with our company and ourselves but also consideration for others. The 80% happy goal expresses a state of happiness with room left for the consideration of others, which is an ideal we aim to achieve at Foster. In "others," we include not only our stakeholders and other people but also all matters, such as the environment and living things.

The wellbeing we aim to achieve is based on the assumption that we can continue to achieve "Be Happy 80%" for our employees by improving employee engagement, enabling employees to be motivated and giving them opportunities for personal development.



## 1. Human Resource Development

### Policies

Our human resource development is based on "continuous performance by linking various personnel systems with individual development goals determined by mid/ long term business strategy and individual personality (strength/ weakness)". We have formulated the Personnel Grand Design by viewing recruitment, development, utilization, assessment, and treatment organically and in an integrated manner from a long-term perspective, built a Personnel Framework that enables every employee to demonstrate their capabilities with pride and job satisfaction, and promote the development of human resources to solidify our human resource foundation for Foster in the next generation.

#### ■ Ideal for human resource development

- Personnel who embody our vision through their duties and who have a "strong will" and "initiative" 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.

### Main Activities

#### ■ Initiatives for independent career development

Employees' voluntary initiatives shaping their careers are essential in the development of human resources. We believe that employees' thinking about how they want to develop personally and the skills they need to acquire and acting accordingly will form the foundation of our human resource development and be a source of increased added value. We have established a career course system, which permits employees to choose options flexibly in accordance with the career plan and life stage of each, thus encouraging and helping employees to develop themselves independently under the system.

### Career stages

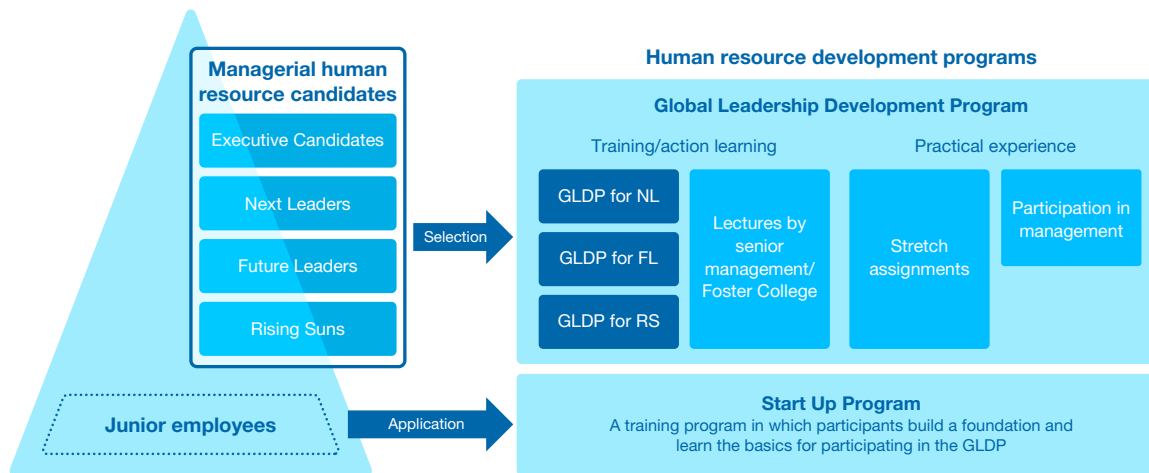
Career stages		Career courses (Career interviews are conducted every year to select and determine the course.)		
Management-level employees Employees with high-level specialist jobs	<b>Period for completing career development</b> Establishing a domain where each can contribute to management to complete their career development	Global Course Developing career assuming duties will be executed in a global environment, beyond national boundaries (proactively creating opportunities to take on diverse challenges including overseas assignments)	Expert Course Developing careers exclusively in specific domains assuming duties will be executed mainly in Japan	Associate Course Developing careers by attaching importance to the consideration of personal circumstances (with consideration of and limitations on job responsibilities, the content of work, the amount of work, the place of work and other matters)
	<b>Period for improving employability</b> Enhancing specialist capabilities with opportunities to broaden employees' perspectives and experience for broadening and deepening occupational abilities		Basic Course Positioned as a period for the development of core skills when basic capabilities are enhanced and various opportunities for bringing out future potential are created for the development of employees' careers	
Mid-career employees	<b>Period for establishing core competencies</b> Laying a foundation in a specialized field and improving business capabilities			
Junior level	<b>Period for developing core skills</b> Enhancing basic capabilities			

**Initiatives for developing next-generation managerial human resources**

As part of our continuing strategies for developing managerial personnel, we implement the Global Leadership Development Program (GLDP) to globally foster human resources for the next and future generations.

The GLDP was developed based on a program for fostering managerial human resources that we began to fully implement in 2010. This program was rebuilt and newly systematized into the GLDP in 2019. Intended for personnel who are candidates for key posts, this program is implemented to individually develop the capabilities appropriate for each post.

In addition, in fiscal 2023, we introduced the Start Up Program, a development program that solicits participants from among young employees to develop future managerial human resource candidates.



**Initiatives for developing globally competitive human resources**

We make use of new employee training, training for newly promoted employees, manager training, lectures by senior management, and other programs to improve inter-cultural communication skills, promote diversity and inclusion, and foster and enhance the global mind of our employees.

We promote various forms of international employee reassignment, including the Global-eye Program, an overseas training program for young employees, and the Overseas Trainee Program intended for mid-career employees, thus promoting the planned and continuous development of the next-generation of global leaders in a group-wide manner.

Further, in fiscal 2023, we will sequentially resume the program for the practical training of young employees at overseas plants, which was suspended due to the COVID-19 pandemic. We position practical experience at overseas manufacturing sites as a valuable opportunity to acquire the basics of manufacturing at Foster, including the basics of manufacturing processes, quality control, initiatives for production innovation, and global teamwork beyond national boundaries.

**Initiatives for retaining young employees and developing young employees' work-related skills as early as possible**

To reinforce the system for following up on the growth of new employees and young employees in their early years at the company, we have introduced the Escort Runner Program, in which dedicated personnel staff serve as escort runners in the process of their development, in addition to the existing Brother/Sister Program and Mentorship Program by Officers. The staff in charge of these programs work together to meticulously support every young employee.

Further, as a new initiative, we held meetings of officers and young employees sitting in a circle, where young employees and officers are able to freely interact and exchange opinions on equal footing. In fiscal 2022, seven of these meetings were held with a total of 79 participants. The meetings included questions and answers about business strategies and

lively exchange of opinions about concerns and recommendations of young employees beyond the boundaries between organizations and job classes.

**Initiatives for passing down skills and developing engineers**

We have introduced the A La Carte Training as a program for the development of engineers. This permits participants to choose necessary courses from among approx. 45 courses, with a total length of more than 200 hours, in accordance with their needs. We have also built an environment which allows them to watch videos of classes that have been taught in the past.

The greatest features of this program are that the content of the program is optimized for the practical operations at Foster because all the lectures are given by internal staff and the internal lecturers are being developed continuously as the training is being provided to participants.

This initiative is improving our technological capabilities, facilitating the passing down of skills, and serving as the foundation for Foster's reliable technological capabilities.

Having been introduced in 2011, more than 3,700 people have participated in this training program.

**Initiatives for reforming the organizational climate**

Based on the results of stress checks and the employee satisfaction/engagement survey which we conduct every year, we perform an organizational analysis to identify issues. In addition, in fiscal 2022, we introduced the 360° Feedback System which encourages managerial employees to self-reflect and change their behaviors, thus enhancing initiatives to build a better workplace environment.

In addition to the above, we have continued to identify issues based on various requests and recommendations received through labor-management consultations via the "Shinjukai," an employee organization that is an alternative to a labor union, the results of exit interviews with people leaving the company, the results of employee questionnaire surveys conducted after interviews for providing feedback on personnel evaluations, and other channels, and we ensure personnel measures reflect these issues.

**Initiatives for instilling the philosophy and improving engagement**

We implement the Foster Rhythm Project globally to instill our corporate philosophy. In this project, we have redefined "the ideal company" for the Foster Group and verbalized our principles and values, with employees themselves thinking on their own and generating ideas. We summarized these into a guidebook and a card and distribute them to our employees around the world. In addition, we continue to hold workshops and implement many training programs in our efforts to develop human resources who can embody our corporate philosophy and to create a lively organizational environment.

Further, the program supporting employees that are taking on challenges (the Foster Incubation Program)\* includes the production of short videos, FOSTER STORIES, as an initiative to tell the public about our strengths and appeal. These and other activities for improving engagement continue to spread and evolve.

\* An internal initiative launched in 2020. In this program, employees themselves launch projects to do something exciting or take on challenges leveraging their ideas and skills, and support for these projects is provided to them.

## 2. Diversity and Inclusion

### Policies

The co-creation of value with our diverse human resources through global cooperation is essential for our manufacturing.

We are driving the creation of an organizational culture that respects the diversity of various personal qualities, such as age, gender, sexual orientation, physical trait, values, educational background, career, hometown, race, ethnicity, and nationality, and which at the same time permits employees to work vigorously with a peace of mind by catering to diverse needs, including individual circumstances and life events such as childcare and nursing care. 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.

With our activities recognized as a company that leads diversity promotion to its management, we were selected as "the New Diversity Management Selections 100 (2017)" by the Ministry of Economy, Trade and Industry. We will continue to create a working environment that makes the most of the employees' diversity with various backgrounds.



### Activity Promotion Structure

We have established the Diversity Management Section, a special organization dedicated to promoting diversity and inclusion, within the Human Resources Department.

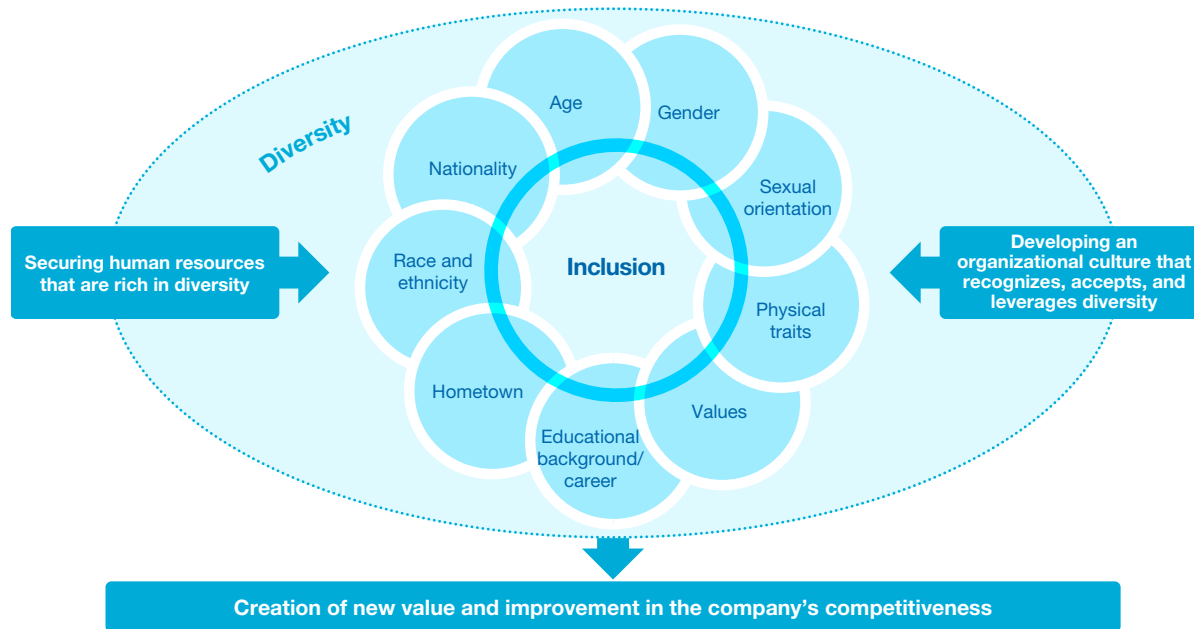
### Main Measures and Activities (Headquarters)

#### ■ Educational activities on diversity

We have set up a special website on diversity on our internal intranet, where we provide various information to foster a better understanding of the fact that active participation of diverse human resources will lead to new value creation by the company. On this website, we are also raising awareness of inclusive language, which is aimed at promoting communications with respect for diversity.

We have also introduced online training content as activities for raising awareness of and eliminating unconscious prejudice and preconceptions (unconscious bias). More than 90% of employees have received this training to date.

In 2018, we added "Actions for diversity that have been taken" to the personnel evaluation items. We are working to create a more inclusive, diverse workplace by raising awareness of diversity among all employees and encouraging them to engage in self-driven activities.



#### ■ Our activities for promoting understanding of LGBTQ+ (sexual minority)

We are carrying out activities to deepen understanding of LGBTQ+ and promoting the number of allies (those who show understanding and support for LGBTQ+ people). We have introduced online training content, including a course for learning about LGBT to turn diversity into an organizational strength and a course for creating a harassment-free workplace. More than 90% of employees have received the training so far.

#### ■ Promoting women's empowerment

Having set a goal of increasing the ratio of female managers to 30% by 2025, we are developing female employees in a well-planned manner and supporting their career development. In fiscal 2022, we provided career training for young and mid-career female employees, in the form of lectures given by a female director. This training is aimed at deepening trainees' understanding of diverse career options, so that they will have a clear picture of their career development, while building a network of female employees. Employees who received this training gave comments, such as "I could discuss career frankly with female employees of my generation, which was a valuable experience" and "It was a highly meaningful opportunity to reconsider my future career."

#### ■ Support for employees raising children and providing nursing care

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

Since April 2018, we have extended the childcare leave period to three years maximum and the nursing care leave period to 183 days maximum. We have also expanded the range of employees eligible for sick/injured childcare leave from the those stipulated by law to all who are raising children who are junior high school students or younger. In addition, we have signed a joint use agreement with company-led childcare centers and introduced preferred benefits such as the right to the early nursery applications. We have also introduced an internal consultation service to provide appropriate advice and information individually. We are also proactive in using the consultation service to deepen our understanding of male employees' participation in childcare, raise awareness in the overall workplace, and enhance support measures.

#### ■ Initiatives for global human resource employment

We emphasize diversity in the employment of human resources as well. We are proactive in employing non-Japanese people to promote the globalization of human resources at headquarters, not to mention ensuring fair selection without discrimination. The percentage of overseas human resources among new graduates for the last ten years has been more than 20%. We are also emphasizing globalization in our mid-career hiring. In addition to recruiting human resources through conventional means, we are using diverse recruitment channels, such as establishing a program for employment transfer from overseas Group companies to headquarters in Japan. In doing so, we attract human resources with different nationalities and cultures to our organization, aiming to increase diversity and inclusiveness.

### ■ Reform of retirement pension plans

We worked on the reform of our retirement pension plans to expand options in response to the diversification of individuals' life plans and to build a system that will enable stable pension payment into the future. In July 2022, we unified our retirement pension plans into the defined-contribution pension.

At the same time, we introduced the retirement benefit advance payment plan, which permits employees to receive advance payment of retirement benefits, to respond flexibly to needs associated with life events, such as their children's education or the purchase of a home. The provision of these options also reflects the consideration we give to employees of non-Japanese nationality, whose future place of residence may not be Japan.

### Future Plan

- Female manager ratio (at headquarters): To increase the ratio to 30% by 2025.
- Ratio of overseas human resources (at headquarters): To increase the ratio to 30% by 2025.
- Employment rate of persons with disabilities (at headquarters): To keep the rate above the mandatory rate required by law.
- Displaced worker for nursing care (at headquarters): To maintain 0% for displaced worker due to nursing care and enhance the nursing care leave system.
- Ratio of males taking leave for spouse's childbirth and childcare leave (at headquarters): To achieve 100%

## 3. Labor (Labor Practices and Decent Work)

### Policies

We believe it is important to create a worker-friendly environment where emphasis is placed on permitting each employee to achieve personal development through work and to demonstrate their capabilities while finding their job rewarding. We also seek to create an 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 activities led by the Diversity Management Section, we have established the innovative working style project with cooperation between labor and management.

### Main Measures and Activities (Headquarters)

#### ■ Workstyle reform initiatives

Since September 2016, we have established the systems and culture that satisfy a variety of work-style to promote diversity and realize a work-life balance. In fiscal 2017, we applied the flex time system to all employees and introduced the work-at-home program.

As for the work-at-home program, we introduced it at full scale without limiting the targets, and were selected as one of the "Top 100 Telework Pioneers" by the Ministry of Internal Affairs and Communications for its telework initiatives in 2018.

In fiscal 2020, we reduced scheduled working hours per day by 15 minutes, to 7 hours and 30 minutes. At the same time, we enabled all employees to work using the flex time system without core time. We have engaged in creating a work environment where employees can work flexibly to suit their lifestyles regardless of time or place by fundamentally overhauling work procedures and utilizing ICT.

In fiscal 2021, we eliminated distance constraints to give employees more freedom to choose their place of residence. This has enabled us to respond flexibly to cases where an employee moves to a distant place due to the job relocation of their spouse.

We will continue to work on work-style reform to become a company that can offer a more desirable work environment and fulfilling career.

#### ■ Initiatives to enhance the leave system and the leave of absence system

We are taking initiatives to enhance the leave system and the leave of absence system, aiming to promote the diversity of work styles, respond to diverse lifestyles, and improve working conditions.

We offer various leave systems, including the volunteer leave system, systems that grant a leave of absence to employees desiring to pursue further education and those who desire to accompany their spouses on overseas assignment. We also enhanced the Paid Leave Accumulation Program, which permits employees to accumulate expired annual leave, and offer family-care leave, leave for fertility treatment, and sick/injured child care leave. In addition, in July 2022, we introduced the Leave for Attending Child-related Event, so that employees can attend events such as their children's entrance ceremonies and graduation ceremonies without hesitation.

#### ■ Removal of ban on second jobs

On September 1, 2020, we introduced a second job system. This reflects our belief that a wide variety of experience gained outside the company will increase opportunities to demonstrate one's capabilities in new domains and achieve personal development, thus helping to increase the breadth and depth of career development of individuals. At present, more than ten employees are utilizing the second job system. They are broadening their perspective by doing work that they cannot experience in their primary jobs, thus acquiring diverse skills and expertise.



### ■ Health enhancement initiatives

Mental and physical health is essential for employees to feel job satisfaction and have a fulfilling career. We position employees' health as an important management issue and are taking various initiatives. We have expanded the scope of employees who should be interviewed by industrial doctors individually, follow up the conditions of new employees after they join the company, and have enhanced health counseling services by industrial health nurses, in our efforts to prevent mental health problems and illnesses, detect them early, and prevent them from becoming severe.

In addition, to raise employees' health awareness, we implement the Health Point System. In this system, we give points to employees when they have received health examinations or comprehensive medical examinations, participated in health-related seminars, and received training related to mental health, for example, and provide them with health incentives. Each year, we run a number of online seminars on health issues. We have also built an environment which permits employees to view videos of the seminars. We have also introduced online training content for acquiring basic knowledge about mental health, and more than 90% of employees have received this training so far.

Our initiatives for improving employee health were evaluated and we received a "Certification of Excellent Company in Health: Gold Accreditation" from the Tokyo Promotion Council for Healthy Company Declaration in December 2018. (This certification was renewed on January 1, 2023.) In addition, in March 2023, we received recognition for a "certified Health & Productivity Management Outstanding Organization (Large Enterprise Category)" by the Ministry of Economy, Trade and Industry.



### Future Plan

Target for fiscal 2023:

- Total working hours per employee (at headquarters): Achieve 153 hours or less per month on average
- Rate of periodic health examinations taken (at headquarters): Maintain 100%
- Rate of specific health guidance/post-health checkup interviews taken (at headquarters): Achieve 80%



## 4. Health and Safety

### Policies

Foster Electric has established a rule to prioritize health and safety, and endeavors to create a safe and healthy working environment. Based on this rule, we are advancing redressing activities, which are carried out mainly by the Health and Safety Committee that 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 health, safety and emergency 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.

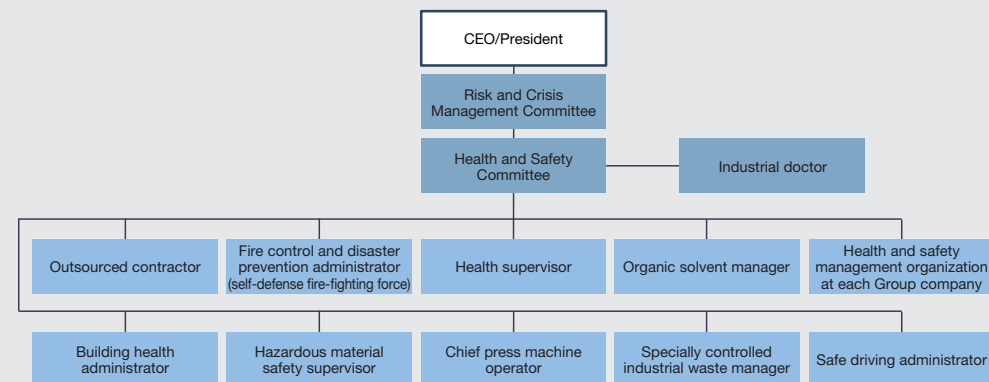
### Main Activities

Every year, we implement health and safety education, which is the basis of occupational activities. Further we tackle group-wide issues based around the Risk and Crisis Management Committee at headquarters. As part of the activities based on the "Health and Safety Management Regulations," the health and safety management organization, which consists of representative workers and management, discusses site specific issues, legal inspection, risk assessment, and so on at each site to prevent accidents and eliminate risks.

With regard to the group-wide issues, we take initiatives to resolve occupational health and safety issues for all employees by following "the Occupational Health and Safety Management Program Procedure Manual," which is based on "the Foster Group Corporate Action Guidelines" and "the Foster Group Code of Conduct for Staff." In fiscal 2022, to continue to deal with the threat of COVID-19, which was in its third year, we globally implemented infection control measures with the Health and Safety Committee through risk and crisis management. Because the number of infections subsequently decreased in a number of countries, we returned to normal operation in 2023. At headquarters, we worked to "drive the development of infrastructure and systems to reduce risks by assuming the occurrence of a disaster," which is the policy of the Health and Safety Committee, and focused our efforts on addressing various risks. We also developed an accommodation environment for people who might have difficulty returning home and clarified the solution to the toilet problem that will occur in the event of a water outage and the process of treating human waste. We will continue to address every possible problem that might be assumed.

### Activity Promotion Structure

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



### <Initiatives at headquarters>

- Activities related to remote work during the COVID-19 pandemic
- Provision of instructions on a healthy diet in the form of e-learning, which is aimed at managing employees' health
- Remote self-defense fire-fighting training provided using content offered by the Tokyo Fire Department
- Remote traffic safety exercise with the participation of police officers from the local precinct
- Continuation of initiatives to start reducing volatile organic compounds (VOC) in the development phase
- Activities to enhance the health of all employees

### ■ Measures to tackle COVID-19

At manufacturing sites, the number of COVID-19 infections decreased, and we began to return to normal operation in line with ease of restrictions by the government of each country. Our development facilities, including headquarters, also saw an easing of restrictions by the government. In response, we decided to stop taking measures to prevent COVID-19 infections at headquarters. Regarding health management at normal times, we continue to encourage each employee to be aware of infection control in their activities via the Health and Safety Committee.

Main examples of measures that we stopped taking at headquarters

- Wear a face mask
- Social distancing
- Partitions set up in areas for eating and drinking, etc.
- Operation of meeting rooms and reception rooms
- Recording behaviors and reporting infections
- Restrictions on events to be held internally or externally and on participation in such events
- Treating an absence for vaccination as attendance

We will maintain a safe, secure system globally by taking health management measures thoroughly.

### ■ Bicycle safety

In recognition of our employees' safe use of bicycles and our traffic accident prevention activities, we were certified by the Japan Traffic Management Technology Association as a Model Company for National Bicycle Safety in February 2017, with our activities being seen as making us a role model. The certification was again renewed this year in recognition of our continuing activities. This year, the use of bicycle helmets began to be recommended, so we made it mandatory to wear a helmet when using a company-owned bicycle for work. We will continue striving to ensure employees' safety.



Model Company for Bicycle Safety certification

### ■ Initiatives at warehouses in Japan

We improve matters related to occupational health and safety, and fire /disaster prevention through internal and external audits.

At Iga Logistics Center, a disaster prevention audit was conducted by an external insurance institution, and we carried out improvement activities based on potential risks that were identified in the audit. We undertake disaster control measures by improving facility operation and equipment.

### ■ Initiatives at overseas sites

We seek to improve areas related to health and safety at overseas plants and other overseas sites, either on our own or through externally certified management systems. We minimize the occurrence of work-related injuries and diseases with safe, hygienic work environments, in an effort to ensure high quality products and services and uniformity of manufacturing, retain workers, and increase their motivation to work. We also share information with employees and provide them with ongoing training, so as to identify and solve health and safety problems in workplaces.

Certification under the ISO 45001 international standard for occupational health and safety was obtained by the Bac Ninh Plant (Vietnam), the Panyu and Heyuan Plants (China) in 2019 and by the Binh Duong Plant (Vietnam) in 2022.

In addition, the ESTec Group, our subsidiary in South Korea, has also obtained this certification at its Binh Duong Plant (Vietnam), Phu Tho Plant (Vietnam), Jiaxing Plant (China), and the headquarters plant (South Korea).

Among the 15 manufacturing sites of the Foster Group, the above eight sites have obtained the ISO 45001 certification and have continued to renew the certification every year.

At sites that have yet to obtain the ISO 45001 certification for occupational health and safety, we have stipulated that specific actions shall be taken by following "6.1.4 Planning Action" shown in the standard. We aim for appropriate operation based on the structure of each site.

### Future Plan

We will continue to examine our global BCP structure by assuming disasters affecting our overseas plants and enhance the management of our fire protection framework, pushing forward with the development of the Multi-hazard BCP System for responding flexibly to a range of risks such as COVID-19, and the Health and Safety Committee will continue to promote information sharing.

## Social Contribution and Philanthropy

### Basic Approach

We support the SDGs and the philosophy of UNGC and desire to contribute to the development and wellbeing of local communities while also fulfilling our corporate social responsibilities. Having smooth communication with local communities and building relationships of social trust with them will have a positive impact on the company's long-term growth.

Article 18 of the Foster Group Code of Conduct for Staff states the following about social contribution activities.

Contribution to Society: As Good Corporate Citizen, Foster Group Directors and Staff actively participate in the social contribution activity and contribute to the development of the society. We continuously execute the social contribution activity such as sponsorship of culture and art, cooperation to regional community, participation in volunteer activity or contribution to international society and perform the role as a corporate citizen."

We engage proactively in effective communication and philanthropic activities in the countries and regions where we operate, aiming to be a company that develops together with people from local communities and that enjoys widespread trust.

### Main Activities

#### Japan

##### Communicating with the community

In fiscal 2014, we acquired the naming rights for Akishima Community Hall and gave this facility a nickname, KOTORI Hall. In April 2023, we used the renewal of the naming rights contract as an opportunity to give it a new nickname, FOSTER Hall. We will continue to create opportunities to communicate with the community. The blue parts of the new logo, **FOSTER** and **ALL** reflect our strong desire that the hall will contribute to the growth of all the people who use it.

**FOSTER** ホール



We continue to participate in "Akishima-shi Environment Consideration Enterprise Network," which carries out environmental activities with businesses in the city, as a vice-president. Although various annual events hosted by this organization were cancelled due to the COVID-19 pandemic, city clean-up activities were continued, and environmental contribution was made by making the city beautiful.

In addition, Foster is promoting activities to enable people to encounter local traditional cultures through Akishima Showa No Mori Arts and Culture Promotion Association and Akishima Tourism & City Planning Association, in which we participate. Foster is also cooperating with the Akishima Location Service to engage in activities for revitalizing the local area.

##### Social contribution through education

We take various opportunities to hold a Speaker Craft Workshop. We also co-host the Speaker Craft Workshop for Parents and Children, classes given to the citizens of Akishima City. We accepted junior high school students for work experience and held science classes for second-year students at junior high schools in Akishima City (six schools in total). Using speakers as materials, we provided opportunities to enjoy learning about the principles and mechanisms of how speakers work.



##### Relief money for employees affected by the flooding in Thailand

Early in October 2022, heavy rainfall in the north area of Chao Phraya River caused the river to rise and resulted in a dam discharge, which caused flooding in areas including the midstream and tributary areas. Some parts of tributaries overflowed, causing more than 100 houses of employees working at our Thai plant to be flooded under or above the floor level. To aid our employees affected by this flooding, we solicited relief funds from headquarters employees and provided a total of approx. 280,000 yen, including a contribution from headquarters, to the plant in Thailand.

#### China

June to July 2022: Our employee volunteers participated in blood donation programs at our plant in Heyuan City and the Cultural Center in Panyu District, Guangzhou City. We also engage in care and welfare activities in Panyu District, Guangzhou City each year, providing care to residents of the district aged 60 or older.



#### Korea

September 2022 and January 2023: Charity funds for neighbors raised by officers and employees of ESTec Corporation, a Group company in South Korea, were donated to those in need of support in Yangsan City through the inhabitant life support office of the city government.



#### Vietnam

January 2023: We received "the Gold Heart award" from Red Cross Society of the Cam Le district in recognition of our outstanding achievements with our donations for local people facing financial difficulties from Cam Le district and Hòa Vang district of Da Nang.



# Governance

## Corporate Governance

### Policies

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

### Corporate Governance Structure

#### Board of Directors

The Board of Directors meetings are held regularly on a monthly basis, in principle, 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 also supervises the management from an independent and objective standpoint.

#### Members of the Board of Directors and their attendance at its meetings

The Board of Directors meeting currently consists of eight directors and four corporate auditors present. Seven of the meeting attendants (three independent directors and four corporate auditors), who constitute the majority, are in a position to supervise or audit management from an independent standpoint. In addition, the Board of Directors is chaired by the president (during the last fiscal year). Because we are in a period of business transformation, with many agenda items related to important business execution, we believe that the smooth operation of the Board of Directors is enabled by having the president, who is familiar with the status of business execution and the internal situation, host the meetings as the chair. In addition, sessions for exchanges of views between directors, which are hosted by independent directors, are held to increase the effectiveness of the Board of Directors.

Members of the Board of Directors and their attendance at its meetings are as shown in Table 1 (page 45).

#### Major matters considered by the Board of Directors

The Board of Directors vote on important matters related to business execution, including management policies, business plans, and sustainability-related issues, in addition to agenda for the general meeting of shareholders and legal matters for resolution. Progress in important matters of business execution is also reported. Matters to be reported include those requested at sessions for exchanges of views between independent directors and corporate auditors and among independent officers, leading to a lively exchange of opinions.

### Board of Corporate Auditors

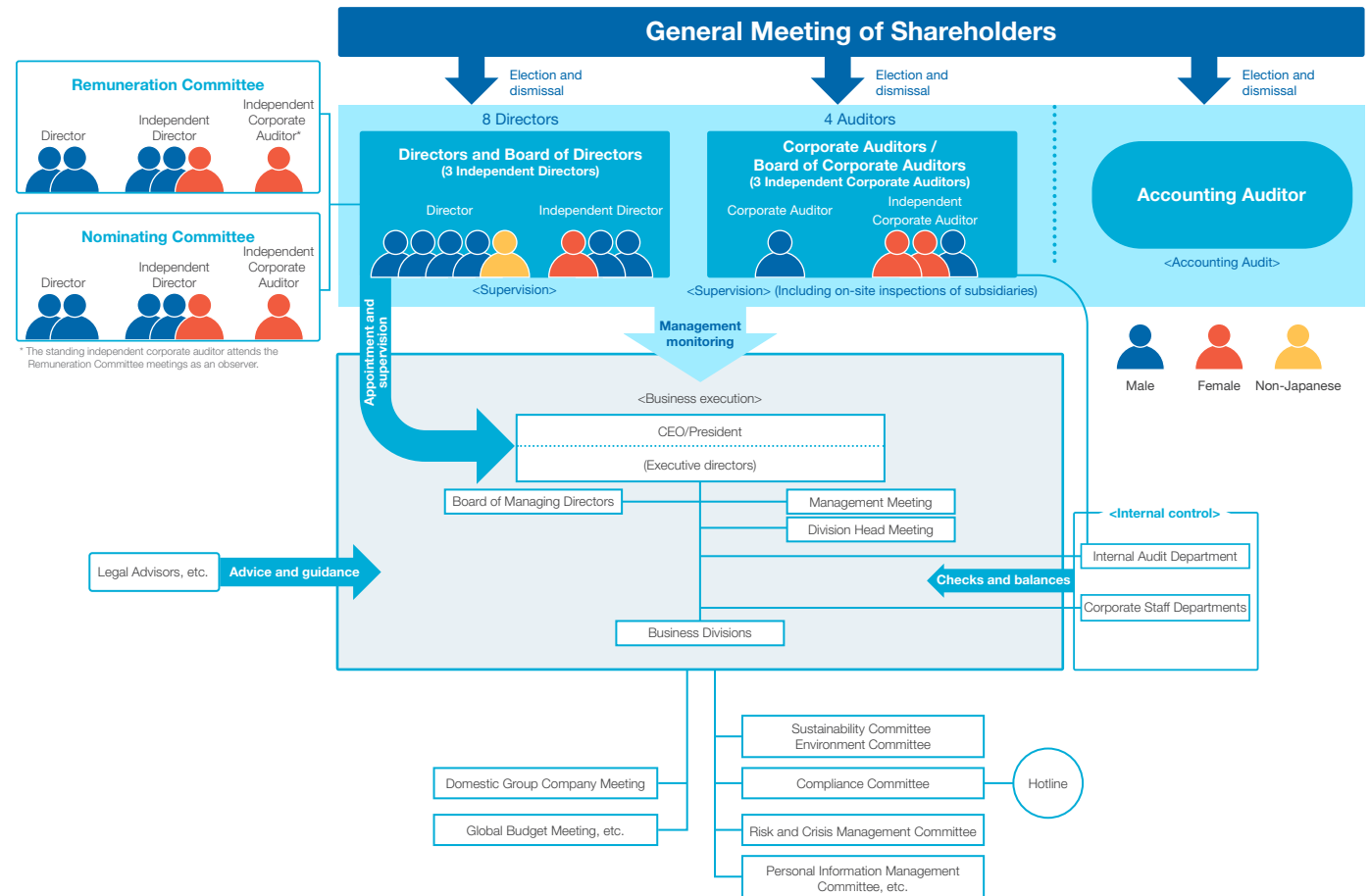
In the last fiscal year, meetings of the Board of Corporate Auditors were convened 9 times.

#### Members of the Board of Corporate Auditors and their attendance at its meetings

The Board of Corporate Auditors consists of four members (including three independent corporate auditors). Each auditor has considerable knowledge in accounting, tax affairs, or legal affairs.

#### Major matters considered by the Board of Corporate Auditors

They include audit policies, the legality of business reports and annexed detailed statements, the appropriateness of the execution of duties by directors, the internal control system and its status of operation, and the reasonableness of the methods and results of audits conducted by the accounting auditor.





### Sessions for exchange of views between officers

We hold the following sessions for exchanging views for the purpose of strengthening corporate governance. At each session, attendants have unrestricted, constructive discussion and exchange of views, including the presentation of problems. The content is utilized for the discussion and operation of the Board of Directors, supervision of management, business execution, and other purposes.

Meeting name	Chairperson	Organizer	Month
Session for exchange of views between directors hosted by independent directors	Lead Independent Director	Improving the effectiveness of the Board of Directors	May 2022
Session for exchange of views between independent officers	Full-time Corporate Auditor	Exchanging views from independent standpoint	June 2022
Session for exchange of views between independent directors and corporate auditors	Full-time Corporate Auditor	Exchanging views from the standpoint of auditor or supervisor	August 2022 February 2023
Session for exchange of views between the president, independent directors, and corporate auditors	CEO/President	Recommendations to the president from auditors or supervisors	September 2022 March 2023
Session for exchange of views between the president and corporate auditors	Full-time Corporate Auditor	Reporting audit results, giving recommendations for improving the execution of duties, etc.	November 2022
Officers' camp for discussing the medium-term business plan	CEO/President	Discussing the progress of the medium-term business plan, issues, improvement measures, etc.	September 2022

### Status of activities of the Nominating Committee

The committee is chaired by the lead independent director and its members are three independent directors, two directors, and the standing independent corporate auditor.

To ensure the fair, transparent selection and appointment, etc. of officers (directors and corporate auditors), the committee drafts agendas on appointment or dismissal of directors and corporate auditors that the Board of Directors submit to the general meeting of shareholders, as well as agenda items on the appointment or dismissal of the president for the Board of Directors meetings. In the process of appointing the president, the committee has the authority to select a succession plan and candidates and interview the candidates.

During the last fiscal year, the committee met five times.

- Discussion of specific criteria for the selection of CEO candidates
- Interviews with CEO candidates
- Selection of CEO candidates
- Selection of candidates for directors and corporate auditors to be submitted to the 89th Ordinary General Meeting of Shareholders and submission of the candidates to the Board of Directors and the Board of Corporate Auditors

The status of attendance of each member is as shown in Table 1 (page 45).

### Status of activities of the Remuneration Committee

The committee is chaired by the lead independent director and its members are three independent directors and two directors. The standing independent corporate auditor also attends its meetings as an observer.

This committee has the authority to determine the director remuneration

system, criteria, and policies and content of remuneration of individual directors, within the amount limits set by resolution by the general meeting of shareholders and within the scope specified in internal regulations on remuneration, so as to ensure fair, transparent decisions on directors' remuneration, their treatment, and other areas.

In the last fiscal year, this committee met once.

- Review of business performance of the overall company and each division in the last fiscal year
- Evaluation of individuals based on the above for performance-linked remuneration for the fiscal year
- Review of the progress of the medium-term business plan and evaluation of individuals for medium- to long-term performance-linked remuneration, which are made based on the above

The total amount of remuneration of directors was submitted for discussion at the Board of Directors meeting held on June 24, 2022 and received approval. Regarding the amount of remuneration of each director (and each executive officer), it was resolved that the Board of Directors would leave the decision to the committee within the total amount and the scope set forth in the internal regulations on remuneration of directors, etc. In response, the committee determined the amount.

The status of attendance of each member is as shown in Table 1 (page 45).

### Evaluation of effectiveness of the Board of Directors

To increase the effectiveness of the Board of Directors, we evaluate the effectiveness based on the results of questionnaires of directors and corporate auditors. We also leverage the results of surveys in the operation of the Board of Directors.

### ■ Overview of results of the effectiveness evaluation of the Board of Directors

#### 1. Last fiscal year (FY2022)

##### (1) Composition

The Board of Directors has a well-balanced composition, with internal and external officers with diverse experience and insights, including female and non-Japanese members. Its size is appropriate for having sufficient communications and lively discussions. Meanwhile, a future task is to develop candidate human resources for appointing directors with expertise in strategies to strengthen R&D and other areas as well as female internal directors.

##### (2) Status of operation

To help the Board of Directors conduct meaningful discussions, materials are distributed to its members before a meeting is held, thus having them understand the background, purpose, and content of each agenda. In addition, where necessary, explanations are given by the secretariat to the Board of Directors or others. The set frequency of meetings is also appropriate, and meetings are also held as necessary. On the other hand, while improvements have been made in the early presentation of materials, there is room for improvement in the earlier provision of materials and prior explanations about important matters. In addition, in the case of an important matter, holding repeated deliberations, such as holding an extraordinary meeting of the Board of Directors without waiting for a regular meeting, will further vitalize the operations of the Board of Directors.

##### (3) Status of deliberations

In the last fiscal year, the duration of each meeting of the Board of Directors was extended. This has resulted in unrestricted, constructive discussion and exchanges of views made more actively than ever, further increasing the effectiveness. Moving forward, more active discussion and enhancement of the system for reporting specific measures and their progress need to be achieved by increasing the effectiveness of prior explanations of important agenda items, among other means.

#### 2. Future initiatives

In light of the results of evaluation for the last fiscal year, the following initiatives will be taken in an attempt to enhance deliberations by the Board of Directors and further increase its effectiveness.

- Enhancing deliberations of management strategies and important matters and follow-up reporting
- Enhancing reporting and activating discussion about sustainability
- Presenting materials earlier, ensuring the early provision of materials about important matters, and improving prior explanations about such matters

Table 1: Activities of each director and corporate auditor in the Board of Directors, Board of Corporate Auditors, and arbitrary committees (April 2022 to March 2023)

Name	Title		Board of Directors	Board of Corporate Auditors	Nominating Committee	Remuneration Committee
Hiromi Yoshizawa	Director and Chairperson		○ 12/12		○ 2/5	○ 1/1
Atsushi Narikawa	CEO		◎ 12/12		○ 3/5	○ 1/1
Lu San Tie	Senior Managing Director	Non-Japanese	○ 12/12			
Kazuhiro Kishi	Managing Director		○ 12/12			
Hiroki Miura	Director		○ 12/12			
Minoru Matsumoto	Lead Independent Director	Independent	○ 12/12		◎ 5/5	◎ 1/1
Yasuhiro Goto	Independent Director	Independent	○ 12/12		○ 5/5	○ 1/1
Kaoru Chujo	Independent Director	Independent Female	○ 12/12		○ 5/5	○ 1/1
Satoko Kimoto	Full-time Corporate Auditor	Independent Female	△ 12/12	◎ 9/9	○ 5/5	△ 1/1
Tsutomu Inokuma	Corporate Auditor		△ 12/12	○ 9/9		
Takashi Suzuki	Independent Corporate Auditor	Independent	△ 12/12	○ 9/9		
Takuma Ino	Independent Corporate Auditor	Independent	△ 2/2	○ 3/3		
Aiko Oue	Independent Corporate Auditor	Independent Female	△ 10/10	○ 6/6		

◎: Chairperson, ○: Member, △: Attendant

- (Note) 1. The above information about the positions applies to the period from April 1, 2022 to March 31, 2023.  
 2. Mr. Takuma Ino resigned at the close of the 88th Ordinary General Meeting of Shareholders of the Company that was held on June 24, 2022.  
 3. Ms. Aiko Oue was appointed as a corporate auditor at the 88th Ordinary General Meeting of Shareholders of the Company that was held on June 24, 2022.  
 4. The Nominating Committee meetings include interviews (two times) by outside officers who are members with candidates for president.

## Overview of director remuneration system

The remuneration of directors and corporate auditors is paid in such a way that the amount will not exceed the limit on remuneration, a resolution on which was passed at the general meeting of shareholders.

Regarding the remuneration of directors, the remuneration system, criteria, and policies and content of remuneration of individual directors are determined by the Remuneration Committee so as to ensure fair, transparent decisions on directors' remuneration, their treatment, and other aspects.

The remuneration of internal directors consists of the basic remuneration, performance-linked remuneration for each fiscal year, and medium- to long-term performance-linked remuneration.

The system, criteria, and policies for the remuneration of corporate auditors and the contents of remuneration of individual corporate auditors are determined by the Board of Corporate Auditors.

		Basic compensation	Performance-linked remuneration for each fiscal year	Medium- to long-term performance-linked remuneration
Payment method	Fixed	Paid in cash, with the amount set for each position	–	–
	Variable	–	Paid in cash, based on the level of performance achieved in each fiscal year	Stock is granted based on the level of achievement of the medium-term business plan.
Evaluation indicators/criteria	–	–	Operating profit	Operating profit ratio
Coefficient/payment rate	–	–	0–100%	50–100%
Payment timing	–	Monthly	Monthly	On retirement
Performance evaluation period	–	–	1 year	1 year and the period of the medium-term business plan
Recipients	–	Director Corporate Auditor Executive Officer	Directors (excluding Outside Directors) and Executive Officers	Directors (excluding Outside Directors) and Executive 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. (The following site is in Japanese.)

[https://www.foster.co.jp/csr/governance/pdf/corporate\\_governance\\_guidelines.pdf](https://www.foster.co.jp/csr/governance/pdf/corporate_governance_guidelines.pdf)

## Foster Group Corporate Action Guidelines

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

[https://www.foster.co.jp/csr/governance/pdf/corporate\\_action\\_guideline.pdf](https://www.foster.co.jp/csr/governance/pdf/corporate_action_guideline.pdf)

## Compliance

### Policies

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

### Compliance Structure

The Foster Group places emphasis on the internal whistleblowing system to promote compliance. Such system is under operation through “the Compliance Hotline” and “Harassment Helpline” that connects whistleblowers to external corporate lawyers available for 24 hours by email. Internally, the highly independent internal audit office and HR representative act as a window to early detect violations of compliance. The whistleblowing hotline is extensively available to employees and officers of the entire Group as well as to their families and the employees of business associates. We also hold briefings on the Compliance Hotline and Harassment Helpline for employees, to ensure that they are fully informed of the internal whistleblowing system.

For the protection of whistle-blowers, internal regulations, including internal reporting regulations, are established and disseminated to ensure that they are treated fairly or not involved in any trouble as a result of their actions. Further, partly reflecting the revision of the Whistleblower Protection Act, our internal reporting regulations clearly state that the obligation to maintain the confidentiality of information that enables the whistleblower to be identified shall be ensured, and that any violation of the prohibition of searching for the whistleblower and prohibition of retaliation against and disadvantageous treatment of the whistleblower may result in disciplinary action.

### Compliance Committee

The Compliance Committee leads compliance programs with the president serving as chief executive. This committee was set up in accordance with “the Foster Group Code of Conduct for Staff.”

In fiscal 2022, we conducted a compliance test and a questionnaire on overall compliance matters, including “the Foster Group Code of Conduct for Staff.” We also gave all employees online compliance training related to contracts, the Subcontract Act, insider trading, secret management, and export management and took other measures in our efforts to raise their awareness of compliance.

### Future Plan

The Foster Group will continue to promote activities such as the enrichment of internal trainings and provision of information on related laws and regulations, which are led by the Compliance Committee, to enhance and improve the compliance structure.

## Risk Management

### Policies

The Foster Group is focused on predicting risks and taking preventive measures so that such risks will not materialize. They also focus on minimizing damage to the Company should a risk develop and materialize, resulting in the occurrence of danger. Specifically, we are working to make the risk control matrix (RCM) framework more sophisticated and to reinforce our structure for managing and sharing information under the basic operating policy of “being prepared for forward-looking risk and crisis management.”

### 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 set up a task force, mainly consisting of the Risk and Crisis Management Committee members, and take other prompt measures to minimize damage, restore the original state as early as possible, and prevent any recurrences.

### Risk and Crisis Management Committee

The Committee identifies and evaluates risks based on the result of risk reexamination conducted by respective department each year. From among risks, the Committee selects important risk items that it needs to control. Specific measures which have been taken to address such risk items are monitored through regular meetings of the Committee, which are held every three months. The risk evaluation result is also referenced during the business policy planning. The Committee reports the status of its operation, risks faced by the Group, and measures that have been taken to tackle those risks to the Board of Directors as appropriate. The Board of Directors fulfills its function of supervising risk management, such as by giving advice and instructions based on specialized knowledge of outside officers. Our important risk items that were monitored in fiscal 2022 included suppliers’ business continuity management, response to the logistics disruption, validation and global expansion of the BCP structure, management of the fire protection framework of the overall Group, and management of countermeasures under the information security management system.

The Risk and Crisis Management Committee held weekly meetings in addition to its regular meetings because the future of the economy remained uncertain due to factors including the spread of the highly infectious COVID-19 variant, lockdowns in Vietnam and China, and the rising tensions in Ukraine. At the weekly meetings of the Committee, departments and sites collected and shared customer information, supplier information, and other information, identified top risks from among various materialized risks, and clarified the responsible department and action policy for each of such risks, thus handling them in an appropriate, timely, flexible manner.

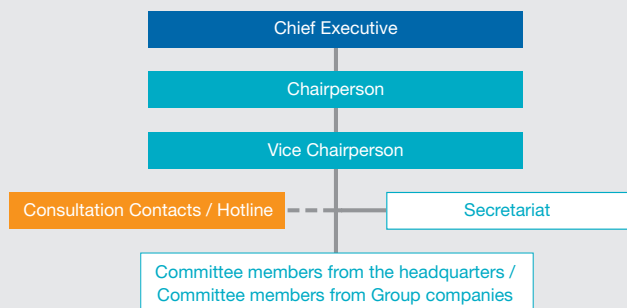
### Future Plan

In addition to monitoring important risk items through regular meetings of the Risk and Crisis Management Committee, we will pursue a higher level of risk control based on management policies, headquarters policies, and other criteria.

We will also associate incidents with business process risks, thus improving our ability to examine and predict risk linkages, and identify risk topics at each overseas site to improve the completeness of identified risks and our ability to handle them promptly. Meanwhile, we will strengthen the Group’s risk management system by creating elaborate risk maps and identifying top risks, mainly through regular meetings with the responsible person from each overseas site.

### Organization of the Compliance Committee

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



## 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.

### Main Activities and Measures

#### ■ Operation of the emergency-contact system (Safety Confirmation System)

We have introduced a safety confirmation system using mobile phones to be prepared for emergencies, such as the predicted inland earthquake in Kanto area, and other disasters. This system is aimed at keeping headquarters functional by allowing it to issue an emergency notice to confirm the safety of its employees and their families and ensure a prompt initial response. In addition, in October 2022, we conducted response training in consideration of the work-from-home system during the COVID-19 pandemic, so as to get ready to operate remote disaster headquarters in the event of a disaster. Further, in December 2022, we conducted a questionnaire to be ready to serve people having difficulty returning home and reviewed what items are in the stockpile and how many of them are in stock.

#### ■ Disaster-prevention activities

We received a letter of gratitude from the Akishima Fire Department in recognition of our victory in a competition for the training of in-house firefighting teams, as well as our daily disaster prevention activities and regional disaster prevention activities. Further, our headquarters are registered as Pipo-kun-no le (an emergency shelter where children can seek help). In future, we will continue to work to be a company that is needed in the community. In December 2022, we conducted a joint global disaster drill involving headquarters, assuming a fire at an overseas manufacturing site (a plant in China). We made improvements based on problems found through this training, as part of our efforts to enhance our business continuity plan globally to continue deliveries to customers.



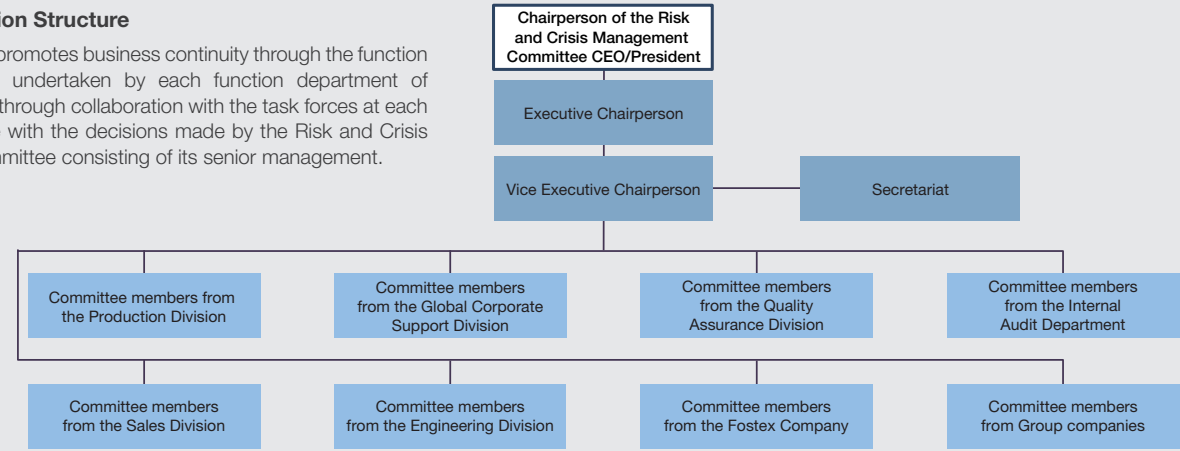
The victory plaque we won in a competition for the training of in-house firefighting teams



A sign put up at the entrance saying "Pipo-kun-no le"

### 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.



### Tackling COVID-19 Coronavirus

At overseas manufacturing sites, the number of COVID-19 infections decreased, and governments are easing restrictions. In these circumstances, we attach importance to the continuation of deliveries to customers and continue to take basic measures, including managing health, washing hands, and wearing masks. In 2022, we promoted vaccinations and gave COVID-19 tests as part of our comprehensive infection control measures. We will maintain a safe, secure production system.

### Pest control measures

We regularly take measures to prevent the occurrence of pests at overseas manufacturing sites. We thus prevent damages from pests including red imported fire ants, which have gone on the rampage in the past.



A pest control measure being taken (China)

### Disaster Drills at Overseas Sites

We appoint a person in charge of BCP for each overseas site and implement disaster drills once a year to improve our employees' awareness of disaster prevention.



Rescue of affected people (Myanmar and Vietnam)



**Future Plan**

In addition to drawing up and executing a business continuity plan (BCP) to tackle the threat of another surge in COVID-19, which still continues to mutate, we will aim to build the Multi-hazard BCP System that will allow us to address every one of the recently diversifying risks and respond flexibly even to an international emergency.

**Our Stance on Tax Matters**

**Basic Stance**

The Foster Group works to maintain and improve tax compliance and perform proper filing and payment of taxes in accordance with the local tax-related laws and international rules based on its business and sustainable development strategies.

**Governance**

The Foster Group has established the global tax department within the Finance and Accounting Department of the Global Corporate Support Division at headquarters, so as to manage and monitor tax risks. Critical issues are reported to the top management including Board of Directors for their directions.

**Transactions with Related Parties Outside Japan**

The Foster Group determines prices based on the arm's length principle.

**Relationship with Tax Authorities**

The Foster Group provides information and otherwise responds to tax authorities in good faith. In addition, the Group has requested bilateral advance pricing arrangement (BAPA) to ensure the predictability of the application of transfer pricing taxation.

**Ensuring Transparency and Responding to Pillar Two**

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

The Group responds appropriately to income taxes concerning the global minimum corporate tax rate, which was established based on Pillar Two in the BEPS 2.0 project that has been discussed by the OECD and G20.

**Information Security**

**Policies**

We recognize the importance of securing the trust of our customers, suppliers, shareholders, employees and other stakeholders based on our corporate creed of "Sincerity." We also understand that appropriate management of information assets is an important part of the management agenda. To appropriately protect and handle the information assets possessed by the Group, we define the information security policies as follows:

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

**Information Security Policies:**

<https://www.foster-electric.com/security/index.html>

**Activity Promotion Structure**

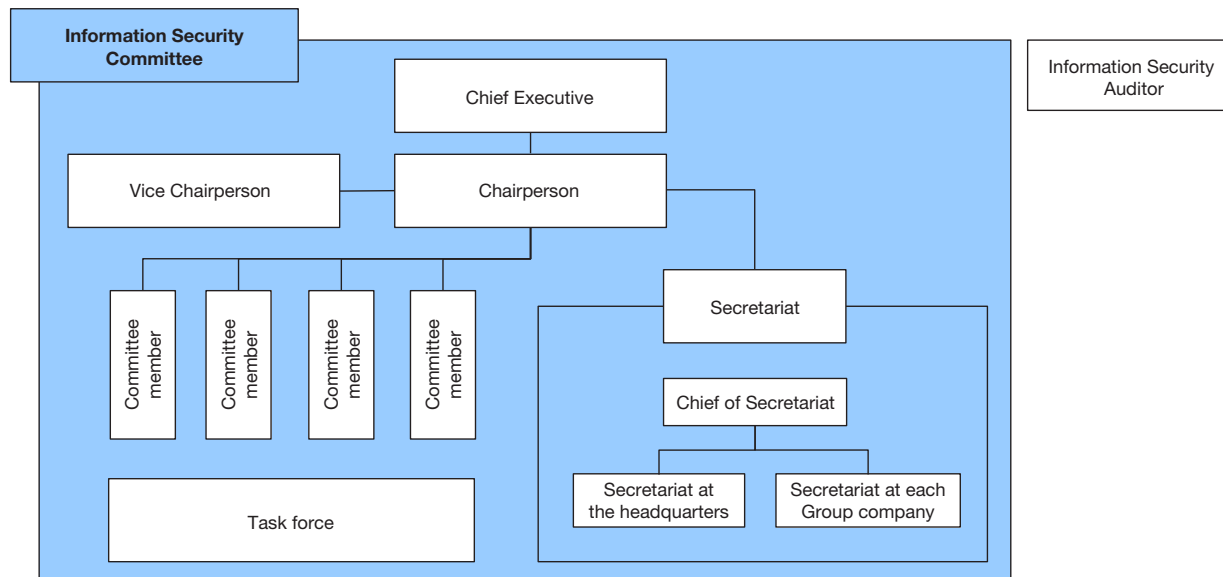
For protection and appropriate management of all information assets possessed by the Group, it has established the Information Security Committee, whose members include the president serving as a chief executive and management, to maintain the system for understanding the management status of information security and prompt implementation of required security measures according to the risk analysis results.

**Main Activities and Measures**

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

**Mid-term Plan**

- Penetration of the infrastructure for information protection and management on a global basis.
- Conduct of risk analyses and plan of concrete preventive measures based on the Business Continuity Plans (BCPs).
- Assurance of the awareness of the information security policies and respective regulations




# Directors, Audit and Supervisory Committee Members, and Officers

## Directors

**Director and Chairperson**

**Atsushi Narikawa**



Apr. 1982. Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)  
 Nov. 1997. Assistant General Manager, Kudan Branch, The Fuji Bank  
 Apr. 2002. Deputy Manager, Americas Non-Japanese Sales Department No. 2, Mizuho Corporate Bank, Ltd.  
 Mar. 2003. Deputy Manager, Americas Products Sales Department, Mizuho Corporate Bank, Ltd.  
 Apr. 2004. Deputy Manager, Americas Business Administration Division, Mizuho Corporate Bank, Ltd.  
 Mar. 2006. General Manager, Seoul Branch, Mizuho Corporate Bank, Ltd.  
 Apr. 2009. Executive Officer, General Manager of Corporate Banking Division No. 13, Mizuho Corporate Bank, Ltd.  
 Apr. 2010. Managing Executive Officer, Mizuho Corporate Bank, Ltd.  
 Jul. 2010. Chief Officer for the European Region, Mizuho Corporate Bank, Ltd.  
 Jul. 2013. Managing Executive Officer, Head of the European Region Unit, Mizuho Bank, Ltd.  
 May 2015. Advisor of the Company  
 Jun. 2015. Senior Managing Director and Assistant to the President of the Company  
 Jan. 2017. General Manager, Global Corporate Support Division of the Company  
 Jun. 2020. President and Representative Director, COO of the Company  
 Jun. 2022. President and Representative Director, CEO of the Company  
 Jun. 2023. Director and Chairperson of the Company (to the present)

**CEO**

**Kazuhiro Kishi**



Mar. 1986. Joined the Company  
 Oct. 2002. Deputy Manager, Sales Department, IT Equipment Division of the Company  
 Apr. 2003. Manager, Sales Department, IT Equipment Division of the Company  
 Apr. 2004. Manager, Sales Department No. 2, Sales Division of the Company  
 Feb. 2006. Executive Officer, Deputy General Manager, HP Division of the Company  
 Feb. 2007. Deputy General Manager, HP Business Division of the Company  
 Dec. 2008. Deputy General Manager, Mobile Audio Business Division of the Company  
 Jun. 2009. Director of the Company  
 Jun. 2010. Acting General Manager, Mobile Audio Business Division of the Company  
 Apr. 2011. General Manager, Sales Division of the Company  
 Apr. 2013. General Manager, MA Business Division of the Company  
 Jun. 2014. Managing Director of the Company  
 Apr. 2017. General Manager, New Business Development Division and General Manager, Sales of the Americas of the Company  
 Aug. 2019. General Manager, Sales Division and General Manager, Sales of the Company  
 Apr. 2020. General Manager, Sales Division, Head of Sales & Marketing, and in charge of the Americas of the Company  
 Jun. 2023. President and Representative Director, CEO of the Company (to the present)

**Senior Managing Director**

**Lu San Tie**



Jul. 1997. Joined the Company  
 Jun. 2001. Director, Foster Electric Co., (Hong Kong) Ltd.  
 Jun. 2004. Vice President, Foster Electric Co., (Hong Kong) Ltd.  
 Feb. 2006. Executive Officer of the Company  
 Apr. 2006. President, Foster Electric Co., (Hong Kong) Ltd.  
 Jun. 2007. Director of the Company  
 Jul. 2009. General Manager in charge of Manufacturing of the Company  
 Feb. 2010. President, Foster Electric Co., (Heyuan) Ltd.  
 Apr. 2011. General Manager, Production of the Company  
 Apr. 2012. General Manager, Manufacturing Division, Manager, Manufacturing Strategy Department of the Company and Chairman, Foster Electric Co., (Hong Kong) Ltd.  
 Apr. 2014. General Manager, Southeast Asia Production of the Company, President, Foster Electric Co., (Heyuan) Ltd. and Chairman, Foster Electric Co., (Heyuan) Ltd.  
 Apr. 2016. Managing Director of the Company  
 Jun. 2018. Senior Managing Director of the Company (to the present)  
 Oct. 2018. General Manager in charge of Manufacturing of the Company and Managing Director, Foster Electric (Singapore) Pte. Ltd.  
 Apr. 2022. China CEO and Managing Director, Foster Electric (Singapore) Pte. Ltd. (to the present)

**Managing Director**

**Hiroki Miura**



Apr. 1985. Joined the Company  
 Apr. 2003. Deputy Manager, Engineering Department, CAR Equipment Division of the Company  
 Feb. 2006. Manager, Engineering Department No. 2, SP Division of the Company  
 May 2008. Director, Foster Electric Co., (Hong Kong) Ltd.  
 Jul. 2010. Deputy General Manager, Mobile Audio Business Division of the Company  
 Apr. 2011. Deputy General Manager, Engineering Division of the Company  
 Jan. 2013. Deputy Manager, Quality Assurance Center and Manager, MA Quality Assurance Department of the Company  
 Oct. 2013. General Director, Foster Electric (Vietnam) Co., Ltd.  
 Nov. 2014. Chairman and General Director, Foster Electric (Vietnam) Co., Ltd.  
 Jun. 2018. Deputy General Manager, SP Business Division of the Company / Meister  
 Oct. 2018. Deputy General Manager, SP Business Division and General Manager, Engineering of the Company  
 Apr. 2019. Executive Officer, Deputy General Manager, SP Business Division, and General Manager, Engineering of the Company / Fellow  
 Aug. 2019. General Manager, Engineering Division and Head of Engineering of the Company / Fellow (to the present)  
 Jun. 2021. Director of the Company  
 Jun. 2023. Managing Director of the Company (to the present)

**Managing Director and CFO**

**Akihito Mochizuki**



Apr. 1988. Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)  
 Mar. 2003. Assistant General Manager, Kanda Branch, Mizuho Bank, Ltd.  
 Jan. 2006. Deputy Manager, Corporate Planning Division, Mizuho Bank, Ltd.  
 Oct. 2010. General Manager, Kofu Branch, Mizuho Bank, Ltd.  
 Apr. 2013. General Manager, e-Business Sales Division, Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.  
 Nov. 2013. General Manager, Compliance Promotion Division No. 1, Mizuho Financial Group, Inc. and Mizuho Bank, Ltd.  
 Apr. 2015. General Manager, Planning Administration Division, Mizuho Financial Group, Inc. and Mizuho Bank, Ltd.  
 Apr. 2017. Executive Officer, General Manager, Planning Administration Division, Mizuho Financial Group, Inc. and Mizuho Bank, Ltd.  
 Apr. 2018. Managing Executive Officer, Mizuho Financial Group, Inc. and Mizuho Bank, Ltd. / Chairman of the Planning Committee, Japanese Bankers Association  
 Apr. 2019. Managing Executive Officer, Mizuho Financial Group, Inc., Mizuho Bank, Ltd., and Mizuho Trust & Banking Co., Ltd. / Head of Internal Audit Group  
 Apr. 2020. Senior General Manager, Mizuho Bank, Ltd. Audit & Supervisory Board Member, Mizuho Research Institute Ltd.  
 Apr. 2021. Senior General Manager, Mizuho Bank, Ltd.  
 May 2021. Advisor of the Company  
 Jul. 2021. Senior Executive Officer of the Company  
 Jul. 2021. General Manager, Global Corporate Support Division of the Company  
 Oct. 2021. General Manager, Global Corporate Support Division, and General Manager, Corporate Management Division of the Company  
 Apr. 2022. CFO, General Manager, Global Corporate Support Division of the Company (to the present)  
 Jun. 2023. Managing Director of the Company (to the present)

**Independent Director**


**Minoru Matsumoto**



Oct. 1983. Joined Tohmatsu Aoki Audit Firm (currently Deloitte Touche Tohmatsu LLC)  
 Mar. 1987. Registered as Certified Public Accountant  
 Sep. 2012. Resigned from Deloitte Touche Tohmatsu LLC  
 Oct. 2013. Set up Minoru Matsumoto CPA Office (to the present)  
 Jun. 2014. Outside Corporate Auditor, Sanshin Electronics Co., Ltd.  
 Feb. 2015. Outside Corporate Auditor, JASTEC Co., Ltd.  
 Jun. 2015. Independent Director of the Company (to the present)  
 Feb. 2016. Outside Director (Audit and Supervisory Committee Member), JASTEC Co., Ltd. (to the present)  
 Mar. 2021. Outside Audit & Supervisory Board Member, Toyo Ink SC Holdings Co., Ltd.  
 Mar. 2022. Outside Director (Audit & Supervisory Committee Member), Toyo Ink SC Holdings Co., Ltd. (to the present)  
 Oct. 2022. Representative Partner of Terada Accounting Tax Corporation (to the present)

**Independent Director**


**Yasuhiro Goto**



Apr. 1984. Joined Nikkei Inc.  
 Sep. 1988. Assigned to Bahrain Bureau, Nikkei Inc.  
 Jan. 1990. Assigned to London (Europe Headquarter), Nikkei Inc.  
 Sep. 1992. Industrial Department, Tokyo Head Office, Nikkei Inc.  
 Sep. 1997. Assigned to Beijing (Chinese Headquarter), Nikkei Inc.  
 Sep. 2000. Senior Staff Writer, Industrial Department, Tokyo Head Office, Nikkei Inc.  
 Mar. 2002. Editorial Writer and newscaster on Nikkei CNBC, Nikkei Inc.  
 Mar. 2008. Head of Editorial Office in Asia, Nikkei Inc.  
 Apr. 2010. Senior Staff Writer, Nikkei Inc.  
 Mar. 2016. Resigned from Nikkei Inc.  
 Apr. 2016. Professor, Faculty of Urban Innovation, Asia University (to the present)  
 Jun. 2017. Outside Corporate Auditor of the Company  
 Jun. 2020. Outside Director of the Company (to the present)  
 Jun. 2021. Outside Director of The San-in Godo Bank, Ltd. (to the present)  
 Dec. 2021. Advisor, Hazama Ando Corporation (to the present)

**Independent Director**

**Kaoru Chujo**



Apr. 1983. Joined Fujitsu Limited  
 Mar. 2000. IP Networking Research Senior Researcher, Fujitsu Laboratories of America, Inc.  
 Dec. 2009. General Manager, Advanced Technologies Division, Mobile Phone Business Unit of Fujitsu Limited  
 Jun. 2013. General Manager, Advanced Technologies Division, Ubiquitous Business Strategy Unit of Fujitsu Limited  
 Feb. 2016. General Manager, Ubiquitous IoT Business Unit of Fujitsu Limited  
 Apr. 2017. General Manager, AI Service Business Unit of Fujitsu Limited  
 Jul. 2019. Executive Director in charge of AI alliance, Software Business Unit of Fujitsu Limited  
 Dec. 2020. Founded SoW Insight, Inc., President and CEO (to the present)  
 Jun. 2021. Outside Director, ITOCHU-SHOKUHIN Co., Ltd. (to the present)  
 Jun. 2021. Outside Director of the Company (to the present)  
 Apr. 2022. Outside Director, Mitsubishi UBE Cement Corporation (to the present)

## Skill Matrix

To establish an effective corporate governance system for sustainable growth, the Company nominates Directors with wide ranging business experience and diverse expertise and knowledge. The experience, specialties, etc. of the Company's directors are as follows.

\* Including the climate-change issues

Title	Name	Corporate management	International experience/ Global business	Sales/Marketing	Manufacturing (Production/Quality)	Technology/ Development	Finance	Legal/ Risk management	Sustainability*	Industry knowledge	Nominating Committee	Remuneration Committee
Director and Chairperson	Atsushi Narikawa	●	●	●			●	●	●		●	●
CEO	Kazuhiro Kishi	●	●	●						●	●	●
Senior Managing Director	Lu San Tie	●	●		●					●		
Managing Director	Hiroki Miura	●	●		●	●				●		
Managing Director and CFO	Akihito Mochizuki	●	●	●			●	●	●			
Independent Director	Minoru Matsumoto		●				●				● (Chairperson)	● (Chairperson)
Independent Director	Yasuhiro Goto		●		●					●	●	●
Independent Director	Kaoru Chujo	●	●			●			●		●	●

## Corporate Auditor

Standing Corporate Auditor (Independent)

**Satoko Kimoto**



Apr. 1983 Joined Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency  
 Jul. 2007 Assistant Regional Commissioner of First Taxation Department, Kanto-Shinetsu Regional Taxation Bureau  
 Jul. 2008 Assistant Regional Commissioner of Planning and Administration Department, Sendai Regional Taxation Bureau  
 Jul. 2010 Director of Consumption Tax Office, Taxation Management Division, Taxation Department, National Tax Agency  
 Jul. 2011 Director of Information Technology Office, Planning Division, Commissioner's Secretariat, National Tax Agency  
 Jul. 2014 Vice President, National Printing Bureau  
 Jul. 2016 Director-General, Nagoya National Tax Tribunal  
 Apr. 2020 Visiting Professor of Graduate School of Accounting & Finance, Chiba University of Commerce  
 Jun. 2020 Corporate Auditor of the Company  
 Jun. 2021 Standing Corporate Auditor of the Company (to the present)

Standing Corporate Auditor

**Tatsuhito Tanaka**



Oct. 1991 Joined Price Waterhouse Aoyama Auditing Corporation  
 Oct. 1998 Assigned to PricewaterhouseCoopers Ho Chi Minh Office  
 Jul. 2000 Assigned to PricewaterhouseCoopers Bangkok Office  
 Jul. 2002 Assigned to PricewaterhouseCoopers Beijing Office  
 Nov. 2003 Returned to PricewaterhouseCoopers Chuo-Aoyama Auditing Corporation (Audit Department No. 1)  
 Apr. 2005 Joined SoftBank Corp. (Internal Audit Office)  
 Apr. 2007 Joined PricewaterhouseCoopers Aarata Auditing Corporation (Internal Control Advisory Department)  
 Oct. 2011 Set up Tatsuhito Tanaka CPA Office (to the present)  
 Oct. 2011 Joined the Company  
 Apr. 2014 Executive Officer, General Manager, Administration Division of the Company  
 Jan. 2017 Executive Officer, General Manager, Corporate Management Division of the Company  
 Jun. 2018 Senior Executive Officer, General Manager, Corporate Management Division of the Company  
 Oct. 2021 Senior Executive Officer of the Company, and Advisor of Foster Electric (U.S.A), Inc.  
 Apr. 2023 Senior Executive Officer of the Company  
 Jun. 2023 Standing Corporate Auditor of the Company (to the present)

Independent Corporate Auditor

**Takashi Suzuki**



Apr. 1988 Registered as an attorney-at-law  
 Apr. 1988 Joined Anderson Mori & Rabinowitz (currently Anderson Mori & Tomotsune)  
 Jan. 1996 Established Takashi Suzuki Law Firm  
 Jun. 1999 Partner, Hamada & Matsumoto (currently Mori Hamada & Matsumoto)  
 Sept. 2003 Partner, KYO SOGO LAW OFFICES (to the present)  
 Oct. 2006 Outside Auditor, MONEY PARTNERS CO., LTD. (currently MONEY PARTNERS GROUP CO., LTD.)  
 Jun. 2015 Outside Director (Audit and Supervisory Committee Member), MONEY PARTNERS GROUP CO., LTD.  
 Jun. 2015 Supervisory Director, TAKAFU LEBEN INFRASTRUCTURE FUND, INC. (to the present)  
 Jun. 2016 Corporate Auditor of the Company (to the present)

Independent Corporate Auditor

**Aiko Oue**



Jan. 2017 Admitted to Japanese Bar  
 Jan. 2017 Entered Nakamoto Law Office  
 Apr. 2017 Policy researcher of the Secretariat of the Public Interest Corporation Commission of the Cabinet Office  
 Jan. 2020 Joined Kaikai Kiki Co., Ltd.  
 May 2020 Outside Director of Kakiyasu Honten Co., Ltd. (to the present)  
 Jan. 2022 Returned to Nakamoto Law Office  
 Jun. 2022 Outside Director of Sourcenext Corporation (to the present)  
 Jun. 2022 Corporate Auditor of the Company (to the present)  
 Jan. 2023 Joined J LX Partners (to the present)

## Officers



Senior Executive Officer

**Hidetoshi Shirakawa**



Senior Executive Officer

**Yasuhide Takahara**



Senior Executive Officer

**Naoki Kanai**



Senior Executive Officer

**Hiroyuki Asada**



Senior Executive Officer

**Yuji Sakuta**



Executive Officer

**Hiroyuki Akutsu**



Executive Officer

**Takashi Asukagawa**



Executive Officer (Part-time)

**Nguyen Quan Hoang**



Executive Officer (Part-time)

**Tan GuiHai**



Executive Officer (Part-time)

**Wong Wing Chung**

## External Recognition

### Japan

#### New Diversity Management Selection 100 (fiscal 2017)

March 2018: Recognized for our activities to promote diversity and achieve work-life balance, we were selected as one of the winners of the New Diversity Management Selection 100 (fiscal 2017) by the Ministry of Economy, Trade and Industry.



#### Top 100 Telework Pioneers (fiscal 2018)

November 2018: To realize a flexible workstyle using ICT that fits individuals' lifestyles and is free from restrictions such as time and place, we have introduced the work-at-home program and implemented initiatives to establish the environment. Evaluated for such activities, we were selected as one of the winners of the Top 100 Telework Pioneers (fiscal 2018) by the Ministry of Internal Affairs and Communications.



#### "Kurumin" Certification (obtained in 2021)

January 2021: We have been working to enhance programs for helping employees balance work and family life. These efforts are aimed at creating an environment where employees with small children can work with peace of mind, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children. Because of these initiatives, we were granted the Kurumin Certification by the Minister of Health, Labour and Welfare in January 2021, recognized as a company supporting childcare. We received this certification for the second time following 2014.



#### 2023 Health & Productivity Management Outstanding Organization (Large Enterprise Category)

March 2023: Recognized for our health and productivity management initiatives that consider employee's health from the management perspective and practice it strategically, we were certified as one of the winners of the 2023 Health & Productivity Management Outstanding Organizations (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and Japan Health Council for the fifth consecutive year since 2019. (Certified as White 500 in 2019)



#### Certification of Excellent Company in Health: Gold Accreditation

January 2023: Highly evaluated for our active initiatives to realize health and productivity management, we received the Certification of Excellent Company in Health: Gold Accreditation from the Tokyo Promotion Council for Healthy Company Declaration in December 2018. The certification has since been renewed every year.



#### Selected as a constituent of the S&P/JPX Carbon Efficient Indices by the Government Pension Investment Fund (GPIF)

We have been selected as a constituent of the S&P/JPX Carbon Efficient Index (evaluated based on the disclosure status and results of CO<sub>2</sub> emissions data) for the sixth consecutive year, an ESG index which was adopted by the GPIF since 2018.



#### Selected as a constituent of SOMPO Sustainability Index (fiscal 2022)

March 2022: We have been selected as a constituent of the SOMPO Sustainability Index, which is operated by Sompo Asset Management Co., Ltd., for the seventh consecutive year. The index places weight on the ESG evaluation by rating firms.



### Global

#### CDP

December 2022: We received "B-: Management Level" both for Climate Change and Water Security category for the 2022 survey by CDP, a British non-profit organization that evaluates and discloses information on organization's environmental management. (CDP applies an eight-point scale consisting of A, A-, B, B-, C, C-, D, and D-.)



#### EcoVadis

November 2022: We received a Gold recognition from EcoVadis, France, in recognition of our sustainability initiatives in the CSR assessment to evaluate suppliers based on the following categories: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement.

### [Surveys from External Organizations]

The Foster Group responds sincerely to the sustainability surveys received from external investigatory bodies.

In fiscal 2022, we responded to a total of eight surveys, including the survey for the Toyo Keizai CSR Ranking, the Nikkei SDGs Management Survey, the Nikkei Smart Work Management Survey, and a survey on socially responsible investments by The Good Bankers Co., Ltd. We will continue to respond to survey requests from external investigatory bodies with sincerity and make use of the survey results and what we learn from the surveys in initiatives to enhance the corporate value of the Foster Group.



## Financial Summary (10 years)

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Financial Results</b>											
Net sales	Million yen	167,640	189,124	190,928	160,896	184,800	140,303	107,298	85,220	91,106	121,338
Gross profit	Million yen	21,873	26,741	27,052	17,369	24,359	17,534	14,687	11,123	7,484	16,155
Gross profit margin	%	13.0%	14.1%	14.2%	10.8%	13.2%	12.5%	13.7%	13.1%	8.2%	13.3%
Operating profit	Million yen	6,021	9,747	10,351	2,963	9,307	3,937	2,064	0.7	(7,757)	2,445
Operating profit ratio	%	3.6%	5.2%	5.4%	1.8%	5.0%	2.8%	1.9%	0.0%	(8.5%)	2.0%
EBITDA <sup>1</sup>	Million yen	12,462	15,675	15,893	9,885	17,462	8,345	5,223	3,149	(4,548)	6,010
EBITDA margin	%	7.4%	8.3%	8.3%	6.1%	9.4%	5.9%	4.9%	3.7%	(5.0%)	5.0%
Profit	Million yen	2,321	4,858	6,833	1,088	4,265	(2,026)	1,565	(3,363)	(7,017)	848
Cash flows from operating activities	Million yen	9,469	15,499	24,057	4,372	8,153	17,961	11,092	739	(12,767)	354
Cash flows from investing activities	Million yen	(4,249)	(4,417)	(3,946)	(11,089)	(7,131)	(3,425)	516	(1,960)	(3,071)	(1,321)
Free cash flow <sup>2</sup>	Million yen	5,220	11,082	20,111	(6,717)	1,022	14,536	11,608	(1,221)	(15,838)	(967)
Cash flows from financing activities	Million yen	(5,388)	(11,513)	(6,676)	1,690	(2,859)	(2,937)	(8,823)	(2,624)	6,771	1,776
Capital expenditures	Million yen	3,315	3,641	5,843	10,262	5,937	3,994	4,328	2,131	2,749	2,559
Depreciation	Million yen	6,441	5,928	5,542	6,922	8,155	4,408	3,159	3,148	3,209	3,565
R&D expense	Million yen	2,664	2,600	2,714	2,305	2,421	2,380	2,740	2,476	2,619	2,780
<b>As of the End of Fiscal Year</b>											
Cash and cash equivalents	Million yen	5,836	5,924	17,858	12,037	10,150	21,524	23,930	20,373	12,089	13,646
Interest-bearing debt	Million yen	22,555	14,061	8,761	13,376	11,702	14,605	6,542	5,203	13,366	17,456
Net assets	Million yen	48,604	64,944	67,017	63,901	66,792	59,294	58,995	55,993	51,632	56,515
<b>Per Share Information</b>											
Earnings per share (EPS)	Yen	99.50	206.18	255.44	41.16	165.78	(83.21)	69.15	(148.47)	(315.53)	38.23
Book value per share (BPS)	Yen	1,944.73	2,279.32	2,350.26	2,316.09	2,412.06	2,404.10	2,369.46	2,276.20	2,125.72	2,302.49
Dividends	Yen	40	40	50	40	55	20	35	15	10	20
Dividend payout ratio	%	40.2%	19.4%	19.6%	97.2%	33.2%	-	50.6%	-	-	52.3%
<b>Other Financial Indicators</b>											
ROIC <sup>3</sup>	%	6.0%	8.5%	13.3%	1.8%	10.3%	3.8%	2.2%	(0.8%)	(13.6%)	2.6%
ROE	%	5.4%	9.1%	11.0%	1.8%	7.0%	(3.5%)	2.9%	(6.4%)	(14.4%)	1.7%
Overseas sales ratio	%	93.9%	94.0%	93.2%	91.2%	91.7%	87.5%	83.7%	79.1%	80.0%	81.3%
Equity ratio	%	46.3%	58.2%	63.7%	58.2%	61.5%	59.5%	66.5%	65.6%	54.7%	55.0%
<b>Foreign Exchange Rates</b>											
US dollar exchange rate (average for the fiscal year)	Yen	100.49	110.62	119.99	108.72	110.71	111.07	108.95	105.95	113.06	136.00

<sup>1</sup> EBITDA = Operating profit + Depreciation

<sup>2</sup> Free cash flow = cash flows from operating activities + cash flows from investing activities

<sup>3</sup> ROIC = (operating profit - income taxes) ÷ (trade receivables - trade payables + inventories + non-current assets (property, plant and equipment + intangible assets))

# Non-financial Data

Boundaries (scopes of reporting) are as follows.

Non-consolidated	FOSTER ELECTRIC CO., LTD. (Headquarters)
Consolidated (1)	All overseas sites of FOSTER ELECTRIC
Consolidated (2)	FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER BUSINESS SERVICE LTD., FOSTER ELECTRONICS LTD., GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (* outsourcee), Guangzhou Fourstar Electroacoustic Tech Co.,Ltd, FOSTER ELECTRIC CO., (NANNING) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC CO., (TAIWAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS), FOSTER ELECTRIC (EUROPE) GmbH and group companies
Consolidated (3)	FOSTER ELECTRIC CO., LTD. (Headquarters, Shizuoka Office, Osaka Office, Iga Logistics Center), FOSTER BUSINESS SERVICE LTD., FOSTER ELECTRONICS LTD., GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (* outsourcee), Guangzhou Fourstar Electroacoustic Tech Co., Ltd, FOSTER ELECTRIC CO., (NANNING) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC CO., (TAIWAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS), FOSTER ELECTRIC (EUROPE) GmbH and group companies
Consolidated (4)	FOSTER ELECTRIC CO., LTD. (Headquarters), GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (* outsourcee), FOSTER ELECTRIC CO., (NANNING) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., and FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)
Significant locations of operations (GRI's definition)	Headquarters and nine overseas sites of the Company with large net sales
	Breakdown: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER BUSINESS SERVICE LTD., FOSTER ELECTRONICS LTD., FOSTER ELECTRIC CO., (HONG KONG) LTD., FOSTER ELECTRIC CO., (GUANGZHOU) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., ESTec CORPORATION, FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS), FOSTER ELECTRIC (EUROPE) GmbH and group companies

“-” in the columns for fiscal 2019 to 2021 indicates data that in the past was not disclosed and therefore the columns are left blank.

## Environment

Environmental investment and environmental conservation cost	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Costs for measures taken to manage risks and opportunities - total environmental protection expenditures and investments							
Environmental preservation cost (classified by business operations)							
(1) Business area cost		22,744	18,131	28,599	26,338		
(1)-1 Pollution prevention costs	Air and water control-related prevention countermeasures	1,009	1,894	6,971	3,756		
(1)-2 Global environmental conservation costs	Prevention of global warming and energy-saving measures	1,587	2,114	3,479	1,632	Non-consolidated	201-2
(1)-3 Resource circulation costs	Waste disposal and recycling	20,148	14,122	18,149	20,950		
(2) Upstream/downstream cost: Green purchasing expenses		0	0	0	0		
(3) Administration costs: Environmental education, EMS construction expenses etc.		7,401	9,685	12,486	13,345		
(4) R&D costs: Research and development, etc.		1,729,571	1,554,511	1,597,994	1,587,556		
(5) Social activity costs	Tree planting, etc.	631	207	342	529		
(6) Environmental damage handling costs		0	0	0	0		
Total		1,760,346	1,582,533	1,639,421	1,627,768		
* "Investment" refers to equipment investments for the purpose of environmental conservation. "Cost" refers to personnel and miscellaneous expenses/costs incurred for environmental conservation activities.							
* The amount invested was 0 in all of the years.							

Climate change	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Greenhouse gas emissions	Scope 1	t-CO <sub>2</sub>	1,501	1,214	1,152	1,083	
	Scope 2	t-CO <sub>2</sub>	58,564	51,333	48,354	41,292	
	Scope 1+Scope 2	t-CO <sub>2</sub>	60,065	52,547	49,505	42,375	
	Net sales	100 million yen	876	675	594	731	Consolidated (3)
	Emission intensity per unit of revenue	(t-CO <sub>2</sub> /100 million yen)	69	78	83	58	
	Carbon dioxide	t-CO <sub>2</sub>	-	52,547	49,505	42,375	
	Methane	t-CO <sub>2</sub>	-	0.02	0	0	
Dinitrogen monoxide	t-CO <sub>2</sub>	-	0.04	0	0		

Climate change	Unit	2019	2020	2021	2022	Boundary	GRI Standards		
Scope 3	Upstream categories	1. Purchased products and services	147,202	117,453	139,466	121,972	Consolidated (2)	305-3	
		2. Capital goods	8,697	3,573	4,288	4,549			
		3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	7,591	6,764	6,460	5,601			
		4. Upstream transportation and distribution	t-CO <sub>2</sub>	23,972	16,640	20,597			11,560
		5. Waste generated from operation	2,140	2,189	1,251	932			
		6. Business trip	1,661	352	321	607			
	Downstream categories	7. Employee commute	4,309	3,562	3,066	2,817			
		9. Downstream transportation and distribution	t-CO <sub>2</sub>	3,206	2,237	2,809			2,316
		11. Use of sold products	73,323	155,887	160,565	111,952			
		12. Disposal of sold products	4,945	9,095	2,843	2,139			
		Total		277,046	317,752	341,667			264,444

\* CO<sub>2</sub> conversion factor (Electric) Japan: Ministry of the Environment, 2018 factor based on CO<sub>2</sub> conversion factor of electric power supplier (2020)  
Overseas: Fiscal 2018 factor based on IEA CO<sub>2</sub> Emissions Factors 2020  
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 the Environment, Ministry of Economy, Trade and Industry.  
Global warming potential Incorporated 100 year value of IPCC Fifth Assessment Report (AR5)  
We have set a medium-term target of reducing 50% from a FY2018 base-year by 2030 based on the 1.5-degree target of Science Based Targets.  
Net sales: Amount of consolidated net sales excluding ESTec CORPORATION  
\* The scope of sites, actual sales and per sales unit for FY2019 and thereafter were corrected reflecting revisions of targets and data.

\* Results for fiscal 2019 and after were corrected reflecting the addition of sites in the scope.

Consumption of resources	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Energy consumption within the organization	Total consumption	MWh	112,299	101,449	97,172	86,046	Consolidated (3)
	Renewable energy	MWh	-	-	-	1,149	
	Solar power generation	MWh	-	-	-	1,108	
	Non-renewable energy	MWh	112,299	101,449	97,172	84,938	
	Electricity	MWh	106,323	95,917	91,826	79,700	
	Kerosene	liter	-	-	9,556	8,051	
	Gasoline	liter	216,155	242,058	178,885	137,869	
	Light oil	liter	49,924	35,065	30,142	38,687	
	LPG	kg	104,302	77,849	88,261	68,840	
	Natural gas	m <sup>3</sup>	62,264	133,321	151,734	188,027	
City gas	m <sup>3</sup>	92,521	10,334	10,813	11,301		
Energy consumption within the organization	Breakdown by site						
	Japan	MWh	2,364	2,834	3,160	2,584	
	Asia	MWh	108,401	96,873	92,021	81,085	
	North America	MWh	1,534	1,639	1,902	2,302	
Europe	MWh	-	102	89	75		

\* Calorific Value (Fuel): Japan/Overseas: Factor based on the "Greenhouse gas emissions calculation and report manual" released by the Ministry of the Environment, Ministry of Economy, Trade and Industry.  
\* The scope of sites was changed in FY2021.

Water intake and wastewater	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Total	Total	Water intake amount	959,622	900,313	954,475	761,419	Consolidated (2)
		Wastewater amount	769,186	721,415	764,924	527,125	
		Total water consumption	190,436	178,898	189,551	234,295	
	Japan	Water intake amount	9,925	7,635	8,828	9,128	
		Wastewater amount	9,429	7,253	8,387	8,672	
		Total water consumption	496	382	441	456	
	Asia	Water intake amount	947,482	891,080	943,894	750,531	
		Wastewater amount	757,986	712,882	755,133	517,043	
		Total water consumption	189,496	178,198	188,761	233,488	
	North America	Water intake amount	2,215	1,586	1,741	1,748	
		Wastewater amount	1,772	1,269	1,393	1,398	
		Total water consumption	443	317	348	350	
Europe	Water intake amount	-	12	12	12		
	Wastewater amount	-	11	11	11		
	Total water consumption	-	1	1	1		

Consumption of resources		Unit	2019	2020	2021	2022	Boundary	GRI Standards
Water resources	Total water consumption		190,436	178,898	189,551	234,295	Consolidated (2)	303-3, 303-4, 303-5
	Water intake							
	Total amount		959,622	900,313	954,475	761,419		
	Surface water		-	-	-	-		
	Groundwater		-	-	-	-		
	Seawater		-	-	-	-		
	Produced water		-	-	-	-		
	Third-party water	m <sup>3</sup>	959,622	900,313	954,475	761,419		
	Waste-water amount							
	Total		769,186	721,415	764,924	527,125		
Waste directed to disposal	Hazardous waste directed to disposal	ton	412.52	323.85	273.29	212.79	Consolidated (4)	306-3, 306-5
	Recycling		75.90	60.64	53.24	52.52		
	Landfill		336.62	263.21	220.05	160.10		
	Non-hazardous waste directed to disposal	ton	3,309.69	3,389.80	3,345.59	4,480.09		
	Recycling		2,195.55	2,288.54	2,219.35	3,028.99		
	Landfill		1,114.14	1,101.26	1,126.24	1,451.11		
	Total waste							
	Total waste							
	Recycling							
	Landfill							

Procurement (environment)		Unit	2019	2020	2021	2022	Boundary	GRI Standards
Recycled input materials used		%	11	8	7	9	All procurement sites	301-2
* Percentage of recycled materials among all the resin materials purchased								
New suppliers that were screened using environmental criteria		%	100	100	100	100	All procurement sites	308-1
* We distribute our environmental regulations to all the suppliers, update them and obtain environment-related materials.								

**Social**

Number of employees			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Directly hired employees (Number of employees) <sup>1</sup>	Gender	Total	People	598	592	534	503	Non-consolidated	401-1
		Male		465	457	407	376		
		Female		133	135	127	127		
	Total	People	20,374	18,490	16,275	17,956	Consolidated		
			Male	3,966	3,821	3,428		3,804	
			Female	16,408	14,669	12,847		14,152	

Number of employees			Unit	2019	2020	2021	2022	Boundary	GRI Standards	
By region	Total	People	Total	20,374	18,490	16,275	17,956	Consolidated	2-7	
			Japan	679	671	597	573			
			China	6,254	5,439	3,649	3,911			
			Asia and Oceania	13,340	12,276	11,919	13,356			
			North America	71	73	78	83			
			South America	0	0	0	0			
			Europe, Africa and Middle East	30	31	32	33			
	Contract employees included in the above	Total	People	-	-	-	3,405			
				Male	-	-	-			709
				Female	-	-	-			2,696
Age	Less than 30 year old	People	-	-	-	4,188	405-1			
			30-50 year old	-	-	-		13,077		
			Over 50 year old	-	-	-		691		
			Total	-	-	-		-		
Indirectly hired employees <sup>1</sup>	Temporary employees	Gender	Total	People	228	517	687	544	2-7	
					Male	-	-	-		215
					Female	-	-	-		329
Ratio of non-regular employees (contract employees + temporary employees) <sup>1</sup>	Gender	Total	People	-	-	-	3,949	-		
				Male	-	-	-		924	
				Female	-	-	-		3,025	
				Male	-	-	-		23	
				Female	-	-	-		21	
Number of new graduates who were recruited	Gender	Total	People	11	15	7	15	Non-consolidated	-	
				Male	9	10	4			7
				Female	2	5	3			8
Number and ratio of new employee hires <sup>2</sup>	Gender	Total	People	-	-	17	23	Consolidated <sup>4</sup>	401-1	
				Male	-	-	11			15
				Female	-	-	6			8
				Total	-	-	3			4
				Male	-	-	2			4
				Female	-	-	4			6
	Age	Less than 30 year old	People	-	-	8	15			
				30-50 year old	-	-	7			4
				Over 50 year old	-	-	2			4
				Total	-	-	13			23
Male				-	-	2	2			
Female				-	-	1	2			
Gender	Total	People	-	-	7,812	5,177				
			Male	-	-	2,049	1,099			
			Female	-	-	5,763	4,078			
			Total	-	-	43	25			
			Male	-	-	61	26			
			Female	-	-	39	25			
Age	Less than 30 year old	People	-	-	5,180	3,307				
			30-50 year old	-	-	2,578	1,853			
			Over 50 year old	-	-	54	17			
			Total	-	-	84	61			
Age	Less than 30 year old	People	-	-	84	61				
			30-50 year old	-	-	23	13			
			Over 50 year old	-	-	9	3			

Number of employees			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Total employee turnover and turnover rate <sup>3</sup>	Gender	Total	People	-	-	-	40	Non-consolidated	401-1
		Male	People	-	-	-	36		
		Female	People	-	-	-	4		
	Age	Total	%	-	-	-	8		
		Male	%	-	-	-	9		
		Female	%	-	-	-	3		
		Less than 30 year old	People	-	-	-	5		
		30-50 year old	People	-	-	-	19		
		Over 50 year old	People	-	-	-	16		
	Age	Less than 30 year old	%	-	-	-	8		
		30-50 year old	%	-	-	-	7		
		Over 50 year old	%	-	-	-	8		
Resignations for personal reasons included in the above		Total	People	-	-	19	28		
		Male	People	-	-	16	24		
		Female	People	-	-	3	4		
	Total	%	-	-	3	5			
	Male	%	-	-	4	6			
	Female	%	-	-	2	3			
Age	Less than 30 year old	People	-	-	8	5			
	30-50 year old	People	-	-	7	18			
	Over 50 year old	People	-	-	2	5			
	Less than 30 year old	%	-	-	13	8			
	30-50 year old	%	-	-	2	7			
	Over 50 year old	%	-	-	1	2			
Gender	Total	People	-	-	9,455	6,433			
	Male	People	-	-	1,967	1,368			
	Female	People	-	-	7,488	5,065			
	Total	%	-	-	52	32			
	Male	%	-	-	58	32			
	Female	%	-	-	51	31			
	Age	Less than 30 year old	People	-	-	5,137	3,782		
		30-50 year old	People	-	-	4,169	2,482		
		Over 50 year old	People	-	-	149	169		
		Less than 30 year old	%	-	-	37	70		
		30-50 year old	%	-	-	24	17		
		Over 50 year old	%	-	-	52	25		

\*1 As of March 31 of each year

New employee hires for the period from April 1 to March 31 (of the following year)

\*2 New employee hires rate =

$\frac{\text{New employee hires for the period from April 1 to March 31 (of the following year)}}{\text{Total number of employees as of April 1 of each year}}$

\*3 Employee turnover rate =

$\frac{\text{Employee turnover for the period from April 1 to March 31 (of the following year)}}{\text{Total number of employees as of April 1 of each year}}$

\*4 Figures for new employee hires, employee turnover, and turnover rate tend to be high at manufacturing sites because staff are assigned in accordance with changes in production volume.

Diversity and Inclusion			Unit	2019	2020	2021	2022	Boundary	GRI Standards	
Diversity of employees <sup>1</sup>	Gender	Male	%	78	77	76	75	Non-consolidated	405-1	
		Female	%	22	23	24	25			
		Age	Less than 30 year old	%	9	9	10			11
	Age	30-50 year old	%	49	51	51	47			
		Over 50 year old	%	42	40	39	43			
		Gender	Male	%	95	93	88			21
			Female	%	5	74	12			79
			Age	Less than 30 year old	%	0	0			0
		Age	30-50 year old	%	29	20	24			73
	Over 50 year old		%	71	80	76	4			
	Ratio of female employees <sup>1</sup>		%	81	79	79	76			
	Ratio of female managers <sup>1</sup>	%	-	-	-	9				
Ratio of women to junior managers <sup>1</sup>	%	-	-	-	45					
Proportion of senior management hired from the local community <sup>1</sup>	Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	%	100	100	100	95	Significant locations of operations	202-2	
	Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies	%	90	78	76	57			
	North America	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies	%	75	78	72	80			
		ESTec CORPORATION and group companies	%	-	88	90	52			
	Europe	FOSTER ELECTRIC (U.S.A.), INC. and group companies	%	70	100	100	50			
	Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies	%	100	100	100	100			
Employment rate of persons with disabilities	%	2.2	2.2	2.3	2.1					
Ratio of overseas human resources <sup>2</sup>	%	11	10	10	11					
Nationalities of non-Japanese employees and their ratios	Nationality with the highest ratio	Japan	People	-	-	-	Japan (92%)	Non-consolidated	-	
		China	People	-	-	-	China (4%)			
		Vietnam	People	-	-	-	Vietnam (1%)			
		Myanmar	People	-	-	-	Myanmar (1%)			
		Others	People	-	-	-	Others (2%)			
		Other nationalities	People	-	-	-	Others (2%)			
	Nationalities of managers and their ratios <sup>2</sup>	Nationality with the highest ratio	People	-	-	-	Japan (94%)			
		Nationality with the 2nd highest ratio	People	-	-	-	China (2%)			
		Nationality with the 3rd highest ratio	People	-	-	-	Korea (1%)			
		Nationality with the 4th highest ratio	People	-	-	-	Vietnam (1%)			
		Other nationalities	People	-	-	-	Others (2%)			
		Other nationalities	People	-	-	-	Others (2%)			

\*1 As of March 31 of each year

\*2 Officers are included in the scope.

Parental Leave			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Parental leave <sup>1</sup>	Number of employees entitled to parental leave	Total	People <sup>2</sup>	19,690	17,299	16,269 <sup>3</sup>	17,879	Consolidated	401-3
		Male	People <sup>2</sup>	3,445	3,676	3,419	3,757		
		Female	People <sup>2</sup>	16,245	13,623	12,840	14,122		
	Number of employees who took childcare leave	Total	People <sup>3</sup>	1,866	1,177	981	624		
		Male	People <sup>3</sup>	203	174	109	75		
		Female	People <sup>3</sup>	1,663	1,003	872	549		
	Number of employees who returned to work	Total	People <sup>4</sup>	1,574	1,036	896	540		
		Male	People <sup>4</sup>	204	173	107	77		
		Female	People <sup>4</sup>	1,370	863	789	463		



Parental Leave			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Number of retained employees	Total	People <sup>3</sup>	1,575	1,069	803	436	Consolidated	401-3	
	Male		163	172	146	64			
	Female		1,412	897	657	372			
Return to work rate	Total	% <sup>4</sup>	92	93	95	90			
	Male		100	99	99	99			
	Female		91	92	94	89			
Retention rate	Total	% <sup>5</sup>	74	63	76	65	Non-consolidated	-	
	Male		71	82	91	83			
	Female		73	61	76	63			
Ratio of male employees taking parental leave			%	54.5	30.0	57.1	62.5	Non-consolidated	-

\*1 The employees who have taken parental leave who are assigned to overseas sites are counted locally.  
 \*2 Total number of employees that were entitled to parental leave during the reporting period  
 \*3 Total number of employees that were entitled to and took parental leave during the reporting period  
 \*4 Employees due to and did return to work after parental leave  
 \*5 Employees retained 12 months after returning to work following a period of parental leave in the prior reporting period  
 \*6 Values for fiscal 2021 were corrected.

Health and Safety			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Work-related injuries	Work-related fatalities	Total	People	0	0	0	0	Non-consolidated	403-9
		Directly hired employees		0	0	0	0		
	Indirectly hired employees		0	0	0	0			
	Total	People	0	0	0	0	Consolidated		
Directly hired employees		0	0	0	0				
Indirectly hired employees		0	0	0	0				
Main causes of work-related injuries				-	-	-		-	
Occupational accident frequency rate <sup>1</sup>	Directly hired employees		0.00	0.00	0.00	0.00	Non-consolidated		
	Indirectly hired employees		0.00	0.00	0.00	0.00			
High-consequence work-related injuries	Total	People	0	0	0	0	Non-consolidated		
	Directly hired employees		0	0	0	0			
	Indirectly hired employees		0	0	0	0			
Recordable work-related injuries	Total	People	1	1	0	1	Consolidated		
	Directly hired employees		1	1	0	1			
	Indirectly hired employees		0	0	0	0			
Main causes of work-related injuries	Total	People	46	30	46	31	Consolidated		
	Directly hired employees		46	28	43	30			
	Indirectly hired employees		0	2	3	1			
Main causes of work-related injuries				Bone fracture, cutting, bruise, sprain, etc.	Bone fracture, cutting, bruise, sprain, etc.	Cutting, bruise, sprain, burn, etc.	Bone fracture, cut, bruise, sprain, chemical ocular injury, etc.	Consolidated	

Health and Safety			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Occupational accident frequency rate <sup>3</sup>	Directly hired employees		1.01	0.72	1.42	0.71	Consolidated	403-9	
	Indirectly hired employees		0.00	1.93	3.21	0.86			
Work hours	Total	Hours	46,953,372	40,117,513	31,181,654	43,614,577			
	Directly hired employees		46,396,637	39,082,494	30,246,026	42,456,140			
	Indirectly hired employees		556,734	1,035,019	935,627	1,158,437			
Total of all occupational accidents	Frequency rate	Directly hired employees	1.03	0.74	1.19	1.78			
		Indirectly hired employees	0.00	1.93	3.21	0.86			
	Severity rate <sup>4</sup>	Directly hired employees	-	-	-	0.01			
		Indirectly hired employees	-	-	-	0.00			

\* Injuries while commuting were excluded from occupational accidents for fiscal 2020.

\*1 Rate of fatalities as a result of work-related injury =  $\frac{\text{Number of fatalities as a result of work-related injury} \times 1,000,000}{\text{Number of hours worked}}$

\*2 Rate of high-consequence work-related injuries (excluding fatalities) =  $\frac{\text{Number of high-consequence work-related injuries (excluding fatalities)} \times 1,000,000}{\text{Number of hours worked}}$

\*3 Rate of recordable work-related injuries =  $\frac{\text{Number of recordable work-related injuries} \times 1,000,000}{\text{Number of hours worked}}$

\*4 Severity rate =  $\frac{\text{Total number of lost workdays} \times 1,000}{\text{Total number of hours worked}}$

Work-related ill health			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Fatalities	Total	People	0	0	0	0	Consolidated	403-10	
	Directly hired employees		0	0	0	0			
	Indirectly hired employees		0	0	0	0			
	Total	People	0	0	0	0			
Number of people in ill health	Directly hired employees		0	0	0	0			
	Indirectly hired employees		0	0	0	0			
	Main reasons for work-related ill health				-	-	-	-	

Human Resource Development			Unit	2019	2020	2021	2022	Boundary	GRI Standards
Average hours of training per year per employee	Total	Male	Hours	14	13	11	21	Non-consolidated	404-1
		Female		14	12	11	25		
		Management		15	15	11	20		
		Regular employees		62	12	9	10		
	Total	Male	Hours	19	17	17	21	Consolidated	
		Female		2	13	12	23		
		Management		19	17	17	21		
		Regular employees		21	20	16	25		
		Management		18	16	17	20		
		Regular employees		21	31	31	10		
Percentage of employees receiving regular performance and career development reviews	Total	%	92	96	96	95	Non-consolidated	404-3	
	Male		93	96	98	96			
	Female		86	94	91	91			
	Management		92	98	100	99			
	Regular employees		92	95	95	93			
	Total	%	48	50	53	47			Consolidated
Male		61	98	70	61				
Female		45	95	49	43				
Management		73	85	95	33				
Regular employees		47	49	52	50				

Human Resource Development	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Deviation value of engagement survey	Deviation value	-	-	-	51.8	Non-consolidated	-

Measures related to human rights	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Employee training on human rights policies or procedures	Total hours	521	115	1,121	726	Non-consolidated	-
		46,859	103,799	66,594	55,506	Consolidated	
	Ratio of employees who received the training	%	59	100	100	Non-consolidated	
		%	87	96	95	Consolidated	
Security personnel trained in human rights policies or procedures	%	100	100	100	100	Non-consolidated	410-1
		%	91	98	98	Consolidated	

Social Contribution	Unit	2019	2020	2021	2022	Boundary	GRI Standards	
Expenses for social contribution activities	Expenses for activities	Total	-	-	-	10	Consolidated	-
		Cash donations	-	-	-	8		
		Voluntary activities by employees	-	-	-	0		
		In-kind donations	-	-	-	1		
		Indirect management costs	-	-	-	0		
	Philanthropy expense ratios	Philanthropic donations	-	-	-	44		
	Community investment	-	-	-	30			
	Expenses for promotional activities	-	-	-	26			

Payments and benefits	Unit	2019	2020	2021	2022	Boundary	GRI Standards					
Wage gap between men and women at headquarters	FOSTER ELECTRIC CO., LTD. (Headquarters)	% <sup>*1</sup>			Basic salary Total amount of remuneration	Non-consolidated						
								Gender wage gap among all employees	-	-	-	77.0
								Gender wage gap among regular employees	-	-	-	77.9
								Gender wage gap among contract employees	-	-	-	70.7
Ratio of basic salary and remuneration of women to men	Directly hired employees - Managers	% <sup>*1</sup>				Significant locations of operations	405-2					
	Japan FOSTER ELECTRIC CO., LTD. (Headquarters)							-	-	-	102	93
	Asia FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies							-	-	-	84	77
	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies							-	-	-	100	107
	ESTec CORPORATION and group companies							-	-	-	97	96
	USA FOSTER ELECTRIC (U.S.A.), INC. and group companies							-	-	-	88	85
	Europe FOSTER ELECTRIC (EUROPE) GmbH and group companies							-	-	-	- <sup>*2</sup>	- <sup>*2</sup>
	Directly hired employees - Non-management employees							-	-	-	-	-
	Japan FOSTER ELECTRIC CO., LTD. (Headquarters)							-	-	-	100	81
	Asia FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies							-	-	-	111	95
FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies	-	-	-	100	90							
ESTec CORPORATION and group companies	-	-	-	91	93							
USA FOSTER ELECTRIC (U.S.A.), INC. and group companies	-	-	-	86	96							
Europe FOSTER ELECTRIC (EUROPE) GmbH and group companies	-	-	-	100	100							

<sup>\*1</sup> Ratio of the amount paid to women to the amount paid to men with the amount paid to men set at 100  
<sup>\*2</sup> Calculation is impossible because only people of one gender work in the location.

Payments and benefits	Unit	2019	2020	2021	2022	Boundary	GRI Standards	
Benefits provided to full-time employees that are not provided to temporary or part-time employees	Retirement allowance					Non-consolidated	401-2	
	Life insurance, disability and illness compensation, medical insurance, parental leave, retirement allowance, etc.					Consolidated		
Ratios of standard entry level wage to local minimum wage * Same ratio for men and women	Japan	%	105	107	108	108	Significant locations of operations	202-1
	FOSTER ELECTRIC CO., LTD. (Headquarters)							
	Asia FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies		112	102	113	130		
	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies		105	109	119	117		
	ESTec CORPORATION and group companies		-	124	118	120		
	North America FOSTER ELECTRIC (U.S.A.), INC. and group companies		103	100	114	128		
Europe FOSTER ELECTRIC (EUROPE) GmbH and group companies	114	116	116	116				

Procurement (Social)	Unit	2019	2020	2021	2022	Boundary	GRI Standards	
Proportion of spending on local suppliers <sup>*1</sup>	Manufacturing in China <sup>*1</sup>	% <sup>*2</sup>	88	89	90	83	-	204-1
	Percentage of materials that are procured locally in China							
	Manufacturing in ASEAN countries <sup>*1</sup>	% <sup>*2</sup>	64	65	70	73	-	
	Percentage of materials that are procured locally in ASEAN countries							
<sup>*1</sup> Local / Significant locations of operation: The above-mentioned areas where Foster's manufacturing sites reside. <sup>*2</sup> Indicates the percentage in transaction amount for material procurement with corporations in above sites.								
New suppliers that were screened using social criteria	%	100	100	100	100	All procurement sites	414-1	

● Governance

Governance	Unit	2019	2020	2021	2022	Boundary	GRI Standards		
Diversity of governance body	Gender	%	96	92	92	86	Non-consolidated	405-1	
			Male	4	8	8			14
	Age	%	Less than 30 year old	0	0	0			0
			30-50 year old	4	4	4			18
			Over 50 year old	96	96	96			82
			Gender	Male	94	93			88
	Female	%	6	7	12	8			
			Age	Less than 30 year old	0	0			0
	30-50 year old	22	20	24	26				
	Over 50 year old	78	80	76	74				
Attendance rate	%	Board of Directors	-	-	-	100	-	-	
		Nominating Committee	-	-	-	94			
		Remuneration Committee	-	-	-	100			
		Board of Corporate Auditors	-	-	-	100			
Communication and training on anti-corruption policies and procedures.	Total*	%	26	26	27	24	Non-consolidated	205-2	
			100	100	100	100			
			83	81	88	86			
			84	88	81	93			
<sup>*</sup> Total number and percentage of notifications on anticorruption related organizations policies and procedures.									
Operations assessed for risks related to corruption	Total	13	13	13	12	-	205-1		
	%	72	72	72	67				

Governance	Unit	2019	2020	2021	2022	Boundary	GRI Standards
Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cases	-	-	-	0	-	418-1
Complaints received from outside parties and substantiated by the organization		-	-	-	0		
Complaints from regulatory bodies		-	-	-	0		
Total number of identified leaks, thefts, or losses of customer data		-	-	-	0		
Compliance with public laws, regulations and other rules	Cases	0	0	0	0	Consolidated	2-27, 205-3, 406-1, 416-2, 417-2, 417-3, 418-1
Non-compliance with laws and regulations		0	0	0	0		
Non-compliance with laws and regulations		0	0	0	0		
Non-compliance with environmental laws and regulations		0	0	0	0		
Non-compliance regarding corrupt practices		0	0	0	0		
Non-compliance regarding customer health and safety		0	0	0	0		
Violation of customer privacy		0	0	0	0		
Non-compliance regarding product information and labeling		0	0	0	0		
Marketing communications		0	0	0	0		
Long working hours and unfair dismissal		0	0	0	0		
Human rights violations and harassment	0	0	0	0			
* There were no financial penalties or surcharges incurred due to non-compliant practices.							
Political contributions	Yen	0	0	0	0	Non-consolidated	-
Total		0	0	0	0		
Lobbying activities		0	0	0	0		
Political activities		0	0	0	0		
Trade associations		0	0	0	0		
Others	0	0	0	0			

GRI content index

<b>Statement of use</b>	Foster Electric Company, Limited has reported in accordance with the GRI Standards for the period from April 1, 2022 to March 31, 2023.
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	-

GRI 2: General Disclosures 2021

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
1. The organization and its reporting practices	2-1	Organizational details	P. 61 -	Corporate Overview / Stock Information ▶ <a href="#">Securities Report (available in Japanese)</a>
	2-2	Entities included in the organization's sustainability reporting	-	▶ <a href="#">Securities Report (available in Japanese)</a>
	2-3	Reporting period, frequency and contact point	P. 1 -	Contents/Editorial Policy ▶ <a href="#">Securities Report (available in Japanese)</a>
1. The organization and its reporting practices	2-4	Restatements of information	PP. 53-58	Non-financial Data (Information including changes in scope is disclosed.)
	2-5	External assurance	-	-(External assurance not received)

GRI Standards	Disclosures		Where the information is disclosed		
	No.	Disclosure item	Refer to	This report and corporate website	
2. Activities and workers	2-6	Activities, value chain and other business relationships	P. 10 PP. 32-35 -	Foster's Business Initiatives on Social and Relationship Capital ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-7	Employees	PP. 53-60 -	Non-financial Data ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-8	Workers who are not employees	PP. 53-60 -	Non-financial Data ▶ <a href="#">Securities Report (available in Japanese)</a>	
3. Governance	2-9	Governance structure and composition	PP. 43-48 P. 49 -	Governance Officers ▶ <a href="#">Securities Report (available in Japanese)</a> ▶ <a href="#">Corporate Governance Guidelines (available in Japanese)</a>	
	2-10	Nomination and selection of the highest governance body	PP. 43-48 P. 49 -	Governance Officers ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-11	Chair of the highest governance body	PP. 43-48 P. 49 -	Governance Officers ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-12	Role of the highest governance body in overseeing the management of impacts	PP. 21-25 PP. 26-27 PP. 43-48 -	Foster Electric's Sustainability Initiatives on Natural Capital: (1)TCFD Governance ▶ <a href="#">Securities Report (available in Japanese)</a> ▶ <a href="#">Corporate Governance Guidelines (available in Japanese)</a>	
	2-13	Delegation of responsibility for managing impacts	PP. 21-25 PP. 43-48	Foster Electric's Sustainability Governance	
	2-14	Role of the highest governance body in sustainability reporting	PP. 21-25	Foster Electric's Sustainability	
	2-15	Conflicts of interest	P. 49 -	Officers ▶ <a href="#">Securities Report (available in Japanese)</a> ▶ <a href="#">Corporate Governance Guidelines (available in Japanese)</a>	
	2-16	Communication of critical concerns	PP. 43-48 PP. 53-60	Governance Non-financial Data	
	2-17	Collective knowledge of highest governance body	PP. 21-25 PP. 53-60	Foster Electric's Sustainability Non-financial Data	
	2-18	Evaluation of the performance of the highest governance body	PP. 43-48 -	Governance ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-19	Remuneration policies	PP. 43-48 -	Governance ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-20	Process to determine remuneration	PP. 43-48 -	Governance ▶ <a href="#">Securities Report (available in Japanese)</a>	
	2-21	Annual total compensation ratio	-	-	
	4. Strategy, policies and practices	2-22	Statement on sustainable development strategy	P. 5 P. 21	Message from the CEO Foster Electric's Sustainability
		2-23	Policy commitments	PP. 21-25 PP. 28-31 -	Foster Electric's Sustainability Initiatives on Natural Capital: (2) Environment ▶ <a href="#">Corporate Action Guidelines</a> ▶ <a href="#">Code of conduct for staff</a>
2-24		Embedding policy commitments	PP. 21-25 PP. 32-35	Foster Electric's Sustainability Initiatives on Social and Relationship Capital	
2-25		Processes to remediate negative impacts	PP. 43-48	Governance	
2-26		Mechanisms for seeking advice and raising concerns	PP. 43-48	Governance	

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
4. Strategy, policies and practices	2-27	Compliance with laws and regulations	PP. 53-60	Non-financial Data
	2-28	Membership associations	-	-
5. Stakeholder engagement	2-29	Approach to stakeholder engagement	PP. 36-42	Efforts on Human Capital
	2-30	Collective bargaining agreements	-	-

**GRI 3: Material Topics 2021**

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
	3-1	Process to determine material topics	PP. 21-25	Foster Electric's Sustainability
	3-2	List of material topics	PP. 21-25	Foster Electric's Sustainability
	3-3	Management of material topics	PP. 21-25	Foster Electric's Sustainability
			PP. 26-31	Initiatives on Natural Capital
		PP. 32-35	Initiatives on Social and Relationship Capital	
		PP. 36-42	Efforts on Human Capital	
		PP. 43-48	Governance	

**Economy**

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	-	▶ <a href="#">Securities Report (available in Japanese)</a>
	201-2	Financial implications and other risks and opportunities due to climate change	PP. 53-60	Non-financial Data
	201-3	Defined benefit plan obligations and other retirement plans	-	▶ <a href="#">Securities Report (available in Japanese)</a>
	201-4	Financial assistance received from government	-	201-4-a, 201-4-b ii. Subsidies Total amount of employment adjustment subsidy and other subsidies received at sites in Japan and South Korea: ¥75 million (Japan: ¥66 million, South Korea: ¥8 million)
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	PP. 53-60	Non-financial Data
	202-2	Proportion of senior management hired from the local community	PP. 53-60	Non-financial Data
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	P. 42	Social Contribution and Philanthropy
	203-2	Significant indirect economic impacts	-	-
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	PP. 53-60	Non-financial Data
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	PP. 53-60	Non-financial Data
	205-2	Communication and training on anti-corruption policies and procedures.	PP. 32-35 PP. 53-60	Initiatives on Social and Relationship Capital Non-financial Data
	205-3	Confirmed incidents of corruption and actions taken	-	-
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 207: Tax 2019	207-1	Approach to tax	P. 48	Our Stance on Tax Matters
	207-2	Tax governance, control, and risk management	-	-
	207-3	Stakeholder engagement and management of concerns related to tax	-	-
	207-4	Country-by-country reporting	-	▶ <a href="#">Securities Report (available in Japanese)</a>

**Environment**

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 301: Materials 2016	301-1	Materials used by weight or volume	-	-
	301-2	Recycled input materials used	PP. 53-60	Non-financial Data
	301-3	Reclaimed products and their packaging materials	-	-
GRI 302: Energy 2016	302-1	Energy consumption within the organization	PP. 53-60	Non-financial Data
	302-2	Energy consumption outside of the organization	-	-
	302-3	Energy intensity	PP. 53-60	Non-financial Data
	302-4	Reduction of energy consumption	PP. 53-60	Non-financial Data
	302-5	Reductions in energy requirements of products and services	P. 30	Environmentally Friendly Products
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	P. 30	Environmental Activities
	303-2	Management of water discharge-related impacts	P. 30	Environmental Activities
	303-3	Water withdrawal	PP. 53-60	Non-financial Data
	303-4	Water discharge	PP. 53-60	Non-financial Data
	303-5	Water consumption	PP. 53-60	Non-financial Data
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-
	304-2	Significant impacts of activities, products, and services on biodiversity	-	-
	304-3	Habitats protected or restored	-	-
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	-
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	PP. 53-60	Non-financial Data
	305-2	Energy indirect (Scope 2) GHG emissions	PP. 53-60	Non-financial Data
	305-3	Other indirect (Scope 3) GHG emissions	PP. 53-60	Non-financial Data
	305-4	GHG emissions intensity	PP. 53-60	Non-financial Data
	305-5	Reduction of GHG emissions	PP. 53-60	Non-financial Data
	305-6	Emissions of ozone-depleting substances (ODS)	-	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	-



GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	-	-
	306-2	Management of significant waste-related impacts	-	-
	306-3	Waste generated	PP. 53-60	Non-financial Data
	306-4	Waste diverted from disposal	-	-
	306-5	Waste directed to disposal	PP. 53-60	Non-financial Data
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	PP. 53-60	Non-financial Data
	308-2	Negative environmental impacts in the supply chain and actions taken	-	No "Negative environmental impacts in the supply chain and actions taken," according to the results of CSR self-assessments containing these questions

**Social**

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	PP. 53-60	Non-financial Data
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	PP. 53-60	Non-financial Data
	401-3	Parental Leave	PP. 53-60	Non-financial Data
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	-	The minimum notices are given according to the law of the countries / regions.
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	PP. 40-41	4. Health and Safety
	403-2	Hazard identification, risk assessment, and incident investigation	PP. 40-41	4. Health and Safety
	403-3	Occupational health services	PP. 40-41	4. Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	PP. 40-41	4. Health and Safety
	403-5	Worker training on occupational health and safety	PP. 40-41	4. Health and Safety
	403-6	Promotion of worker health	P. 39 PP. 40-41	3. Labor (Labor Practices and Decent Work) 4. Health and Safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	PP. 40-41	4. Health and Safety
	403-8	Workers covered by an occupational health and safety management system	PP. 40-41	4. Health and Safety
	403-9	Work-related injuries	PP. 40-41 PP. 53-60	4. Health and Safety Non-financial Data
	403-10	Work-related ill health	PP. 40-41 PP. 53-60	4. Health and Safety Non-financial Data
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	PP. 53-60	Non-financial Data
	404-2	Programs for upgrading employee skills and transition assistance programs	PP. 36-37	1. Human Resource Development
	404-3	Percentage of employees receiving regular performance and career development reviews	PP. 53-60	Non-financial Data

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	PP. 53-60	Non-financial Data
	405-2	Ratio of basic salary and remuneration of women to men	PP. 53-60	Non-financial Data
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	-	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	No "Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk," according to the results of CSR self-assessments containing these questions
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-	No "Operations and suppliers at significant risk for incidents of child labor," according to the results of CSR self-assessments containing these questions
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	No "Operations and suppliers at significant risk for incidents of forced or compulsory labor," according to the results of CSR self-assessments containing these questions
GRI 410: Security 2016	410-1	Security personnel trained in human rights policies or procedures	PP. 53-60	Non-financial Data
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	-	-
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	P. 42	Social Contribution and Philanthropy
	413-2	Operations with significant actual and potential negative impacts on local communities	-	-
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	PP. 53-60	Non-financial Data
	414-2	Negative social impacts in the supply chain and actions taken	-	No "Negative social impacts in the supply chain and actions taken," according to the results of CSR self-assessments containing these questions
GRI 415: Public Policy 2016	415-1	Political contributions	PP. 53-60	Non-financial Data
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	-	-
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	PP. 53-60	Non-financial Data
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	-	-
	417-2	Incidents of non-compliance concerning product and service information and labeling	PP. 53-60	Non-financial Data
	417-3	Incidents of non-compliance concerning marketing communications	PP. 53-60	Non-financial Data
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	PP. 53-60	Non-financial Data

# Corporate Overview / Stock Information

## Corporate Overview (as of March 31, 2023)

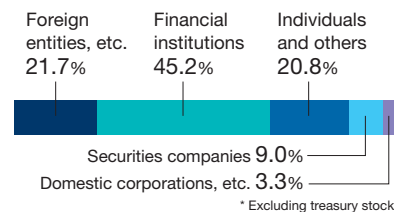
**Company Name** Foster Electric Company, Limited  
**Founded** June 20, 1949  
**Common Stock** 6,770,360,135 yen  
 The Prime Market of the Tokyo Stock Exchange  
**Headquarters** 1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550  
 Phone: +81-42-546-2311 (main number)  
**Employees** 15,493 (Number includes our outsourcee in Panyu, China)

## Stock Information

### Stock Information (as of March 31, 2023)

Total number of shares authorized to be issued by the Company  
**80,000,000 shares**  
 Total number of shares issued  
**25,000,000 shares**  
 Number of shareholders  
**7,252**

### Distribution of Shareholders by Shareholder Type



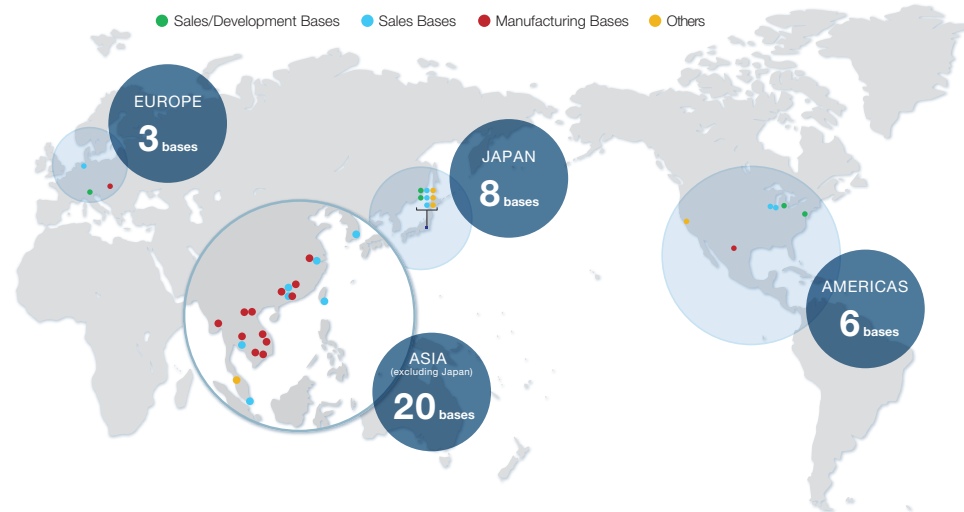
### Major Shareholders

Shareholder's Name	Number of Shares Held (thousands)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,601	20.5
Custody Bank of Japan, Ltd. (trust account)	2,499	11.1
JPMorgan Securities Japan Co., Ltd.	1,290	5.7
Mizuho Bank, Ltd.	1,016	4.5
MUFG Bank, Ltd.	945	4.2
Morgan Stanley MUFG Securities Co., Ltd.	502	2.2
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	411	1.8
Mizuho Trust & Banking Co., Ltd.	405	1.8
NOMURA PB NOMINEES LIMITED	392	1.7
OMNIBUS-MARGIN (CASHPB)	392	1.7
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURGFUNDS/UCITS ASSETS	337	1.5

Treasury stock (2,649,824 shares) is excluded for the calculation of the "Ratio of Shares Held."

## Foster's Global Network

The Group operates 37 bases in 12 countries and regions worldwide as bases for development, manufacturing, and sales activities.



## Website

FOSTER ELECTRIC CO., LTD. website

Japanese version <https://www.foster.co.jp/>

English version <https://www.foster-electric.com/>

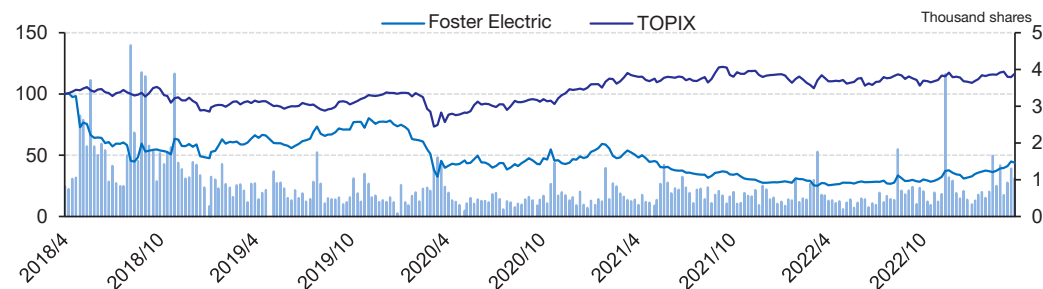
Investor Relations

[Japanese version](#) | [English version](#)

Sustainability

[Japanese version](#) | [English version](#)

## Share Price Trend



	FY2019	FY2020	FY2021	FY2022
<b>Highest price</b>	2,137 yen	1,592 yen	1,344 yen	1,207 yen
<b>Lowest price</b>	850 yen	1,005 yen	631 yen	657 yen

FOSTER ELECTRIC CO., LTD.

**Foster Electric Company, Limited**

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