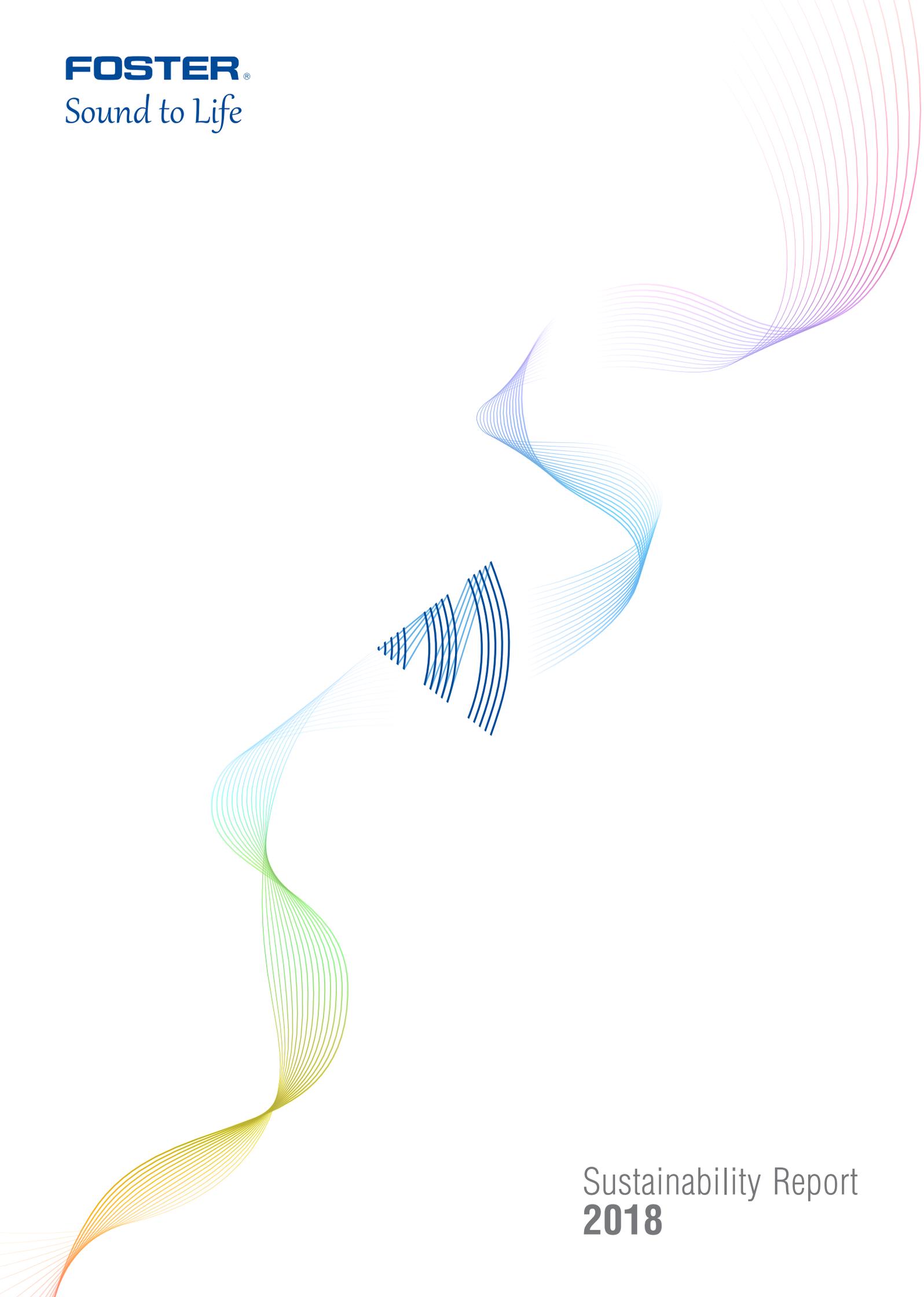


FOSTER[®]
Sound to Life



Sustainability Report
2018

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Corporate Philosophy

Corporate Creed

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

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

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

Corporate Creed

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

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

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

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

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

- Principles & Values -



THE LEADING *Sound to Life* SOLUTION COMPANY

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

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



ALWAYS IMPROVING

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

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



EVER MORE GLOBAL AND INCLUSIVE

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

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

Sound to Life

The slogan where Foster Rhythm strives to achieve. In pursuit of our vision “To make contributions for future society through acoustics”, it means “To deliver sounds to life”, “To enrich life through Foster acoustics”, “Sounds to reach lives and sustain healthy lifestyle”.

Top Message



Hiromi Yoshizawa President

Corporate Social Responsibility and Management

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

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

Society is currently experiencing major changes. With the industrial revolution being brought about by the IoT (Internet of Things), advent of the automated driving era, development and expanded use of AI and many other advances, we feel that the innovations that fundamentally change our way of life are progressing at a pace that far exceeds anything that we anticipated. New players are also appearing one after another to respond to those changes and competition is becoming increasingly intense.

To realize our corporate vision “to make contributions for future society through acoustics,” we must continue to uphold the basic philosophy of “sincerity” that Foster has adhered to since its founding, while making major changes as we move forward. The key players who have a central role in achieving this are people, the tens of thousands of Foster Group employees around the world.

We will continue to actively promote human resource employment worldwide and diversity to cultivate truly global and sophisticated human resources. In addition, by further promoting “work-style reform,” we would like to create an environment where more employees can work flexibly and freely to achieve the goal of “Be Happy 80%*.”

** “Be Happy 80%”: The ideal environment that we would like to achieve company-wide, which was presented by a team of young employees during internal leadership training.*

It refers to a working environment and corporate body where 80% of our employees can feel 80% happiness. I agree with that opinion.

Recognized for such efforts, we were selected as one of the “New Diversity Management Selection 100 (2017)” by the Ministry of Economy, Trade and Industry. We will continue those efforts in the future.

To unite people with digital signals through analog technologies of “acoustics” and become a company that is loved by all, Foster will continue to be an acoustics professional that pursues better sound quality to delight music-lovers worldwide.

In addition, the Foster Group will continue to maintain compliance and promote environmental activities as part of our CSR activities, to ensure thorough quality control and risk management, and conduct our business operations based on the values of discipline, responsibility and social contribution.

Foster Group has signed the “United Nations Global Compact” to represent our commitment to CSR activities.

We have also defined “Foster Rhythm” and introduced it across the Group companies to clearly describe “Principles & Values,” instill the concept of our corporate philosophy in our employees, and strengthen the foundation of the corporation for future generations.

We will celebrate our 70th business anniversary next year. We will continue to strive to become an enterprise that is loved by society and that offers satisfaction for its various stakeholders.

UN Global Compact



United Nations Global Compact

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

Ten Principles of the UNGC and Foster’s Actions

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

The Foster Group’s commitments to human rights, labor, environment and anti-corruption are defined in the Foster Group Code of Conduct for Staffs. This covers the provisions of the RBA (Responsible Business Alliance, formerly EICC) Code of Conduct and Rev. 4, which was revised in April 2017, and is currently in effect.

The items that correspond to the 10 principles are:

Ten Principles of the UNGC	Foster Group Code of Conduct for Staff:
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Responsible Sourcing of Minerals (Section 10)
Principle 2: make sure that they are not complicit in human rights abuses.	Respect for Human Rights and Anti-discrimination (Section 23)
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Respect for Human Rights and Anti-discrimination (Section 23)
Principle 4: the elimination of all forms of forced and compulsory labour;	Compliance with Labor-related Laws (Section 27)
Principle 5: the effective abolition of child labour; and	
Principle 6: the elimination of discrimination in respect of employment and occupation.	
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Preservation and Protection of the Environment (Section 17) * Our commitment to the environment is defined in the Foster Group Environmental Policy.
Principle 8: undertake initiatives to promote greater environmental responsibility; and	
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Compliance with Laws and Norms (Section 2) Prohibition on Bribes to Foreign Officials (Section 8)

- Foster Group’s activities regarding UNGC:
<http://www.foster-electric.com/csr/ungc/>
- Foster Group Code of Conduct for Staff:
http://www.foster-electric.com/csr/governance/pdf/coc_for_staffs.pdf
- Foster Group Environmental Policy:
<http://www.foster-electric.com/csr/environment/index.html>

UNGC Communication on Progress (COP)

We submitted Sustainability Report 2017 as the Communication on Progress (COP) for fiscal 2017 to the UNGC to report the progress of our activities as a member company. We also plan to submit this report as the COP.



■ Foster Electric's COP page in the United Nations Global Compact:

<https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/398901>

Sustainable Development Goals (SDGs)

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

What Are Sustainable Development Goals (SDGs)?

In 2015, "United Nations Sustainable Development Summit" was held at the United Nations Headquarters. With more than 150 leaders from member countries participating, "Transforming Our World: the 2030 Agenda for Sustainable Development" was adopted as its resolution. The Agenda made declarations and set goals as an action plan for people, the planet and prosperity. They are known as "Sustainable Development Goals (SDGs)," which consist of 17 goals and 169 targets.

Source: United Nations Information Centre website

■ United Nations Information Centre: Sustainable Development Goals (SDGs)

<https://www.un.org/sustainabledevelopment/>

SUSTAINABLE DEVELOPMENT GOALS

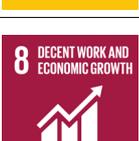
17 GOALS TO TRANSFORM OUR WORLD

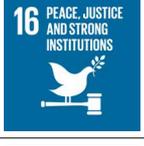


Foster's Actions

We are promoting the following 12 items among the 17 goals through our business activities and will continue to take action to help achieve a sustainable society.



Items in the SDGs	Examples of Foster's Activities	Refer to
 <p>1. NO POVERTY</p>	<p>Donation activity for low-income households, assistance with food, and others</p> <p>Participation in poverty reduction activities</p>	Overseas: pages 37 to 40
 <p>3. GOOD HEALTH AND WELL-BEING</p>	<p>Implementation of the "Health Point System" and "New Smoking Cessation Program"</p> <p>Participation in blood drives</p>	<p>Domestic: page 30</p> <p>Overseas: page 38</p>
 <p>4. QUALITY EDUCATION</p>	<p>Education on quality, environment, CSR, and so on</p> <p>Acceptance of student interns</p> <p>Donation of academic fees, books, and construction materials for classrooms</p>	<p>Domestic and overseas: pages 16, 44, and 47</p> <p>Overseas: pages 38 to 40</p>
 <p>5. GENDER EQUALITY</p>	<p>Education to deepen the understanding of management for women who work while raising children</p> <p>Provision of systematic training to female employees and support for their career development</p> <p>Implementation of a "roundtable talk about women's careers"</p>	Domestic: pages 9 and 28
 <p>7. AFFORDABLE AND CLEAN ENERGY</p>	<p>CO₂ reduction</p> <p>Management of environmentally hazardous substances</p>	Domestic and overseas: pages 45 to 47
 <p>8. DECENT WORK AND ECONOMIC GROWTH</p>	<p>Work style reform project (flex-time system, work-at-home program, Premium Fridays, recommendation of twice-weekly no overtime days, and volunteer leave system)</p> <p>New personnel system (multi-stream personnel system by course)</p> <p>Technical master system</p>	Domestic: pages 30 to 31
 <p>10. REDUCED INEQUALITIES</p>	<p>Establishment of the Diversity Management Section (promoting support for employees raising children and providing nursing care, women's active participation, LGBT activities, and global human resource employment)</p>	Domestic: pages 28 to 29
 <p>12. RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Management of chemical substances</p> <p>Zero emissions</p> <p>Reuse of wastewater at plants</p>	<p>Domestic: pages 46 and 48</p> <p>Overseas: page 49</p>

Items in the SDGs		Examples of Foster's Activities	Refer to
	13. CLIMATE ACTION	CO ₂ reduction Promotion of clean energy use	Domestic and overseas: pages 45 to 47
	15. LIFE ON LAND	Support for global environmental preservation activities	Domestic: page 48
	16. PEACE, JUSTICE AND STRONG INSTITUTIONS	Corporate governance structure Compliance structure CSR procurement Basic policy on conflict minerals	Domestic: pages 17 to 19 Domestic and overseas: pages 25 to 26
	17. PARTNERSHIPS FOR THE GOALS	CSR assessments and audits Responsible procurement Holding the internal CSR communication conference	Domestic and overseas: pages 15 to 16 pages 25 to 26

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

We are participating in the “human-rights education subcommittee,” “environmental management subcommittee,” “WEPs subcommittee,” “supply chain subcommittee,” “DRR (Disaster Risk Reduction) subcommittee 2018,” and “ESG subcommittee of the GCNJ, which are composed of the member companies of the UNGC (as of June 2018).

The subcommittees not only share the CSR-related latest trends and study cases of each company through lecture meetings by influential individuals but also are working to produce various kinds of outputs that support CSR activities of various companies based on the member companies’ experiences in a wide range of industries.

Involvement in output

© Supply chain subcommittee

CSR procurement self-assessment tool set (Japanese)

<http://www.ungcnj.org/activities/topics/detail.php?id=217>

In addition, the knowledge obtained through the subcommittees is reflected in our CSR activities.

Interview

Foster Electric's Challenges for Diversity

Recently, an increasing number of companies are promoting the participation of diversified human resources such as foreigners, women, and the elderly and “Promotion of diversity” is now an important key phrase in corporate management. What “diversity” is Foster Electric promoting? Mr. Narikawa, Senior Managing Director, and members of the Human Resource Department who played a central role in the promotion had a discussion at a roundtable, facilitated by the CSR Promotion Department.

— What kind of problems do you think we had regarding diversity?

Mr. Narikawa: In recent years, we are expected to make efforts not only to increase the quality and competitiveness of our products, but also to address automatic driving, AI, IoT and other new areas, further increase quality, respond to market changes, strengthen global collaboration, and increase the management speed. As technologies and society are changing at an unexpectedly rapid pace, human resources who have a variety of opinions and ideas are absolutely necessary for a company that conducts business globally.

To have many human resources that work with enthusiasm, we have been establishing a support system for employees who work while providing child care or nursing care. However, we were still unable to change conventional work styles or values completely, which was not sufficient for the operation. We were aware that it was difficult to obtain the understanding from supervisors and colleagues and therefore take advantage of the system, and that the key issues are how to improve such aspects.

— To solve those issues, what kind of efforts did you make?

Mr. Tsugane: We aim to establish a “win-win relationship between the company and employees” through the promotion of diversity to realize a fulfilling personal life for each employee and generate a synergy effect between the creation of new value and improvement of corporate competitive power. As a result, we established the Diversity Promotion Committee in 2010 and the Diversity Management Section in 2011.



Roundtable talk (at the headquarters)

— To change your conventional work style, what specific activities did you perform?

Ms. Sunaga: We started the work-style reform project in 2015.

First, we held a roundtable with the theme of work style by collecting members from general employees and started a trial run of the work-at-home program and flex-time system based on the most common comments.

The trial of the work-at-home program was well-received by the employees who used it, because it allowed them to spend their time wisely.

— It is a very convenient program, but it takes guts to use, right?

Ms. Sunaga: Although the convenience for the employees has improved, some managers were cautious of it, considering the difficulties of management and influence on operations. In such departments, we asked them to implement the program as a trial. When they actually implemented it, problems did not occur as frequently as they expected and they understood that they could adopt the program when it operates well. Therefore, the negative views of the managers have changed gradually. During the trial run, we also made efforts to gradually expand the eligible persons and promote understanding inside the company. As a result, we have successfully introduced the work-at-home program without limiting the eligibility to those providing child care and nursing care. The program was used for 599 days total in the first year.

Ms. Hashizume: For the flex-time system, we also performed its trial run in parallel with the working shift system, which allows employees to independently select the hours that they work from four different working shifts. Through some stages, such as the one for familiarizing them with time management, we have formally introduced the system and made it applicable to all employees.

Ms. Sunaga: Since February 2017, we have introduced Premium Fridays. Because there was also a call from the top management, many employees seem to use the time secured through business efficiency improvement to spend their private time meaningfully, for example, individual development and spending time with their families. When I see the office with few employees on a Friday afternoon, I actually feel like their mindset is changing.

—Recently, measures are being taken for the problem with turnover for women due to childcare and family reasons. What kind of initiatives is Foster taking?

Ms. Sunaga: We have taken an initiative to establish a working environment where women can work enthusiastically and remain in the company for a long period of time.

First, we have been providing education for the management on a periodic basis since 2010 to deepen their understanding about women who work while raising children. The mindset of the management has gradually changed, and now they are actively following up with their junior staff that are working while raising children. We also pay attention to the employees who return to work after childcare leave and provide them with our nursery. In addition, we grant employees a leave of absence to accompany their spouses on temporary assignment, which enables female employees who would have quit in the past to remain in the company.

—The majority of Foster's products are manufactured in foreign countries, and you have a lot of foreign staff. Do you make any efforts related to that?

Mr. Miyaoka: The ratio of foreign staff in our whole group is 99% and it is essential to cooperate with overseas bases to perform daily operations. We consider not only the globalization of the headquarters in Japan but also the development of human resources at overseas bases to be important management issues. Therefore, we have been proactively employing foreign staff at the headquarters and also making strong efforts for personnel exchanges with Group companies in foreign countries, aiming to develop global human resources. Currently, the ratio of foreign staff at the headquarters is approximately 10%. We plan to increase it to 30% in the future. Under such circumstances, we provide cross-cultural communication trainings on a regular basis to understand different cultures and communication styles and strengthen communications among employees regardless of their nationalities. In addition, we are careful of the employees' religious backgrounds, for example, by using illustrations to indicate the meat used in the company cafeteria. Through those activities, we are promoting the establishment of an environment where Japanese and foreign staff can naturally work in an integrated manner.

—Because you have diversified human resources of many nationalities, do you feel that it is difficult to organize such staff?

Ms. Terada: We have established “Foster Rhythm” so that our employees can respect and cooperate with diverse individuals and make business judgments based on the concept of the “Uniqueness of Foster.” Foster's principles and values are summarized in the concept of “Foster Rhythm”.

—Since the establishment of the Diversity Promotion Committee, you have been creating a place where a variety of people including women and foreigners can work actively.



Foster Rhythm Card,
which our employees carry at all bases



“New Diversity Management Selection 100”
Memento from the award

Mr. Narikawa: Yes. Recognized for such efforts, we were awarded the “New Diversity Management Selection 100 (2017),” which is hosted by the Ministry of Economy, Trade and Industry. Let's keep working to realize more flexible work styles and promote the creation of a workplace that is unique to Foster!



CSR Management

Since its founding in 1949, the Foster Group has aimed to become indispensable to society, and has continued to grow and develop under its corporate philosophy of “Sincerity.”

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

In 2016, the Group established the Foster Rhythm, which was formed to make its corporate philosophies easier-to-understand, and distributed it internally. This was established by its employees, aiming for the employees all over the world to sympathize and embody its corporate philosophies. Its penetration is also promoted by the employees.

It contains not only the corporate philosophies but also the strong “thinking” and “desire” its employees really want to achieve, for example, “a workplace full of team spirit where employees can work freely,” “pride as a professional, which people always desire.”

The Foster Group and all of its directors, officers and employees hereby declare that we will engage in “corporate activities with sincerity” in accordance with the CSR Charter below. We will also continue to seek corporate value by appropriately addressing the expectations and needs of our stakeholders.

Foster Group CSR Charter

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

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

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

The CSR management means that the corporation fulfills its social responsibilities through such activities.



Atsushi Narikawa

Officer in charge of CSR, Senior Managing Director

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

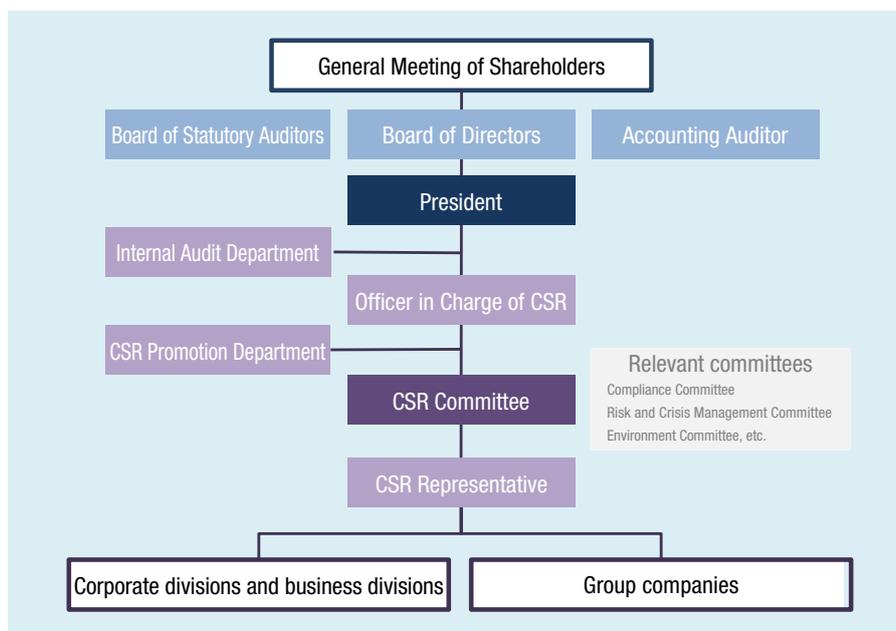
1. We stand and act on our corporate creed, vision and mission.
2. We act in accordance with the “Foster Group Corporate Action Guideline” that a company should comply, and the “Foster Group Code of Conduct for Staffs” that all directors and employees of the group should abide by.
3. We regard a variety of stakeholders including customers, employees, suppliers, shareholders and investors, and local communities as the subject of our CSR activities, and respect a diverse sense of “value,” “culture” and “economic, environmental or social” circumstances that vary by country or region.
4. We act in accordance with laws, regulations of home and abroad, and international rules by responding to various requirements. Those requirements are compliance to corporate ethics, security of product quality and safety, environmental protection, improvement of work environment, maintenance of employment, development of human resources, respect to human rights, fair competition, contribution to society and community, and proper tax payment.
5. We perform proper risk control, disclose information timely and adequately with the accountability to support the reliability of CSR, and place value on having dialogs with stakeholders.
6. We identify company representatives responsible for ensuring implementation of the management systems and associated programs in order to comply with this CSR Charter. Status review, with personnel designated by managements, is held on a regular basis.

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

Foster Group CSR Promotion

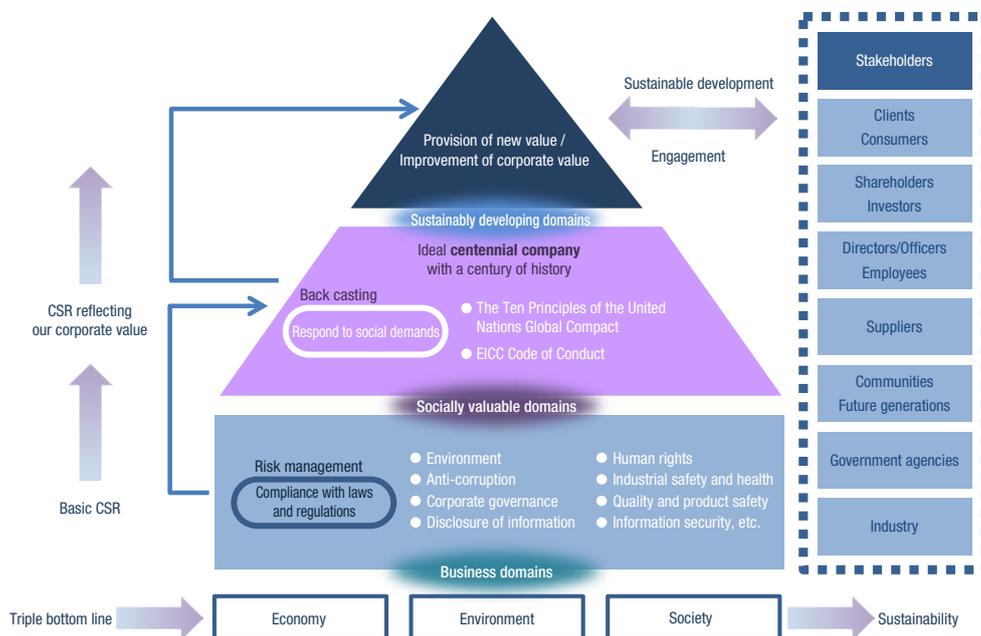
Foster Group CSR Systems

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



Conceptual Drawing of CSR Management

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



Core of CSR Activities

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

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

Development of CSR Materiality

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

The basic policies and extracted items are:

1. The Major policy "To establish a base of global business and create a profitable structure toward the year 2020" from "2016 Managerial Policy."
2. The following two items were extracted from "Annual TQM (Total Quality Management) Policy for Fiscal Year 2016":
 - Draw and execute an improvement plan suitable for the maturity of each site for "customer claim reduction" measures.
 - Establish a global environment management system and embody and promote the orientation of "energy management" targeting 2020.
3. The following two items were extracted from "Environmental Policy":
 - Conserve the global environment by promoting resource and energy saving in product development and design.
 - Prevent contamination and reduce CO₂ emissions in all phases of business activities including manufacturing and disposal.

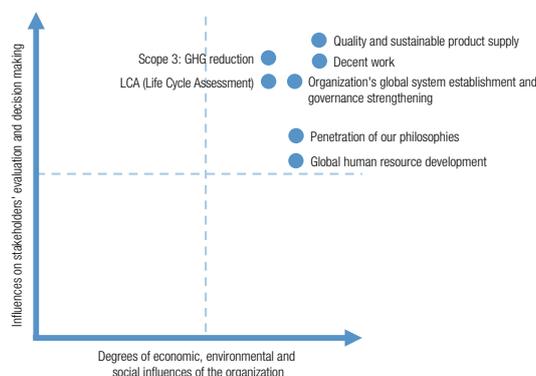
4. The item “Raise the awareness of environmental protection and biodiversity and thereby develop human resources who contribute to society” was extracted from the “Medium-term Environmental Policy.”

The extracted materiality items are as follows:

Responsibilities in the value chain: Decent work, quality, being customer oriented and environmental conservation

1. Global human resource development and utilization
2. CSR-based global Group governance

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



CSR Materiality-based PDCA

Materiality	Contents		Results and Progress in Fiscal 2017	Future Plan
1. Responsibilities in the value chain: Decent work, quality, customer orientation and environmental conservation	Enhancing positive effects	Decent work	As work style reform project, we implemented a variety of activities such as the full-scale introduction of flex-time system and work-at-home program as well as recommendation of twice-weekly no overtime day and Premium Fridays. Also, for health enhancement activities, we implemented the "Health Point System" and "Smoking Cessation Support Program." (Refer to page 30) We have been continuously registered with the United Nations Global Compact and reviewed activities regarding human rights and labor for 10 principles in four different areas.	We have set targets for fiscal 2018 as follows: The rate of paid holidays taken: 77%, the total working hours: a year-on-year reduction by three hours per month. For health enhancement, we aim to maintain the rate of periodic health examinations taken at 100% and achieve the rate of specific health guidance taken at 80%. We will continue to collect information through GCNJ subcommittee activities and strengthen our activities in cooperation with the other member companies and organizations.
		Quality and sustainable product supply	We maintained a record of zero failures that would have a serious social impact (human life, property, environment and so on).	We will maintain a record of zero failures that would have a serious social impact and reduce customer complaints.
	Minimizing negative effects	LCA (Life Cycle Assessment)	To calculate Scope 3: GHG reduction, we started a review to define the lifecycle range and set KPIs.	We will globally expand the calculation range of Scope 3: GHG reduction and develop an activity plan for the future based on our reviews.
		Scope 3: GHG reduction Reducing GHG (green house gas) emissions	To reduce GHG, we have started the calculation in Scope 3, in addition to Scopes 1 and 2, which were already calculated. (Refer to page 49)	We will globally expand the calculation range and work to reduce GHG emissions in the entire supply chain.
2. Global human resource development and utilization	Global Human Resource Development		In addition to the global grade system, which was started last year, we proceeded with preparations at the headquarters for the introduction of a new personnel system in fiscal 2018, which allows employees to select their career design globally. Furthermore, we ran the Global Leader's Training and facilitated the Overseas Trainee Program and international employee reassignment within Group companies, among other initiatives.	While continuing the current activities, we will stabilize the new personnel system, establish a global human resource utilization base and develop global leaders.
	Penetration of our philosophies		To share our philosophies, we continually implemented Foster Rhythm Workshops and various kinds of educational programs in Japan and at overseas sites.	We will continue to adapt the philosophies of Foster Rhythm to concrete activities for their further penetration into the entire Group.
3. CSR-based global Group governance	Organization's global system establishment and governance enhancement		We selected the persons in charge of CSR at the headquarters and seven Group companies and maintained a global CSR structure.	We will continue the CSR promotion activities for Group companies based on the established CSR promotion system.

CSR Assessments and Audits

CSR Internal Audits

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

Customer Audits and Assessments

To meet the various requests of customers, we accept audits from customers at manufacturing sites. In terms of the environment and occupational safety and health, our production facilities in China and Vietnam received 10 on-site audits from four corporate customers during the period from April 2017 to March 2018. Over the course of the year, we also received 17 requests (from 12 different customers) to complete and return the Self-Assessment Questionnaire, and we responded accordingly.

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



External view of the factory in China



Customer audit meeting (China)

Surveys from External Organizations

The Foster Group also responded sincerely to the CSR surveys received from external investigatory bodies. Last year, we received and responded to eight surveys regarding CSR, environmental management, ESG, SRI and others. Among them, as a result of the “CSR company ranking survey,” which was conducted by Toyo Keizai Inc., we ranked 228th (out of total 1,413 companies), which was an improvement from 248th (out of total 1,408 companies) last year. We will continue to address the survey requests from external investigatory bodies with sincerity.

Expansion of CSR In-house Education

Following the “Global CSR Communication Conference” in 2016, we held CSR In-house Communication Meetings at overseas sites in Vietnam (three sites, August 2017), China (one site, September 2017), and Myanmar (one site, February 2018) in fiscal 2017 to deepen the mutual understanding between field sites and us through in-house expansion. Together with the CSR-related departments at overseas sites, we exchanged opinions through the accumulation of knowledge, information sharing and expansion of Foster Rhythm as well as other initiatives to accelerate the Foster Group’s CSR activities. After the conferences, we also received requests for further opportunities for site education and similar information sharing. We will continue to provide places for periodic communication to deepen mutual understanding beyond cultural, ethnic and regional borders and unite as the Foster Group to actively promote in-house CSR education.



Communication Meeting at the site in Myanmar



Communication Meeting at the site in Vietnam



Governance

The Corporate Management Division is carrying out its operations regarding finance, accounting, IR (Investor Relations), legal affairs and intellectual property. It has a function that governs not only the headquarters in Japan but also the subsidiaries around the world.



Tatsuhito Tanaka

Senior Executive Officer and
Head of Corporate Management Division

Corporate Governance

Policies

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

Corporate Governance Structure

Board of Directors

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

Board of Managing Directors

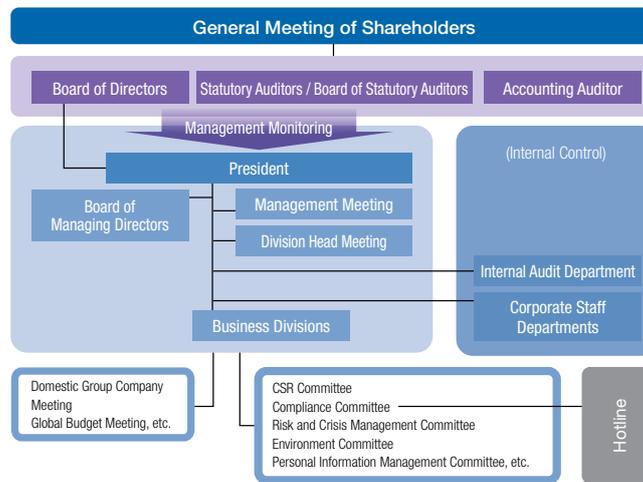
The Board of Managing Directors mainly consists of representative directors, managing directors, executive directors, senior executive officers and statutory auditor. They hold discussions at the meetings before making decisions on the execution of business operations.

Management Meeting, etc.

Mainly comprising the president and the head of the Company's business divisions (including those who serve concurrently as director or executive officer), the Management Meetings and the Division Head Meetings are held to report and discuss matters concerning the execution of businesses at the business divisions, in order to expedite decision making processes and ensure that unified decisions are reached. On a Group-wide level, twice a year, in order to facilitate consolidated management within the Group, the Domestic Group Company Meeting is held by the top executives responsible for the management of the domestic Group companies; the Global Budget Meeting is held by the top executives of the overseas Group companies to discuss their budgets; and the Global Strategy Meeting is held to discuss global strategies with regard to sales, technology, quality control and manufacturing. Through these meetings, we share and reaffirm the direction in which the entire Foster Group is heading, and reinforce collaborative efforts within the Group.

Nominating Committee and Remuneration Committee

The Company has established Nominating and Remuneration committees as advisory organizations offering voluntary advice to the Board of Directors. These committees are designed to enhance fairness and transparency in selecting and appointing people to managerial positions, and in determining the details of their remuneration, etc. Each committee consists of representative directors, managing directors, directors, standing statutory auditors, and statutory auditors (currently a total of six members including two independent officers).



Corporate Governance Guidelines

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

http://www.foster.co.jp/csr/foster_group/pdf/20160401_corporate_governance_guideline.pdf

Corporate Governance Report

The Foster Group publishes a report that describes the concept and structure of our corporate governance in accordance with the regulations of the Japanese stock exchange.

Foster Group Corporate Action Guideline

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

■ Foster Group Corporate Action Guidelines:

http://www.foster-electric.com/csr/governance/pdf/corporate_action_guideline.pdf

COMPLIANCE

Policies

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

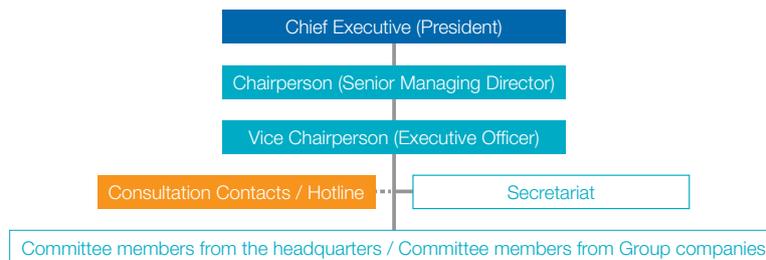
Compliance Structure

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

For the protection of whistle-blowers, internal regulations are established and disseminated to ensure that they are treated fairly or not involved in any trouble as a result of the their actions.

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

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



Compliance Committee

Compliance efforts are led by the Compliance Committee based on the respective internal regulations.

In fiscal 2017, a compliance test was conducted to help improve awareness of compliance among employees, and in an initiative led by the Compliance Committee, an outside expert (lawyer) was invited to lecture to employees with the objective of making compliance related issues known and ensuring thorough observance.

Future Plan

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

Risk Management

Policies

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

Risk Management Structure

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

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

Risk and Crisis Management Committee

As the basic operation policy in fiscal 2017, we promoted the enhancement and global expansion of risk management ability and crisis responsibility and established a structure for prompt responses in the event of a crisis and a response structure for any serious risk or incident when it is predicted, and enhanced the risk management system for usual conditions. In fiscal 2017, we extracted important items to be monitored at the Risk and Crisis Management Committee and held the Risk and Crisis Management Committee on a regular basis (once every three months). Through the regular implementation of the Risk and Crisis Management Committee meeting, we established a Foster Group-wide health and safety management structure, reviewed the business continuity plan (BCP) and monitored the establishment of the bribery prevention structure. In addition to those activities, we extracted important items to be monitored in fiscal 2018 at the Risk and Crisis Management Committee, aiming to enhance the risk and crisis management structure.

Future Plan

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

Our Stance on Tax Matters

Basic Stance

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

Dealings Between Affiliated Companies

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

Relationship with Tax Authorities

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

Transparency

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

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

Business Continuity Plan (BCP)

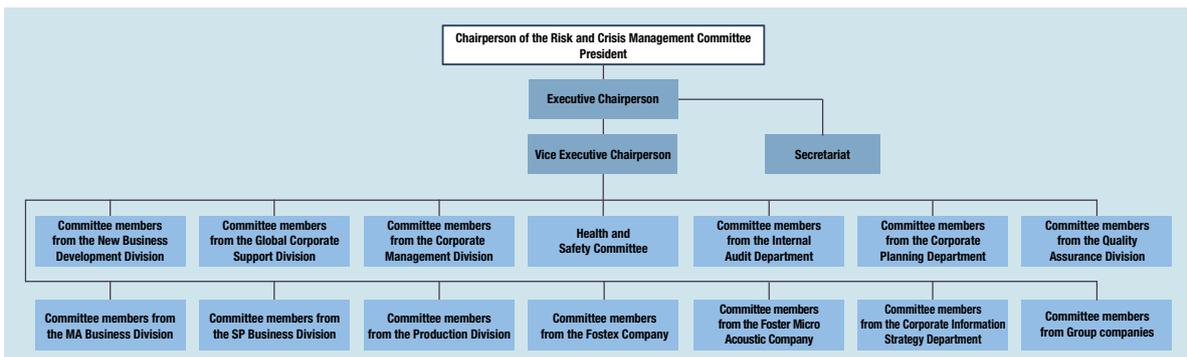
Policies

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

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

Activity Promotion Structure

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



Main Activities and Measures

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

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

Certification of Excellent Fire Prevention Property

As one of the disaster-prevention activities, our headquarters is certified as an Excellent Fire Prevention Property under the cooperation of the Akishima Fire Department. This year, we renewed the certification for the first time. The activities of our self-defense fire fighting force were inspected by the fire department. We will unite all the employees, including the self-defense fire fighting force, to continue our certification and do activities as a company needed by the local community.



Certification of Excellent Fire Prevention Property



Presentation ceremony for the certification of Excellent Fire Prevention Property

Disaster drills conducted by headquarters and domestic offices

Once a year, the Foster Group conducts disaster drills involving all employees at headquarters and domestic offices. At headquarters, a drill was conducted in February 2018. Firefighting training, evacuation guidance training and so on were conducted by the self-defense fire fighting force.



Disaster drill (Headquarters)

Information sharing and health and safety activities with overseas sites

Our headquarters and other departments share the information on the disasters and accidents that occurred at overseas sites and actions taken for them via the regular video conference.

Disaster drills at overseas sites

The Foster Group appoints a person in charge of BCP for each overseas site and conducts activities for continuing business globally. We also implement disaster drills on a regular basis to improve our employees' disaster prevention skills so that they can react without confusion in the event of a disaster.



Evacuation drill (Vietnam)



Firefighting training (China)



Injured person rescue training (China)



Night evacuation drill (Indonesia)

Future Plan

The Foster Group has been reviewing the BCP at the headquarters by learning from many of the recent natural disasters that occurred in Japan. We are working to re-establish the headquarter BCP structure so that even when faced with an unexpected situation, we can react flexibly, aiming to be a company that is more reliable for stakeholders.

Information Security and Personal Information Protection

Policies

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

To appropriately protect and handle the information assets possessed by the Foster 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

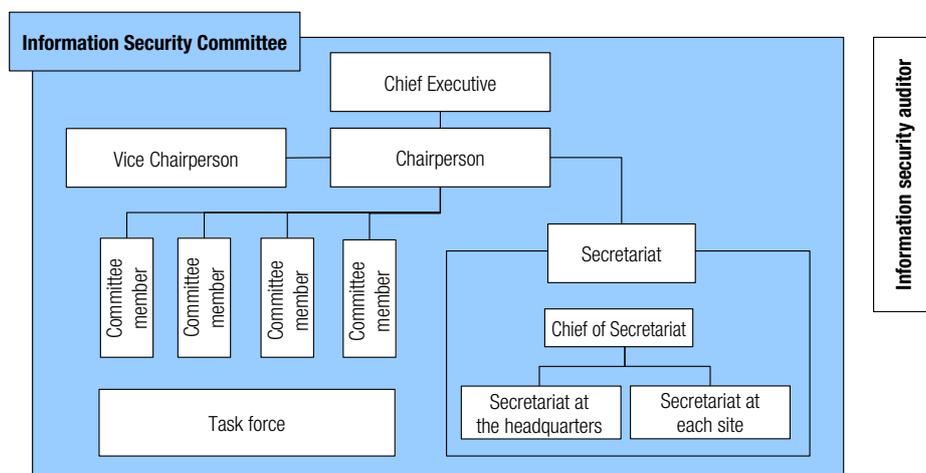
Details on our information security policies can be viewed at our website:

■ Information security policies:

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

Activity Promotion Structure

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



Main Activities and Measures

The Foster Group takes 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.

Future Plan

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

Responsible Procurement

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

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

Basic Principles of Procurement Policy

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

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

Details can be viewed at our website:

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

CSR Procurement

The Foster Group recognizes that across-the-board CSR procurement along its entire supply chain is essential in developing its global materials procurement activities. To this end, we have established the Foster Group Supplier CSR Code of Conduct, based on our CSR-related regulations and Basic Principles of Procurement. Based on this standard, we distribute CSR-related questionnaires to our suppliers and ask them to confirm their implementation status for our CSR initiatives.

In fiscal 2017, the Company conducted a SAQ (Self-Assessment Questionnaire) on the implementation status related to human rights, health and safety, the environment and ethics at all procurement sites in Japan, China, Vietnam, Indonesia, and Myanmar. We received replies from 90% of them.

As a result of the survey, the average points for the whole company was 86 points (out of 100 points).

Also, it was discovered that many of our suppliers considered CSR as a social trend and actively worked on it.

We will continue to ask them to perform CSR self-assessments. If any problems are found, we will take countermeasures against them to establish a healthy supply chain.

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

http://www.foster-electric.com/procurement/pdf/supplier_csr_code_of_conduct_en.pdf

Responsible sourcing of minerals

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

The Foster Group has established a Basic Policy on Conflict Minerals, and conducts investigations into the production areas and distribution processes used in relation to minerals in its supply chain. In fiscal 2017, we achieved a 99% response rate for investigations into conflict minerals carried out on the group of 363 suppliers.



Training regarding conflict minerals (China)

Going forward, the Group will continue to conduct detailed investigations as the refinery certification status changes (addition and deletion) and to work actively towards ensuring the responsible procurement of minerals. (Our policies on the conflict minerals can be viewed on our website.)

Details can be viewed at our website:

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

Green Procurement

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

Details on our green procurement can be viewed at our website:

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



Environmental measurement practice using XRF (headquarters)

Global procurement structure

The Foster Group is promoting the global development of business activities, local procurement, and local production for local consumption. In doing this, we consider it vital to share a mutual understanding with our suppliers and we therefore hold procurement, environment, and CSR briefings to promote a strong and healthy relationship with them. In addition, as it is essential to acquire knowledge to reduce procurement risks, our Company is fostering human resources who can conduct procurement operations in a socially responsible way by providing education and training on quality, environment, CSR and others at each site on a regular basis via the video conference system.



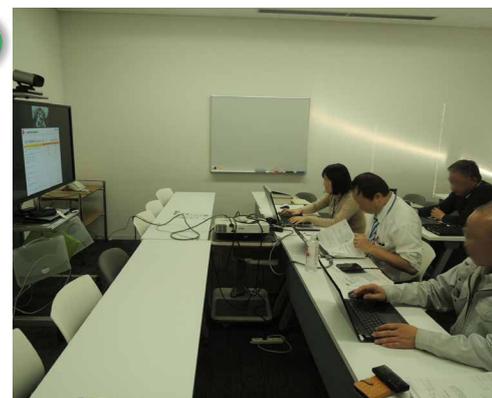
Global materials conference (headquarters)



Industry exhibition 2017 (Vietnam)



Suppliers quality audit (Penang)



Environment education via video conference (Myanmar)

Social

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



Iwaki Tsugane

Deputy Head of Global Corporate Support Division

Human Rights Protection

Policies

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

Respect for Employees’ Humanity

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

Respect for Human Rights and Anti-discrimination

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

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

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

Sexual Harassment

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

Protection of Personal Information and Privacy

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

Worksite Health and Safety

We give priority to the provision of safety and health, endeavor to maintain a safe and healthy workplace environment, understand the laws and orders concerning work-related safety and health and comply with them. If any work-related disaster arises under any circumstance, Foster Group Directors and Staff strive to carry out the prescribed procedures such as the creation of an immediate report in order to minimize and prevent the recurrence of such accident in a reliable manner.

Compliance with Labor-related Laws

We comply with the labor-related laws and endeavor to maintain a comfortable and healthy workplace environment. In order to ensure that the working conditions stay within the limit set forth in the "Labor Standards Act," we strictly control working days and working hours. We do not force labor that compels excessive work or over-time work and so on. Managers take into consideration the condition of the physical and mental health of subordinates at all times.

Activity Promotion Structure

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

Diversity and Inclusion

Policies

The Foster Group seeks to create systems and environments in which a diverse workforce of different genders, ages, nationalities and backgrounds as well as employees who work while raising children or providing nursing care can work actively according to their respective lives.

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

Activity Promotion Structure

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

Main Activities, Measures, and Development

<Supporting Employees Raising Children and Providing Nursing Care>

To promote a working environment where employees who are raising young children and providing nursing care can work at ease, we have improved our system to support the balance between work and child/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. In addition, Diversity Management Section accepts counseling requests regarding child care and nursing care from employees at any time and responds carefully.

<Promoting Women's Active Participation>

By providing female employees with planned cultivation and supporting their career development, we are aiming to have female managers represent 30% of all managers by the end of March 2021.

In fiscal 2017, we held the "Round-table Talk about Women's Careers" aiming to establish a network among female employees by sharing their real opinions and thoughts of the future careers of the women who work in a variety of job categories.

<Our Activities for LGBT (Sexual Minority)>

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

In addition, we provided trainings for all employees in fiscal 2017 to deepen their understanding of LGBT.

<Global Human Resource Employment>

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

<Regarding the Award of New Diversity Management Selections 100 (2017)>

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)” awarded by the Ministry of Economy, Trade and Industry. (Refer to pages 9 and 10.)

We will continue to create a working environment that makes use of diversity of the employees who has various backgrounds.

■ Website of the Ministry of Economy, Trade and Industry: New Diversity Management Selections 100/Diversity Management Prime

Companies awarded as New Diversity Management Selections 100 (2017) (Japanese)

http://www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/practice/pdf/H29_diversity_ichiran.pdf

Best practices in fiscal 2017 (Japanese)

http://www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/practice/pdf/H29_diversity_bestpractice.pdf

Future Plan

- Female manager ratio: To increase the female manager ratio to 30% of all the managers by 2021.
- Foreign employee ratio at headquarters: To increase the foreign employee ratio to 30% of all employees working at headquarters by 2021.
- Employment rate of persons with disabilities: To keep the employment rate above the mandatory rate required by law.
- Displaced worker for nursing care: Aim to be zero by 2021.

Labor (Labor Practices and Decent Work)

Policies

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

Activity Promotion Structure

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

Main Activities, Measures, and Development

<Work-style Reforms>

Since September 2016, we have established the systems and culture that satisfy a variety of work-style needs 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 at full scale. As for the work-at-home program, though the targets were limited to the employees who are providing child and nursing care during the trial run, we have introduced the program at full scale without limiting the targets. The program was used for 599 days in total in fiscal 2017, which shows that flexible work styles are penetrated.

In addition, we continually implemented the initiative of the two days of week recommended to go off work at the same time and the private-public initiative of the Premium Fridays, which is promoted by the Ministry of Economy, Trade and Industry. We implement the initiative of Premium Fridays, which ensures leaving work on time, two times a year (February and August). 84% and 92% of employees left work before the fixed time in August and February, respectively, which showed gradual penetration of the awareness of leaving earlier.

<Enhancement of the Leave System and the Leave of Absence System>

Since April 2018, we have introduced the volunteer leave system with an aim to grow employees through volunteer activities.

We have also introduced the system that grants the leave of absence for two years at the longest to the employees who wish to go to school to deepen and expand their own expertise and the system that grants the leave of absence for five years at the longest to the employees who wish to accompany with their spouses on overseas transfers.

<Health Enhancement>

Mental and physical health is essential for employees to feel job satisfaction and work with vigor. We position the enhancement of employees' health as an important management issue and are conducting various initiatives.

To raise the awareness of enhancement of employees' health, we implement the "Health Point System," in which we give points and provide health incentives to employees. In this system, incentives are given to the employees who took periodic health examinations, participated in in-house health seminars and participated in exercise events such as the walk rally.

We also implement a "Smoking Cessation Support Program," which subsidizes the expenses paid to medical institutes to the employees who wish to quit smoking, and encourage them to take specific health guidance in cooperation with the health insurance association, providing an opportunity to review their daily habits. In addition, we hold the "Autumn Festival (athletic meet)." We implemented those initiatives by sponsoring the plans of employees' union, aiming to maintain and enhance employees' health and activate communications in the company.

Such initiatives were evaluated and received the "Certification of Excellent Company in Health: Silver" from the Tokyo Federation of the National Federation of Health Insurance Societies in February 2018.



Future Plan

Target for fiscal 2018:

- Rate of paid holidays taken: 77%
- Total working hours: year-on-year reduction by three hours per month
- Rate of periodic health examinations taken: keep 100%
- Rate of specific health guidance taken: 80%

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)." The ideal for human resource development is as follows:

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

Activity Promotion Structure

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

Main Activities, Measures, and Development

- To promote philosophy-focused management (Way Management), enhance the power of human resources and organization, and transform the organization, the Foster Group developed the action guidelines by redefining "the ideal company." We summarized those into the "Foster Rhythm Guidebook" and "Foster Rhythm Card" and distributed them to our employees across the world. We are also continually providing workshops and various kinds of education programs.
- We are working to promote diversity and foster and enhance the global mind of our employees by regularly conducting "Inter-Cultural Communication Training" at various levels. We will also introduce the Global-eye Program, a new overseas training program for young employees, to promote the planned and continuous development of the next-generation of global leaders.
- Since April 2018, we have introduced a new personnel system (personnel system with multiple courses) aiming to make the transition to a more flexible personnel system with a wider range of selections according to each employee's career plan, life stage, and work-life balance. At the same time, we are also working to promote the development of engineers by providing life-career design training and introducing the "Technical Master System."
- To promote localization of overseas site management, we are also actively working on the development of the local managing staff at each site. Specifically, we ran the Global Leader's Training and facilitated human resources exchange by the Overseas Trainee Program and the international employee reassignment within Group companies, etc. to develop human resources globally.

Future Plan

- Further instilling our corporate philosophies (understand -> empathize -> implement)
- Stabilization of the operation of the new personnel system (multi-stream personnel system by course)
- Promotion of the human resource rotation linked with the mid- and long-term human resource development program
- Establishment of global human resource utilization base and development of global leaders

Health and Safety

Policies

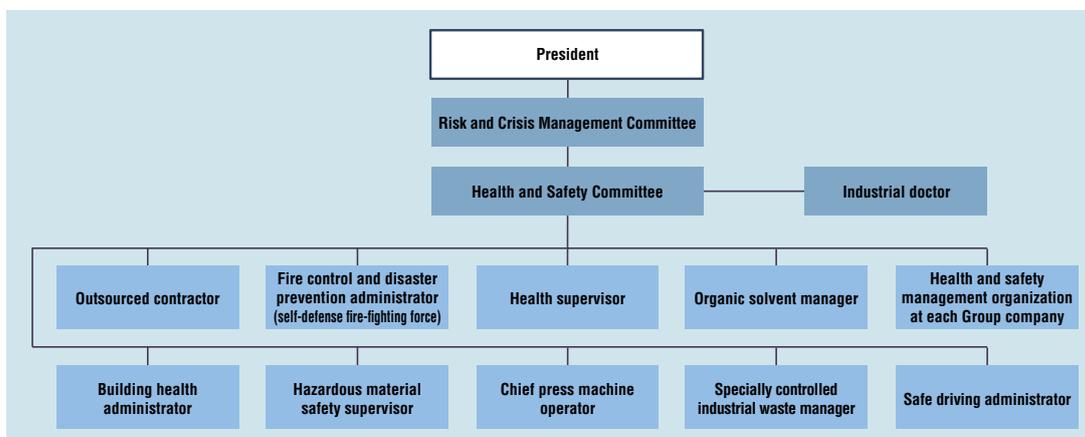
Foster Electric has established a rule to prioritize health and safety, and endeavors to create a safe and healthy working environment. Based on this rule, we are advancing redressing activities, which are carried out mainly by the Health and Safety Committee, which governs health and safety, and the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

Abstract from the “Code of Conduct”

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

Activity Promotion Structure

The health and safety activities carried out by Foster Electric 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.



Main Activities

As part of our health and safety initiatives, we are taking steps to address Group-wide issues, led by the Risk and Crisis Management Committee, together with initiatives to resolve site-specific issues, led by the health and safety management organization at each site.

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

In the future, we will begin full-scale initiatives to address issues common to the Group using ISO 45001-Occupational Health and Safety.

The Foster Group implemented safety inspections on the bicycles used for commuting as an issue common to the Group for preventive maintenance.

The headquarters has developed and executed the plan based on the policy of the Health and Safety Committee, "Aiming for zero risks," as an initiative to address site-specific issues. In particular, as one of the work-style reform promotional activities, we worked on a corporate-type childcare project to enhance our benefit packages. We conducted the "Declaration of a Healthy Company" and enhanced the system to improve work-life balance, in an effort to create a mentally and physically healthy working environment for our employees through various activities.

In addition, we had a renewal audit for the certification of the excellent fire prevention property at headquarters this year and re-checked the activities of the self-defense fire-fighting force. We are working to improve our employees' safety awareness to become a company that is also needed by the local community.

Bicycle Safety

Some employees working at headquarters use bicycles for their work or commute, and their safe use of bicycles and our traffic accident prevention activities were evaluated by the Japan Traffic Management Technology Association. We were certified as a "model company for bicycle safety" in February 2017, with our activities being seen as a role model.



Award ceremony for the "model company for bicycle safety"

Video Conference with Overseas Sites

As one of our initiatives to expand and share information on the global industrial health and safety project based on ISO 45001-Occupational Health and Safety Management System, we held a regular video conference with the persons in charge at overseas sites. We shared cases related to industrial safety that occurred at each site and started to take preventative measures and actions as group-wide issues.

Future Plan

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

Social Contribution

Policies

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

Code of Conduct

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

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

Activity Promotion Structure

Foster Electric’s social contribution activities involve all departments, including General Affairs, Manufacturing, Engineering and Sales.

Main Activities

<Communicating with the community>

We continued the naming rights contract with Akishima City regarding Akishima Community Hall, which is known locally as KOTORI Hall by the citizens of Akishima City. The KOTORI brand name was given to the hall by Foster in April 2014. This year, the renovation of KOTORI Hall in Akishima City is planned. We will continue to pursue activities to win the affection of the local community.



KOTORI Hall



KOTORI product exhibition corner

As a company that supports the industry of Akishima City, we invited its technical instructors to visit a company under the theme of technical tradition. In addition, as a company that regards harmony with the environment as one of the highest priority issues of its business management activities, we held classes on the environment and invited elementary school students to join. These sessions enabled the children who will play a role as the next generation of adults to learn about the importance of environmental preservation, and about the care for the environment that goes into our products.



Environmental class (1)



Environmental class (2)

In 2017, as a key member of Akishima City's Environmentally Friendly Business Operator Network, we took part in the Akishima Industrial Festival, the Environment Green Festival, and other environment events, and pursued our environmental preservation activities in cooperation with neighboring companies and the staff of Akishima City Environment Section. Also, valuable feedback from citizens through the events was highly beneficial for our activities. We will continue to grow together with all citizens in the future.



Akishima Industrial Festival (1)



Akishima Industrial Festival (2)

In December 2017, we sponsored a Winter Vacation Parent & Child Crafts Class, a winter holiday event for parent-child interaction as part of the Akishima Crafts Classroom community courses, which was well received.



Winter Vacation Parent & Child Crafts Class (1)



Winter Vacation Parent & Child Crafts Class (2)

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

Last year, we started the in-house sale of specialty goods from the town of Iwaizumi, Iwate Prefecture, which concluded a friendship city agreement with Akishima City, as a disaster reconstruction support activity and contributed to the area's recovery through economic activity.

<Crime prevention and disaster readiness initiatives>

Supporting the 2020 Tokyo Olympic and Paralympic Games, Foster is cooperating with the Tokyo Metropolitan Police Department's ANTEP (Anti-Terrorism Partnership, Tokyo) initiative, concluding disaster prevention agreements with neighboring companies, and otherwise bolstering its crime prevention and disaster readiness initiatives in the local community.

<Investing in human resources for the future>

In 2017, we held a speaker-making class, an event sponsored for children by our consumer brand FOSTEX company, at "Anfelit" showroom, where FOSTEX products were exhibited, twice during the spring holiday period (March to April) and summer holiday period (July to August). Sixty children, from late elementary to junior high school students and their guardians enjoyed the event.

They not only learned the mechanism of sound, but also enjoyed listening to music through the speaker.



Making speakers



Listening to sounds from the speakers that the children made

Foster Electric supports bicycle motocross (BMX) rider, Mr. Yoshii.

<PROFILE>

Kohei Yoshii,

BMX* Japan representative, works at CSR Promotion Department of Foster Electric Company, Limited.

Born on March 14, 1995. He fell in love with BMX racing the first time he saw it with his family, and started BMX when he was 7 years old.

In 2012 and 2013, he won the junior class race for two years in a row. In 2013, he won first prize in the Asian Championship junior class.

Since 2014, he has taken part in the highest class in Japan, the elite class.

He also serves as a trainer at sessions for beginners at JOSF Midoriyama track, his home ground, and interacts with children and their guardians.

* BMX (bicycle motocross): A cycle race. Mr. Yoshii takes part in the BMX event known as the "Race." Players compete for top place on a dirt course of approx. 400 m including jump ramps, etc.

Mr. Yoshii joined Foster Electric Company, Limited in December 2017 and is active internationally.

<Recent Activities>

February	2018	USA BMX Winter Nationals (U.S.)
March		USA BMX Gator Nationals (U.S.)
April		UCI BMX Supercross World Cup (France)
May		UCI BMX Supercross World Cup (Netherlands, Belgium)
		Asian BMX Championships - Continental Championships (Thailand)



Community Contribution Activities at Overseas Sites

Foster Group's overseas sites provide active support for regional volunteering and donation activities, activities supporting victims and those who are economically disadvantaged, human resource development activities, and other initiatives each year.

<Vietnam>

We offered gifts to those who are economically disadvantaged during the Tet holidays (Lunar New Year) in February 2018.



In November 2017, due to a flood caused by Typhoon No. 23 (Damrey) in the south central of Vietnam residents suffered extensive damage. Our Vietnam sites provided support in Quang Nam Province, where people were affected by the collapse of houses and other damage, and donated funds and relief supplies collected from our employees.



In December 2017, we supported the construction of a canal bridge in Kien Giang Province.



<Indonesia>

In May 2017, our employees participated in a blood donation event co-sponsored by the Indonesian Red Cross Society.



In June 2017, we supported the construction of a learning room (computer room) at the Permate orphanage on Batam Island.



The orphanage held a welcoming ceremony for Foster in June 2017



Our employees visited the orphanage in May 2017 to gain insight into actual conditions



Construction was completed in October 2017

In November 2017, we donated over 200 picture books, dictionaries, and educational books to a school on Seraya Island. In December 2017, we also donated school tuition, food and other supplies to Agape orphanage on Batam Island.



We donated books to a school on Seraya Island



We donated school tuition, food and other supplies to an orphanage on Batam Island

<Myanmar>

Our Myanmar site accepted internships from universities and career colleges. We provided students with opportunities to deepen their expertise through on-site learning and acquiring techniques that have not been taught in school. We not only accepted students for internships but also visited Thanlyin Technological University to give a talk on the manufacturing processes of speakers.



Students from Thanlyin Technological University visiting Foster Thilawa Plant



Lecture at Thanlyin Technological University

<China>

January 2018:

We distributed 5,000 reusable shopping bags to stores and consumers at no charge to reduce the amount of plastic bags.



February 2018:

1) We took part in the poverty reduction activities conducted by the local government and provided employment guidance and job opportunities by communicating with those who are economically disadvantaged.



2) Our employees took part in the welfare activities, visited economically disadvantaged persons in the Guangxi region, and donated money and food.



<Korea>

ESTec Corporation, a Group company in South Korea, performed the following activities:

September 2017: Conducted by our officers and employees, funds for neighbors were donated via the inhabitant life support office to people in need of support in the Yangsan area.

November 2017: The funds raised by our officers and employees were donated via the physical education office as scholarship funds for the students in Yangsan City.

December 2017: All our employees pickled 200 boxes of kimchi (approximately 1,500 kg) together and sent them to those who are economically disadvantaged (elderly living alone, people with serious disabilities, and households with a child acting as the head of household), via the Yangsan Volunteer Center. This "Kimchi sharing with love" event has been carried out every year since 2010.



September 2017: Funds for neighbors



November 2017:
Scholarship funds for students in Yangsan City



December 2017: Kimchi sharing with love

<U.S.>

September 2017: Our Detroit office donated the funds collected internally to "Make A Wish," which is an organization for children who are fighting serious illnesses.

Customer Satisfaction

Foster Group Sales Department

Policies

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

Structure

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

Activities

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

Future Plan

- We provide our products in the fields of cars, entertainment, and communications and deliver happiness to people around the world through our sound.
- With new markets for cars, entertainment, and communications growing at an accelerated pace, with surrounding areas becoming involved, the markets are being integrated into a comprehensive lifestyle field. Under these circumstances, we strive to provide new products that meet changing needs and deliver greater satisfaction to customers around the world.

Fostex Company

Policies

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

Structure

We always listen to our customers’ comments and seek what they need so that we offer products that our customers can use with satisfaction and peace of mind. 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 and strive to develop products specific to each region.

Activities

As domestic activities, we share information with the dealers who are constantly in contact with our customers and also make efforts to listen to as many customers' voices as possible at exhibitions and trial listening events. In 2017, we held over 30 listening events at dealers and participated in seven exhibitions. In overseas markets, we identified the needs of customers from overseas countries/regions through cooperation with our contracted sales agencies and sold region-specific models in Hong Kong and the U.S.

Future Plan

We will continue to supply our trusted original brand, FOSTEX brand products, to introduce our high technical competences and the high competitiveness of our products. In particular, in 2018 we will continue to develop products that can deliver greater listening pleasure to our customers through sound, focusing on the development of a full-range speaker, a strength of Fostex, and Bluetooth earphones, which is a market trend.

Quality and Safety Assurance

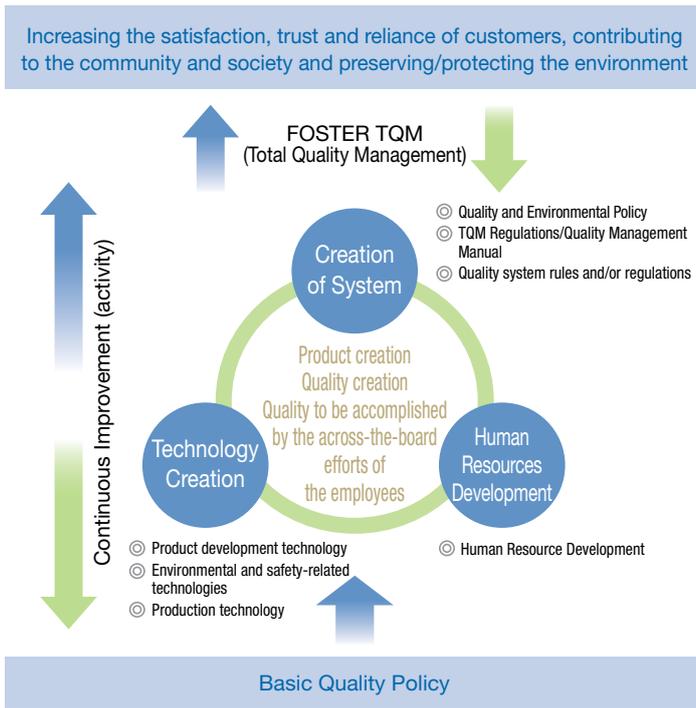
The Foster Group is undertaking quality assurance activities based on the FOSTER TQM (Total Quality Management).

Our Quality Assurance Activity Policies and Actual Activities

Under our customer-focused philosophy, the Foster Group considers 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 Basic Quality Policy, we globally promote comprehensive quality assurance activities to ensure that our products are of high quality.

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



Our Quality Assurance Activity System (Main Process) and Mechanism



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

FOSTER TQM and Quality Management System (QMS)*

- ▲ As for the quality management system of the Company, quality assurance and management activities have been developed under its customer-focused philosophy on quality since the Company's foundation.
 - ▲ In 1975, we formulated the Total Quality Control (TQC) Regulations in accordance with the philosophy of FOSTER Total Quality Control (TQC). In May 2006, the TQC Regulations were upgraded as the Total Quality Management (TQM) Regulations.
 - ▲ Since 1998, all the Group companies have successfully acquired the certification of the quality assurance (system) standards (including the ISO9001: 1994).
 - ▲ In 2004, all the Group companies successfully acquired the certification of the ISO/TS 16949, a quality standard based on the ISO9001: 2000, which has continued to be renewed to date.
 - ▲ In 2017, we switched to ISO 9001: 2015 and IATF 16949: 2016 standards company-wide and have continued to comply with them.
- * QMS: Quality Management System

Global Quality Assurance Structure

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



Enhancing Quality Awareness

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

Main Events Held Last Fiscal Year

■ Holding the quality lecture presentation

The quality lecture presentation was held by inviting outside lecturers. Approximately 170 employees attended this event, which led to an improvement in their quality awareness.



Quality lecture presentation (headquarters)

■ Holding a quality improvement case exhibition

We held improvement case exhibitions at headquarters and overseas sites to share detailed information on the improvements.



Exhibition at the headquarters



Exhibition at Da Nang Plant in Vietnam



Lecture at a plant in Indonesia

■ Seeking ideas for a quality slogan

We seek ideas for a quality slogan for each division every year. Compiled in a booklet, all of our employees carry at all times.



■ Holding the Global QC Circle Convention

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

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



QC Circle Convention (headquarters)

Future Plan

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

Environment

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

Environmental Philosophy and Policy

Environmental Philosophy

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

Medium-Term Environmental Policy

1. We conserve the global environment by promoting resource and energy saving in product development and design.
 - To set targets with customers and promote reduction of product's electricity consumption and weight saving.
2. We prevent contamination and reduce CO₂ emissions in all the phases of business activities including manufacturing and disposal.
 - Each site to set waste reduction target and execute as action plan.
 - Reduction target (Annual average): to reduce 1% of CO₂ emissions per sales unit (Target for 2020: 7.73% or more reduction from 2012)
 - To create an energy saving plan at manufacturing process in order to reduce CO₂ emissions.
 - To grasp clean energy usage rate at each site and promote clean energy utilization.
3. We strive for the continual improvement of environmental performance in compliance with environmental laws and regulations and other requirements.
 - To reduce utilization of Volatile Organic Compounds by setting the reduction target in order to satisfy increasing customer requirement.
4. We raise the awareness of environmental protection and biodiversity and thereby develop human resources who contribute to society.
 - To implement biodiversity protection education to employees and build a base for biodiversity protection activity rooted in the area of each site.
 - Understanding water risks on a world-wide level, each site to grasp and control their water consumption and drainage.
5. We maintain and improve environmental management system and promote external communication.
 - To maintain and improve environmental management system and environmental performance by achieving smooth shift to ISO14001:2015 at each site.

Environmental Management Structure

We have established an environment management system based on ISO 14001 at the headquarters and overseas manufacturing sites and embody the Foster Group's environment philosophies and mid-term environmental policies. At headquarters, we monitored the activities conducted at each site and check their results.



Ryoji Otowa

Senior Executive Officer, Head of Quality Assurance Division,
and Officer in Charge of Quality and Environment

Environment Management System based on ISO14001

The headquarters defined the Head Office of Foster Electric (1-1-109, Tsutsujigaoka, Akishima City, Tokyo, Japan) and the Miyazawa office of the Fostex Company (512, Miyazawa-cho Akishima City, Tokyo, Japan), as registered organizations and addresses, and switched to ISO 14001: 2015.

Each overseas manufacturing site also switched to ISO 14001: 2015.

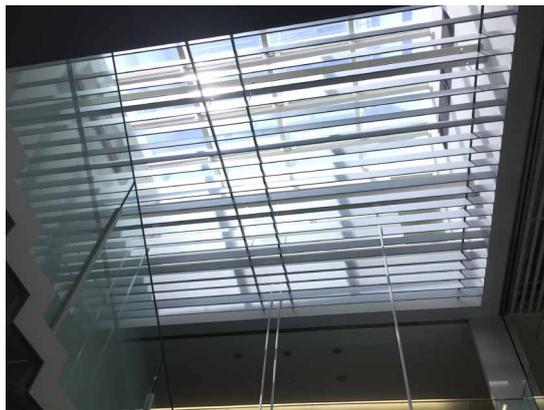
In addition, we present the ISO14001 certification upon the request of stakeholders.

Environmental Activities

Environmentally Friendly Headquarters Building

Our headquarters, which employed technologies to reduce its environmental burden, implemented lighting control using daytime sunlight, which effectively brings daytime sunlight into the office, and human body sensor light control to achieve optical controls for automatically turning off lights. In addition, by adopting air conditioning control technologies, including air conditioning using outside air, which brings in natural air to maximize the efficiency of air conditioning, an ice thermal storage air conditioning system,* which enables a peak cut in the daytime use of electricity, and a double-skin facade, which improves heating efficiency, the efficiency has been maximized for electrical use. In addition, thorough temperature control through the Cool Biz and Warm Biz campaigns, support for the private-public initiative of Premium Fridays as part of the work-style reform, and the initiative to turn off all the lights in the building further helped to control electricity use. Based on the mid-term environmental plan, by procuring clean energy prior to the other sites in the Group, the headquarters has controlled greenhouse effect gas emissions and strongly promotes active participation in climate control measures.

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



Air conditioning using outside air (headquarters)

Management of Chemical Substances

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

Based on the aforementioned scheme, we have established an optimum management system for the efficient search and collection of information about chemical substances that are contained in parts and materials and precise communication of information necessary in the supply chain. We have taken all possible measures to ensure that we do not miss to cope with annually added chemical substances that need to be monitored in accordance with the EU's RoHS2.0 Directive and the REACH regulations implemented in 2013. In addition, to ensure communications of related information, we provide our suppliers with briefing meetings every year primarily at our overseas sites. We monitor 41 substances as controlled substances and banned heavy metals such as lead, cadmium, mercury and hexavalent chromium together with other highly harmful substances from use so that our products are completely free of these substances.

In compliance with the trend of legal regulations and/or customer requests, our products are manufactured without certain chemical substances, such as certain phthalate esters which are used as plasticizing agents (referred to as certain phthalate ester-free manufacture).

Zero Emissions

At headquarters we are engaged in the recycling of waste, etc., (waste that contains recyclable elements) through the sorting and separation of regular waste, plastics and industrial waste, together with comprehensive awareness raising activities. Already assembled products and parts are being recycled into raw materials through a professional recycling business operator, as part of our continuing activities aiming to achieve zero waste emissions from our business activities.



Recycled materials being carried out

Mini-clean Activities

As part of our CSR activities, we conduct mini-clean activities, clearing the footpaths and sidewalks around our headquarters, and develop an annual plan to be implemented monthly. We also actively participate in the Akishima Cleanup movement, and are working towards the beautification of our local area, in which all departments including the members of the Environment Committee can participate.



Mini-clean activity (1)



Mini-clean activity (2)



Mini-clean activity (3)

Environmental activities with the town of Iwaizumi

Aiming to become a company trusted by the local community, we are providing support for global environmental preservation activities through Akishima-shi Environment Consideration Enterprise Network. We are also taking part in the Arbor Day for Future and other activities run by Akishima City and the town of Iwaizumi (in Iwate Prefecture, closed the friendship city agreement with Akishima City) as part of our carbon offset initiatives. For reconstruction from the damage due to the typhoon in August 2016, we supplied environmentally friendly dishwashing detergent as a member of the Akishima-shi Environmental Consideration Enterprise Network.



Global environmental preservation activities with the town of Iwaizumi, Iwate Prefecture

Activities related to biodiversity

Based on environmental policies, and aiming to improve awareness of environmental preservation and biodiversity, we participate in biological fact-finding investigations associated with Akishima City's Basic Environmental Plan and environmental learning sessions, which introduces nature-watching in Akishima City, endangered species preservation activities, among other topics. This term, we also plan to participate in local volunteer activities. We will consider the value of biodiversity in the community and prepare environmental preservation initiatives through our activities.



Environmental learning session (1)



Environmental learning session (2)

Environmental Activities at Overseas Sites

Our manufacturing sites across the world are also implementing environmental education and training.



Practice against chemical leakage at the factory (China)



ISO 14001: 2015 Training (Vietnam)

Our China plant (PANYU) purifies wastewater from the manufacturing process of speaker diaphragms through a filter and recycles it as cooling water.

In addition, it reuses the wastewater from the lavatory for toilets.



Filter for wastewater installed on the roof (China)



Device that collects wastewater from the lavatory and feeds it with a pump (China)

GHG Protocol Scope 3

Environmental Education

The Foster Group is continuing its environmental management activities, based on the belief that such activities are vital to continue as a centennial company. At the headquarters, in preparation for the calculation of the GHG protocol*1 Scope 3, we attended a training on decarbonized society and reduction of supply chain emission*2 provided by the Ministry of the Environment during the Environment Month (June 2017).



Training in the reduction of supply chain emissions (headquarters)

*1: GHG protocol (Greenhouse Gas Protocol)

Standards for the calculation of greenhouse effect gas, which were developed mainly by the WBCSD (World Business Council for Sustainable Development) and WRI (World Resources Institute)

*2: A supply chain refers to flow processes from procurement to manufacturing, distribution, sale, and disposal of parts and materials.

The greenhouse effect gas generated from those processes is called the supply chain emissions, which consists of Scope 1, 2, and 3.

Scope 1: Greenhouse effect gas emitted directly from the reporting company itself (fuel combustion and industrial process)

Scope 2: Greenhouse effect gas emitted indirectly from the use of electricity, heat, and steam, which are supplied from other companies

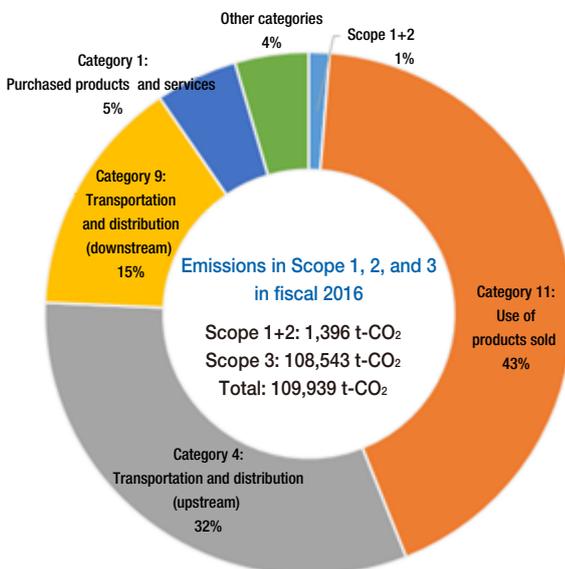
Scope 3: Greenhouse effect gas emitted indirectly, which does not fall under Scopes 1 and 2 (emission from other companies associated with the activities of the reporting company)

Emission of Greenhouse Effect Gas (Scope 1, 2, and 3)

We have set the “CO₂ reduction target for 2020” based on the Medium-Term Environmental Policy and are conducting reduction activities on a group-wide basis. In addition to the emissions from our offices and plants (Scope 1 and 2), we have been calculating the emissions in the overall supply chain (Scope 3) since last year. We took part in “Supply Chain Emission Calculation Support,” which was a project by the Ministry of the Environment in 2017, and calculated the emissions in Scope 3 from the Group in Japan. Because we do not have our own plants in Japan, Categories 11 and 4 account for a high percentage of the calculated emissions, which is 75% of overall emissions. In the future, we will

expand the calculation range globally and work on reducing the greenhouse effect gas in the entire supply chain.

Breakdown of greenhouse effect gas emissions in fiscal 2016**3



● Calculation method: Calculated based on the “General Guidelines on Supply Chain GHG Emission Accounting” (Ver. 2.2) released by the Ministry of Environment and Ministry of Economy, Trade and Industry.

*3: The calculation results can be viewed on the Ministry of Environment’s website “Green Value Chain Platform”: https://www.env.go.jp/earth/ondanka/supply_chain/gvc/en/accounting_information.html#2017

Environmentally Friendly Products

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

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

- We developed a lightweight speaker, optimum for next-generation eco-friendly vehicles such as electric vehicles (EVs). We reduced the weight of the speaker significantly to 140 grams for a speaker with a diameter of 17 centimeters while minimizing the suppression of its sound pressure level, a fundamental performance feature for speakers. Its advanced design has taken into account the need to reduce overall CO₂ emissions from vehicles.
- Frame is made of a specific polypropylene (PP) material and succeeded in reducing the frame weight while maintaining practical strength through profile optimization.
- We have employed adhesives that do not contain harmful solvents and put them to practical use with the aim of reducing the volume of VOC remaining inside the passenger cabin of vehicles. We are taking steps to eliminate solvents in new models.
- The diaphragms and the center caps, made out of recyclable paper with the high waterproofing of speakers required for in-vehicle use.
- As one aspect of our environmental activities, we have developed and found practical application for speakers that reduce the use of solder. We will disseminate this activity to all Group companies and expand in mass production.



Lightweight speaker for in-vehicle use

Headphones and headsets

For headphones and headsets, we have been active in incorporating environmental considerations in our product and/or process design. For reducing the substances in our products that burdens the environment, we address the most up-to-date information regarding country-specific legal requirements and the RoHS2 to promote proposals to our customers and dissemination to all the Group companies. We have reduced energy consumption in manufacturing and the volume of raw materials that would be disposed as wastes. We also have been keen on measures to minimize the volume of waste materials, reuse raw materials by introducing new equipment and developing products using natural materials as well as addressing the manufacturing of more eco-friendly products with less use of adhesives and developing a manufacturing method using less solder.



Environmentally friendly headphones and microspeaker

Active subwoofer PM-SUB8

Power-saving active subwoofer using a Class D digital amplifier

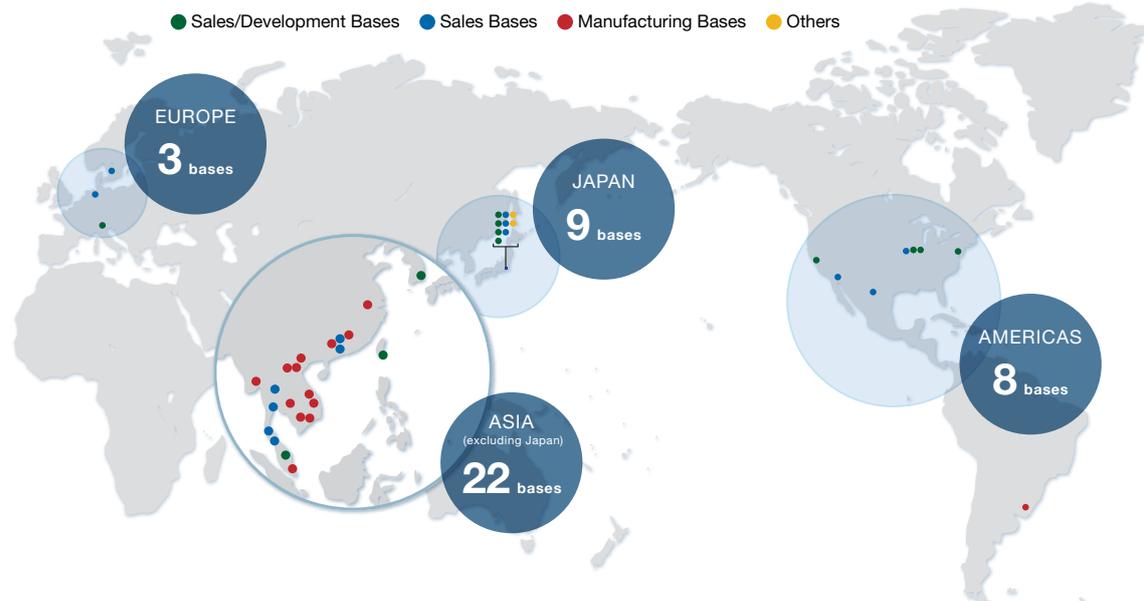
This product is equipped with the auto-standby function that automatically reduces power consumption after input signals have remained at a certain level or lower for a certain period of time.

It also allows users to turn ON/OFF the auto-standby function.



Group Companies

The Group operates 42 bases in 15 countries and regions worldwide as bases for development, manufacturing and sales bases. We have established a sophisticated production system integrating processes from components manufacturing to finished goods manufacturing.



JAPAN

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

ASIA (Excluding Japan)

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

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

AMERICAS

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

EUROPE

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

Company Information

Company Profile (As of March 31, 2018)

Company Name	Foster Electric Company, Limited
Founded	June 20, 1949
Common Stock	¥6,770,360,135 Listed on the First Section of the Tokyo Stock Exchange
Headquarters	1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550, Japan Phone: +81-42-546-2311 (switchboard)
Number of employees	44,983; Number includes our outsourcee in Panyu, China.
URL	http://www.foster-electric.com/

Directors and Corporate Auditors (As of June 21, 2018)

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

¹ Minoru Matsumoto and Chieko Matsuda are Independent Directors.

² Takuma Ino, Takashi Suzuki and Yasuhiro Goto are Independent Corporate Auditors.

Stock Information

Status of Shares (As of March 31, 2018)

Total number of shares authorized to be issued by the Company:	80,000,000 shares
Total number of shares issued:	26,931,051 shares
Number of shareholders:	4,777

Shareholder Type	Percentage
Foreign entities, etc.	42.6%
Financial institutions	39.8%
Individuals and others	10.7%
Securities companies	2.0%
Domestic corporations, etc.	4.9%

*Excluding treasury stock

Major Shareholders

Shareholder's Name	Number of Shares Held (Thousand)	Ratio of Shares Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,937	11.3
The Master Trust Bank of Japan, Ltd. (trust account)	1,766	6.8
GOVERNMENT OF NORWAY	1,202	4.6
Mizuho Bank, Ltd.	1,016	3.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	945	3.6
J.P. Morgan Bank Luxembourg S.A. 380578	866	3.3
Goldman Sachs International	532	2.0
Japan Trustee Services Bank, Ltd. (trust account 9)	460	1.7
DFA INTL SMALL CAP VALUE PORTFOLIO	458	1.7
Japan Trustee Services Bank, Ltd. (trust account 5)	447	1.7

Treasury stock (1,090,449 shares) is excluded for the calculation of the "Ratio of Shares Held."

Financial Highlights

Performance for the Fiscal Year ended March 31, 2018

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
¥184,800 million (up 14.9% y-o-y)	¥9,307 million (up 214.1% y-o-y)	¥9,062 million (up 200.3% y-o-y)	¥4,265 million (up 292.0% y-o-y)

Net assets	Total assets	Net income per share	Net assets per share	Equity ratio	ROE
¥66,792 million (¥63,901 million as at the end of previous FY)	¥101,350 million (¥102,409 million as at the end of previous FY)	¥165.78 (¥41.16 in the previous fiscal year)	¥2,412.06 (¥2,316.09 as at the end of previous FY)	61.2% (58.2% as at the end of previous FY)	7.0% (1.8% in the previous fiscal year)

Overview by Segment (Consolidation)

Speaker Segment

Net sales **¥75,520** million
(up 0.9% y-o-y)



Shipments of car speaker and speaker systems were firm and shipments of flat TV speakers and speaker systems, as well as audio speakers, were in line with projection.



Mobile Audio Segment

Net sales **¥103,513** million
(up 28.9% y-o-y)

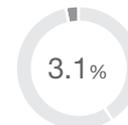


We saw full-scale shipments of new headset models for a major customer, of which production began last year.



Other Segment

Net sales **¥5,886** million
(up 2.1% y-o-y)



In this segment, including micro acoustic components and "FOSTEX" brand products, we saw significant improvement in productivity in the micro acoustic component business.



*The above includes inter-segment sales.

Foster History

1949 1960 1970 1980

1949

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



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



Our first 3.5-inch speakers were shipped



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

1953

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

1955



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

1959

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

1960

Constructed the Akishima Factory

1962

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

1964

Started the manufacturing and sales of headphones

1965

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



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

1966



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

Started the manufacturing and sales of audio amplifiers and tuners

1969

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

1970

Established Foster Transportations Ltd.

1971



Dynamic wireless microphone MWF-2

1972

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

1973

Established Foster Electric (Europe) GmbH in West Germany

1974



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

1976

Established Foster Electronics Ltd.

1978

Jointly developed micro motors with Philips and started the production

1980



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

1982



Started the shipment of in-vehicle speakers for GM Delco

1985



Released various data converters using audio signals

1986

Merged with Tonegen Co., Ltd.

1987

Started manufacturing speakers in the United States

1988

Started outsourced processing and fabrication at our Panyu Factory in China

1990

1991

Established P.T. Foster Electric Indonesia

1992

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



Speaker/speaker system using the "Biodyna" diaphragm



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

1994

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



1997

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



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

1999

Listed on the First Section of the Tokyo Stock Exchange

2000

The Company headquarters acquired the ISO14001 certification

2001

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

2002

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

2003

Merged with Fostex Corp.

2005

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



2006

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



Closed-type biocellulose headphones

2007

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

2008

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

2009

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

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



2010

2010

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

2011

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

2012

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

2013

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

2014

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



Micro acoustic equipment

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



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

2015

Opened "Anfelt" Fostex showroom.
Started operation of Foster Thilawa factory

2017

Joined "United Nations Global Compact (UNGC)"



Accepted SUZUKI KANSHI (THAILAND) CO., LTD. as a consolidated subsidiary

2018

Selected as "New Diversity Management Selections 100" by the Ministry of Economy, Trade and Industry



Economic data

G4-EC5

Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.

Location ¹		Ratio (%) The same ratio for male and female
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	100
Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies	172
	FOSTER ELECTRIC (SINGAPORE) PTE. LTD. and group companies	N/A
	FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies	100
North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies	100
Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies	221

¹ Significant locations of operations: The headquarters and 11 main sites whose operation processes are to be checked based on the J-SOX.

G4-EC6

Proportion of senior management³ hired from the local community² at significant locations of operation.

Location ¹		Ratio (%)
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	100
Overseas	Significant locations of operations	74

¹ Significant locations of operations: The headquarters and 11 main sites whose operation processes are to be checked based on the J-SOX.

² Local community: In this data, it refers to the country and region to which the sites above belong.

³ Senior management: In this data, it refers to department managers or higher, excluding directors.

G4-EC9

Proportion of spending on local suppliers at significant locations of operation.

Location ¹	GRI ¹	Rate (%)
All procuring sites in China	Local procurement rate of materials at overseas manufacturing sites (China). ²	80
All procurement sites in ASEAN	Local procurement rate of materials at overseas manufacturing sites (Vietnam, Indonesia, and Myanmar).	49

¹ Significant locations/regions/local areas of operation: The above-mentioned areas where Foster's manufacturing sites reside.

² An index that indicates the trade amount with corporate bodies in the targeted site, out of the material procurement trades.

Environmental data

G4-EN2

Percentage of materials used that are recycled input materials.

Location		Rate (%)
Domestic and overseas companies	All procuring sites	14

Recycled materials as a percentage of all resin materials purchased.

G4-EN3

Energy consumption within the organization.

Location		Purchased Electricity (MWh)	Gasoline (liter)	Diesel Oil (liter)	Type-C Heavy Oil (liter)	LPG (kg)	Natural Gas (m ³)	City Gas (m ³)
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	2,255	10,591	0	0	0	0	13,367
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	45,307	81,364	12,862	0	0	73,237	0
	FOSTER ELECTRIC CO., (NANNING) LTD.	14,637	62,549	15,679	0	0	0	0
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	19,102	53,175	23,846	0	0	72,567	0
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	30,156	32,464	22,120	0	133,830	0	0
	FOSTER ELECTRIC (DA NANG) CO., LTD.	10,765	18,794	11,624	0	60,128	0	0
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	4,700	4,104	1,000	0	30,091	0	0
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	18,513	35,721	1,869	0	46,601	0	0
	PT FOSTER ELECTRIC INDONESIA	6,232	6,302	10,593	240	14,232	0	0
FOSTER ELECTRIC (THILAWA) CO., LTD.	4,517	11,037	25,537	0	0	0	0	
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	401	773	0	0	133	0	49,008
Total		156,585	316,875	125,130	240	285,015	145,804	62,375

G4-EN5/G4-EN6/G4-EN15/G4-EN16/G4-EN18/G4-EN19

Energy intensity. / Reduction of energy consumption. / Direct greenhouse gas (GHG) emissions (Scope 1) / Energy indirect greenhouse gas (GHG) emissions (Scope 2). / Greenhouse gas (GHG) emissions intensity. /Reduction of greenhouse gas (GHG) emissions.

GRI		2012	2013	2014	2015	2016	2017
Scope 1 (Direct greenhouse gas emission from business activities)	(Unit: t-CO ₂)	2,198	2,403	2,431	2,155	2,549	2,381
Scope 2 (Indirect greenhouse gas emission due to energy usage in business activities)	(Unit: t-CO ₂)	87,232	91,545	88,568	86,668	88,328	87,828
Scope 1+2 total	(Unit: t-CO ₂)	89,430	93,948	90,999	88,823	90,877	90,209
Unit of net sales	(Unit: t-CO ₂ /100 million yen)	62.3	56.6	48.1	46.5	56.5	48.8

Scope

FOSTER ELECTRIC CO., LTD. (Headquarters) and 10 overseas manufacturing sites as in EN3)

CO₂ conversion factor (Electric)

Japan: Ministry of Environment, 2012 factor based on CO₂ conversion factor of electric power supplier (2013)

Overseas: IEA, 2012 factor based on CO₂ emissions from fuel combustion (2014)

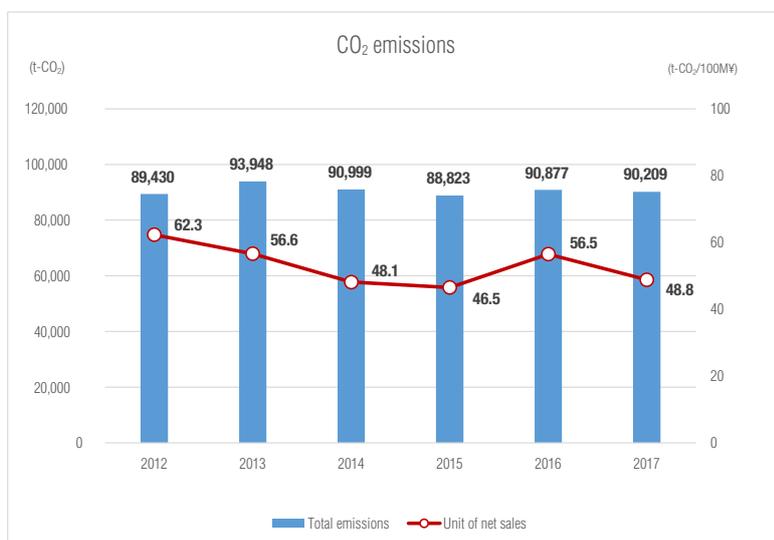
CO₂ conversion factor (Fuel)

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

Global warming potential

Incorporated 100 year value of IPCC Fifth Assessment Report (AR5)

Based on the "Low Carbon Implementation Plan" by the electrical and electronics industries in Japan, we have set the medium-term target for 2020 of a 1% reduction in emissions per year per sales unit, using the fiscal 2012 value as a standard).

**G4-EN8/G4-EN22**

Total water withdrawal by source. / Total water discharge by quality and destination.

Location		Water consumption (Unit: m ³)
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	9,907
Asia	GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee)	793,152
	FOSTER ELECTRIC CO., (NANNING) LTD.	104,526
	FOSTER ELECTRIC CO., (HEYUAN) LTD.	375,767
	FOSTER ELECTRIC (VIETNAM) CO., LTD.	416,423
	FOSTER ELECTRIC (DA NANG) CO., LTD.	111,479
	FOSTER ELECTRIC (QUANG NGAI) CO., LTD.	58,139
	FOSTER ELECTRIC (BAC NINH) CO., LTD.	86,557
	PT FOSTER ELECTRIC INDONESIA	13,289
	FOSTER ELECTRIC (THILAWA) CO., LTD.	108,654
North America	FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)	3,008
Total		2,080,901

G4-EN17/G4-EN30

Other indirect greenhouse gas (GHG) emissions (Scope 3). / Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.

Scope 3 emissions

Category	Emissions (Unit: t-CO ₂)
1. Purchased products and services	5,541
2. Capital goods	1,168
3. Fuel and energy activities that do not fall under Scopes 1 and 2	96
4. Transportation and distribution (upstream)	34,850
5. Waste generated from operation	94
6. Business trip	513
7. Employee commute	235
9. Transportation and distribution (downstream)	16,232
10. Fabrication of sold products	1
11. Use of sold products	46,962
12. Disposal of sold products	2,851
Total	108,543

Calculation range: domestic companies, FOSTER ELECTRIC CO., LTD. (headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.

Calculation period: Fiscal 2016

G4-EN23

Total weight of waste by type and disposal method.

Weight of disposed waste

Location		Hazardous Waste (unit:ton)			Non-hazardous Waste (unit:ton)		
		Waste Generation	Recycled	Final Disposal	Waste Generation	Recycled	Final Disposal
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	0.46	0.00	0.46	166.30	74.29	92.01

G4-EN31

Total environmental protection expenditures and investments by type.

Location		Environmental preservation cost (classification through business operations)				
		Category	Key activity and the outcome	Investment Unit (one thousand yen)	Cost Unit (one thousand yen)	
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	(1) Business area cost		0	38,523	
		Breakdown	(1)-1 Pollution prevention costs	Air and water control-related prevention countermeasures	0	530
			(1)-2 Global environmental conservation costs	Prevention of global warming, as well as energy-saving measures	0	1,238
			(1)-3 Resource circulation costs	Waste disposal and recycling	0	36,756
		(2) Upstream/downstream cost	Green purchasing expenses		0	0
		(3) Administration costs	Environmental education, EMS construction expenses etc.		0	11,373
		(4) R&D costs	Research and development		0	1,648,287
		(5) Social activity costs	Tree planting		0	560
(6) Environmental damage handling costs			0	0		
		Total		0	1,698,742	

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

G4-EN32

Percentage of new suppliers that were screened using environmental criteria.

Location		Rate (%)
Domestic and overseas companies	All procuring sites	100

We have distributed the environmental rules to all suppliers, updated them, and also obtained environment-related materials.

Social data

G4-LA1

Total number and rates of new employee hires and employee turnover by age group, gender and region.

Location		Number of new employees hired (person)			Number of displaced employees (person)		
		Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	30	13	43	21	8	29
Overseas	All overseas companies	2,636	9,342	11,978	3,072	15,935	19,007

G4-LA2

Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.

Location ¹	Benefits provided to full-time employees that are not provided to temporary or part time employees
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)
Overseas	Significant locations of operations

¹ Significant locations of operations: The headquarters and 11 main sites whose operation processes are to be checked based on the J-SOX.

G4-LA3

Return to work and retention rates after parental leave, by gender.

Number of employees who have or exercised those rights

Location		Total number of employees who have those rights (person) ¹			Total number of employees who have exercised those rights (person) ²		
		Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	32	5	37	1	5	6
Overseas	All overseas companies	350	5,447	5,797	234	3,231	3,465

Return to work and retention rates regarding the above

Location		Total number of employees who have returned to work (person) ³			Return to work rate after parental leave (%)		
		Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	1	5	6	100	100	100
Overseas	All overseas companies	230	2,735	2,965	98	85	86

¹ Number of employees that had the right to take parental leave during the applicable period.

² Number of employees that had the right to take parental leave and exercised it during the applicable period.

³ Number of employees that had the right to take parental leave, exercised it, and returned to work during the applicable period.

G4-LA5

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

Location	Rate (%)
Japan	100
Overseas	100

G4-LA6

Type of disability and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and gender.

Location		Total working hours (hour)			Number of lost days (day)			Number of injured employees (person)		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	1,035,973	324,570	1,360,543	0	0	0	2	0	2
Overseas	All overseas companies	17,314,764	99,730,784	117,045,548	106	676	782	48	182	230

Location		Number of work-related fatalities (person)			Frequency rate ¹			Severity rate ²		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0	0	0	1.931	0.000	1.470	0.000	0.000	0.000
Overseas	All overseas companies	1	2	3	2.830	1.845	1.991	0.006	0.007	0.007

¹ Frequency rate = $\frac{\text{Number of work-related injuries or fatalities}}{\text{Total working hours}} \times 1,000,000$

² Severity rate = $\frac{\text{Workdays lost}}{\text{Total working hours}} \times 1,000$

G4-LA8

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

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

- indicates no applicable agreements. The specialized department promotes health and safety activities in cooperation with the employees.

G4-LA9

Training hours (training hours per employee)

Location		Average training hours (hour)			
		By gender		By employee category	
		Male	Female	Management	General
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	19.93	19.32	15.23	21.75
Overseas	All overseas companies	14.20	11.08	8.44	11.58

G4-LA11

Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.

Location		Rate (%)			
		By gender		By employee category	
		Male	Female	Management	General
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	100	100	100	100
Overseas	All overseas companies	62	31	84	33

G4-LA12

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority, and other indicators of diversity

Location		Ratio (%)		
		Less than 30 year old	30-50 year old	Over 50 year old
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0	0	100
Overseas	All overseas companies	2	32	66

G4-LA13

Ratio of basic salary of women to men by employee category, by significant locations of operations

Location ^{*1}		Ratio (%)	
		By employee category	
		Management	General
Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	100	100
Overseas	Significant locations of operations	100	100

*1 Significant locations of operations: The headquarters and 11 main sites, whose operation processes are to be checked based on the J-SOX.

G4-LA14/G4-HR10/G4-S09

Percentage of new suppliers that were screened using labor practices criteria. / Percentage of new suppliers that were screened using human rights criteria./ Percentage of new suppliers that were screened using criteria for impacts on society.

Location		Rate (%)
Domestic and overseas companies	All procuring sites	98

Percentage of suppliers who have procurement contract with Foster Groups and agreed to "Foster Group Supplier CSR Code of Conduct" by the end of March, 2018.

G4-50/G4-LA16

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

Location		Number of grievances
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0

G4-HR2

Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

Location		Employee training	
		Total hours (hour)	Employees Rate (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	117	19
Overseas	All overseas companies	65,761	76

G4-HR7

Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.

Location		Rate (%)	
		Internal	Outsourcing
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	N/A ^{*1}	100
Overseas	All overseas companies	100	100

*1 No applicable persons.

G4-HR11

Significant actual and potential negative human rights impacts in the supply chain and actions taken.

Location		Rate (%)
Domestic and overseas companies	All procurement sites in Japan and other countries	99

Rate of replies collected for the conflict mineral survey from business associates.

G4-50/G4-HR12

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

Location		Number of grievances
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	7

G4-S03

Total number and percentage of operations assessed for risks related to corruption.

Location		Total number of operations	Rate (%)
Domestic and overseas companies	Domestic and overseas locations of operations	13	68

There were no significant risks related to corruption identified by the risk assessment.

G4-SO4

Communication and training on anti-corruption policies and procedures.

Location		Total number and rate of notifications on anti-corruption related organizations' policies and procedures.	
		Governance body members	
		Total	Rate (%)
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	34	100
Overseas	All overseas companies	74	77

G4-50/G4-SO11

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

Location		Number of grievances
Japan	Domestic Companies: FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER TRANSPORTATIONS LTD., FOSTER ELECTRONICS LTD.	0

G4-PR8

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Location		Total number of substantiated complaints regarding breaches of customer privacy		Total number of leakage, theft, and loss of customer data
		Petitions filed by external parties interested and approved publicly by the organization	Petitions filed by the regulatory authorities	
Domestic and overseas companies	All sites in Japan and other countries	0	0	1

GRI Guideline (G4) Table

GENERAL STANDARD DISCLOSURES	GRI		This Report or Corporate Site	
STRATEGY AND ANALYSIS	G4-1	a. Provide a statement from the most senior decision maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	P3-4	Top Message
	G4-2	a. Provide a description of key impacts, risks, and opportunities.	P3-4 -	Top Message ▶ Securities Report (Japanese)
ORGANIZATIONAL PROFILE	G4-3	a. Report the name of the organization.	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-4	a. Report the primary brands, products, and services.	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-5	a. Report the location of the organization's headquarters.	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-7	a. Report the nature of ownership and legal form.	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-9	a. Report the scale of the organization, including: Total number of employees Total number of operations Net sales (for private sector organizations) or net revenues (for public sector organizations) Total capitalization broken down in terms of debt and equity (for private sector organizations) Quantity of products or services provided	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	-	▶ Securities Report (Japanese)
	G4-12	a. Describe the organization's supply chain.	-	▶ Securities Report (Japanese)
	G4-13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) including selection and termination • Change (including selection and termination) of the location of the supplier, structure of the supply chain, or relation with the supplier	-	▶ Securities Report (Japanese)

GENERAL STANDARD DISCLOSURES	GRI		This Report or Corporate Site	
ORGANIZATIONAL PROFILE	G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	P17-26 P27-44 P45-50 -	Governance Social Environment ▶ Securities Report (Japanese)
	G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P5-8 P11-16	United Nations Global Compact Foster Group CSR Management
	G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic This refers primarily to memberships maintained at the organizational level.	P5-8	United Nations Global Compact
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents	P51-52 -	Corporate Profile and Financial Information ▶ Securities Report (Japanese)
	G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P11-16	Foster Group CSR Management
	G4-19	a. List all the material Aspects identified in the process for defining report content.	P11-16	Foster Group CSR Management
	G4-20	a. For each material Aspect, report the Aspect Boundary within the organization, as follows: <ul style="list-style-type: none"> • Report whether the Aspect is material within the organization • If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> – The list of entities or groups of entities included in G4-17 for which the Aspect is not material or – The list of entities or groups of entities included in G4-17 for which the Aspects is material • Report any specific limitation regarding the Aspect Boundary outside the organization 	P11-16 -	Foster Group CSR Management ▶ Securities Report (Japanese)
	G4-21	a. For each material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none"> • Report whether the Aspect is material outside of the organization • If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organization 	P17-26 P27-44 P45-50 P51-52 -	Governance Social Environment Corporate Profile and Financial Information ▶ Securities Report (Japanese)

GENERAL STANDARD DISCLOSURES	GRI		This Report or Corporate Site	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	-	No restatements
	G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	-	No significant changes
STAKEHOLDER ENGAGEMENT	G4-24	a. Provide a list of stakeholder groups engaged by the organization.	-	<ul style="list-style-type: none"> ▶ General Meeting of Shareholders ▶ Financial Result Briefing ▶ Procurement Briefing
	G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	P17-26	Governance
	G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P11-16 P17-26	Foster Group CSR Management Governance
	G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	-	None
REPORT PROFILE	G4-28	a. Reporting period (such as fiscal or calendar year) for information provided.	P72	"Provision of Information Regarding Sustainability"
	G4-29	a. Date of most recent previous report (if any).	P72	"Provision of Information Regarding Sustainability"
	G4-30	a. Reporting cycle (such as annual, biennial).	P72	"Provision of Information Regarding Sustainability"
	G4-31	a. Provide the contact point for questions regarding the report or its contents.	P72	"Provision of Information Regarding Sustainability"
	G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	P72	"Provision of Information Regarding Sustainability"
	G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	-	None
GOVERNANCE	G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	-	▶ Corporate Governance Guidelines (Japanese)
	G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	P17-26 -	Governance ▶ Corporate Governance Guidelines (Japanese)

GENERAL STANDARD DISCLOSURES	GRI		This Report or Corporate Site	
GOVERNANCE	G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	P11-16	Foster Group CSR Management
	G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	P11-16	Foster Group CSR Management
	G4-38	a. Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> • Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation 	-	▶ Securities Report (Japanese) ▶ Corporate Governance Guidelines (Japanese)
	G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	-	▶ Securities Report (Japanese)
	G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved 	-	▶ Securities Report (Japanese)
	G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures 	-	▶ Corporate Governance Guidelines (Japanese)
	G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	P11-16	Foster Group CSR Management
	G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	P11-16	Foster Group CSR Management

GENERAL STANDARD DISCLOSURES	GRI		This Report or Corporate Site	
GOVERNANCE	G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	P17-26 P27-44 P45-50	Governance Social Environment
	G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	P11-16	Foster Group CSR Management
	G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	P11-16	Foster Group CSR Management
	G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	P11-16	Foster Group CSR Management
	G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	P11-16	Foster Group CSR Management
	G4-49	a. Report the process for communicating critical concerns to the highest governance body	P17-26	Governance
	G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	P17-26 P55-71	Governance Data Table
	G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> • Fixed pay and variable pay: <ul style="list-style-type: none"> – Performance-based pay – Equity-based pay – Bonuses – Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	-	▶ Securities Report (Japanese)
	G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	-	None

GENERAL STANDARD DISCLOSURES	GRI		This Report or Corporate Site	
GOVERNANCE	G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	-	None
	G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest paid individual) in the same country.	-	None
	G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest paid individual) in the same country.	-	None
ETHICS AND INTEGRITY	G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct	P1-2 - -	Corporate Philosophy Corporate Action Guideline Code of Conduct for Staff
	G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	P17-26	Governance
	G4-58	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	P17-26	Governance

ECONOMIC	GRI		This Report or Corporate Site	
ECONOMIC DMA			P3-4	Top Message
ECONOMIC PERFORMANCE	G4-EC1	Direct economic value generated and distributed.	-	Securities Report (Japanese)
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	-	None
	G4-EC3	Coverage of the organization's defined benefit plan obligations.	-	Securities Report (Japanese)
	G4-EC4	Financial assistance received from government.	-	None
MARKET PRESENCE	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	P55-71	Data Table
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	P55-71	Data Table
INDIRECT ECONOMIC IMPACTS	G4-EC7	Development and impact of infrastructure investments and services supported.	-	None
	G4-EC8	Significant indirect economic impacts, including the extent of impacts.	-	None
PROCUREMENT PRACTICES	G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	P55-71	Data Table

ENVIRONMENTAL	GRI		This Report or Corporate Site	
ENVIRONMENTAL DMA			P3-4 P45-50	Top Message Environment
MATERIALS	G4-EN1	Materials used by weight or volume.	-	None
	G4-EN2	Percentage of materials used that are recycled input materials.	P55-71	Data Table

ENVIRONMENTAL	GRI		This Report or Corporate Site	
ENERGY	G4-EN3	Energy consumption within the organization.	P55-71	Data Table
	G4-EN4	Energy consumption outside of the organization.	-	None
	G4-EN5	Energy intensity.	P55-71	Data Table
	G4-EN6	Reduction of energy consumption.	P55-71	Data Table
	G4-EN7	Reductions in energy requirements of products and services.	-	None
WATER	G4-EN8	Total water withdrawal by source.	P55-71	Data Table
	G4-EN9	Water sources significantly affected by withdrawal of water.	-	N/A
	G4-EN10	Percentage and total volume of water recycled and reused.	-	None
BIODIVERSITY	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-	N/A
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-	N/A
	G4-EN13	Habitats protected or restored.	P47	Environmental activities with the town of Iwaizumi
	G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-	None
EMISSIONS	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	P55-71	Data Table
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	P55-71	Data Table
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	P45-50 P55-71	Environment Data Table
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	P55-71	Data Table
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	P55-71	Data Table
	G4-EN20	Emissions of ozone-depleting substances (ODS)	-	N/A
	G4-EN21	NOX, SOX, and other significant air emissions.	-	N/A
EFFLUENTS AND WASTE	G4-EN22	Total water discharge by quality and destination.	P55-71	Data Table
	G4-EN23	Total weight of waste by type and disposal method.	P55-71	Data Table
	G4-EN24	Total number and volume of significant spills.	-	N/A
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ANNEX I, II, III, and VIII, and percentage of transported waste shipped internationally.	-	N/A
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	-	None
PRODUCTS AND SERVICES	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	-	None
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	-	None
COMPLIANCE	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	-	N/A
TRANSPORT	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	P55-71	Data Table
OVERALL	G4-EN31	Total environmental protection expenditures and investments by type.	P55-71	Data Table

ENVIRONMENTAL	GRI		This Report or Corporate Site	
SUPPLIER ENVIRONMENTAL ASSESSMENT	G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	P55-71	Data Table
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	-	None
ENVIRONMENTAL GRIEVANCE MECHANISMS	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	-	N/A (Headquarters)

SOCIAL	GRI		This Report or Corporate Site	
SOCIAL DMA			P3-4 P27-44	Top Message Social
LABOR PRACTICES AND DECENT WORK	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	P55-71	Data Table
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	P55-71	Data Table
	G4-LA3	Return to work and retention rates after parental leave, by gender.	P55-71	Data Table
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	-	None
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	P55-71	Data Table
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	P55-71	Data Table
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	-	None
	G4-LA8	Health and safety topics covered in formal agreements with trade unions.	P55-71	Data Table
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	P55-71	Data Table
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P31	"Main Activities, Measures, and Development" in Human Resource Development.
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	P55-71	Data Table
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	P55-71	Data Table
	G4-LA13	Ratio of basic salary and remuneration of male to female by employee category, by significant locations of operation.	P55-71	Data Table
	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	P55-71	Data Table
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	-	None
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	P55-71	Data Table
HUMAN RIGHTS	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	-	None

SOCIAL	GRI		This Report or Corporate Site	
HUMAN RIGHTS	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P55-71	Data Table
	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	-	N/A
	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	-	None
	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	-	None
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	-	None
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	P55-71	Data Table
	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	-	N/A
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	-	None
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	P55-71	Data Table
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	P55-71	Data Table
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	P55-71	Data Table
	SOCIAL	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	-
G4-SO2		Operations with significant actual and potential negative impacts on local communities.	-	None
G4-SO3		Total number and percentage of operations assessed for risks related to corruption.	P55-71	Data Table
G4-SO4		Communication and training on anti-corruption policies and procedures.	P55-71	Data Table
G4-SO5		Confirmed incidents of corruption and actions taken.	-	None
G4-SO6		Total value of political contributions by country and recipient/beneficiary.	-	None
G4-SO7		Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	-	N/A
G4-SO8		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	-	N/A
G4-SO9		Percentage of new suppliers that were screened using criteria for impacts on society.	P55-71	Data Table
G4-SO10		Significant actual and potential negative impacts on society in the supply chain and actions taken.	-	None
G4-SO11		Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	P55-71	Data Table

SOCIAL	GRI		This Report or Corporate Site	
PRODUCT RESPONSIBILITY	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	-	None
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	-	None
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	-	None
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-	None
	G4-PR5	Results of surveys measuring customer satisfaction.	-	None
	G4-PR6	Sale of banned or disputed products.	-	None
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	-	None
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	P55-71	Data Table
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provisions and use of products and services.	-	N/A

Provision of Information Regarding Sustainability

Our Point of View on Disclosure

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

Contents Reported in Sustainability Report 2018

- About this report

The "Sustainability Report 2018" (the Report 2018) was prepared to comprehensively report the Foster Group's corporate social responsibility (CSR) activities throughout the fiscal year ended March 31, 2018 (fiscal 2017), for our stakeholders. With regard to our CSR activities, your valued opinion would be greatly appreciated to help us fulfill our corporate social responsibilities in the years to come. We hope this report will help you better understand the CSR activities of the Foster Group.

- Reporting scope

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

- The reporting period

The reporting period of the Report 2018 is from April 1, 2017, to March 31, 2018 (fiscal 2017). The Report also includes statements concerning activities outside the reporting period, including those in fiscal 2018.

- Referenced guidelines

The Environmental Reporting Guidelines 2012 by the Ministry of the Environment and the GRI Sustainability Reporting Guidelines G4 were referred to when preparing the Report 2018.

- Month of issue:

June 2018

- Next issue of the CSR report (planned):

June 2019

- Reporting to the United Nations Global Compact

As a company that has signed the United Nations Global Compact, we have announced this report as the "Communication on Progress (COP)" for the four fields and ten principles to our stakeholders. Details on our activities related to the United Nations Global Compact can be found in pages 5-8.

- Provision of the sustainability information on our corporate website

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

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The 15 threads in the ribbon-like design on the cover of this report represent the number of countries and regions in which the Foster Group has sites as well as each employee. The symbol in the center is designed with the motif of Foster's products (speakers, headphones, and vibration actuators).

June 2018 Edited in Japan