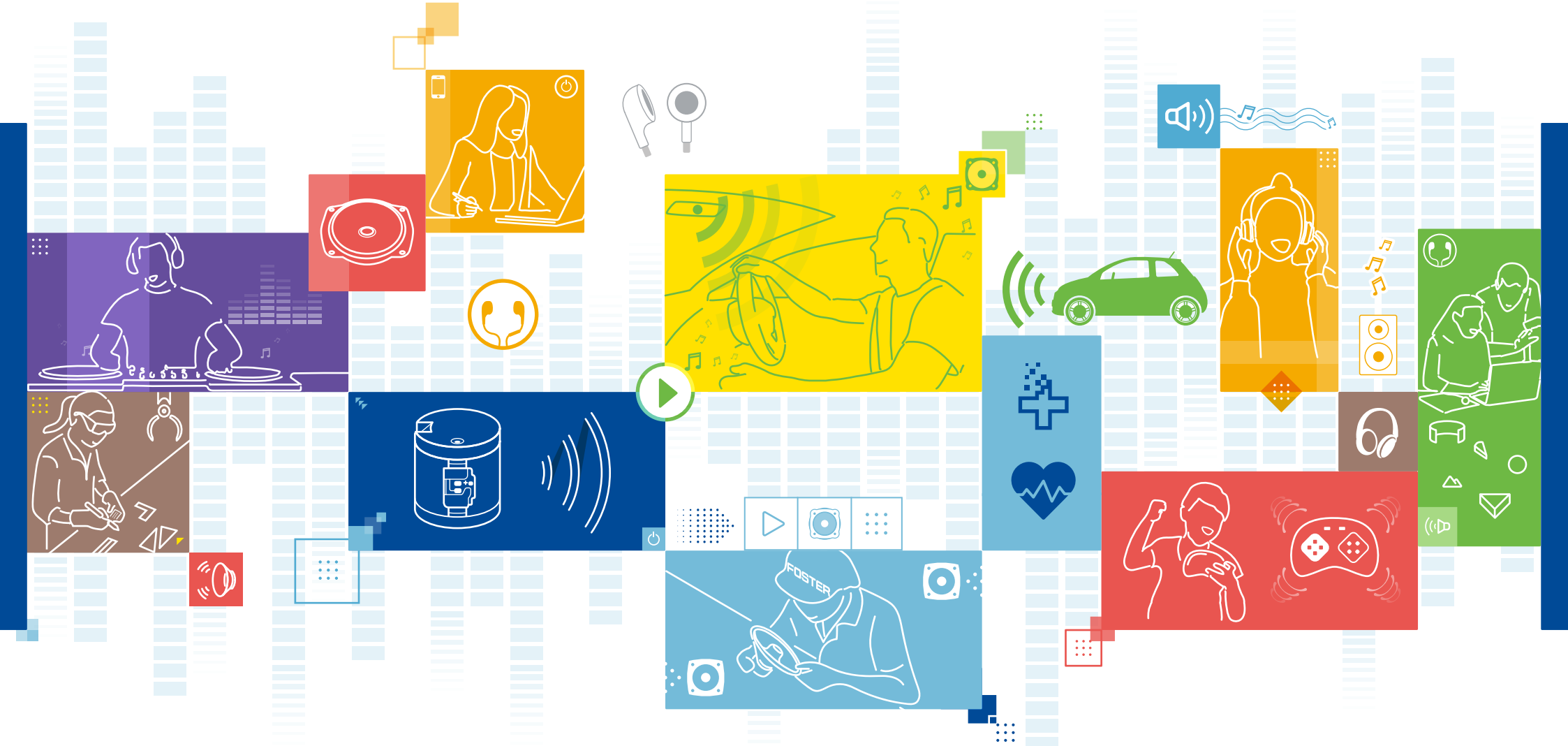
FOSTER

Sound to Life



Integrated Report 2024

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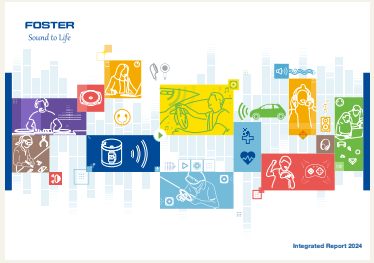
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This report's cover illustration depicts our employees working in a vibrant atmosphere under our 2024 management policy slogan, "Cheerfully and Vigorously." It also depicts our products using acoustic and vibration technologies, such as speakers, actuators and headsets, being used widely in a global society and enriching people's lives. Moreover, it conveys our efforts to contribute to society by making in- vehicle spaces comfortable through our main product, Automotive Audio Speakers, and by ensuring safe, worry-free travel with speakers for Acoustic Vehicle Alerting System (AVAS) and Buzzers.

Period covered and frequency of reporting

From April 1, 2023, to March 31, 2024 (fiscal 2023) The report also includes statements concerning activities outside the reporting period, including activities in fiscal 2024. We publish this report annually.

Reporting scope

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

Referenced standards and guidelines

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

Disclaimer regarding forward-looking statements

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

Editorial policy

This report was prepared with the goals of improving the transparency of the Foster Group and enhancing initiatives to increase the Foster Group's corporate value and achieving sustainable growth through dialogue with its stakeholders. We hope that this report will be useful for increasing your understanding of the Foster Group.

Please refer to the Investor Relations pages of our website for detailed financial information and the Sustainability pages for our sustainability activities.

Introduction

Corporate Philosophy

Message from the CEO

Financial and Non-financial Highlights

Foster's History

Foster's Business





Corporate Philosophy

The corporate philosophy of the Foster Group consists of the corporate creed, vision, and mission.

Each one of us will practice this corporate philosophy with the goal of making contributions to future society through acoustics.



Foster Rhythm (Our Principles and Values)

Our corporate philosophy, principles, and values have been verbalized as Foster Rhythm to ensure our corporate philosophy becomes entrenched among our employees. It was created by employees thinking on their own and proposing ideas so that it can be shared with employees from different cultures and backgrounds. It is shared by employees from all of the bases of the Foster Group, having been translated into their languages.

We believe that our principles and values expressed in Foster Rhythm will help build a sound organizational culture and climate and improve the well-being of all of the employees working for Foster.

Our Principles and Values

THE LEADING
Sound to Life *
SOLUTION COMPANY
Strive to be number one in the global acoustic fields. Innovate to support ever wider market needs.

Trusted
Earn the trust of users and partners

Inspiring
Add unique value, motivate partners and excite customers

Expert
Take pride in our expertise in acoustic technology

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

Fast and Flexible
Be fast moving and flexible

Reliable Quality
Deliver totally reliable quality via ever more efficient systems

Proactive
Embrace learning and proactive leadership

Steadfast
Show steadfast dedication in going beyond our promised goals

EVER MORE GLOBAL AND INCLUSIVE
Embrace diversity and pursue more global synergy at all management levels.

Open Mind
Be open–minded and inclusive

Team
Respect others as part of a team with shared goals

Responsible
Fulfill our duty to protect people and the environment

Sound to Life

The phrase, "*Sound to Life*" is the slogan we strive to achieve created through our activities to instill our corporate philosophy.

It has various meanings, including "To deliver sounds to life," "To enrich life through Foster acoustics," and "Sounds to reach lives and sustain healthy lifestyle."

Message from the CEO



Introduction

Since our founding in 1949, we have been growing steadily by constantly responding flexibly to the changing times and the market and by overcoming fierce competition and challenges, with acoustic technologies at our core.

We aim to continue operating a fair and transparent business, with our corporate creed, “Sincerity” as a pillar. We seek to offer rich and comfortable spaces, amusement, joy, safety, and security, using sound and vibration to help build a better future society.

Review of Fiscal 2023 Financial Results

The automotive industry, our main area of business, continued to recover, due to the easing of semiconductor shortages and the expansion of automobile production and sales. We achieved growth in sales and profit by promoting our partner strategy, which we have positioned as the most important measure in the automotive business, as well as proper inventory management, cost reduction, and other initiatives.

By segment, revenue from Automotive Audio Speakers increased, although they were partially affected by inventory adjustments. We achieved this by leveraging the high-quality, stable mass production system that is our strength. In the Mobile Audio Segment, we secured profit although the quantity of actuators shipped to some customers was adjusted.

The Other Segment enjoyed strong sales of speakers for Acoustic Vehicle Alerting System (AVAS), among other products. However, a deficit was posted in the micro acoustic components business due to expenses associated with the transition from outsourcing to in-house production, as part of structural reforms in our manufacturing system in China.

In this environment, since I became president last year, I have been focusing on improving unprofitable bases and businesses and structural reforms in particular.
Specifically, these include:

- Support for improving quality at our factory in Thailand and reviewing sales methods and allocations
- Acceleration of the transition to the in-house production of components to at our factory in Vietnam improve the operating rates
- Termination of outsourcing related to micro acoustic components in China and shifting these operations to our factory in China
- Review of FOSTEX pricing and sales strategies

Through these initiatives, we moved forward with structural reforms aimed at eliminating unprofitability.

In addition, I promoted other measures — specifically, the improvement of profitability through deepening the partner strategy, stable earnings through promotion of cost-linked pricing, and appropriate inventory control through bolstered global logistics functions, which had already been our focus — even more powerfully as a president with a background in sales. I understand that reinforcing our own structure is the top priority.

The hard experience of the drop in performance in the past three years has previously unseen areas for improvement, allowing us to take appropriate measures while reinforcing our business structure and working to drastically reform our cost structure. We returned to profitability in the

previous fiscal year and we have increased sales and profit since then. We overcame that difficult time, and as a result, our structure has been reinforced so that it is now more resilient. While it was a tough experience, I believe it was a valuable opportunity for us to learn from difficult circumstances so that we can continue to grow in the future.

Progress in the Mid-term Business Plan (until March 2025) and Fiscal 2024 Strategy of Each Segment

In our activities to receive orders in the automotive business, we stepped up our proposal activities for target customers based on our partner strategy. As a result, in the current fiscal year, we have already secured the orders that were expected in the mid-term business plan. The fiscal year ending March 31, 2025 is the final fiscal year of the mid-term business plan and the year for finalizing our goals. We are determined to achieve our financial targets of ¥120.0 billion in net sales and ¥5.0 billion in operating profit.

For fiscal 2024, in the Speaker Segment, we will continue to promote the partner strategy by proposing our new technologies and added value to key target customers from the product development phase. We will thus provide more strategic products related to sound and vibrations, aiming to solidify and expand our position in the automotive market.

In the Mobile Audio Segment, we will move forward with earphone-related efforts focused on both the finished product business and earphone drivers. Although competition is severe in the actuator business, we intend to secure orders by leveraging our strength in high quality.

In the R&D-oriented business, we will evaluate future prospects carefully and consider revising our strategy because this business is subject to fluctuations and requires time.

Looking at the other businesses, in the micro acoustic components business which includes speakers for Acoustic Vehicle Alerting System (AVAS) and other products, demand remains strong, and improvements are also expected in unprofitable operations. Regarding the FOSTEX business, we have reviewed pricing and sales strategies and expect sales to increase and the deficit to be eliminated.

The next fiscal year is positioned as the year when these initiatives will definitely contribute to profit. We will also focus our efforts on the provision of new products with stable quality, aiming to launch new projects in the automotive business. We have already received orders for these new projects.

Directions of Growth Strategies in the Next Mid-term Business Plan

At present, we have started to develop the next mid-term business plan for the period from April 2025 to March 2028, which will launch next fiscal year. We have set two goals in this plan.

- In the mobility-related business, we aim to achieve a mid-term sales growth rate of 20% or higher in the period of the next mid-term business plan. This exceeds the projected growth rate of the automotive market, which is approx. 9%.
- In the consumer-related business, we aim to develop our next pillar following the mobility-related business.

We are using the term “next-generation mobility” for what we previously called the “automotive business” because we expect that the number of our products installed in EVs and hybrid vehicles will increase, in addition to those installed in existing internal-combustion engine cars. This also reflects our desire to expand our business beyond automobiles to encompass the entire mobility sector in the future.

First, as the direction of our growth strategy for the mobility-related business, we set a key strategy: “Provide rich and comfortable spaces, amusement, joy, safety, and security in the next-generation mobility.” We will leverage the car speaker technologies we have honed over many years to increase added value in areas such as Next-generation Acoustic Spaces for car cabins, Next-generation HMI,* and Warning sounds for both inside / outside vehicles. Our goal is to increase the number of products installed per vehicle, expand the business at a rate that exceeds the growth rate of the automotive market.

Next, I will describe our growth strategy in the consumer-related business.

We have set a key strategy: “Build our next pillar following the mobility-related business, based on the concept of providing rich and comfortable spaces, amusement, joy, safety, and security.” Having now put the mobility-related business on a growth track, we recognize that we need to build another pillar. In the consumer-related business over the last several years, we withdrew from headsets for smartphones, which have been commoditized, and from fields where we were unable to take advantage of our proprietary technologies and therefore no longer able to expect a return on our investments. At the same time, we launched and commercialized innovative new products, such as actuators for video games.

Based on these experiences, we have cultivated product design capabilities and proprietary technologies for the creation of new products through businesses with world-leading customers. We will employ a strategy of using these capabilities and technologies to create new businesses and increase our earning power. We believe that, in the consumer market, having a “Willingness to tackle new challenges without fear” and the “Technological capabilities to support” these efforts are most important. To do this, we will work steadily to build our next pillar following the mobility-related business.

Having set these goals, we aim to secure our growth potential and earning power. We will announce the official plan in November this year including details on our future capital strategy.

*HMI (Human Machine Interface): Devices that function as an interface between humans and machines (computers)

Building a Comfortable Work Environment Where Human Capital is Fully Utilized and Diversity is Respected

We position our employees as the leading players in our corporate activities. We regard our human capital, or human resources, as valuable assets. The mission of the management team is to provide an environment which improves the well-being of each employee, maximizes individual abilities, and enables them to fully demonstrate their potential.

Specifically, we would like to provide an environment where Foster employees have job satisfaction, earn appropriate income, and feel happy to work for Foster. We will enable employees to feel a sense of fulfillment with their jobs, encourage their willingness to take on challenges, ensure fairness, and provide them with appropriate compensation, helping them achieve self-actualization.

We have also set targets for increasing the ratio of female managers and the ratio of overseas human resources, as an initiative to promote diversity and help improve employee well-being. However, to achieve true diversity, we have to do more than set numerical targets.

For example, instead of focusing solely on increasing the number of female promotions to meet numerical targets, we need to think about what causes women to avoid seeking promotions. I

understand that the company should remove barriers, such as the absence of role models and the difficulty of balancing work and personal life, to build an environment which enables women to participate actively in a true sense.

Regarding our globally operating company's recruitment of overseas human resources, I think that employees should be evaluated based on their career achievements, regardless of nationality. We will proactively recruit local human resources at our overseas bases and value onsite evaluations. I believe that by building a bias-free environment and workplaces leveraging diversity we can help establish an environment where each individual employee can demonstrate their capabilities.

Promotion of ESG Management Aimed at Achieving a Sustainable Society

We established the "ESG Management Statement" in 2021 and are moving forward with initiatives to achieve a sustainable society through ESG management. Environment, Social, and Governance (ESG) elements are an important pillar supporting both society and the company, and we have been implementing initiatives based on these principles. Further, this year, we added the element of business (B) to our existing material issues to address ESG issues in an integrated manner through our business activities, and newly identified material issues in the B+ESG areas. With the newly identified material issues, we will connect business to ESG elements to strengthen and further promote them.

Further, people's awareness of sustainability issues has been increasing with the changes of the times. At the same time, we are seeing an increase in the number of social issues that need to be addressed, such as climate change, resource depletion, social inequality, and human rights issues. The responsibilities that we have as a company are becoming increasingly important.

In addition, the expectations and needs of our stakeholders, including our customers, have become more diverse. We must cater to them by elevating our standards. In our automotive business, lighter weight speakers are in demand due to the progress in the shift to electric vehicles (EVs). It is also necessary to implement initiatives to reduce environmental impact and achieve carbon neutrality. We are now working on making our Automotive Audio Speakers more compact and lightweight, while also developing environmentally friendly next-generation speaker products. Further, our efforts also include using recycled materials and improving the energy efficiency of the manufacturing process. We will develop and provide products that meet these requirements, leveraging our acoustic technologies, material development capabilities, and manufacturing expertise.

Keeping the promotion of ESG management at the core of our management policies, we will continue our efforts to foster a sound corporate culture, further promote workstyle reform, and ensure thorough quality and risk control. We will also implement initiatives to solve social issues, such as the reduction of CO_2 emissions, improvement of energy efficiency, and respect for human rights in our supply chain. We will continue to contribute to sustainability by fulfilling the expectations of our stakeholders and society as a whole.

Message to Shareholders and Investors: Initiatives to Realize Management with an Awareness of the Cost of Capital and the Share Price

Under the next mid-term business plan, we will use our growth strategies to further enhance initiatives to improve our PBR while also achieving growth that exceeds market expectations. We recognize that addressing the issue of a PBR below 1 is one of our top priorities. We will work on this to meet the expectations of our shareholders and investors. I ask you for your continued understanding and support of Foster Electric's transformation to achieve sustainable growth and enhance its corporate value.

Implementing the Next Mid-term Business Plan Steadily to Build a Solid Foundation for Growth

We are in what is called an era of VUCA. Various difficulties including geopolitical risks will continue to emerge. In these circumstances, it is most important that the management and employees working for Foster Electric making decisions while communicating openly and responding to change flexibly through open discussion and cooperation, instead of following unilateral decisions made by top management. Presently, we are acting globally to foster a free and vigorous corporate culture under our internal slogan: Earn profit steadily and work cheerfully and vigorously.

We will further increase our open communication with our customers, suppliers, and all of the internal people working on the front lines, work aggressively to respond to changes in the market and create new value, and act to move into the next growth stage. We believe that these are what leaders in the coming era will be required to do.

In developing the next mid-term business plan and building the foundation for growth to achieve the plan, we will proactively implement initiatives, including R&D efforts and capital investments for the creation of new demand, over the medium to long term. In doing so, we will strive to continue to enhance our corporate value. We will also disclose information to and engage in dialogue with our internal and external stakeholders to increase their understanding of these initiatives.

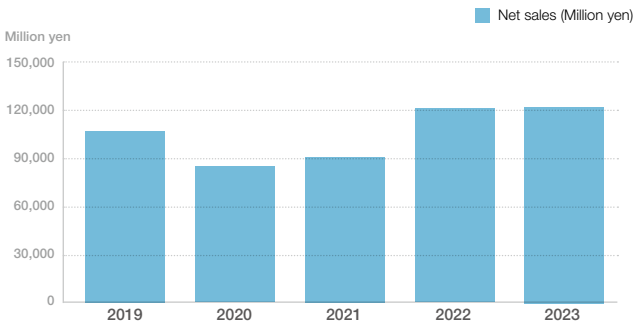
I sincerely ask for your continued guidance and support.



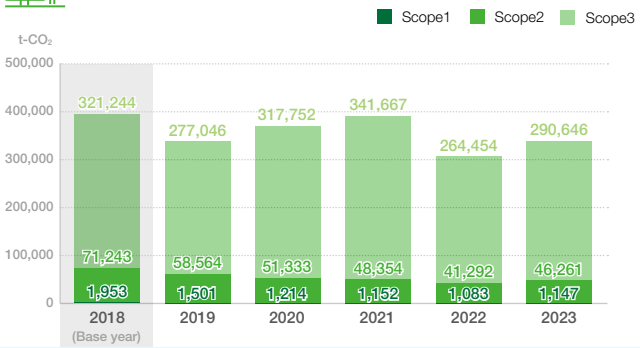
Financial and Non-financial Highlights

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

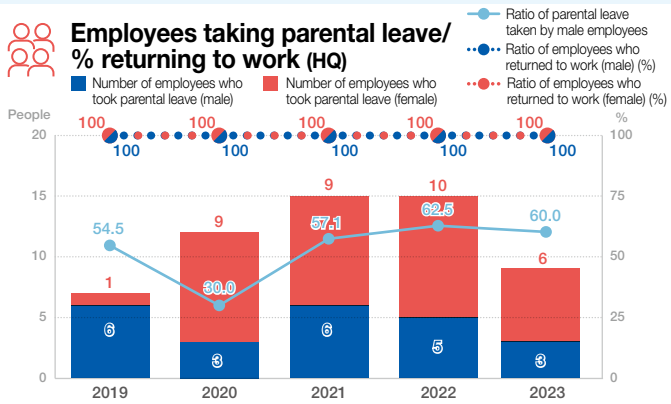
Net sales



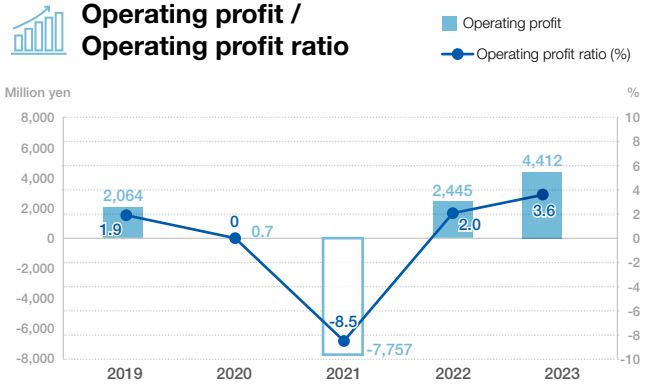
Greenhouse gas emissions



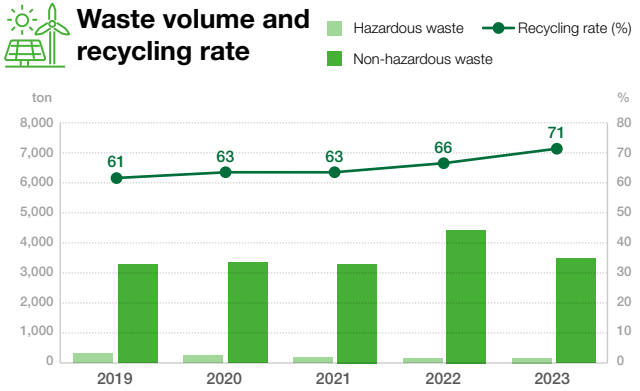
Employees taking parental leave/ % returning to work (HQ)



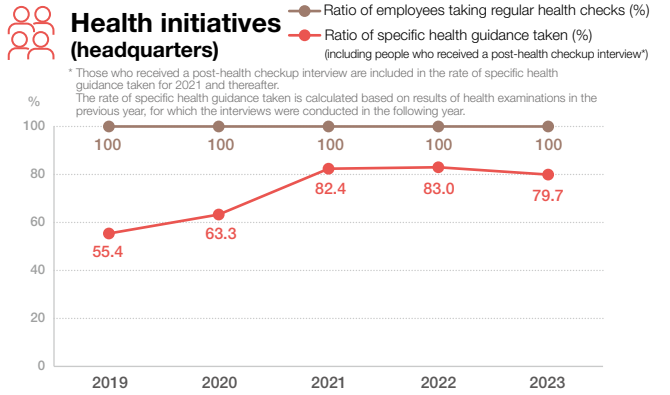
Operating profit / Operating profit ratio



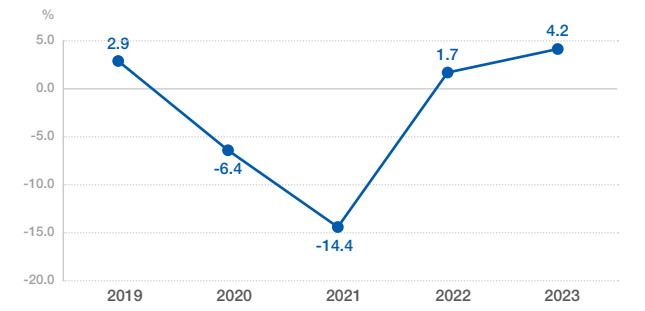
Waste volume and recycling rate



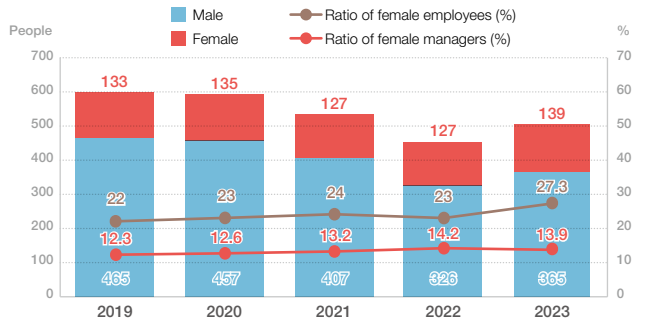
Health initiatives (headquarters)



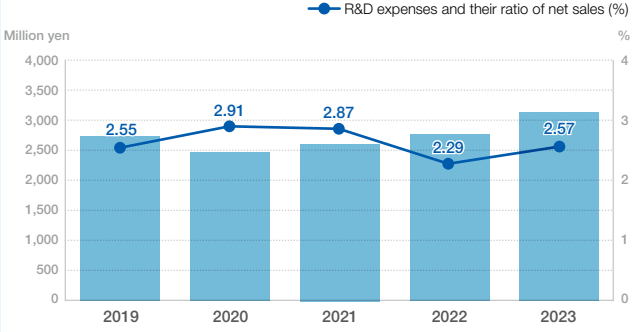
ROE (Return on equity)



Number of employees and ratios of female employees and female managers (headquarters)



R&D expense



Foster's History

1949 Founded

1950`s

1959
Renamed as Foster Electric Co., Ltd.

1960`s

1970`s

1972-73
Established affiliates in the United States, Singapore and Germany

1973
Established Fostex Company

1980`s

1986
Merged with Tonegen Co., Ltd.

1988
Began production in China

1990`s

1999
Our stock listing is moved from the Second Section to the First Section of the Tokyo Stock Exchange.

2000`s

2006
Began production in Vietnam

2009
Converted Korea-based ESTec CORPORATION into a consolidated subsidiary

2010`s

2012
Headquarters functions relocated to the current location, Tsutsujigaoka, Akishima City

2014
Took over the micro acoustic components business from STAR MICRONICS CO., LTD.

2017
Acquired shares in FSK (Thailand) Co., Ltd.

2020`s

2022
Our stock was moved to the Prime Market of Tokyo Stock Exchange.

2022
Established a subsidiary in Hungary

01 The beliefs of the two founders



Shigehiro Nishimura and Hiroaki Shinohara, both from the same prefecture, Nagano, founded the Shinano Onkyo Institute in 1949, which later became Foster Electric. They then began to develop speakers. They were unknown when making their first speakers, and they struggled to get them sold at an electronics wholesale store in Kanda. It was only after approaching two stores that they were finally able to have them displayed.

The speakers sold well. When the founders visited the stores again three months later, the store owners placed new orders.

This experience led Foster Electric's two founders to believe that if they worked sincerely to make products, those products would certainly be accepted by consumers. They believed that they would create good products, and established the corporate creed, "Sincerity." These beliefs have been passed down to Foster Electric today and are reflected in its manufacturing.

02 Automation of speaker production

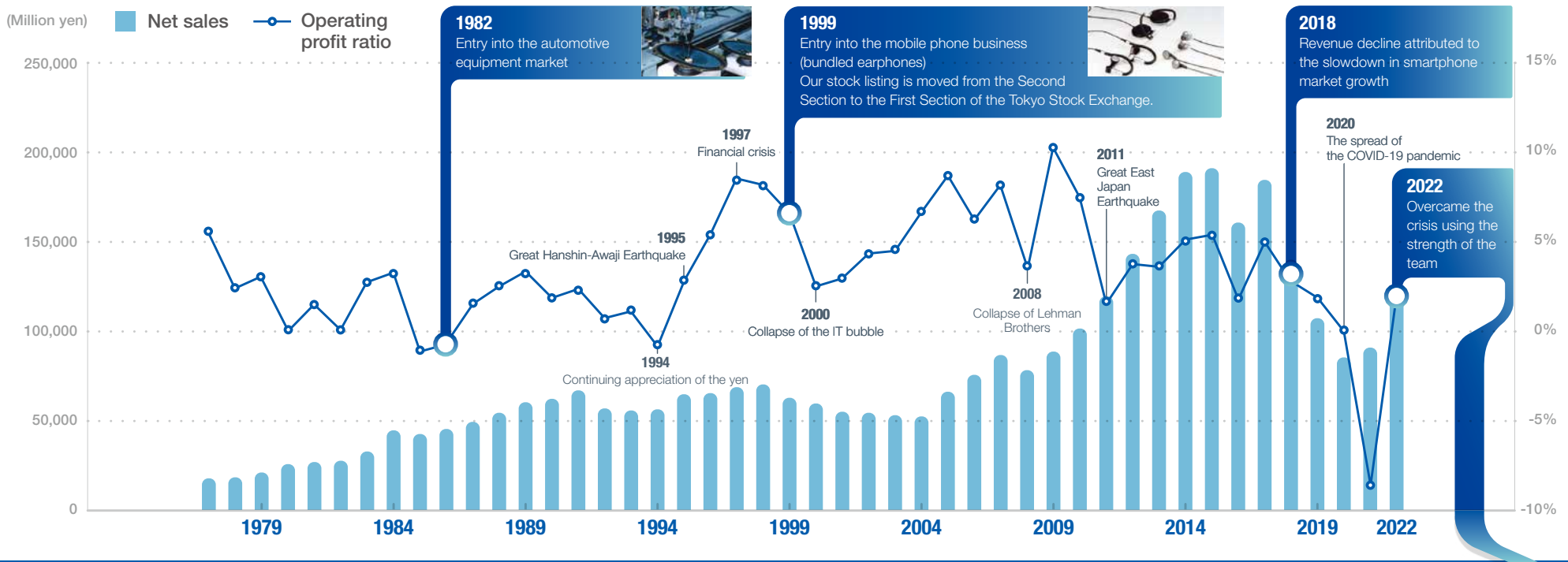


At that time, speakers were typically produced by hand, and many workers were assigned to these tasks. This made it difficult to avoid inconsistent quality. Foster began introducing automated production machinery in its factories in 1979. However, the machines in those days were difficult to operate and frequently broke down.

A turning point came in 1981, when the US company General Motors (Delco) inquired about Automotive Audio Speakers. They strongly demanded uniform quality, so to produce speakers for General Motors, it was essential to develop automated equipment. The group in charge of designing Automotive products and the manufacturing line worked together to fulfill the strict quality requirements. They completed the process from prototype to mass production at an unprecedented speed, finishing in about one year after receiving the inquiry.

Currently we are progressively promoting our digital transformation (DX), automating production processes, equipment maintenance, and logistics in factories to eliminate human error and prevent problems using automatic analysis and predictions based on accumulated data. We are thus focusing our efforts on the production of higher quality products.

Trends in Net Sales and Operating Profit



03 In-house production of parts as our strength



In the days when we were operating as Shinano Onkyo, we had already begun to shift to producing key parts such as voice coils and dampers in house because it is beneficial for stable production and there are cost benefits as well. In 1953, we began to study the in-house production of speaker cone paper, which is critical for frequency characteristics. Hiroaki Shinohara, one of our founders, visited and inspected a washi paper mill in Kochi on his own and began to study cone paper starting with the basics. Committed to materials and the manufacturing process, we changed the treatment method from product to product, working to deliver the best possible sound quality.

In the 2000s, the global mobile phone market expanded rapidly, having entered the one device per person era. Fierce competition was expected for the supply of bundled earphones. Having shifted to the in-house production of key parts, we received orders by leveraging our overwhelming cost competitiveness and high-performance, high-quality vibration-related parts. This led to rapid growth driven by orders for earphones bundled with mobile phones.

04 Overcame the crisis using the strength of the team



We have faced a number of crises, such as the appreciation of the yen in 1994, the Great Hanshin-Awaji Earthquake, the US economic recession in 2000, and the decline in sales due to the intensified price and market competition in the electric equipment market. In those circumstances, we overcame crises by setting a slogan for each fiscal year and joining forces to achieve targets.

In 2018, sales declined due to the slowdown of the growth of the smartphone market. The following year, sales continued to decrease partly due to market uncertainty because of the COVID-19 pandemic and the weaker yen. All of our team members joined forces and implemented initiatives including product price pass-through, the reduction of transportation costs, inventory adjustment, and continued stable production enabling us to overcome these circumstances.

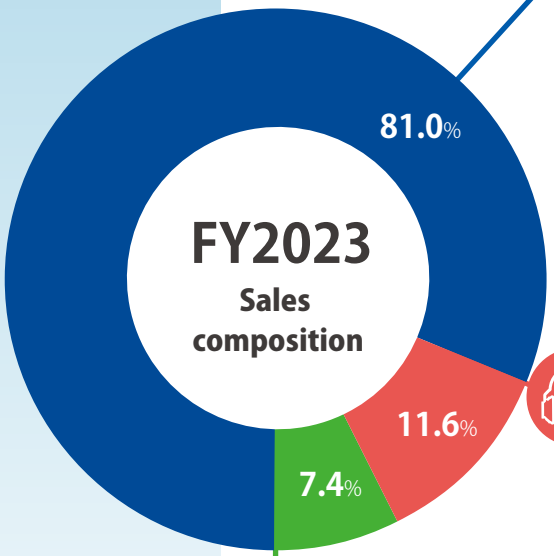
Foster's Business

Foster Electric was founded as a loudspeaker manufacturer in 1949. Since that time, we have established ourselves as a specialist in audio technologies, and have provided the audio industry with many products and technologies. Among them, acoustic transducers have become our mainstay products.

We have created a wide array of unique technologies and accumulated broad expertise, including in Automotive Audio Speakers and other automotive audio products, Audio products (AV speakers) for home entertainment, High-end Hi-Fi speaker systems, Headphones and Headsets, and Micro-Speakers for infotainments, Alarm Buzzers and Vibration Actuators that apply audio technologies. With these technologies and accumulated expertise as our backbone, we pursue optimal quality and acoustic experiences that fulfill the expectations of our customers. Foster Electric's audio and vibration solutions have been used in many products around the world. Through these products sold under our client's brands, Foster Electric's audio and vibration solutions are delivered to customers.

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

Sales by Segment



Speaker Segment

Manufacturing and sales of Automotive Audio Speakers and speaker systems, speakers and speaker systems for audio equipment and TVs, and others

Development of an ultra-slim speaker

ESTec (South Korea), our consolidated subsidiary, has developed a 4.3 mm speaker. It is the world's slimmest TV speaker.

Ultra-slim built-in speakers in TVs are prone to quality defects, such as warpage and distortion. This may lead directly to performance problems related to sound quality and the stability of quality, which is a challenge. However, a design that solves these problems and the replacement of a production line system with a more efficient one has enabled it to supply high-quality slim speakers.

The slim dimensions of the TVs currently on the market are not driven by the thinness of the displays, but by the reduction of the thickness of the speakers. We are committed to product development as the improvement of speaker technologies will remain a powerful driving force in the TV market.


Automotive Audio Speakers


Automotive Audio Speakers systems


TV speakers

Mobile Audio Segment

Manufacturing and sales of Headphones and Headsets, earphone drivers, Vibration Actuators, and others


Headphones and Headsets


Actuators

Other Segment

Manufacturing, sales, and logistics services for Buzzers and Sounders, FOSTEX brand products and others

Development of speakers for the Acoustic Vehicle Alerting System (AVAS) in response to the shift to EVs

The shift to EVs is being accelerated towards the realization of a carbon-neutral society. EVs travel more quietly than conventional gasoline vehicles. For this reason, speakers for the Acoustic Vehicle Alerting System are in widespread use to notify pedestrians and other people that a vehicle is approaching when driving at a low speed.

At Foster Electric, we continue basic research, addressing technological issues such as the frequency band sound pressure levels and mounting positions of speakers for Acoustic Vehicle Alerting System (AVAS), as part of our activities for the material issue "Realizing a safe and secure society."


Micro acoustic equipment


FOSTEX products

Foster's Value Creation Story

Value Creation Process

Material issues

Progress in the Mid-Term Business Plan and Fiscal Year Ended March 31, 2024

Message from the CFO

Foster's Strengths

Sources of Strengths: Intellectual Capital

Sources of Strengths: Manufactured Capital

Special Feature: Optimizing Business Activities and Establishing a Sustainable Society



Value Creation Process

At Foster Electric, we aim to enhance our corporate value and contribute to future society through sound by providing rich and comfortable spaces, amusement, joy, safety, and security.

Input
(Management resources)

Financial capital
- High equity ratio that contributes to management stability

Manufacturing capital
- Manufacturing technologies that enable both high quality and stable commercial production
- A global manufacturing system capable of optimally catering to customer needs

Intellectual capital
- Core, elemental, and applied technologies related to speakers (vibrations)

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

Social and relationship capital
- Global customer network

Natural capital
- Ability to reduce environmental impact

Business Model

Cultivated strengths
Responsiveness
Creativity
Connections

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

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

Vision/Purpose: To make contributions for future society through acoustics
Goal: Being the world's no. 1 acoustic solution partner

Material issues
- Business (B)
- Environment (E)
- Social (S)
- Governance (G)

Output
(Products and solutions)

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

Audio (vibration) products of focus
- Entertainment-related products: Speakers, audio accessories, and actuators
  → Rich sounds, emotionally engaging sounds, and a wide variety of sensations
- Information-related products: Compact audio products and acoustic vehicle alert systems
  → Clear sounds to signal safety and danger, effective alarm sounds, soundproofing, and healthcare

Outcome

Social

Customer Satisfaction
- Enriching lives, fun, pleasure and comfortable spaces through the provision of analog value and sensory value (auditory and tactile senses) integrated into a digital society
- Customer satisfaction with high-quality products
- Reduction of environmental impact through environmentally friendly products
- Safety, security and health

Employee Satisfaction
- Stable life, personal development, and job satisfaction

Economy
- Development of business partners
- Enhancement of shareholder equity, dividends and tax payment

Governance Supporting Global Business Activities, ESG management and Quality Management

Revision of Material (Priority) Issues and New Material Issues

We revised our material issues in 2024 to respond to changes in the business environment and the increasing demand for transparency of information disclosure in recent years. Specifically, we analyzed and evaluated the financial, social and environmental aspects of our material issues in and updated our previous ESG material issues. In addition, to ensure alignment with our management strategies, we incorporated our management policies and the development process and the direction of the next mid-term business plan, which is currently under development.

The methods we used to identify these issues included referencing the European Sustainability Reporting Standards (ESRS), which are the sustainability reporting standards under Europe's Corporate Sustainability Reporting Directive (CSRD), and the GRI standards. We adopted the double materiality concept to identify priority issues from two perspectives: "the impact of the company on society and the environment" and "the impact of social and environmental issues on financial performance." The process is as follows.

(1) We identified actual and potential issues related to management and sustainability through the following four analysis processes.

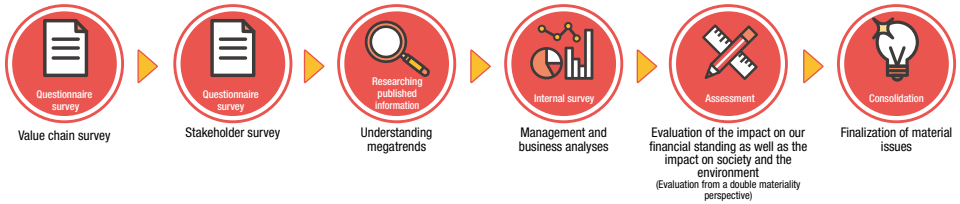
① Identifying issues by clarifying the relationships between business, society, and the environment throughout the value chain
② Identifying issues by analyzing the issues, concerns, and expectations by major stakeholders
③ Identifying issues by analyzing megatrends that will cause great change in the future business environment (in the period up to 2040)
④ Identifying issues involved in our future plans by analyzing internal documents including management policies and the current and new mid-term business plans

(2) We organized and consolidated the identified issues and then had team members from different departments evaluate the degree of "impact of the company on society and the environment (impact)" and "the impact of social and environmental issues on financial performance (Risks and Opportunities)" from the perspectives of scale, probability of occurrence, and other factors. Finally, we formulated new materiality proposals in the area of Business (B), Environment (E), Social (S) and Governance (G).

(3) The proposed new material issues were reviewed by the Sustainability Committee, which consists of staff and managers in each ESG field, and then the Board of Directors deliberated and approved them.

In this identification process, we clarified our priority issues based on the reasons identified during the analyses. We will continue to review our material issues by evaluating their impact on our stakeholders and their degree of importance on an ongoing basis in accordance with the changes in the business environment and our business policies. We will also actively address ESG issues while strengthening our financial position and simultaneously pursue the sustainability for both our company and society. Thus, we will create value while also fulfilling the expectations of our stakeholders.

Process of Identifying Material Issues



New material issues (from fiscal 2024)

Business (B)

Providing comfortable spaces, amusement, and joy through sound and vibrations

Building a safe and secure society

Providing new value through partnerships with customers

Economic contribution to society by securing stable revenue

Environment (E)

Addressing climate change

- Improving resilience to climate change
- Reducing greenhouse gas emissions
- Reducing the use of energy and promoting the use of renewable energy

Conserving the global ecosystem by contributing to building a resource-recycling society

- Realizing a circular economy
- Complying with environmental regulations of each country and reducing environmental impact
- Protecting and restoring natural ecosystems

Social (S)

Promoting Foster Electric's philosophy and developing human resources

Improving employee well-being

- Improving employee engagement
- Promoting occupational health and safety
- Developing fulfilling, comfortable workplaces
- Promoting diversity, equity, and inclusion (DE&I)
- Improving understanding of and preventing the violation of human rights

Promoting sustainability in the value chain

Ensuring the safety, quality, and stable supply of products

- Product safety
- Securing product and service quality
- Stable product supply

Governance (G)

Strengthening governance to maintain and increase stakeholders' trust in Foster Electric

- Reinforcement of compliance.
- Enhancing risk management systems
- Strengthening IT governance
- Managing and using intellectual property

Our Approach to Material Issues (Priority Issues)

Achievements until FY2023

*1 CFRTP: Carbon Fiber Reinforced Thermo Plastics
*2 Environmentally friendly speaker: A speaker with any environmentally friendly element, such as light weight, reduced applications of VOC or solder, and application of dry process
*3 VOC: Volatile Organic Compounds
*4 Key suppliers: Approx. 50 corporate suppliers that account for 80% of our total procurement value
*5 Rate of conformity to our CSR standards: Suppliers who have achieved CSR self-assessment scores of 66% or higher are deemed conformant to our CSR standards (those with 65% or lower are deemed non-conforming).
*6 1. Continuation of the examination and global expansion of the BCP structure 2. Development of a global logistics system 3. Management of suppliers' business continuity 4. Enhancement of the global information security management system 5. Other risks predicted based on events which occur during the fiscal year

ESG	Material issues	Target (KPI)		Achievements until FY2023	Refer to	Corresponding SDGs
Environment (E)	Decarbonized society	Absolute Scope 1, 2 emissions	•FY2025 Target: Reduce by 30% from a FY2018 base-year •FY2030 Target: Reduce by 50% from a FY2018 base-year	35% reduction from a FY2018 base-year	P. 31	
		Absolute Scope 3 emissions	•FY2025 Target: Reduce by 3% from a FY2018 base-year •FY2030 Target: Reduce by 15% from a FY2018 base-year	10% reduction from a FY2018 base-year		
	Resource recycling	Weight reduction ⇒ Develop element technologies to achieve further weight reduction from conventional Automotive Audio Speakers.	FY2025 Target: Production of self-developed products incorporating elemental technologies for speakers weighing less than 100 g. 2023 target •Weight reduction to less than 110 g •Production of self-developed products that incorporates weight reduction technology	Completed production of a 108 g self-developed product that incorporates the frame and CFRTP*1 diaphragm material as a lightweight technology.	P. 34	
		Increase the ratio of environmentally friendly speakers*2	•Increase the ratio of environmentally friendly speakers*2 ⇒ The ratio of Environmentally Friendly Automotive Audio Speakers (per sales): FY2025 target: 22% •FY2023: 18% •FY2024: 20% •FY2025: 22%	FY2023: 22.1%		
	Harmony with nature	Reduce the use of VOCs*3	•The ratio of toluene-free new mobile audio products: FY2024 target: 100% •FY2023: 80% •FY2024: 100%	FY2023: 100% Achieved for all of the 8 newly launched models		
Social (S)	Product quality and safety	The number of failures with a serious social impact (human life, property, environment, etc.)	Maintain 0 failures	0 failures	P. 38	
	Supply chain management	Response rate of CSR self-assessments distributed to suppliers	•Percent of key suppliers*4 who conduct CSR self-assessments: 100% •Percent of key suppliers who conform to our CSR standards:*5 94% or higher	100% 100%	PP. 36-37	
		Response rate from suppliers in the responsible minerals survey	•Existing suppliers: 99% or higher •New suppliers: 100%	99% 100%		
	Creation of exciting workplace	•Percentage of employees who gave positive answers in the employee engagement survey (headquarters)	71.8% (FY2022 result) or higher	75.0%	PP. 40-44	
		•Total working hours per employee (headquarters)	Average monthly total working hours of 153 hours or less	159.9 hours		
		•Rate of specific health guidance/post-health checkup follow-up interviews (headquarters)	80%	79.7%		
		•Rate of periodic health examinations taken (headquarters)	Maintain 100%	100%		
		•Ratio of care-related resignations (headquarters)	Maintain 100%	0%		
	Diversity and inclusion	•Female manager ratio (headquarters)	FY2025: 30%	13.9% (as of March 31, 2024)	PP. 42-43	
		•Ratio of overseas human resources (headquarters)	FY2025: 30%	12.2% (as of March 31, 2024)		
		•Employment rate of persons with disabilities (headquarters)	Exceed the statutory employment rate of 2.3%	2.0% (FY2023 average)		
		•Ratio of males taking leave for spouse's childbirth and childcare leave (headquarters)	100%	Ratio of males taking leave for spouse's childbirth: 100% Ratio of male employees taking childcare leave 60.0%		
		•Provide training to encourage the development of an organization where diverse people can demonstrate their capabilities (headquarters).	Provide training to eliminate unconscious biases which hamper the active participation of women and overseas human resources, and deepen understanding of SOGI and LGBTQ+ issues.	Training provided and participation rates (1) Cross-cultural communication training for new graduates: 100% (2) Harassment prevention and mental health seminar: 98% (3) Harassment training for new graduates: 100% (4) Training on business and human rights actions required by today's corporations: 71.5% In addition, the following lecture meetings and seminars were held for all employees. (5) Lecture on diversity given by a female director (6) Seminar on balancing work and nursing care		
Governance (G)	Governance enhancement	Enhancement of corporate governance	•Compliance with the Corporate Governance Code: 100% •Promote the governance cycle (Improve management systems and operation based on governance assessments).	100% Improved management system based on the governance assessment sheet, business management assessment sheet, etc.	PP. 48-51	
		Reinforcement of compliance	•Maintain a response rate of 100% for the compliance test and the compliance survey.	100%	P. 52	
			•Awareness rate of the internal whistleblowing system: 100%	100%		
			•Provide compliance training and maintain an average satisfaction rating of 4 or higher out of 5.	Maintained 4 or higher on average.		
		Enhancement of risk and crisis management	•Improve the system and operation of risk and crisis management based on risk assessment.	Improved risk and crisis management systems and operations by sharing top risks and risk topics and thereby examining predictable risks and identifying responsible departments and the status of implemented countermeasures.	P. 52	
			•Completion rate of measures for key items*6 within the fiscal year, which are identified through the monitoring of the items: 100%	100%		

Progress in the Mid to Long-Term Business Plan and Fiscal Year Ended March 31, 2024

Mid-term business plan

We announced the mid-term business plan for the period from FY2020 to FY2024 in November 2020. In this mid-term business plan, we positioned the automotive field and new fields related to mobile audio as strategic areas. In these areas, where changes in the market are expected to have a significant impact on future society, we will provide new sensory value using our acoustic technology related to our founding business and its applied vibration technology. In particular, we aim to be an essential partner for our clients in the automotive business sector, thus building a solid foundation for the management of Foster and achieving our Mid-term financial targets.

During the period of this mid-term business plan, we will build a lean profit structure through labor-saving, automation, standardization and other initiatives while strengthening investments and maintaining a sound financial standing. We aim to achieve our financial targets for FY2024, net sales of ¥120.0 billion, operating profit of ¥5.0 billion and an operating profit ratio of 4.2%.

In addition to the above financial targets, we aim to achieve our goal of elevating our position from being an OEM/ODM supplier to becoming a strategic partner by FY2024. For this purpose, in addition to playing the role of conventional OEM/ODM supplier waiting for orders from customers and responding to them, we are reinforcing our structure for quickly understanding customers' issues and needs and proactively proposing new functions related to acoustics. We will propose solutions related to development and design from a position that is close to customers, such as jointly conducting sound field tuning to increase comfort with automotive manufacturers, something that was previously done by them alone. Thus, we will create products related to sound and vibration that are comprehensive and more strategic as a partner to our customers.

Key strategies for the period up to FY2024

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

1. **A one-stop sales strategy for automotive products and services in fields related to sound and vibration:** We aim to increase the number of our products used per vehicle by establishing a system enabling the one-stop provision of all automotive products, including Actuators compatible with Advanced Driver-Assistance Systems (ADAS), speakers for Acoustic Vehicle Alerting System (AVAS) / Speakers for eCalls and Automotive Headsets, in addition to devices for audio equipment that we have developed. To make this a reality, we will strengthen cooperation with partners within the Group and external partners, particularly to enhance the provision of emotionally engaging added value, such as the design of Acoustic Spaces for car cabins and the proposal of tactile sensations using various vibration patterns.
2. **Regional strategies:** In response to the automotive laws and regulations and environmental regulations of each country, we will switch from a business-by-business approach to a regional approach covering all products in Japan, the Americas and Europe which are our key markets, in our efforts to improve our sales capabilities and streamline our sales activities. We will focus our efforts on the Chinese market more than ever before because it is becoming a promising market for us in the aspects of price and quality, reflecting the expansion and development of the market. Further, we will enhance our presence in the Chinese market by improving our sales capabilities in the country with our brand power and high-quality local production system.
3. **M&A strategy:** We will also consider strategic M&A activities as needed, aiming for the in-house production of core parts with high rarity and the acquisition of technologies in different fields which are necessary for us to be a strategic partner.

▷ 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.

Mid-term (FY2020 - FY2024)

Goal

Elevate position from OEM/ODM supplier to strategic partner

Priority measures

1. One-stop sales strategy for automotive products and services in fields related to sound and vibration
2. Regional strategies
3. M&A strategy (acquisition of technologies in new fields which are necessary for us to be a strategic partner)

Financial targets

Net sales: ¥120 billion　Operating profit: ¥5 billion　Operating profit ratio: 4.2%

Long-term (FY2020 - FY2030)

Goal

The world's no. 1 acoustic solutions partner

Priority measures

Contributing as an acoustic solutions specialist in promising industrial fields that contribute to society in the future and fields related to the auditory and tactile senses. Aiming to have customers say that they will ask Foster about acoustics and vibrations.

Priority areas

MaaS / Wearable devices / Wellness / Entertainment / Noise reduction/ noise cancellation

Provision of sensory value
(auditory and tactile senses)



Overview of FY2023 Business Performance and Evaluation of the Progress of the Mid-Term Business Plan

In the fiscal year ended March 31, 2024, net sales were ¥122.4 billion and operating profit was ¥4.4 billion. We achieved the FY2024 net sales target of ¥120.0 billion stated in the mid-term business plan ahead of schedule, due in part to an increase in the quantity of Automotive Audio Speakers shipped and the contributions of the weaker yen. The operating profit ratio also improved to 3.6%, and there was steady progress in bolstering the profit structure.

Financial Results

(Unit: Million yen)

	FY2022	FY2023	Change	Change (%)
Net sales	121,338	122,447	1,109	0.9%
Operating profit	2,445	4,412	1,967	80.4%
Ratio of operating profit to net sales	2.0%	3.6%		
Ordinary profit	2,327	4,305	1,978	84.9%
Ratio of ordinary profit to net sales	1.9%	3.5%		
Profit (loss)*1	848	2,304	1,456	171.7%
Net profit margin or net loss margin*1	0.7%	1.9%		
Profit per share	38.23 yen	103.70 yen	65.47 yen	171.3%
Dividend per share	20.00 yen	25.00 yen	5 yen	25%
Dividend payout ratio	52.3%	24.1%		
ROE	1.7%	4.2%		

*1 Profit/loss attributable to owners of parent, ratio of profit/loss attributable to owners of parent to net sales

Results by segment

(Unit: Million yen)

		FY2022	Component ratio	FY2023	Component ratio	Change (%)
All segments	Net sales	121,338		122,447		0.9%
	Operating profit	2,445		4,412		-
	Operating profit ratio	2.0%		3.6%		
Speaker Segment	Net sales	99,087	81.7%	99,175	81.0%	0.1%
	Operating profit	2,004	-	4,218		-
	Operating profit ratio	2.0%		4.3%		
Mobile Audio Segment	Net sales	14,691	12.1%	14,197	11.6%	(3.4%)
	Operating profit	1,203	-	607		-
	Operating profit ratio	8.2%		4.2%		
Other businesses*2	Net sales	7,558	6.2%	9,074	7.4%	20.1%
	Operating profit	(762)	-	(412)		-
	Operating profit ratio	(10.0%)		(4.5%)		

*2 Values for other businesses were calculated based on values after the elimination of inter-segment transactions.
Amount eliminated in FY2022: (Other businesses) ¥2,845 million, FY2023: (Other businesses) ¥3,175 million

Results by segment

Speaker Segment

In the automotive market, there was a decline in the quantity of products shipped to some customers in the first quarter, due to inventory adjustments that had expanded during the supply chain disruptions. However, amid the ongoing recovery of sales in the automotive market, we focused on the partner strategy and actively promoted sales to target customers. As a result, net sales came to ¥99,175 million (up 0.1% year on year). On the profit front, the decrease in one-off air freight charges, ongoing measures to improve costs, and other factors lifted earnings, and operating profit rose to ¥4,218 million (up 110.5% year on year).

Mobile Audio Segment

Despite some adjustments in the quantity of Actuators for consumer use shipped, we secured orders for the full year and focused on sales of earphone drivers and Automotive Headphones. As a result, net sales came to ¥14,197 million (down 3.4% year on year). On the profit front, operating profit totaled ¥607 million (down 49.6% year on year).

Other Segment

Net sales of other businesses, including the micro acoustic components business and FOSTEX brand products, reached ¥9,074 million (up 20.1% year on year, fueled in part by the robust sales of speakers for Acoustic Vehicle Alerting System (AVAS). On the profit front, however, we recorded an operating loss of ¥412 million (operating loss of ¥762 million in the previous fiscal year). This was attributable to the expenses associated with our plan to transfer the production of micro acoustic components which were previously outsourced to NAM WAH STAR ELECTRONICS (SHENZHEN) CO., LTD. to our plant in China, with the aim of optimizing the manufacturing system.

Progress on priority strategies

In the automotive business, we have already received the orders targeted in the final fiscal year of the FY2024 mid-term business plan, mainly reflecting strong orders and the contribution of the weaker yen. In particular, sales of products for major Japanese brands are expected to increase due to the expansion of sales to tier-1 manufacturers which have their bases in North America. In addition, orders received from luxury car manufacturers in Europe have remained strong, and aggressive activities to promote the combined sale of speakers and micro acoustic components (including Alarm Buzzers and speakers for acoustic vehicle alerting systems/eCall) or other products have borne fruit. Measures to increase resilience, such as the development of a production system for responding to the strong demand for speakers, are progressing as planned.

Regarding products for the European market, which we have been manufacturing in Asia, we must build a system for the stable supply of products to important customers as soon as possible, reflecting the supply chain disruptions that have continued since the COVID-19 pandemic. In response, we have decided to establish our own manufacturing base in Hungary by borrowing a part of our affiliate's factory in that country. In December 2022, we established FOSTER ELECTRIC HUNGARY Kft., which is our first subsidiary in Europe. Many automobile-related manufacturers have entered Hungary. A good investment climate has been established in this country because the corporate tax rate is low and the local authorities are proactive and cooperative in attracting and supporting enterprises. While important customers in Europe are strengthening their policies regarding procurement from within the region, we will work to stabilize supply and also reduce CO_2 emissions from transportation.

We are also working to rebuild our production system in view of the risk of the intensification of the U.S.-China conflict. At our manufacturing bases in China, we will gradually shift to production for the Chinese market. While we manufacture products for markets other than China mainly in Vietnam, we will strengthen our production systems in the Unites States and Europe and work to build optimal production systems with an awareness of local production for local consumption. In Vietnam, we will begin speaker production at the Ho Chi Minh factory within the first half of FY2025, in addition to continuing production at the Bac Ninh factory. The Binh Duong factory was previously the main factory for headphones for key customers.

Long-term goal and direction of strategies

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

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

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

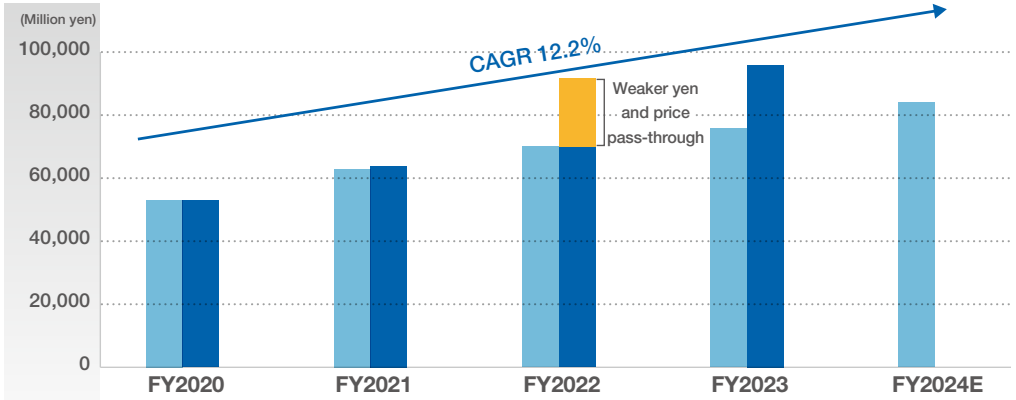
Wearables: We see audio devices for smart glasses using AR/VR and biometric authentication devices (such as earphones) as promising markets. We will provide new products taking advantage of the ultracompact dimensions, high sound quality, and low distortion of our products, which are strengths we have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

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

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

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

Automotive business sales targets



*The automotive business includes all of the Foster Group products used for automotive applications, such as Automotive Audio Speakers, micro acoustic components (such as Buzzers) and Automotive Headphones.
*The value varies greatly according to various factors, such as future automobile sales and the status of the orders we receive.

Beyond2025

In the process of overcoming the crisis in the past three years, various weaknesses and issues we needed to address further emerged that had yet to surface when we formulated the mid-term business plan. Addressing these issues is also essential for establishing a revenue base for the automotive business, which is one of the targets in the mid-term business plan. Our strong relationships with customers, which we developed in overcoming the crisis, are a great foothold for developing the partner strategy in the Speaker Segment. Instead of restoring the pre-COVID-19 state, we will promote the partner strategy to build on the new relationships established while tackling the pandemic, with existing relationships as our foundation. In addition, in fields including speakers for Acoustic Vehicle Alerting System (AVAS), we will reorganize our production system and improve our marketing capabilities, thus increasing our market share steadily and establishing a solid revenue base for Foster in the mid term. This is our task going forward.

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

Above all, from 2025 onward, when certain results will be achieved in the automotive business under the current mid-term business plan, we will aim to build businesses to enable us to be the world's no. 1 acoustic solutions partner with the foundation of our current Mobile Audio Segment.

The Mobile Audio Segment has remained profitable since the beginning of the fiscal year ended March 31, 2023 and achieved a full-year net profit because of the various measures that have been taken since before the fiscal year ended March 31, 2022. We will accumulate models for success like these, to lead to successful Beyond2025 initiatives, and establish pillars that will forge the future of Foster.

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

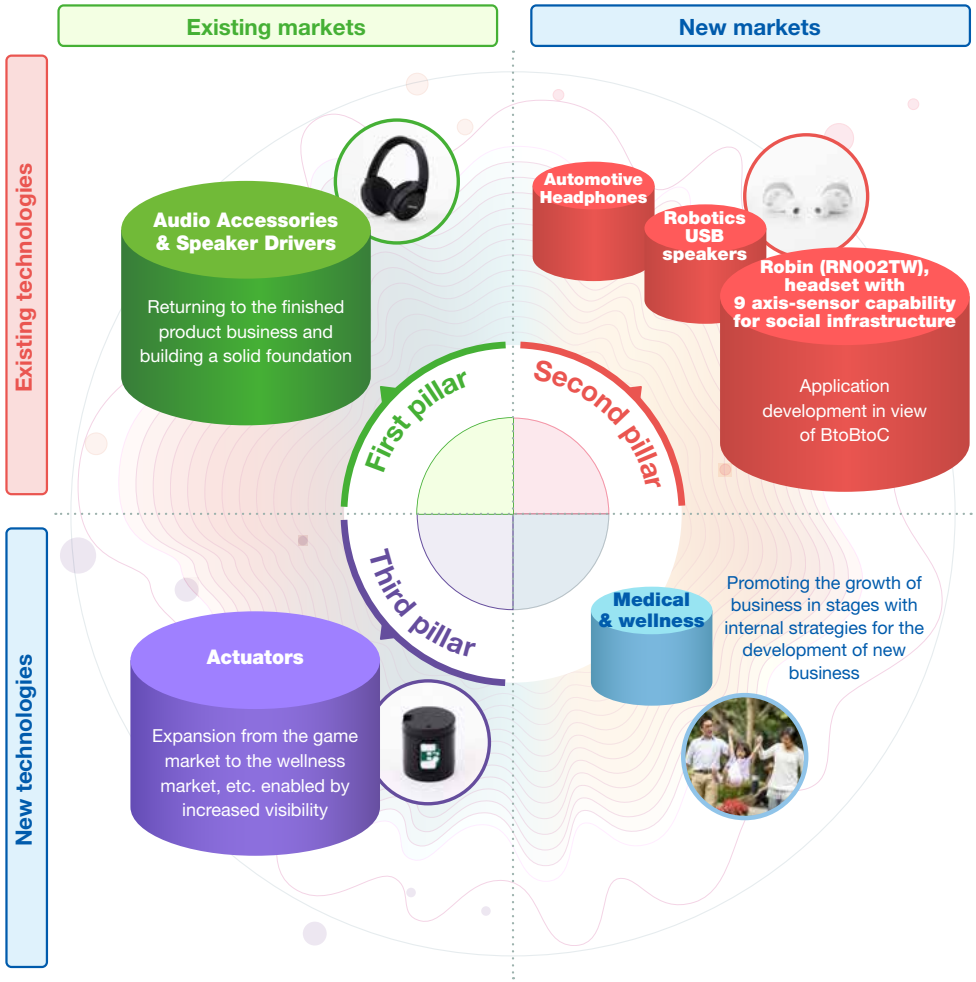
The first pillar is audio accessories (finished products) & Speaker Drivers. Because the market continues to grow, we will once again focus our efforts on the finished product business, which may be called the point of origin of the Mobile Audio Segment, aiming to achieve the regrowth of the business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

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

The third pillar is vibration devices (Actuators). The haptics* market has continued to grow, and it will be a new challenge for us. Based on established vibration technologies, we will lead the video game market and expand applications to the wellness and automotive equipment markets.

In addition to the above, we will work proactively on car headsets and Robotic USB speakers to make them something extra in our long-term revenue base.

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



Message from the CFO

Aiming to enhance our corporate value by integrating financial and non-financial value



CFO, Executive Vice President
General Manager, Global
Corporate Support Division

Akihito Mochizuki

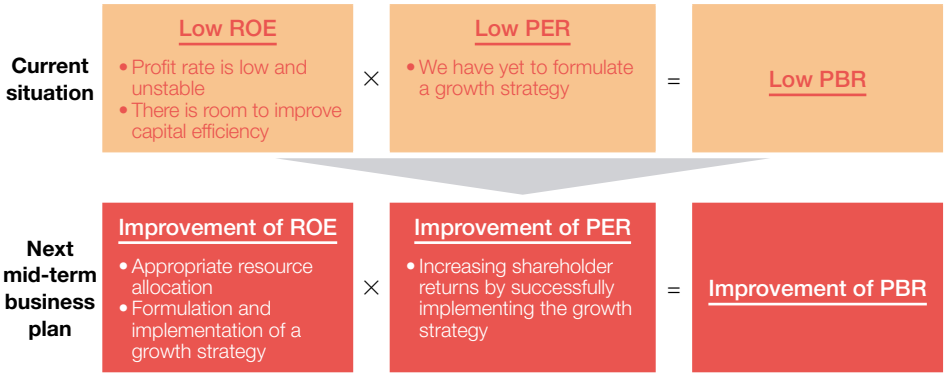
A unique feature of the Foster Electric's board composition is that the CFO also serves as the sustainability officer. This reflects our basic stance of integrating "financial and non-financial value with the goal of enhancing our corporate value".

Since our founding in 1949, we have consistently striven to be a sustainable company that is needed by society and that continues to develop under the corporate creed of "Sincerity," vision of "To make contributions for future society through acoustics," and our mission "Through acoustic products or its solutions, a total commitment to help create a comfortable life and pleasure of communication around the world. A truly global enterprise our future society counts on."

Financial strategies

On the financial front, we achieved a V-shaped recovery from the financial results for the fiscal year ended March 31, 2022, when we were forced to post the largest loss ever in the history of Foster due to the soaring prices of materials and sea freight costs during the COVID-19 pandemic. As a result, in the fiscal year ended March 31, 2024, net sales were ¥122.4 billion, operating profit was ¥4.4 billion, and the bottom line was ¥2.3 billion. Accordingly, net sales of ¥120.0 billion and operating profit of ¥5.0 billon, which are our financial targets for the final fiscal year of the current mid-term business plan (the fiscal year ending March 31, 2025) are almost within reach. In addition, as a result of initiatives to ensure appropriate inventory levels, we were able to significantly shorten the inventory asset turnover period. At the same time, cash flows from operating activities also increased greatly. We maintained a sound equity ratio, 56.5% as of March 31, 2024. In accordance with our capital policy of maintaining a dividend payout ratio of 30%, we increased the amount of the dividend by ¥5 to ¥25 per share.

While achieving this recovery in our business performance, our PBR was 0.5 as of March 31, 2024, which was severely evaluated by the stock market. The results of our analysis indicate that the following two factors are believed to be among the major factors for this: First, while a V-shaped recovery of our financial results is occurring, the profit rate is still low and there are issues to be addressed to further stabilize it. Further, while cash flows were significantly improved mainly due to inventory reduction, there is still room to improve capital efficiency, so ROE has been at a low level. Second, PER is low because we have not yet formulated the growth strategy that is expected by investors.



I believe that, as a countermeasure, we need to improve ROE by allocating resources appropriately and formulating and implementing a growth strategy for the sustainable profitability improvement during the next mid-term business plan. We also need to improve PER and PBR by increasing shareholder returns using the profits gained via the growth strategy, thus fulfilling the expectations of shareholders and investors.

We plan to present specific measures when we announce our next mid-term business plan in detail in November 2024. In 2024, we reviewed the previous ESG material issues and analyzed both the financial, and social environmental impacts. Further, we added material issues in the area of business (B), identifying material issues in the B+ESG areas. These material issues are linked to the next mid-term business plan, and at their core is the provision of "Rich and comfortable spaces, amusement, joy, safety, and security". These new material issues indicate the direction of the businesses that we will focus on in the future. They are also important for understanding our impact on society and the environment and responding to it appropriately.

Material issues

Non-financial strategies

On the non-financial front, in March 2021, we established our ESG Management Statement and announced Foster's basic stance on implementing management focused on Environment (E), Social (S), and Governance (G) initiatives, both internally and externally. Above all, we position the realization of a decarbonized society as one of the most important business challenges we face and engage in initiatives accordingly. Specifically, we have set a long-term goal, "Aiming to achieve carbon neutrality by 2050", with a milestone of "50% reduction from a 2018 base-year by 2030" and are further accelerating our efforts. We will strive to build a sustainable society with all of the technological capabilities of the Foster Group, thus improving them to the source of a differentiating competitive advantage.

Further, in addition to "Environment", there have been growing social concerns about and requirements related to "Human Rights", for the realization of a sustainable society. At the Foster Group, which operates globally in Japan, the rest of Asia, the Americas, and Europe, we have newly set the Foster Group Human Rights Policy to clearly indicate our intention to advance initiatives to increase the respect for human rights within the Group and its supply chain, aiming to build workplaces and a society where people with diverse attributes, such as age, gender, nationality, and creed, respect and accept each other as they are.

Regarding our engagement with society, we have begun to co-sponsor the Japan Goalball Association, a parasports association, as a Gold Partner, aiming to establish an inclusive society and respect diversity as stated in the SDGs. We are working together with the Japan Goalball Association because its basic philosophy, "Value the sense of hearing even more in the absence of vision," and our vision of "To make contributions for future society through acoustics" are aligned.

As a result of these activities, the Foster Group's sustainability initiatives have received high evaluations from various external rating agencies.

Moving forward, the Foster Group and all of us employees will integrate the financial value and trust that we have accumulated over many years of history with the non-financial value that is our strength, including intellectual capital, human capital, manufactured capital, social and relationship capital, and natural capital. In doing so, we will live up to our stakeholders' expectations and fulfill their requests. Thus, we will continue to enhance our corporate value and increase our contribution to the sustainability of both our company and society.

Foster's Strengths

We have reaffirmed the strengths of Foster, namely "Responsiveness," "Creativity" and "Connections," which we have cultivated over our 75-year history since our founding in 1949. We will use these strengths as the sources for the sustainable creation of value in the future.

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





1. Responsiveness

(1) Responsiveness to customer requirements

Since our founding, we have continued to build our global customer network and receive orders from customers as a highly reliable strategic partner. We have also continued to receive major orders for high-quality products and built a global support system, improving the quality of our responses to customers, the quality of our proposals to customers and the quality of products. As a result of these initiatives, we have been involved in a number of innovative era-leading products.

Customer requirements are becoming increasingly diverse as the times change. To respond appropriately to these requirements, we have built a manufacturing system that is capable of commercial production of customized high-quality products in Asia, the Americas, and Europe. Further, we are working to expand the global manufacturing system and improve its efficiency to cater to needs for the local production of products for local consumption.

We are shifting to the in-house production of key parts (such as parts for papermaking, voice coil production, and resin molding processes). We have thus enhanced the added value and reduced manufacturing costs. In the automotive business, we maintain the ability to control product quality to conform faithfully to the quality standards of the International Automotive Task Force (IATF). We respond appropriately to customers' quality needs leveraging the experience and expertise we have accumulated over many years.

We possess core technologies related to acoustics and vibration which are unique to us as a business operator specialized in acoustics. These technologies help us develop not just Automotive Audio Speakers but also various other products. We can say that these technologies form the foundation for not only our Automotive Audio Speakers but all of our products including audio accessories, actuators, compact audio products and speakers for Acoustic Vehicle Alerting System (AVAS).

(2) Responsiveness to change

In our long history, we have faced a number of difficulties. Even after the revision of the business portfolio in 2018, we faced unprecedented crises due to various factors, such as the personnel expenses generated in relation to the transformation of the product portfolio, the response to the COVID-19 pandemic (the surging cost of ocean container transportation, raw materials and components) and the political upheaval in Myanmar. Our employees value their sincere relationships with customers despite these circumstances and are capable of controlling crises. They have become a great force for responding to change.

While the major trend towards protecting the global environment is accelerating around the world, customers' environmental needs are growing every day in many domains, mainly reflecting the tightening of government regulations in many countries and regions. We are proceeding steadily with mid- to long-term environmental action programs based on the resource conservation in our products, the improvement of manufacturing processes, chemical management, biodiversity conservation, and partnerships with customers and suppliers.

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

2. Creativity

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

As professionals in acoustics, we have technologies in acoustical evaluation and reliability testing and the ability to design environmentally friendly speakers. We also have the technological capability to make changes ourselves and manufacture products which exceed customers' expectations. We implement a program supporting employees taking on challenges (the Foster Incubation Program/FIP), aiming to bring out employees' potential value as human capital, develop a climate for taking on challenges, and create an exciting society of the future.

3. Connections

Partnerships with customers based on cooperation and trust

We have already dispatched our engineers to some customers, building strategic partnerships through collaboration in advanced development initiatives, among other efforts. We will continue to strengthen cooperation with customers and work to improve our value as a strategic partner globally based on trust. The Sales Division and Engineering Division at the headquarters and our overseas sales companies have sales and engineering human resources who are very experienced and propose many solutions to world-leading customers who lead the industry in their own domains. Further, on the procurement front, we have a supply chain network that enables us to procure the optimal components for our sites around the world. Thus, we have established a system that enables the timely procurement of components.

1 Responsiveness

Responsiveness to customer requirements

- **Ability to meet customers' needs**
  Built a global support system
- **Manufacturing capability**
  Mass production and shift to in-house production
- **Quality control capability**
  High quality in conformance with Automotive product quality standards
- **Technical capabilities**
  Core technologies related to acoustics and vibration

Responsiveness to change

- **Employees**
  Crisis control capabilities and on-site capabilities
- **Environmental burden reduction**
  Implementation of environmental action programs
- **Financial conditions**
  Development and enhancement of our foundation for sustainable growth

2 Creativity

Ability to make changes on our own

Ability to create things that exceed customers' expectations

- **Employees**
  Discovery and improvement of the potential of human capital
- **Technical capabilities**
  Ability to manufacture products that exceed customer expectations

3 Connections

Ability to strengthen cooperation with customers

Partnerships based on trust

- **Ability to meet customers' needs**
  Strategic collaborative partnerships for advanced development initiatives, etc.
- **Procurement capabilities**
  A system that enables the timely procurement of components
- **Employees**
  Highly experienced sales and engineering human resources

Technology development and management systems

The Aufbau principle that is behind speakers, actuators and other acoustic products is relatively simple. However, because of its simplicity, there are many difficulties.

Sounds and vibrations can be adjusted in a wide range by changing the material and shape (such as its thickness or weight) of the products parts and the combination of these parts.

While there are countless sounds and vibrations, the sounds and vibrations that customers and consumers demand vary widely. They are different due to place, usage, era and other factors. In a world with infinite options, a world of art, we are creating and accumulating the intellectual capital that is the source of our competitive advantage by working on technology and product development in a customer-oriented manner.

Organizations

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

Passing down technologies

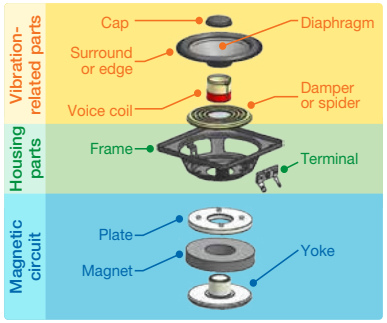
As an initiative to ensure that technologies are passed down to new generations of employees, which is an important task of a manufacturer, we hold the Technology Convention and the QC Circle Convention every year as group-wide events. At the Technology Convention, technology-related departments report selected contents of their development of technology from among the matters considered that year, and the reported content is compiled in the Technology Yearbook. At the QC Circle Convention, stories about solutions to issues at overseas manufacturing sites are presented, and technologies are shared and passed on to other employees. As a program for developing engineers at headquarters, we have continued to provide the A La Carte Training program which includes 45 technology-related training options (cumulative total of more than 3,700 participants since 2011). Each department develops engineers through OJT in addition to standard training.



In addition, we have established the Invention Discovery Task Force, which consists of engineering staff and staff from the Intellectual Property Section, to strengthen initiatives related to intellectual property. The task force examines each invention from diverse perspectives and uncovers insights that inventors were not aware of, leading to a significant increase in the number of patent applications.

Important technologies and products for which they are applied

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



Core technology affecting the speaker's acoustic performance

Automotive Audio Speakers

We accumulate technologies for custom-designing Automotive Audio devices products in accordance with customer needs, including car audio speakers, speakers for the Acoustic Vehicle Alerting System (AVAS), speakers for meter cluster panels (a part of automotive instrument panels), speakers for electric toll collection systems, and Speakers for eCalls. Offering a lineup of highly reliable products with superior heat resistance, vibration control performance, watertightness, and chemical resistance, we have a track record of supplying Automotive Audio Speakers, which we began to manufacture in 1982, to more than 50 companies as of the end of FY2023. We estimate our global market share to be more than 30%.

Earphones and headphones

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

Actuators

We apply our speaker design technologies in the design and development of unique vibration devices, including actuators developed for haptics* and wellness applications. We have acquired various patents for our voice coil actuators (VCA)with a vibration ability to generate wideband vibrations at high output power, which enables to create a wider variety of tactile sensations, and for the VCAs' drive systems. This helps us enter new markets.



*Please refer to Beyond2025.

Sources of Strengths: Manufactured Capital

Since entering Hong Kong in 1965, Foster Electric has been steadily accumulating unique manufactured capital, including global manufacturing sites, the human resources working at them, and manufacturing equipment and expertise. We are also working to further transform our manufacturing capital to respond promptly and sustainably to the intense changes in the business environment.

Global manufacturing sites

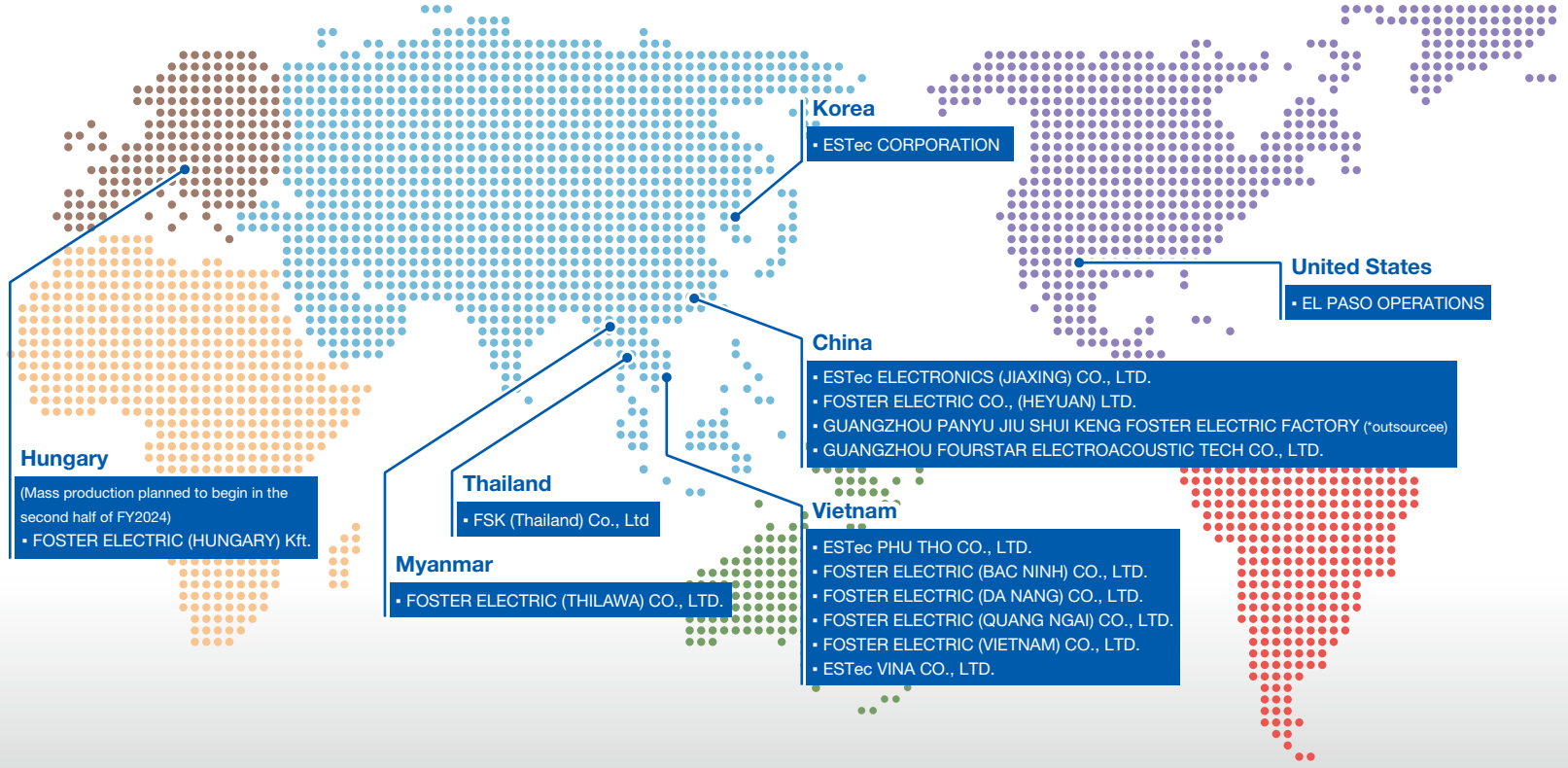
With 15 manufacturing sites across seven countries (China, Vietnam, United States, Hungary, South Korea, Myanmar, and Thailand), we have established a comprehensive manufacturing system from parts to products. We have formulated a manufacturing site strategy based on business continuity planning to respond to changes in the business environment such as geopolitical risks and customer needs. We are transforming our global manufacturing and supply structure, aiming to ensure that manufacturing allocation is always optimized. We are also strengthening the competitiveness of the parts manufactured in-house and incorporating added value that has drained out of Foster Electric due to outsourcing in our efforts to build a sustainable profit-making structure.

One specific initiative is that since 2021 we have been gradually transferring in-house manufactured parts, which were predominantly manufactured in China, to our group companies in Vietnam. Regarding our products, we established a manufacturing site in Hungary in 2022 following the commencement of production in the United States in 2020. We are currently preparing to begin manufacturing in Europe by the end of 2024. Through these changes in manufacturing allocation, we will reduce transportation costs, Scope 3 emissions, and lead time while achieving other goals at the same time.

The in-house production of manufacturing equipment, molds, and jigs

At all of Foster Electric's manufacturing sites, the manufacturing equipment used for products and the parts produced in-house were developed and designed within the individual sites. These pieces of equipment incorporate the experience, knowledge, and expertise that is unique to us at Foster, and they contribute greatly to the improvement of quality and productivity. Novel products and equipment that require new technologies are jointly developed by the headquarters and manufacturing sites to promote the standardization of equipment. We are also capable of designing and producing jigs that are essential in multiproduct manufacturing and molds for the in-house production of parts. Through these efforts, we have established a system for flexibly handling the diverse specifications of our products.

Global manufacturing sites



Manufacturing reforms

To build a sustainable profit-making structure, we are working on manufacturing reforms focused on the pursuit of the appropriate quality of our products for automotive use and the uncompromising elimination of waste. One example of these activities is the standardization of parts, processes, jigs, equipment and other parts of our business. In each phase of our operations, we standardize as much as possible to reduce the time required to create new designs and to achieve economies of scale in material procurement. Through these standardization efforts, we stabilize quality, improve operational efficiency and productivity, and reduce lead time and cost, which improves competitiveness. Further, we are advancing projects aimed at creating next-generation innovative manufacturing processes for the speakers that are the mainstay products of Foster. These efforts include using new methods of significantly conserving power, eliminating volatile organic compounds (VOC) and designing products and developing equipment for efficient mechanization using hybrid processes including humans and machines. At the same time, we are working to create design rules for products, processes, and equipment to achieve standardization while addressing increasingly diverse specifications.

Smart Factory System (SFS) developed in-house

We are working on the Smart Factory System (SFS), our information platform supporting our manufacturing reforms. We have introduced it in multiple stages including in information collection and accumulation, data analysis and prediction, and data-driven control and optimization. The system is used to manage not only production lines but entire process from upstream (design and development) to downstream (shipment) and peripheral management.

We developed an SFS-related system ourselves and incorporated functions that fulfill the quality requirements of IATF 16949 (Automotive Industry Quality Management Systems), VDA (German Automotive Industry Association), and customer demands, improving our quality management and driving Foster's digital transformation (DX).

For SFS, we have conducted trial development at a model factory and are expanding it to other factories, aiming to standardize the operations and improve management levels across all locations. SFS also plays an important role in developing environmentally friendly manufacturing methods and next-generation products and equipment. We are committed to creating a sustainable future for the manufacturing industry through these advanced initiatives.

Development of globally competitive manufacturing human resources

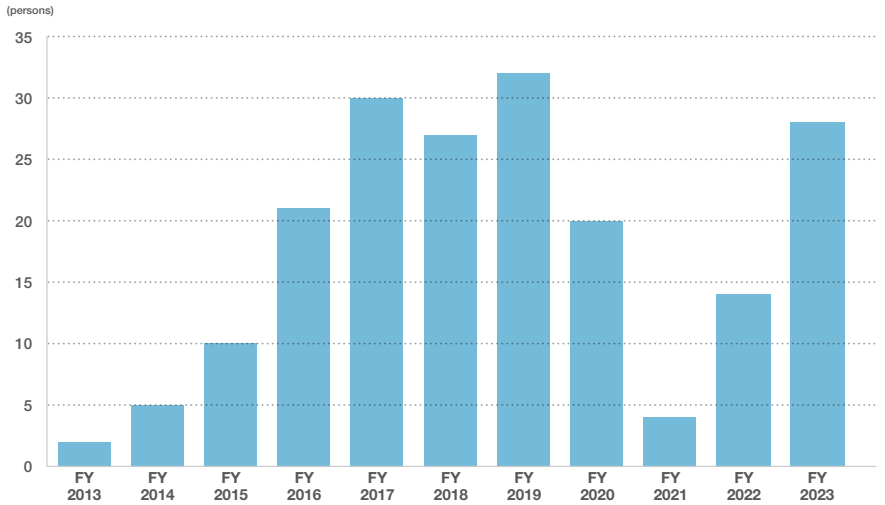
To further increase the motivation of our talented global human resources, we are implementing a one- to two-year secondment training at the headquarters. This secondment is not just a training program; trainees are assigned to practical work so that these operations can be transferred to each manufacturing site in the future. Of course, learning the language and culture of Japan and establishing human networks that include headquarters staff are also major purposes of the training program.

Additionally, we provide global leader training to select executive employees of our headquarters and overseas business sites to develop candidates that can be the leaders of our overseas sites in the future. This includes basic training on financial affairs, leadership, strategy and other subjects and training based on case studies. Some individuals who have completed the secondment or global leader training programs have already become officers at the headquarters or supervisors at overseas sites or department heads at various sites.

We provide training using practical textbooks customized to each program based on our understanding of the strengths and weaknesses of each site, which are identified through surveys of human resources' skills by function, as well the requests from each site. We identify issues and problems faced on site as subjects and provide the knowledge and skills needed to resolve them in our efforts to elevate the onsite staff. The training for overseas sites was conducted online due to travel restrictions during the COVID-19 pandemic. Online training has become established and it continues at present.



Numbers of staff members who were transferred temporarily from overseas sites to the headquarters for training



Special Feature: Optimizing Business Activities and Establishing a Sustainable Society

We have been striving to optimize our business activities and ensure their sustainability. In recent years, we have been working to improve the efficiency of transportation and manufacturing. Further, we have been promoting not only business activities but also initiatives to help solve social issues.

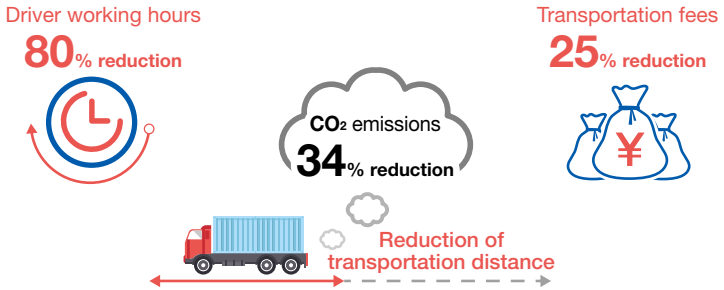
Optimization of logistics locations

Our manufacturing bases are located outside Japan. When transporting products to a customer in Japan, we inspect them and put them into returnable containers at our logistics center before delivering them to the customer. This results in round-trip transportation. The optimization of logistics routes not only reduces expenses and CO_2 emissions from transportation but also helps address the 2024 problem faced by the logistics industry as a whole. We were granted the Special Award in the Ministry of Land, Infrastructure, Transport and Tourism's FY2023 Excellent Green Logistics Partnership Commendation Program.

Detail page (available in Japanese)

Effects

- Transportation cost including ocean freight (estimated monthly expenses): **25% reduction**
  (76% reduction for transportation within Japan alone)
- Reduction of the cost of long-distance transportation
- Reduction of annual CO_2 emissions due to international intermodal transport: **61.2 t-CO_2 (34%)**
  (Reduction of annual CO_2 emissions in Japan included in the above: 54.7 t-CO_2 (90%))
- Reduction of driver working hours: **1,024 hours (80%)**





Manager, Global Logistics Department, Sales Division

Masafumi Inoue

I have been involved in logistics for 32 years, including my previous jobs. The challenges surrounding logistics in Japan include the 2024 problem. It is important to implement initiatives to ensure appropriate and stable distribution. The initiative started as a project to optimize logistics routes due to the long transportation distances in Japan.

This project involved the initial costs for changing the relay points. Our financial status was unfavorable at that time (the first half of 2022), which made it difficult to propose the project to management. However, we were able to gain the understanding of management by clarifying how much we would reduce logistics costs. In implementing the project, we visualized hypotheses, the effects on costs, and the CO_2 emissions reduction and created a video to share information with internal and external people involved in the project. This enabled the project to progress smoothly.

We are considering the implementation of two tasks in the future. One is a review of packaging materials. It might be easier to understand packaging materials if we compare them to supermarket shopping bags. The materials of shopping bags have been continually improved to carry products in them easily and safely. There is also ongoing progress in the recycling of their materials. Similarly, while we use a large amount of wooden pallets, slip sheets, stretch films, and cardboard as packaging materials for one-way transportation, we regard these packaging materials as an issue that we need to address from the perspectives of sustainability and cost.

The second task is consideration of container round use (CRU). Most marine containers in Japan are empty when they are transported back to the port, meaning that their loading efficiency is 50%, which is in conflict with the 2024 problem. Under the Japanese system, marine containers for imported cargo may be used to transport domestic cargo or exported cargo after the imported cargo is unloaded. We would therefore like to explore the possibility of CRU through consultations with other companies. This is also expected to effectively reduce expenses and CO_2 emissions. When looking at logistics, we tend to see logistics expenses as an expense item in the profit and loss statement. Actually, however, a smooth logistics network directly leads to the improvement of the balance sheet and the cash flows in financial statements. It is expected that same effects can be achieved by shortening not only warehousing operations but also logistics-related administrative work processes, which is achieved through automation and labor reduction.

We would also like to study the effects related to these hypotheses from the viewpoint of sustainability in the future.

Transportation routes in Japan before and after optimization



Power- and resource-conserving efforts at overseas factories

All of Foster's manufacturing bases are located outside Japan. We are implementing various initiatives to efficiently use limited resources, including initiatives to respond to local regulations and the requests of customers, as well as implementing the Foster Group Environmental Policy and the CO_2 Reduction Action Program. We are promoting these initiatives by establishing a cooperative framework such as the sharing of best practices between our factories in China and Vietnam.

China



In China, the unit cost of electricity has been rising every year, and power-saving efforts are also essential to control rising costs. In addition, a significant amount of water is used in the papermaking process for manufacturing diaphragms, which are key parts of acoustic products. Therefore, we are striving to reduce our consumption of tap water to both reduce cost and protect the environment.



Solar panels installed at the Heyuan Plant in China

Effects

- **30% reduction** of the CO_2 emissions of the entire factory compared to the 2018 level
- **100%** of water used for vacuumed pumps is recycled
- Annual utilization rate of purified recycled water for papermaking at **60%**

Improvements

- Replacement of older equipment with high power-efficiency equipment
- Renovation of heat-generating equipment to improve thermal efficiency
- Installation of solar power generation systems
- Reduction of the use of tap water in the papermaking process in the manufacturing of diaphragm parts



Panyu Plant and Heyuan Plant in China Director of Foster Electric Co., (Hong Kong) Ltd.

Masamichi Ashikaga

We installed solar panels at our bases in China by carefully examining economic feasibility and considering the appropriateness of the measures at each factory, including the installation area. The solar panels provide 10% of all the power consumed at each plant, leading to cost savings. Our task is to continue to maintain the equipment so that it can be used for as long as possible.

Reducing CO_2 emissions is not the only thing that we do. Since 2014, we have been engaged in activities to reduce tap water consumption in the papermaking process for the manufacturing of diaphragm parts. The quality of the water used in papermaking affects sound quality and waterproofness. Therefore, we need to ensure that the purified recycled water used in papermaking is close to the quality of tap water, which requires a large-scale water purification system. We are working to maximize the circulation of water without negatively affecting performance, including acoustic performance (Effective utilization of water resources).

We are considering adding solar panels and reviewing the layout of papermaking equipment as tasks to address in the future. As a result of these measures, the amount of electricity generated by solar energy is expected to increase by 2%. Further, the improvement of the papermaking equipment is expected to increase the recycled water utilization rate to 75%.

Vietnam



In Vietnam, CO_2 emissions have been increasing in the last ten years. Thermal power generation is expected to increase in response to the demand for power, and it is also expected that the cost of electricity will increase sharply. Our installation of solar power generation systems and tireless efforts to reduce CO_2 emissions have increased the environmental awareness among employees working at our plants.

Effects

- **19.2% reduction** of CO_2 emissions from the entire factory compared to the 2018 level
- **40%** reduction of power consumption, alleviating the burdens on employees' eyes and minimizing declines in concentration Long product lifetimes reduce labor hours and maintenance expenses as well as the risk of worker injuries in the replacement of lamps.
- Operating equipment only when necessary and for the amount needed, to reduce power consumption, extend equipment life, and reduce noise.

Improvements

- Installation of solar power generation systems
- Replacement with power-saving, flicker-free LED lamps
- Installing inverters in equipment



Energy-saving cooling tower system with inverter control



Production Equipment Development, Bac Ninh Factory in Vietnam

Kazuhiro Okudera

As part of efforts to reduce CO_2 emissions and streamline production at the factory, we consider employees' work environment and think about whether each initiative will help reduce expenses and conserve resources.

Like Japan, Vietnam has four seasons and stretches north to south. Therefore, while air conditioners are used for only half the year in the north, they have to be used throughout the year in the south. Climate differences such as these affect the economic feasibility measures in different regions. We therefore consider regional characteristics when considering measures.

In September 2022, we installed solar panels at our factory. We began to prepare to install the panels by researching, and made sure to confirm information ourselves. This experience enabled us to build an environment that facilitates maintenance after installation, including an easy-to-climb ladder to the rooftop, water pipes installed for easier cleaning, and the real-time monitoring of output power generation.

Vietnam has many forests, which enables us to sell carbon credits. Combined with our current CO_2 reduction activities, this offers the potential to establish a self-sustaining production base. We would like to continue considering this matter.

Our initiatives to reduce CO_2 emissions have increased the energy conservation awareness among employees working at the factory. I feel that it is important that all of us increase our understanding of the environment every day and move forward steadily, one step at a time.

Strategies for Achieving Sustainable Growth





Foster's Sustainability

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

Natural Capital Initiatives: (2) Environment

Social and Relationship Capital Initiatives

Human Capital Initiatives

Foster's Sustainability

Foster Electric'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."
The philosophy of sustainability is deeply rooted in the foundation of the company, and we have consistently aimed since our founding to become a sustainable company that is indispensable to society and that continues to develop.

We are committed to management focused on Environmental (E), Social (S), and corporate Governance (G) initiatives, aiming to achieve the sustainability for both the company and society.

Foster Group Sustainability Charter

The Company 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.

Further, in 2022, we established the Sustainability Charter as a revision of the CSR Charter to clearly state that we will pursue sustainability of both the Group and society, in addition to continuing to work on corporate social responsibility (CSR). The Charter is aimed at making it known that all officers and employees regard corporate sustainability (medium- to long-term sustainability including ESG elements) to be an important issue and ensuring that they will be conscious of and achieve sustainability in their daily activities.

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

ESG Management Statement

In 2021, we established our ESG Management Statement along with the formulation of medium-term business plan, thus announcing Foster's commitment to management focused on E (Environmental), S (Social), and G (Governance) initiatives, both internally and externally.

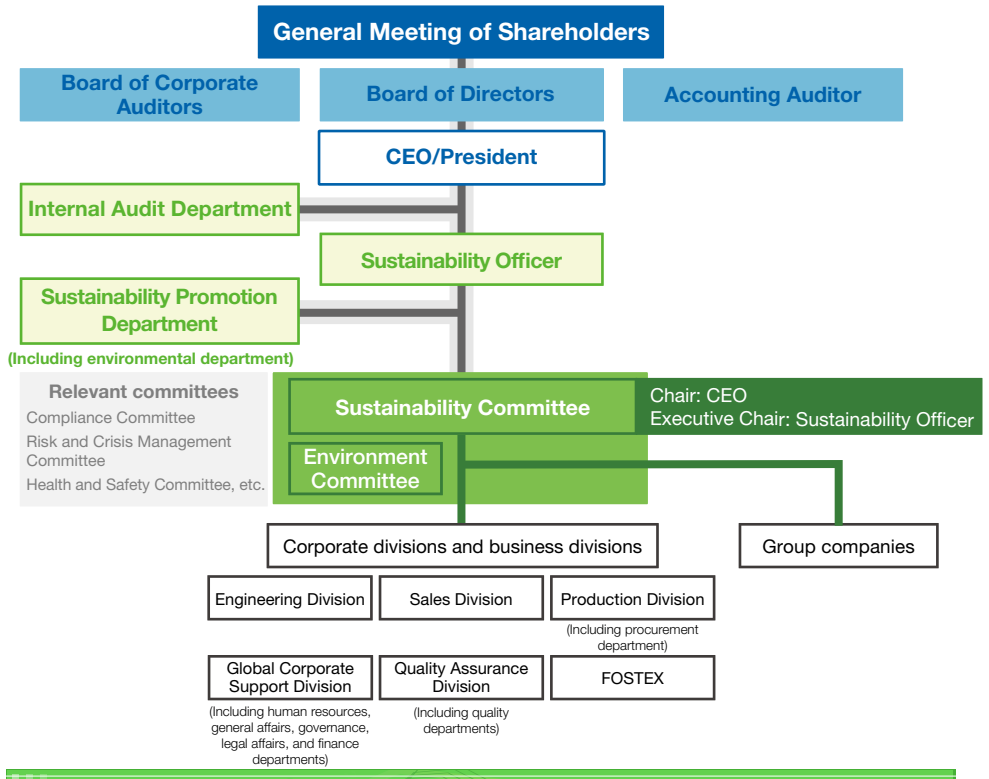
It expresses in specific terms our commitment to working on ESG management in the medium to long term and what we want to be like, toward the realization of the sustainability of both the Group and society, by positioning the well-being of our employees, who are at the root of all corporate activities, as the base of our activities.

Foster Group ESG Management Statement

Sustainability Promotion Structure

At its headquarters, the Foster Group has established the Sustainability Committee chaired by the president. The core members of the committee are representatives of related sections. The Sustainability Committee, including the sustainability representatives and staff from the headquarters and each site, meets every month with the sustainability officer who is the executive chairman of the committee in attendance. They monitor the activities of the Group as a whole for the promotion of sustainability and engage in collaborative activities. Important matters about which the Sustainability Committee is consulted are deliberated and approved during Board of Directors meetings which are attended by directors and outside directors. In addition, we have established the Environment Committee under the Sustainability Committee. The Environment Committee sets goals for each topic and action plans for achieving the goals and discusses and takes specific actions, including measures to address climate change issues.

Sustainability Promotion System



Major topics that were reported to and deliberated by the Sustainability Committee in FY2023

- Revision of material issues (based on the double materiality principle)*
- Progress and review of KPIs for the material issues
- Establishment of the Foster Group Human Rights Policy*
- Disclosure of sustainability information (conforming to CSRD, TCFD, and TNFD)
- Key ESG issues based on surveys by external ESG rating agencies and customer survey
- Formulation of and progress in the FY2023 CO_2 Reduction Action Program
- Results of internal environmental audits, management reviews, and ISO 14001 audits
- Progress in customer CSR audits
- Publication of Integrated Report*

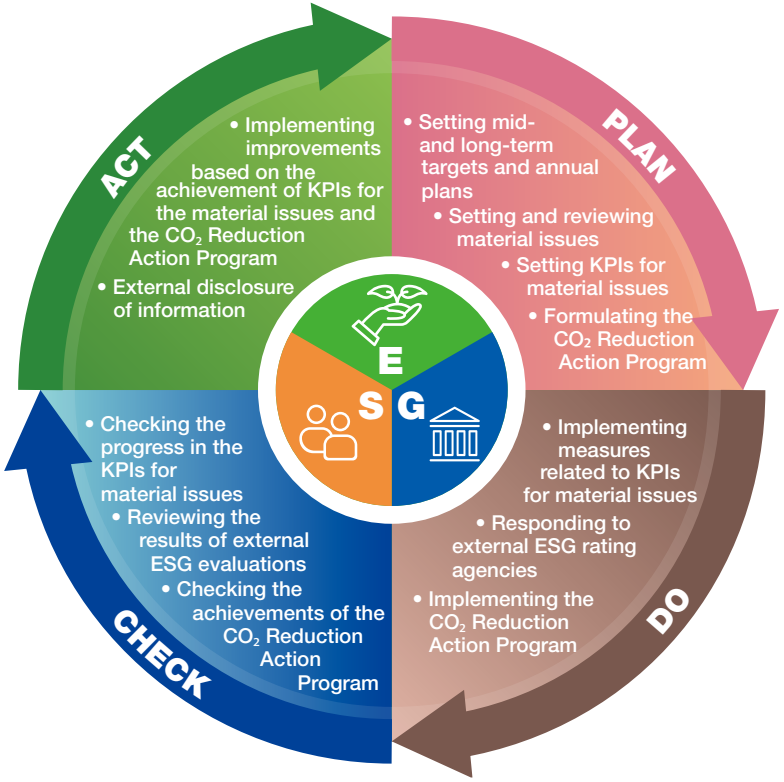
*Deliberated and approved by the Board of Directors

Cycle of Our Activities for Promoting Sustainability

We begin our sustainability promotion activities by setting (priority) material issues and KPIs related to them. We then implement the PDCA cycle from an ESG perspective.

In FY2024, we reviewed the existing ESG material issues by evaluating them from two perspectives: “the impact of the company on society and the environment” and “the impact of social and environmental issues on financial performance”. We then revised our material issues aiming to enhance our corporate value with business management and sustainability initiatives.

See “Revision of Material (Priority) Issues and New Material Issues” for details on the new materiality and the progress towards the KPIs for the previous material issues as of FY2023.



Initiatives to ensure respect for human rights

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

Governance related to human rights

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

Further, in 2024, we established the Foster Group Human Rights Policy as our top-level human right policy, aiming to ensure that the Foster Group respects human rights in its business activities and prevents, mitigates and corrects any infringement on human rights. This policy applies to all employees and suppliers and it clarifies our responsibilities regarding human rights and our commitment to human rights. In addition, under this policy, we will manage internal and external human rights risks, make improvements, and promote sustainable business activities.

Foster Group Corporate Action Guidelines
Foster Group Code of Conduct for Staff
Foster Group Supplier Sustainability Code of Conduct
Foster Group Human Rights Policy

Respect for employees’ human rights and increasing employees’ awareness

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

Respecting human rights throughout the supply chain

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

Responsible Procurement

Consultation Contacts / Hotline

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

Compliance Structure



Participation in the United Nations Global Compact (UNGC)

About United Nations Global Compact

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

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

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

The Supply Chain Subcommittee, Environmental Management Subcommittee, Human Rights Training Education Subcommittee, Human Rights Due Diligence (HRDD) Subcommittee, Disaster Risk Reduction (DRR) Subcommittee, ESG Subcommittee, CSV Subcommittee, WEPs Subcommittee, Reporting Study Subcommittee, Circular Economy Subcommittee, and Well-Being Subcommittee of the GCNJ, which consist of the member companies of the UNGC do not just share information about the latest sustainability-related trends and case studies from each company through lecture meetings led by experts. They are also working to achieve results in broad areas supporting the sustainability activities of many companies based on the wide-ranging experience of the member companies. In addition, the knowledge obtained through the subcommittees' activities is reflected in our sustainability activities.

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

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

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

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

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

1. Governance

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

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

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

Sustainability Promotion Structure

Impact on Business Related to Climate Change Risks and Opportunities

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

Climate-related risks/opportunities		Impact on business activities	Assessment	Measures
Transition risks	Policies and regulations	• Increase in business costs for responding to climate change-related regulations (including carbon tax, investments in additional equipment for saving energy and using renewable energy, and the purchase of green energy certificates) • Increase in cost, which is expected if regulations related to recycling and the use of recycled materials are tightened	High	• Promoting CO_2 reduction to achieve the mid-term environmental goals • Introducing solar power generation equipment, procuring electricity from renewable energy sources, and purchasing green energy certificates • Strengthening cooperation with suppliers
	Technologies	• Risk that market share may be decreased due to a delay in technology development toward a decarbonized society	High	• Understanding the needs of society and developing environmentally friendly products
	Market	• The impact that is expected if we fail to respond to business partners' requests to take environmental measures (such as introduction of renewable energy and use of recycled materials) • Intensification of competition resulting from an increase in new entrants to the electric vehicle market, which is expected to expand	High	• Collecting information from customers and consumers and analyzing the information • Engaging in proposal-based marketing activities and giving feedback to development personnel
	Reputation	• Decrease in business opportunities resulting from insufficient initiatives to tackle climate change • Risk of a decline in corporate value that may result from lower ESG ratings by customers and rating agencies	High	• Information disclosure regarding responses to climate change
Physical risks	Acute	• Suspension of factory operations and supply chain disruptions resulting from damage from a disaster caused by climate change	Medium	• Formulating BCPs that are appropriate for the regions and businesses • Appropriate inventory control
	Chronic	• Increase in energy consumption for the use of air conditioners and other equipment • Depletion of water resources and restrictions on water intake • Risk of factory inundation resulting from rising sea levels	Low	• Introducing energy-saving equipment • Reinforcing the BCP management structure
Opportunities	Resource effectiveness	• Reduction of CO_2 to be achieved by promoting local production for local consumption • Increase in sales opportunities resulting from manufacturing appropriate for a recycling-oriented society	Medium	• Promoting local production for local consumption • Developing products using circulating materials
	Energy sources	• Decrease in energy costs resulting from the introduction of energy-saving equipment and technologies	High	• Expanding the introduction of renewable energy and energy-efficient equipment
	Products and services	• Increase in sales opportunities achieved by driving the development of technologies for low-carbon products • Growth in demand for ADAS-compatible products resulting from the expansion of markets related to electric vehicles (development of a function that sends alerts with sounds and vibrations)	Medium	• Expanding sales of environmentally friendly products • Marketing of high value-added products

[Scenarios that were used]
- Transition risks: International Energy Agency (IEA) (*1)
- World Energy Outlook 2022: APS (*2), STEPS (*3)
- Net Zero Emissions by 2050 Scenario (*4)
  Physical risks: Intergovernmental Panel on Climate Change (IPCC) (*5)
- 6th Report: SSP1-1.9, SSP5-8.5 (*6)

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

2. Strategy

Under the framework advocated in the TCFD recommendations, we considered changes in the external environment in 2030 and analyzed the impact of climate change on us. We adopted the 1.5-degree and 4-degree scenarios for analyzing risks and opportunities. Regarding transition risks, we considered how policies and markets will change for the alleviation of climate change. Concerning physical risks, we also analyzed how the frequency and impact of climate change-related weather disasters will change.

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

3. Risk Management

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

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

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

Risk Management

4.Metrics and Targets

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

Target

(1) Mid-Term Reduction Goals for 2030

- Scope 1, 2: Reduce absolute CO_2 emissions 50% by 2030 from a 2018 base-year
- Scope 3: Reduce absolute CO_2 emissions 15% by 2030 from a 2018 base-year

(2) Long-Term Reduction Goal for 2050

- Aim to achieve carbon neutrality by 2050

To achieve this goal, we have developed the CO_2 Reduction Action Program [Ver. 2024]. The headquarters and the other sites will work together in accelerating CO_2 reduction activities in a group-wide manner.

Our Approach to Material Issues (Priority Issues)

(3) Specific Reduction Measures

① Our own power-saving efforts (steady efforts and innovative activities)

■ Steady efforts

Specific measures:

- Operational improvements: Improvements of operation, maintenance, heat retention, heat insulation, etc.
- Introduction of energy-saving equipment: Remodeling or replacing equipment

■ Innovative activities

Activities:

- Studying and introducing new manufacturing methods and design specifications

Specific measures:

- Developing innovative technologies through a next-generation speaker project, etc.

② Renewable energy procurement

- Switching electricity purchased from electric power companies to an option with 100% renewable energy sources

③ In-house power generation from renewable energy sources

- Introducing equipment for in-house solar power generation

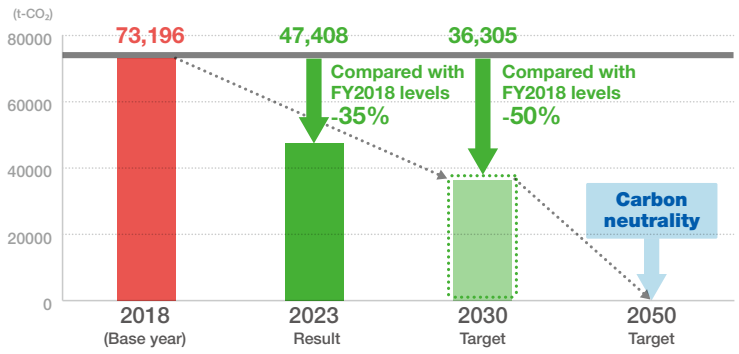
④ Purchasing green energy certificates for offsetting (shortfalls)

- Purchasing green energy certificates for overseas factories

(4) Specific KPIs

- Setting "Power consumption ÷ Net sales" at each site as a KPI for power-saving activities
- Having each site set a goal of building a framework, which makes it possible to post the same amount of net sales with 4% less power consumption than the actual power consumption in fiscal 2023, by the end of 2024. We will achieve the interim goal for fiscal 2025 (30% reduction from a FY2018 base-year), aiming to surely achieve the fiscal 2030 goal (50% reduction from a FY2018 base-year).

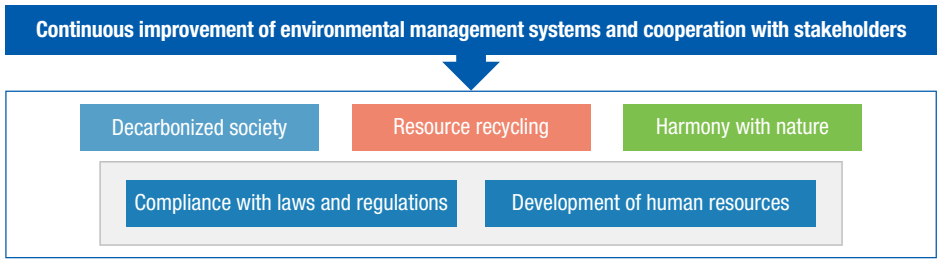
Mid- and long-term CO_2 reduction targets
(Scope 1 and 2)



Natural Capital Initiatives: (2) Environment

Initiatives to tackle environmental issues

The Group set mid-term environmental goals to achieve by 2025 for three issues: decarbonized society, resource recycling, and harmony with nature. We are pursuing specific initiatives to achieve these goals. Climate change is a globally important task, and we need to take long-term initiatives. We are taking action with the aim of achieving carbon neutrality by 2050.



Environmental Philosophy and Policy

We have established the Environmental Philosophy and Policy as Group-wide policies on environmental issues. Based on these policies, we will continue our efforts to improve environmental issues.

Foster Group Environmental Philosophy and Policy

Mid-Term Environmental Goals 2025

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

	Goals	2020 - 2025
Decarbonized society	CO_2 emissions reduction (Scope1, 2, 3)	Scope 1, 2: Reduce absolute CO_2 emissions by 30% from a FY2018 base-year
		Scope 3: Reduce absolute CO_2 emissions by 3% from a FY2018 base-year
Resource recycling	Resource saving products	- Establish technology for eco-friendly products
	Improvement of production process	- Reduce the hazardous waste generated by 5% from a FY2018 base-year
		- Reduce water consumption (Efficient use of water resource)
Harmony with nature	Management of chemical substances	- Build global management system based on the company standards and regulations
	Biodiversity conservation	- Establish a biodiversity policy and the mid-term action plan
	Partnership with stakeholders	- Build a cooperative structure and implementation of activities with our suppliers

* FY2023 Results

Environmental Activities

Activities to Preserve Biodiversity

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

Water Risk Management

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

Chemical Substance Management

The Group has set forth its autonomous management standard, which reflects the applicable laws and regulations of countries, including the RoHS Directive and REACH regulations, and customers’ requests for handling environmentally hazardous substances contained in its products to minimize their impact on the environment. We eliminate any controlled substances from our products via eco-friendly procurement and management of necessary parts and/or materials purchased. Based on the aforementioned scheme, we have established an optimum management system for the efficient search and collection of information about chemical substances that are contained in parts and materials and precise communication of information necessary in the supply chain.

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

Environment Management System and ISO 14001 Certification

We have obtained ISO 14001 certifications at headquarters and all of our overseas manufacturing sites and embody the Foster Group’s Environmental Philosophy and mid-term environmental goals. At headquarters, we monitor the activities conducted at each site and check their results.

The Foster Group's Environmental Initiatives

Effective utilization of water resources

One of our strengths is the in-house production of diaphragms, which are the most important parts of speakers in determining the sound quality. However, the papermaking process is a necessary part of manufacturing the paper parts used in these diaphragms. This process uses a large amount of water as paper is made from raw materials dissolved in water. At the headquarters and the Panyu Factory (China), we have been studying the reuse of discharged water for many years. As of December 31, 2023, 60% of the water used in the papermaking process is recycled water, allowing us to effectively utilize this resource.



Final filtration tanks

We have also been considering the recycling of the paper raw materials collected during the wastewater recycling process. We are using them for paper ring subcomponents and other purposes, enabling us to recycle 6% of the waste materials. Moving forward, we will take inspiration from the reuse of waste materials in industries such as clothing to incorporate waste materials into our diaphragms and other components, further reducing waste.



Intermediate treatment



After treatment

Participation in the Akishima City Community Development Corporate Summit

In December 2023, we participated in the 2nd Akishima City Community Development Corporate Summit hosted by Akishima city. This second summit was themed on the "Environment", and we exchanged opinions with neighboring companies and reported our activities related to community development through public-private partnerships towards the realization of a carbon-neutral city.



Initiatives at our headquarters building

Our headquarters employs environmental load reduction technologies such as lighting control by daytime sunlight, air conditioning by outside air, ice thermal storage air conditioning system, and doubleskin facade. Electricity consumption is controlled further by limiting maximum power consumption during the day, promoting Cool Biz and Warm Biz campaigns, turning off all the lights in the building for lunch breaks, and promoting the replacement of all of the lights in building with LEDs. In September 2024, we will begin to use electricity certified as coming from renewable energy power plants* and all of the electricity consumed at the headquarters is expected to come from renewable energy sources.

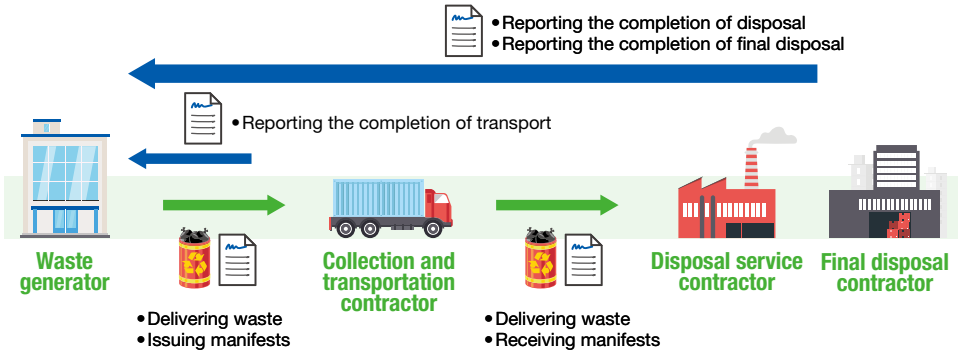
*Electricity using Non-Fossil Certificates (with renewable energy specified as the sources) which is 100% virtually from renewable sources of energy and whose actual CO_2 emission factor is zero



Lighting control by daytime sunlight

Introduction of electronic waste manifests in Japan

The waste manifest (industrial waste control form) system enables generators of industrial waste to track and manage the process of industrial waste from its generation to the final disposal. The electronic version of this system is called an electronic manifest. The introduction of this system streamlines administrative processes, ensures data transparency, and prevents illegal dumping, allowing waste generators to fulfill their responsibilities. Centralized management also leads to the strengthening of legal compliance.



External communications

Green Value Chain platform

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

Japan Climate Initiative (JCI)

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

Environmental Digital Platform

In March 2023, we joined the Environmental Digital Platform (available in Japanese) operated by Konica Minolta, Inc.

Environmentally friendly products

Speakers

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

Reduce the weight of speakers

We are using CAE analysis to optimize the design of resin and metal components and study carbon fiber reinforced thermoplastics (CFRTP) as new materials. We are also working to commercialize self-developed products, incorporating lightweight technologies to address concerns related to EVs, particularly extending their range and improving their power consumption efficiency.

Target	Result
FY2025 Reducing the weight of 6.5" lightweight speakers, which are approx. 200 g, to 100 g or less	FY2023 Completed production of a self-developed 108 g product that incorporates CFRTP in the frame and diaphragm materials as lightweight technologies.



Speakers developed with weight reduction technologies

Reduction of volatile organic compounds (VOCs)

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

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

Target	Result
FY2025: 20% or higher FY2030: 30% or higher	FY2023: 22.1%

Reduction of CO_2 emissions

We are undertaking design development activities for reducing power consumed in manufacturing speakers to cut CO_2 emissions. We are making development efforts to achieve the medium-term CO_2 emissions reduction target, by improving and changing methods of bonding parts and by reducing the use of a drying furnace in stages.

Actuators

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

* CASE: Connected, Autonomous, Shared, Electric

Result

Maintained our status of using adhesives that 100% do not contain harmful solvents.



Automotive actuator featuring slim dimensions

Headphones and Headsets

We have been active in incorporating environmental considerations in our product and/or process design. In reducing environmentally hazardous substances in our products, we address the most up-to-date information regarding country-specific legal requirements and the RoHS2, and propose to our customers. In addition, to reduce the energy consumed during manufacturing and the volume of waste materials, we need to continue to minimize waste materials, reuse raw materials by introducing new equipment, and develop products made of natural materials. For products with electronic circuits, we have adopted power-saving parts in our efforts to develop products with low power consumption. For microspeakers used for headphones or headsets, we are working towards environmentally friendly product manufacturing by introducing adhesives that do not contain toluene for new microspeakers in order to reduce VOCs. (replacing the parts that use solvent adhesives.)

As a mechanism for achieving our targets, we have built an internal system to examine whether toluene is used in the development and design phases and continue to check that products are toluene-free every month thereafter. We are also exploring alternative adhesives on an ongoing basis.

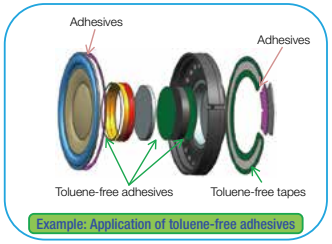
Target	Result
By FY2024 Products using toluene-free adhesives: 100%	FY2023 100%



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



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



Environment Month Activities (Headquarters)

Environment Lecture Presentation

We invited an outside expert to speak about what biodiversity is and why biodiversity needs to be protected to our officers, department heads, and group leaders (in the form of a Web conference). The lecture served as an opportunity to think about issues that we should address.

Other activities

We created opportunities to think about environmental initiatives from different perspectives through activities such as asking people to submit photos of the natural environment around them and providing environmentally friendly lunch menus.

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

Despite the many times these activities have been postponed or cancelled and the many employees working from home due to the COVID-19 pandemic, the annual number of participants increased by as much as 17.4% from the previous fiscal year, to 162 (participation rate: 30.7%). The total weight of waste increased to 43.47 kg. In addition, junior high school students were able to participate in the activities through a work experience program. This fiscal year, we also plan to participate in the city cleanup campaign of Akishima City.



Mini-clean activities

Environment Month Activities (Overseas)

China



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





Cleanup activities

Vietnam



We cleaned up the neighborhood, undertook planting activities on the premises, and provided environmental training internally.



Planting activities



Training activities



Beach cleanup



Neighborhood cleanup activities

Myanmar



We provided training, undertook planting activities on the premises, and volunteered to clean up the neighborhood.



Volunteer neighborhood cleanup activities

USA



We undertook planting activities on the premises and donated used cardboard to nearby elementary schools as crafting materials.



Planting activities

Social and Relationship Capital Initiatives

Relationship with the Supply Chain

Responsible Procurement

At Foster Electric, we solve social issues through business and contribute to the development of society through sustainability initiatives based on our corporate creed, “Sincerity.”

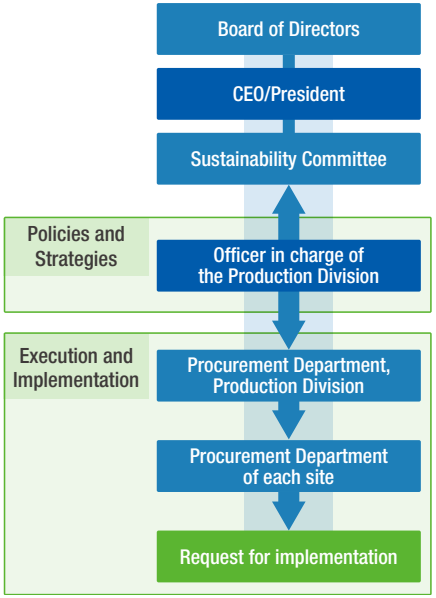
“Sincerity” includes the idea that Foster Electric should be sincere in all of its interactions with stakeholders. Since our foundation, we have continued our corporate activities with the philosophy of sustainability at the core of our business management. For our procurement activities, we have established the “Basic Principles of Procurement” and the Foster Group Supplier Sustainability Code of Conduct (hereafter, the “Sustainability Code of Conduct”), under which we develop fair, sound relationships in our supply chain and work to build a sustainable supply chain, to meet increasing social demands.

Procurement Policy

Representatives and Structures

The Procurement Department belongs to the Production Division and performs activities under the head of the division (Director) as the representative. Each manufacturing site has a procurement department. We are promoting sustainability activities in a company-wide manner and enhancing the activities in cooperation with each manufacturing site.

We operate and manage basic policies and key sustainability issues by sharing information at Sustainability Committee meetings (held monthly), which are chaired by the CEO/President with core members representing related departments, global procurement meetings with representatives of the Procurement Department from all sites (held biannually), and the Supplier Procurement Conference, attended by suppliers, our president and other directors (held once every two years).



Initiatives to prevent bribery and conflicts of interest

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

Supply Chain Due Diligence

The Foster group conducts supply chain due diligence to ensure compliance with the Sustainability Code of Conduct. Our Code of Conduct is based on international standards and principles, such as the Responsible Business Alliance (RBA) Code of Conduct, the Automotive Industry Action Group (AIAG) and Drive Sustainability, and we request our suppliers to support them. To clearly express these requests, we have made it mandatory for our suppliers to agree to the Sustainability Code of Conduct before starting transactions with us.

The contents of the Sustainability Code of Conduct include matters regarding labor and human rights, health and safety, the environment, ethics, and management systems reflecting laws, ordinances and international norms. It is available in Japanese, English, Chinese, and Vietnamese on our website. When revisions are made, we distribute it to all suppliers, making sure they are informed of the updates.

Foster Group Supplier Sustainability Code of Conduct

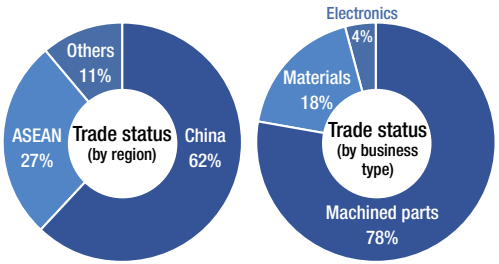
Initiatives for Tier-2 and Lower-Tier Suppliers

We request that our suppliers inform our tier-2 and lower-tier suppliers of the requirements in the Sustainability Code of Conduct and have them confirm their compliance.

CSR Self-assessments and Corrective Activities

To promote sustainable procurements in the supply chain, we request that our suppliers conduct CSR self-assessments. At the Foster Group, we use the CSR Procurement Self-Assessment Questionnaire prepared by the Global Compact Network Japan. The CSR self-assessments are consistent with international standards and guidelines including the Ten Principles of the UN Global Compact, ISO 26000, and the GRI Standards. The content of the self-assessments is wide ranging, including corporate governance, human rights, labor, the environment, fair corporate activities, quality and safety, information security, supply chains, and harmonious co-existence with local communities. Above all, we value the Ten Principles of the UN Global Compact. Suppliers are asked to ensure the proper payment of wages, the fairness of work hours, and the status of initiatives that are being taken to control excessive work hours. They are also requested to build a system for corrective activities, among other efforts.

Based on results of the self-assessments, we conduct audits, provide guidance for corrective and improvement actions, or implement awareness-raising activities. When a particularly problematic issue is identified, we suspend orders or take other punitive actions in accordance with the selection criteria.

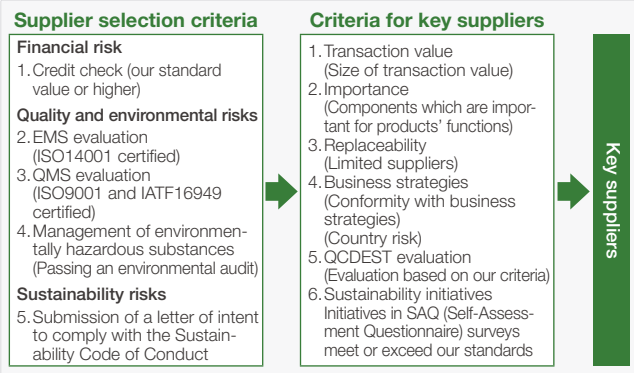


Overview of Our Supplier Partners

We work on sustainability initiatives throughout the entire supply chain and drive responsible procurement activities with Group companies and suppliers.

Supplier Selection and Key Suppliers

Supplier selection is based on a wide range of existing selection details, as well as on the condition that the supplier implements sustainability activities. We request that suppliers agree to the "Sustainability Code of Conduct" and conduct CSR self-assessments. We conclude a basic transaction agreement containing CSR requirements with suppliers before starting trade with them. Regarding our existing suppliers, we identify key suppliers based on transaction value. We also specify that suppliers from whom we purchase important raw materials or irreplaceable items are key suppliers. We further reinforce business relationships and increase the purchase rate, thus effectively enhancing the sustainability of our supply chain.



Results of CSR Self-assessments and Audits

In fiscal 2023, we had approximately 300 suppliers conduct self-assessments, and no violations of standards were found. However, we will continue to request that suppliers conduct self-assessments regularly and take corrective action immediately if any problems are identified, in our efforts to build a sound supply chain.

Target	Result
Percent of suppliers submitting CSR self-assessments	FY2023
Percent of key suppliers who conduct CSR self-assessments: 100%	100%
Percent of key suppliers who conform to our CSR standards: 90% or higher	100% * Corrective action plan: 2 suppliers Audit: 5 suppliers * Serious violations: 0 supplier

Intra-Industry Collaboration (Engagement)

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

Establishment of the Green Procurement Standard and Collaborations with Suppliers

We have established the Green Procurement Standard, in which we have summarized the environmental aspects of our requests for suppliers. Our Environmental Policy is to (1) contribute to the realization of a sustainable society by continually improving our environmental management systems, (2) establish a decarbonized society, (3) realize resource recycling, (4) be in harmony with nature and protect biodiversity, (5) comply with domestic and international environmental laws and regulations, and (6) develop human resources who can implement environmental activities through awareness-raising activities and training.

We have published the Green Procurement Standard on our website along with written instructions, submission forms, and other documents. We request that they are also shared with tier-2 suppliers.

In addition, we hold an environmental briefing remotely every year in Japan, China, and Vietnam, where we have our business sites. Approximately 300 people from our suppliers participate in the briefing, where we promote compliance with environmental regulations.

Responsible Minerals Sourcing

To promote responsible minerals sourcing, we implement initiatives in accordance with the OECD's due diligence guidance, aiming to have all suppliers provide information from smelters and refineries via the supply chain. At the same time, we promote responsible minerals sourcing throughout the supply chain to fulfill our social responsibilities. If a mineral involved in a conflict or the infringement of human rights should be identified in our supply chain, we take measures to discontinue the use of the mineral, such as by changing the supplier.

Foster Group Policy on Responsible Minerals Sourcing

Target	Result
Response rate from suppliers in the responsible minerals survey	FY2023
Existing suppliers: 99% or higher	99%
New suppliers: 100%	100% * Number of respondents in the responsible minerals sourcing survey: 150 companies * Percentage of conformant smelters:* 84%

* Percentage of smelters and refineries conforming to the Responsible Minerals Initiative (RMI)

Education

The Procurement Department provides education and training to learn about Foster Electric's approach to sustainability and to acquire knowledge about compliance with the goal of developing human resources who can fulfill social responsibilities in its operations.

We have developed a compulsory curriculum for employees in charge of procurement, which includes courses on the environment (the reduction of CO_2 emissions and environmentally hazardous substances), compliance (human rights and harassment), sustainability, and anti-corruption. In 2023, all Procurement Department employees took the required courses.

Regarding the supply chain, we held an environmental briefing remotely that was attended by 300 participants from approximately 200 suppliers. For important suppliers, we hold a global supplier meeting every other year and explain recent sustainability-related trends, policies to be implemented in the future, and the things we requests of them to 100 participants from approximately 50 companies. We are thus implementing initiatives to build a sustainable supply chain.

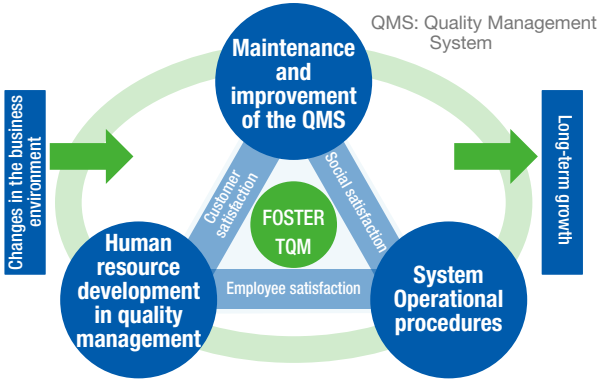
Quality and Safety Assurance

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

Our Quality Assurance Policies and Actions

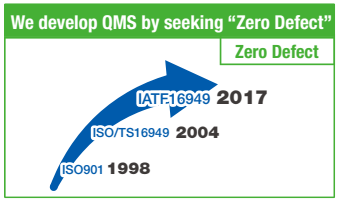
Under our customer-focused philosophy, our policy is to carry out quality assurance activities globally together with all of our employees to deliver safe, eco-friendly products of reliable quality.

We promote our quality assurance activities in accordance with FOSTER TQM, which is based primarily on the maintenance and improvement of the quality management system (QMS) through daily improvements, the development of a system and operational procedures using diverse methods, and human resource development in quality management targeting all employees. We believe that we can satisfy our customers, society and our employees by focusing on these three primary initiatives while responding to changes in our business environment. We will strive to achieve long-term growth through these initiatives.



Maintenance and Improvement of the Quality Management System

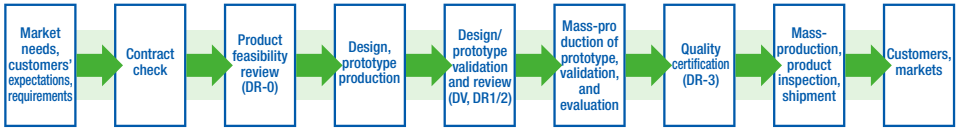
We have been developing our quality management system by incorporating the latest quality standards and industry trends to fulfill the requirements of our customers and society. We will continue to work to evolve, aiming to achieve zero defects.



Development of a System and Operational Procedures

In our quality assurance activity system based on Advanced Product Quality Planning (APQP), we confirm matters steadily across all processes with a focus on each DR-0 to DR-3 gate, moving forward with quality assurance activities without omissions.

Our Quality Assurance Activity System (Main Process)



Note) DR-0: Product feasibility review, DV: Product design validation, DR-3: Review for transition to mass-production

Enhancing Quality Awareness and Developing Human Resources in Quality Management

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

■ Quality-related events including at overseas locations

- **Quality improvement case exhibition**

  We hold this exhibition online by collecting cases of quality-related improvement and know-how we should share from headquarters and all overseas sites, and summarizing them in videos.



- **Quality lecture presentation**

  We invite a speaker from another company, select a quality-related theme which can be told as an attractive story, share our cases and problematic points with the speaker and then have a comparison and discussion of contents and frameworks of activities.

- **Global QC Circle Convention**

  We promote QC Circle activities and company-wide conventions of teams representing factories to improve on-site capabilities. Each year, a total of more than 100 circle teams are conducting activities at overseas sites under the theme of quality improvement. Among them, teams that won the QC Circle Convention at each factory give presentations of their achievements at the company-wide convention.



■ Developing quality specialists

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

Holding the Global Quality Meeting (GQM)

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

Relationship with Customers

Corporate Customers (Foster Group Sales Department)

Policies

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

Structure

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

Activities

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

Future Plan

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



Customer Audit and Questionnaire

Operating businesses globally, we respond to various sustainability-related requests from over 70 corporate customers concerning labor, human rights, safety and health, the environment, ethics, and status of operation of management system related to them. During the one-year period from April 2023 to March 2024, we received and responded to a total of 41 sustainability-related surveys from 26 corporate customers. In addition, the Da Nang Factory (Vietnam), underwent an RBA audit that was requested by a customer. We will continue to enhance our sustainability initiatives by organizing and addressing issues identified through customer surveys and audits, while ensuring the transparency of our supply chain.

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

Individual Customers (Fostex Company)

Policies

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

Structure

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

Activities

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

Future Plan

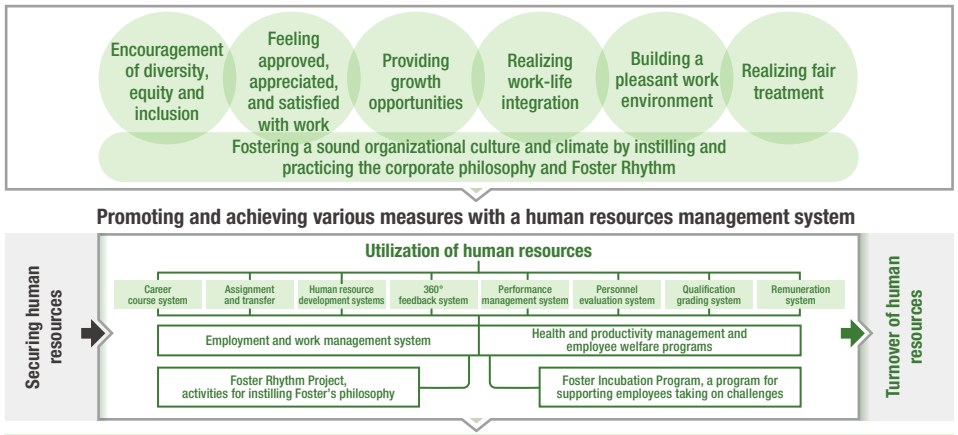
We will continue to supply products of our trusted original brand, FOSTEX, to introduce our high technical competences and the high competitiveness of our products. We will continue to develop products that can deliver greater pleasure in the creation of and listening to music.



Initiatives to Improve Well-being

We respect the diversity of all of the employees working for Foster and value the environment which enables them to choose their workstyles and careers. We have defined well-being as a state where employees can maintain and improve their physical and mental health while ensuring that their work enables them to develop personally, be satisfied in their jobs and take pride in their contributions to society. We are actively working towards this goal.

The well-being we aim to achieve is a state where employee engagement has been improved and employees are motivated to take the initiative and are given opportunities for personal development. We aim to create an environment where working for Foster contributes to the well-being of our employees.



1. Human Resource Development

Policies

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

■ Ideal for human resource development

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

Basic policy

■ Initiatives for independent career development

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

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

■ Initiatives for developing next-generation managerial human resources

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

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

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

■ Initiatives for developing globally competitive human resources

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

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

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

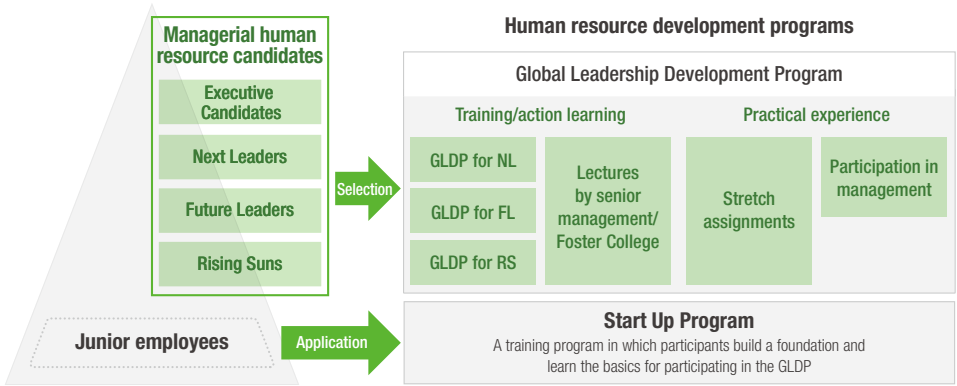
■ Initiatives for retaining young employees and developing young employees' work-related skills as early as possible

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

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

■ Initiatives for passing down skills and developing engineers

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



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

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

Having been introduced in 2011, more than 4,100 people have participated in this training program.

■ Initiatives for reforming the organizational climate

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

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

■ Initiatives for instilling the philosophy and improving engagement

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

Further, the employee challenge support program (the Foster Incubation Program)* includes the production of short videos, FOSTER STORIES, as an initiative to tell the public about our strengths and appeal. These and other activities for improving engagement continue to spread and evolve.

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

2. Diversity, Equity and Inclusion (DE&I)

Policies

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

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

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

Activity Promotion Structure

We have established the Diversity Management Section, a dedicated organization for promoting diversity, equity and inclusion (DE&I), within the Human Resources Department.



Outside Director

Kaoru Chujo

She was involved in promoting diversity in her previous job. At present, she provides consulting with a focus on DE&I, leveraging her knowledge in coaching based on neuropsychology.

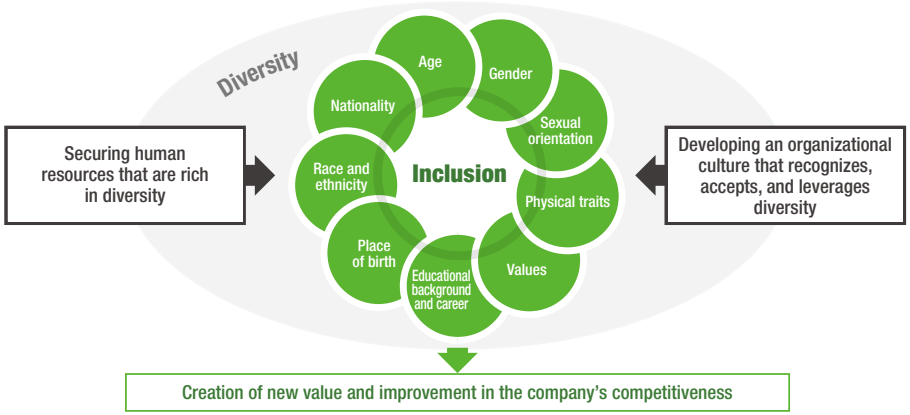
I feel that, from the perspective of an outside director, a feature of the diversity surrounding Foster Electric is the high degree of diversity among its customers, employees, and Board of Directors. The company engages in transactions with customers from diverse countries and regions. I think that business with customers who have different languages and cultures positively impacts the company's diversity. In addition, the ratio of overseas human resources at the Foster Group is as high as 96.5%. A major feature of the company is the large number of overseas human resources engaged in technology development and manufacturing, which are the company's strengths. At Board of Directors meetings, officers with extensive global experience discuss matters from broad perspectives.

The company aims to provide emotional value as the world's leading acoustic solution partner, and continuing to diversify the perspectives and sensibilities at all layers of the company (officers, managers, and employees) is essential for achieving this goal. I hope that, to this end, initiatives to achieve the target female manager ratio will be accelerated first. To accelerate them, it is important to address unconscious biases. Above all, gender-related biases have been shaped by the environment, culture, and experiences from childhood, and our behaviors and ways of thinking unconsciously linked to gender. The company's operations and processes may be affected by such biases. I believe that identifying and addressing processes that involve unconscious biases will be an effective measure for increasing diversity.

Main Measures and Activities (Headquarters)

■ Educational activities on diversity

We have set up a special website on diversity on our internal intranet, where we provide various information to foster a better understanding of the fact that active participation of diverse human resources will lead to new value creation by the company. On this website, we are also raising awareness of inclusive language, which is aimed at promoting communications with respect for diversity. In 2018, we added "Actions for diversity that have been taken" to the personnel evaluation items. Further, in fiscal 2023, a lecture was held by our female director on the theme, "For each one of us to participate actively in our own way, let's be aware of unconscious biases and take the first step toward changing our behaviors." We are working to create a more inclusive, diverse workplace by raising awareness of diversity among all employees and encouraging them to engage in self-driven activities.



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

We have been carrying out activities to deepen understanding of LGBTQ+ issues and promoting the number of allies (people who demonstrate their understanding and support for LGBTQ+ people). In fiscal 2023, we established the LGBTQ+-Friendly Promotion Committee to promote respect for people's sexual orientation and gender identity. We have introduced online training content, including a course for learning about LGBT to turn diversity into an organizational strength and a course for creating a harassment-free workplace. More than 90% of employees have received the training so far.

■ Promoting women's empowerment

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

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

To promote a working environment where employees who are raising young children or providing nursing care can work at ease, we have improved our system to support the balance between work and child care or nursing care. Since April 2018, we have extended the childcare leave period to three years maximum and the nursing care leave period to 183 days maximum. We have also expanded the range of employees eligible for sick/injured childcare leave from the those stipulated by law to all who are raising children who are junior high school students. We have also introduced an internal consultation service to provide appropriate advice and information individually. In fiscal 2023, we began providing an e-learning program titled "Nursing care seminar: living in the era of the 100-year lifespan," and made it available at any time.

■ **Initiatives for global human resource employment**

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

■ **Reform of retirement pension plans**

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

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

Future Plan

Target	Result
Female manager ratio (headquarters): 30% by FY2025	FY2023 13.9% (as of March 31, 2024) * Global female manager ratio: 25.3%
Ratio of overseas human resources (headquarters): 30% by FY2025	12.2% (as of March 31, 2024)
Employment rate of persons with disabilities (headquarters): Maintain the employment rate above the statutory requirement.	2.0% (FY2023 average)
Displaced worker due to nursing care (headquarters): Maintain 0%	0%
Ratio of males taking leave for spouse's childbirth and childcare leave (headquarters): Achieve 100%	Ratio of males taking leave for spouse's childbirth: 100% Ratio of male employees taking childcare leave: 60%

3. Labor (Labor Practices and Decent Work)

Policies

We believe it is important to create a worker-friendly environment where emphasis is placed on permitting each employee to achieve personal development through work and to demonstrate their capabilities while finding their job rewarding. We also seek to create an environment where employees with various backgrounds support each other spontaneously through daily communications and give ideas to each other. Under labor-management trust and mutual cooperation, we seek to create an organizational culture and develop various institutions, aiming to create an environment where employees with various lifestyles and aspirations can work in the style that suits their situation.

Activity Promotion Structure

In addition to the activities led by the Diversity Management Section, we have established the innovative working style project with cooperation between labor and management.

Main Measures and Activities (Headquarters)

■ **Workstyle reform initiatives**

Since September 2016, we have established the systems and culture that satisfy a variety of work-style to promote diversity and realize a work-life balance. In fiscal 2017, we applied the flex time system to all employees and introduced the work-at-home program. At present, we have fully introduced a work-at-home program without any limitations on eligibility.

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

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

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

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

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

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

In fiscal 2023, we introduced the semiannual day for company-wide paid leave and a monthly day to encourage employees take paid leave in our efforts to increase the paid leave acquisition rate. (Paid leave acquisition rate for fiscal 2023: 74.1% *Including five days of annual paid leave)

■ Second job system

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

■ Health enhancement initiatives

Mental and physical health is essential for employees to feel job satisfaction and have a fulfilling career. We position employees' health as an important management issue and are taking various initiatives. We have established a system where Industrial doctors interview new employees after they join the company to ensure their mental health, and have enhanced health counseling services by industrial health nurses, in our efforts to prevent mental health problems and illnesses, detect them early, and prevent them from becoming severe. In addition, to raise employees' health awareness, we implement the Health Point System. In this system, we give points to employees when they have received health examinations or comprehensive medical examinations, participated in mental health seminars, and received training related to mental health, for example, and provide them with health incentives. Each year, we run a number of online seminars on health issues. We have also built an environment which permits employees to view videos of the seminars. We have also introduced online training content for acquiring basic knowledge about mental health, and more than 90% of employees have received this training so far.

Our initiatives for improving employee health were evaluated and we received a "Certification of Excellent Company in Health: Gold Accreditation" from the Tokyo Promotion Council for Healthy Company Declaration in December 2018. (The certification was renewed on January 1, 2024.) In addition, in March 2024, we were certified under the Ministry of Economy, Trade and Industry's 2024 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category).

2024 健康経営優良法人 Health and productivity

健康優良企業

Future Plan

Target	Result
FY2024 Target **Total working hours per employee (headquarters) :** Achieve 153 hours or less per month on average	FY2023 Result 159.9 hours
Rate of periodic health examinations taken (headquarters): Maintain 100%	Maintain 100%
Rate of participation in specific health guidance/ post-health checkup interviews (headquarters): Achieve 80%	79.7%

4. Safety and health

Policies

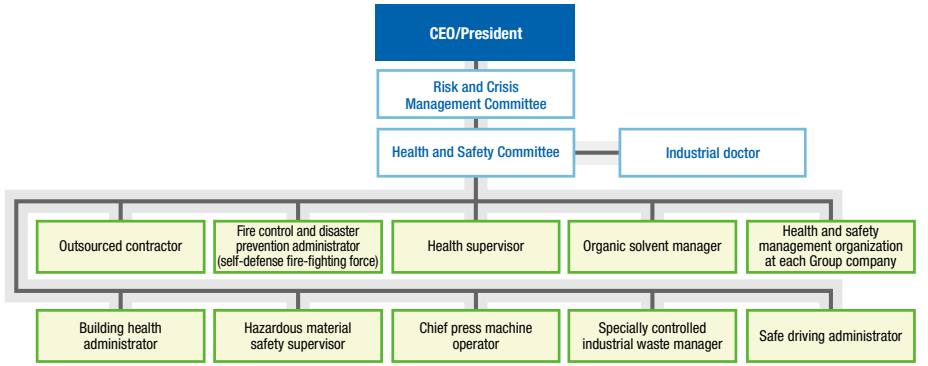
Foster Electric has established a principle to prioritize health and safety, and endeavors to create a safe and healthy working environment. Based on this principle, we are advancing activities to prevent and address risks impacting our employees and stakeholders through deliberation, mainly by the Health and Safety Committee and the health and safety management organizations at individual 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 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

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

With regard to the group-wide issues, we take initiatives to resolve occupational health and safety issues for all employees by following “the Occupational Health and Safety Management Program Procedure Manual,” which is based on “the Foster Group Corporate Action Guidelines” and “the Foster Group Code of Conduct for Staff.” At headquarters, we worked to “drive the development of infrastructure and systems to reduce risks by assuming the occurrence of a disaster,” which is the policy of the Health and Safety Committee, as in the previous year. We addressed various risks and strived to achieve zero occupational injuries. As a result, none of the 17 occupational injuries that occurred within the Group as a whole were high-consequence work-related injuries.

Initiatives and achievements at headquarters

- Enhancement of fire source management at business locations in external warehouses
- Provision of e-learning program on maintaining good health with a healthy diet to employees who are interested with the goal of managing employees’ health
- Informing employees of the Ministry of Health, Labour and Welfare’s guidelines for improving the teleworking environments during remote work
- Traffic safety exercises and remote traffic safety exercises for people who work from home with the participation of police officers from the local police department
- Establishment of a chemical management promotion team in response to the revision of laws and activities to inform all headquarters employees of the revised laws

■ Promotion of chemical management

In Japan, in response to the revision of the Industrial Safety and Health Act, we have strengthened our confirmation of labeling and creation of safety data sheets (SDSs) under the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) in the handling of chemical substances and operations including the use of safety equipment. Based on risk assessments at each site, we began to take countermeasures based on autonomous management.

Activities of the chemical management promotion team

- Promotion and implementation of chemical substance risk assessments
- Actions taken and promoted for the management of chemicals under the Industrial Safety and Health Act (including special rules)
- Actions taken and promoted for the use of personal protective equipment.
- Appropriate management of SDSs and implementation of countermeasures based on assessment results

■ Bicycle safety

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



Bicycle Safety Model Company certification

■ Initiatives at warehouses in Japan

We improve matters related to occupational health and safety, and fire /disaster prevention through internal and external audits. At Murayama Logistics Center, a facility inspection was conducted by the internal fire brigade, and we carried out improvement activities based on identified potential risks. We undertook disaster control measures by improving facility operation and equipment.

■ Initiatives at overseas sites

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

Regarding the international standard ISO 45001 for occupational health and safety, the Bac Ninh Factory (Vietnam) and the Panyu and Heyuan Factories (China) received ISO 45001 certification in 2019, while the Binh Duong Factory (Vietnam) became certified in 2022.

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

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

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

■ Future plan

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

Social Contribution and Philanthropy

Basic Approach

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

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

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

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

Main Activities

Communicating with the community

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



In addition, we co-sponsor Akishima Kyodo Geino Matsuri (Akishima hometown entertainment festival) and Showa no Mori Music Festival through the activities of the Akishima Showa No Mori Arts and Culture Promotion Association and the Akishima Tourism & City Planning Association, in which we participate. Through these efforts we are promoting activities to enable people to encounter local traditional cultures. To revitalize the local area, we are cooperating with the Akishima Location Service, contributing to regional revitalization by attracting TV commercial producers, filmmakers, and similar professionals to the city as a shooting location for films, television shows and other videos.

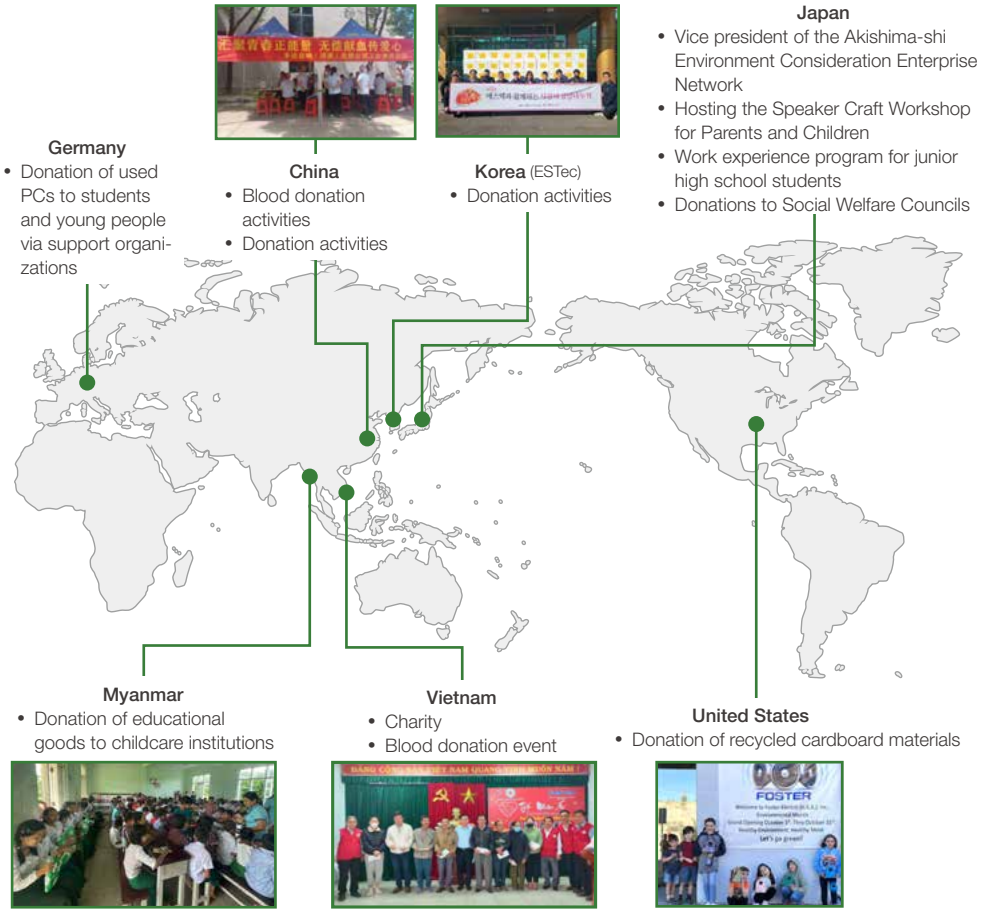
Partnership agreement with Japan Goalball Association

In March 2024, we signed an Official Gold Partner agreement with the Japan Goalball Association (Headquarters: Adachi Ward, Tokyo, President: Michiko Kajimoto). Goalball is a sport designed for athletes with visual impairments. All athletes are blindfolded and throw and roll a ball with bells embedded inside it into the opponent's goal to score points.



The basic philosophy of the Japan Goalball Association, "Value hearing all the more for the absence of vision" is highly consistent with our vision, "To make contributions for future society through acoustics." We support this organization, believing that it is linked to an inclusive society and diversity, a matter that is stated in the SDGs we respect.

The Foster Group's social contribution activities and philanthropy



Sound Management Structure



Governance

Directors, Audit and Supervisory Committee Members, and Officers

Corporate Governance

Policies

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

Corporate Governance Structure

■ Board of Directors

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

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

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

  Members of the Board of Directors and their attendance at its meetings are as shown in Table 1 (page 50).

- Major matters considered by the Board of Directors

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

■ Board of Corporate Auditors

Corporate auditors attend the Board of Directors meetings and other important meetings to audit the execution of duties by following audit standards, policies, and other rules set by the Board of Corporate Auditors.

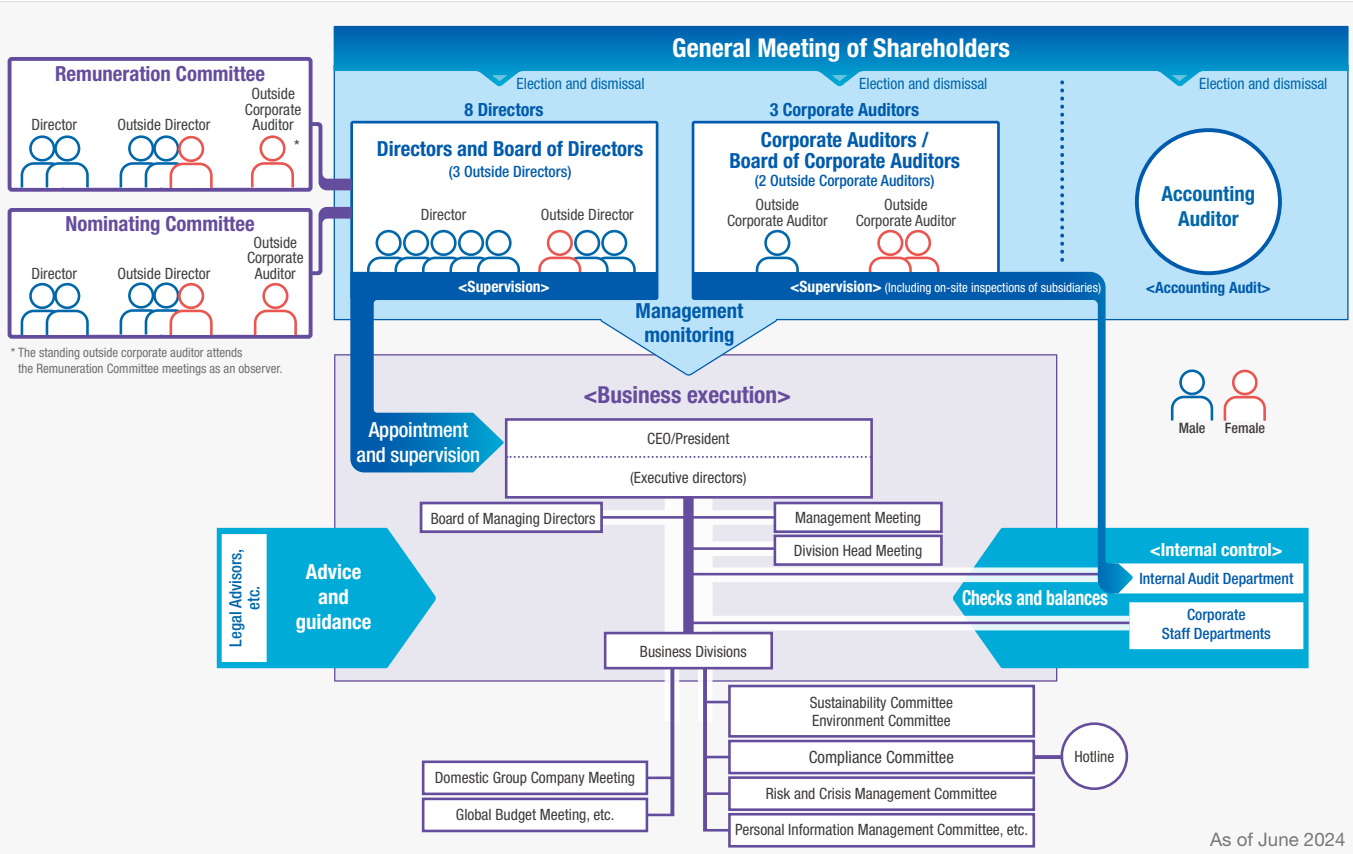
- Members of the Board of Corporate Auditors and their attendance at its meetings

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

  Members of the Board of Corporate Auditors and their attendance at its meetings are as shown in Table 1 (page 50).

- Major matters considered by the Board of Corporate Auditors

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



As of June 2024

Status of activities of the Nominating Committee

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

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

In the last fiscal year, this committee met once.

- Discussion of specific criteria for the selection of CEO candidates
- Interviews with CEO candidates
- Selection of CEO candidates
- Selection of candidates for directors and corporate auditors to be submitted to the 90th Ordinary General Meeting of Shareholders and submission of the candidates to the Board of Directors and the Board of Corporate Auditors

The status of attendance of each member is as shown in Table 1 (page 50).

Status of activities of the Remuneration Committee

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

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

In the last fiscal year, this committee met once.

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

The total amount of remuneration of directors was submitted for discussion at the Board of Directors meeting held on June 27, 2023 and received approval. Regarding the amount of remuneration of each director (and each executive officer), it was resolved that the Board of Directors would leave the decision to the committee within the total amount and the scope set forth in the internal regulations on remuneration of directors, etc. In response, the committee determined the amount.

The status of attendance of each member is as shown in Table 1 (page 50).

Sessions for exchange of views between officers

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

Meeting name	Chairperson	Organizer	Month
Session for exchange of views between independent officers	Lead Independent Outside Director	Exchanging views from independent standpoint	June 2023
Session for exchange of views between outside directors and corporate auditors	Full-time Corporate Auditor	Exchanging views from the standpoint of auditor or supervisor	July 2023 October 2023 February 2024
Session for exchange of views between the president, outside directors, and corporate auditors	CEO/President	Recommendations to the president from auditors or supervisors	September 2023 March 2024
Session for exchange of views between the president and corporate auditors	Full-time Corporate Auditor	Reporting audit results, giving recommendations for improving the execution of duties, etc.	May 2023 December 2024

Evaluation of effectiveness of the Board of Directors

To increase the effectiveness of the Board of Directors, we evaluate its effectiveness based on questionnaires filled out by directors and corporate auditors. We also use the results of the surveys in the operations of the Board of Directors.

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

1. Last fiscal year (FY2023)

(1) Composition

The Board of Directors has a well-balanced composition, with internal and external officers with diverse experience and insights. Its size is appropriate for having sufficient communications and lively discussions. At the same time, future challenges include the appointment of non-Japanese and female directors and directors with knowledge in the areas of corporate management, legal affairs, the digital transformation (DX) of manufacturing, and other areas.

(2) Status of operation

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

(3) Status of deliberations

As a result of the extended duration of each Board of Directors meeting, effectiveness has been increased with more thorough explanations of each agenda item, sufficient time provided for questions, answers and discussion, and unrestricted, constructive discussion and exchanges of views, among other improvements. Moving forward, monitoring and discussion of important matters, such as the mid-term business plan, needs to be enhanced.

2. Future initiatives

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

- Enhancing deliberations of important matters and follow-up reporting
- Further energizing reporting and discussions about the medium-term business plan
- Presenting materials earlier, ensuring the early provision of materials about important matters, and improving prior explanations about such matters

Table 1: Activities of each director and corporate auditor in the Board of Directors, Board of Corporate Auditors, and arbitrary committees (April 2023 to March 2024)

		Board of Directors	Board of Corporate Auditors	Nominating Committee	Remuneration Committee
Hiromi Yoshizawa	Director and Chairperson	○ 2/2			○ 1/1
Atsushi Narikawa	Director and Chairperson	◎ 12/12		○ 1/1	○ 1/1
Kazuhiro Kishi	CEO	○ 12/12		○ 1/1	
Lu San Tie	Senior Managing Director Non-Japanese	○ 12/12			
Hiroki Miura	Managing Director	○ 12/12			
Akihito Mochizuki	CFO, Managing Director	○ 10/10			○ 1/1
Minoru Matsumoto	Lead Outside Director Independent	○ 12/12		◎ 1/1	◎ 1/1
Yasuhiro Goto	Outside Director Independent	○ 12/12		○ 1/1	○ 1/1
Kaoru Chujo	Outside Director Independent Female	○ 12/12		○ 1/1	○ 1/1
Satoko Kimoto	Full-time Corporate Auditor Independent Female	△ 12/12	◎ 7/7	○ 1/1	△ 1/1
Tsutomu Inokuma	Corporate Auditor	△ 2/2	○ 2/2		
Tatsuhito Tanaka	Full-time Corporate Auditor	△ 10/10	○ 5/5		
Takashi Suzuki	Outside Corporate Auditor Independent	△ 12/12	○ 7/7		
Aiko Oue	Outside Corporate Auditor Independent Female	△ 10/10	○ 7/7		

◎ : Chairperson, ○ : Member, △ : Attendant

(Note) 1. Mr. Hiromi Yoshizawa resigned at the close of the 89th Ordinary General Meeting of Shareholders of the Company that was held on June 27, 2023.
2. Mr. Akihito Mochizuki was appointed as managing director and CFO at the 89th Ordinary General Meeting of Shareholders of the Company that was held on June 27, 2023.
3. Mr. Tsutomu Inokuma resigned at the close of the 89th Ordinary General Meeting of Shareholders of the Company that was held on June 27, 2023.
4. Mr. Tatsuhito Tanaka was appointed as a corporate auditor at the 89th Ordinary General Meeting of Shareholders of the Company that was held on June 27, 2023.
5. Mr. Atsushi Narikawa resigned as director effective on March 31, 2024.

Overview of officer remuneration system

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

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

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

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

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

Corporate Governance Guidelines

The Foster Group has established Corporate Governance Guidelines that express our basic way of thinking and framework with regard to corporate governance. (The following site is in Japanese.)

Corporate Governance Guidelines (available in Japanese)

Foster Group Corporate Action Guidelines

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

Foster Group Corporate Action Guidelines



Lead Outside Director

Minoru Matsumoto

Foster Electric's governance seen from the perspective of an outside director

Involvement as an outside director

At the Board of Directors meetings, I ask questions and express opinions frankly from the perspective of an independent third party to ensure that issues are discussed exhaustively, with the primary purpose of contributing to the Company's long-term value creation. At meetings of the Nominating Committee and the Remuneration Committee, I examine whether the foundational rules are followed, and consider the background and appropriateness of any revisions. I make judgments flexibly about the impact of fluctuations in performance and reference benchmarks.

New governance structure established in fiscal 2023

In June 2023, a new president was appointed, resulting in a new governance structure. President Kishi regularly shares messages internally, providing important and practical information. This makes us feel a sense of closeness to him. In addition, Executive Vice President Mochizuki clearly communicates information about financial indicators and offers specifics about what the Company as a whole should be like. At the Board of Directors meetings, ESG-related matters are also actively discussed, which has led to our receiving high external evaluations. Regarding the operation of the Board of Directors, executive officers proactively seek the opinions of outside officers and incorporate information into their activities, resulting in productive meetings.

Matters discussed regarding the Company's governance structure in fiscal 2023

Discussions were mainly about the business management of overseas sites. I believe that the Company, which has expanded its business globally, have a significant advantage in its management of Group companies. We can say that this is proven by the Company's achievements in entering countries and regions with relatively low costs and its excellent production management. Meanwhile, the Company's tasks in the area of business management are to build a system for monitoring overseas subsidiaries, develop human resources capable of managing local subsidiaries, enhance training programs for this purpose, and increase experience-based knowledge, including management expertise.

Regarding these tasks, we are planning to introduce a system for the regular assessment of governance and business management as a means of monitoring local subsidiaries. The internal whistleblowing system is already functioning appropriately, so I believe that the implementation of these systems will further contribute to the governance of the Group.

Issues to consider in the future and expectations for the Company

While OEM has been the Company's core business, I think that a shift to manufacturing with higher added value is the key to the Company's future growth. I hope that the Company will move forward with enhancement of long-term corporate value by communicating its strengths in ODM and its proposal-based business style, securing a stable earning capacity with the goal of establishing a structure that enables the Company to respond to changes in the external environment, while improving management efficiency.

Compliance

Policies

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

Compliance Structure

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

It is also important to fully consider the protection of whistle-blowers and establish and disseminate internal regulations, including internal reporting regulations, to ensure that employees are treated fairly or not involved in any trouble as a result of their actions. Partly reflecting the revision of the Whistleblower Protection Act, our internal reporting regulations clearly state that the obligation to maintain the confidentiality of information that enables the whistleblower to be identified shall be ensured, and that any violation of the prohibition of searching for the whistleblower and prohibition of retaliation against and disadvantageous treatment of the whistleblower may result in disciplinary action.

Compliance Committee

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

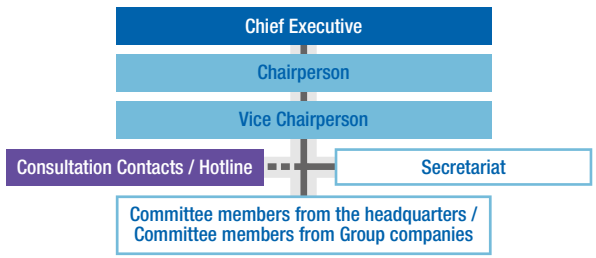
In fiscal 2023, we conducted a compliance test and a questionnaire on overall compliance matters, including "the Foster Group Code of Conduct for Staff." We also provided online compliance training related to the Subcontract Act, export management, and the prevention of bribery and corrupt practices to all employees, and took other measures in our efforts to raise employee awareness of compliance.

Future Plan

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

Organization of the Compliance Committee

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



Risk Management

Policies

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

Risk Management Structure

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

In the event of any incidents or accidents, we minimize the damage and restore the situation to our original state as quickly as possible. We also establish a crisis task force, mainly consisting of Risk and Crisis Management Committee members, and take other prompt measures to prevent any recurrence.

Risk and Crisis Management Committee

The Committee identifies and evaluates risks based on the result of risk reexamination conducted by respective department each year. From among risks, the Committee selects important risk items that it needs to control. We specifically monitor the status of responses to important risk items, top risks that have materialized, and risk topics expected to impact the company in the future, through regular meetings of the Committee, which are held every three months. The risk evaluation result is also referenced during the business policy planning. The Committee reports the status of its activities, the risks faced by the Group, and the measures that have been taken to address those risks to the Board of Directors as appropriate. This enables the Board of Directors to exercise its function of supervising risk management, including advice and guidance based on the specialized knowledge of outside directors. Our important risk items that were monitored in fiscal 2023 included the continuation of the validation and global expansion of the BCP structure, the global reinforcement of the information security management system, suppliers' business continuity management, and the development of a global logistics system.

Future Plan

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

We will also identify risks at each overseas site based on a risk control matrix to improve the completeness of the identified risks, our ability to predict them, and our ability to handle them promptly. Meanwhile, we will enhance the Group's risk management system by creating elaborate risk maps and identifying top risks, mainly through interviews and meetings with the responsible person from each overseas site.

Business Continuity Plan (BCP)

Policies

The Foster Group will prevent and avoid various business risks and crises. The Group promotes initiatives to build a global system for addressing risks that materialize or occur by prioritizing the minimization of damage to the Group and avoiding inconveniences to customers, with the cooperation and assistance of its supply chain.

Main Activities and Measures

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

Japan is a disaster-prone country. In the event of a disaster, we activate our emergency-contact system and then take initial response measures promptly in line with our business continuity plan (BCP).

■ Disaster-prevention activities

The headquarters received a letter of gratitude from the Akishima Fire Department in recognition of our participation in a competition for the training of in-house firefighting teams, as well as our daily disaster prevention activities and regional disaster prevention activities. In addition, we continue to sign disaster-prevention agreements with neighboring companies. We have also been registered as “Pipo-kun’s House”, an emergency shelter protecting children from crimes. We will continue to aim to be a company that is needed by the local community and build a new disaster-prevention system which reflects our consideration of teleworking through workstyle reform.

■ Activities in the United Nations Global Compact

We signed the United Nations Global Compact and have participated in the Disaster Risk Reduction (DRR) Subcommittee since 2017. We are carrying out activities aimed at continuing business to fulfill our social responsibilities even in the event of a disaster.

Result

- Joint drills at factories in Vietnam
- Implementation of training on responding to the emergency call tree
- Formulation of operational standards for aiding people having difficulty returning home
- Establishment of a remote monitoring system



“Pipo-kun’s House” sign put up at the entrance (Headquarters)



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

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.



■ Pest control measures

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



A pest control measure being taken (China)

■ Disaster drills and BCP drills at overseas sites

At overseas sites, we conduct disaster drills once a year to raise awareness of disaster prevention activities. We also promote the establishment of a global BCP system through joint BCP drills by headquarters and the Bac Ninh Factory (Vietnam).



Rescue of affected people (Myanmar and Vietnam)

Future Plan

We will tackle the threat of another surge in COVID-19, which still continues to mutate, and every other infection and be prepared for Nankai Trough earthquakes and volcanic activity in Japan. With these and other initiatives, we aim to build a multi-hazard BCP system that will allow us to address increasingly diverse risks, and respond flexibly to an international emergency, both in Japan and overseas.



Disaster-prevention drill (Vietnam)

Our Stance on Tax Matters

Basic Stance

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

The Group does not make use of differences in tax-related laws between countries and regions to enjoy low tax rates without legitimate business purposes.

Governance

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

Conditions of Transactions with Related Parties Outside Japan

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

Relationship with Tax Authorities

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

Ensuring Transparency and Responding to Income Taxes Concerning the Global Minimum Corporate Tax Rate

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

The Group responds appropriately to income taxes concerning the global minimum corporate tax rate, which was established based on Pillar Two of the BEPS 2.0 project which has been discussed by the OECD and the G20. For example, the Group examines whether it fulfills exemption criteria based on Country-by-Country Reporting (CbCR) in collaboration with an external consultant.

Information Security

Policies

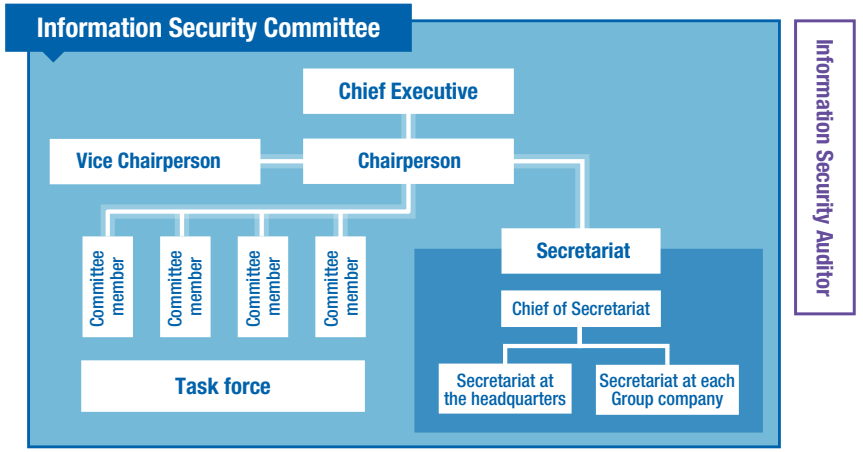
We recognize the importance of securing the trust of our customers, suppliers, shareholders, employees and other stakeholders based on our corporate creed of "Sincerity." We also understand that appropriate management of information assets is an important part of the management agenda. To appropriately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

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

Information Security Policies

Activity Promotion Structure

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



Main Activities and Measures

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

Mid-term Plan

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

Acquisition of Certification

As a part of its measures to develop an information security management system and in response to customer requests, the Foster Group has acquired Trusted Information Security Assessment Exchange (TISAX) certification. TISAX is an information security standard for supply chains in the German automotive industry that was developed by VDA (Verband der Automobilindustrie), the German Association of the Automotive Industry.

Directors, Audit and Supervisory Committee Members, and Officers



Director

Name and position	 CEO **Kazuhiro Kishi**	 CFO, Executive Vice President **Akihito Mochizuki**	 Senior Managing Director **Hiroki Miura**	 Managing Director **Yasuhide Takahara**
Career summary	Mar. 1986 Joined the Company Jun. 2009 Director of the Company Jun. 2010 Acting General Manager, Mobile Audio Business Division of the Company Apr. 2011 General Manager, Sales Division of the Company Apr. 2013 General Manager, MA Business Division of the Company Jun. 2014 Managing Director of the Company Apr. 2017 General Manager, New Business Development Division and General Manager, Sales of the Company Aug. 2019 General Manager, Sales Division and General Manager, Sales of the Company Apr. 2020 General Manager, Sales Division, Head of Sales & Marketing, and in charge of the Americas of the Company Jun. 2023 President and Representative Director, CEO of the Company (to the present)	Apr. 1988 Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Apr. 2018 Managing Executive Officer, Mizuho Financial Group, Inc. May 2021 Advisor of the Company Jul. 2021 Senior Executive Officer of the Company Jul. 2021 General Manager, Global Corporate Support Division of the Company Apr. 2022 CFO, General Manager, Global Corporate Support Division of the Company Jun. 2023 Managing Director of the Company Apr. 2024 CFO, Executive Vice President and General Manager, Global Corporate Support Division of the Company (to the present)	Apr. 1985 Joined the Company May 2008 Director, Foster Electric Co., (Hong Kong) Ltd. Oct. 2013 General Director, Foster Electric (Vietnam) Co., Ltd. Nov. 2014 Chairman and General Director, Foster Electric (Vietnam) Co., Ltd. Apr. 2019 Executive Officer, Deputy General Manager, SP Business Division, and General Manager, Engineering of the Company / Fellow Aug. 2019 General Manager, Engineering Division and Head of Engineering of the Company / Fellow Jun. 2021 Director of the Company Jun. 2023 Managing Director of the Company Apr. 2024 Senior Managing Director, General Manager, Engineering Division of the Company/ Fellow (to the present)	Apr. 1985 Joined the Company Oct. 2010 Director, Foster Electric Co., (Hong Kong) Ltd. Apr. 2017 Executive Officer, Deputy General Manager, SP Business Division, and Manager, Speaker Production Management Department of the Company Aug. 2019 Executive Officer, General Manager Automotive Speaker Business, Sales Division of the Company Apr. 2020 Executive Officer, General Manager Automotive Speaker Business, Sales Division, and in charge of the Asia of the Company Jul. 2020 Senior Executive Officer, General Manager Automotive Business, Sales Division, and in charge of Asia of the Company Jun. 2023 Senior Executive Officer, General Manager, Sales Division, and in charge of Asia of the Company Jun. 2024 Managing Director, General Manager, Sales Division, and in charge of Asia of the Company (to the present)
Term of office	15 years	1 year	3 years	Appointed in June 2024
Skill Matrix Corporate management	●	●	●	
Skill Matrix International experience/ Global business	●	●	●	●
Skill Matrix Sales/Marketing	●	●		●
Skill Matrix Manufacturing (Production/ Quality)			●	
Skill Matrix Technology/ Development			●	
Skill Matrix Finance		●		
Skill Matrix Legal/Risk management		●		
Skill Matrix Sustainability*	●	●	●	●
Skill Matrix IT・DX		●		
Skill Matrix Industry knowledge	●		●	●
Committee Membership Nominating Committee	●			
Committee Membership Remuneration Committee	●			

* Including the climate-change issues

Name and position	 Director **Naoki Kanai**	 Outside Director **Minoru Matsumoto**	 Outside Director **Yasuhiro Goto**	 Outside Director **Kaoru Chujo**
Career summary	Mar. 1986 Joined the Company Sep. 2002 Manager, Sales Department No. 1, Sales Division, Foster Electric Co., (Hong Kong) Ltd. Jan. 2011 President, Foster Electric (Vietnam) Co., Ltd. Apr. 2017 Executive Officer, Deputy General Manager, Manufacturing Division, and Manager, Manufacturing Management Department of the Company Apr. 2018 Executive Officer and General Manager, Manufacturing Division of the Company Oct. 2018 Executive Officer, General Manager, Manufacturing Division, and Assistant to General Manager in charge of Manufacturing of the Company Apr. 2022 Senior Executive Officer, General Manager, Manufacturing Division, and General Manager in charge of Manufacturing of the Company Jun. 2023 Senior Executive Officer and General Manager, Manufacturing Division of the Company Jun. 2024 Director and General Manager, Manufacturing Division of the Company (to the present)	Oct. 1983 Joined Tohmatsu Aoki Audit Firm (currently Deloitte Touche Tohmatsu LLC) Mar. 1987 Registered as Certified Public Accountant Sep. 2012 Resigned from Deloitte Touche Tohmatsu LLC Oct. 2013 Set up Minoru Matsumoto CPA Office (to the present) Jun. 2014 Outside Corporate Auditor, Sanshin Electronics Co., Ltd. Feb. 2015 Outside Corporate Auditor, JASTEC Co., Ltd. Jun. 2015 Outside Director of the Company (to the present) Feb. 2016 Outside Director (Audit and Supervisory Committee Member), JASTEC Co., Ltd. (to the present) Mar. 2021 Outside Audit & Supervisory Board Member, Toyo Ink SC Holdings Co., Ltd. (currently, artience Co., Ltd.) Mar. 2022 Outside Director (Audit & Supervisory Committee Member), artience Co., Ltd. (to the present) Oct. 2022 Representative Partner of Terada Accounting Tax Corporation (to the present)	Apr. 1984 Joined Nikkei Inc. Sep. 1988 Assigned to Bahrain Bureau, Nikkei Inc. Jan. 1990 Assigned to London (Europe Headquarter), Nikkei Inc. Sep. 1992 Industrial Department, Tokyo Head Office, Nikkei Inc. Sep. 1997 Assigned to Beijing (Chinese Headquarter), Nikkei Inc. Sep. 2000 Senior Staff Writer, Industrial Department, Tokyo Head Office, Nikkei Inc. Mar. 2002 Editorial Writer and newscaster on Nikkei CNBC, Nikkei Inc. Mar. 2008 Head of Editorial Office in Asia, Nikkei Inc. Apr. 2010 Senior Staff Writer, Nikkei Inc. Apr. 2016 Professor, Faculty of Urban Innovation, Asia University (to the present) Jun. 2017 Outside Corporate Auditor of the Company Jun. 2020 Outside Director of the Company (to the present) Jun. 2021 Outside Director of The San-in Godo Bank, Ltd. (to the present) Dec. 2021 Advisor, Hazama Ando Corporation (to the present)	Apr. 1983 Joined Fujitsu Limited Mar. 2000 IP Networking Research Senior Researcher, Fujitsu Laboratories of America, Inc. Dec. 2009 General Manager, Advanced Technologies Division, Mobile Phone Business Unit of Fujitsu Limited Jun. 2013 General Manager, Advanced Technologies Division, Ubiquitous Business Strategy Unit of Fujitsu Limited Feb. 2016 General Manager, Ubiquitous IoT Business Unit of Fujitsu Limited Apr. 2017 General Manager, AI Service Business Unit of Fujitsu Limited Jul. 2019 Executive Director in charge of AI alliance, Software Business Unit of Fujitsu Limited Dec. 2020 Founded SoW Insight, Inc., President and CEO (to the present) Jun. 2021 Outside Director, ITOCHU-SHOKUHIN Co., Ltd. (to the present) Jun. 2021 Outside Director of the Company (to the present) Apr. 2022 Outside Director, Mitsubishi UBE Cement Corporation (to the present)
Term of office	Appointed in June 2024	9 years	4 years	3 years
Skill Matrix Corporate management	●			●
Skill Matrix International experience/ Global business	●	●	●	●
Skill Matrix Sales/Marketing	●			
Skill Matrix Manufacturing (Production/ Quality)	●		●	
Skill Matrix Technology/ Development				●
Skill Matrix Finance		●		
Skill Matrix Legal/Risk management				
Skill Matrix Sustainability*	●			●
Skill Matrix IT・DX				●
Skill Matrix Industry knowledge	●			
Committee Membership Nominating Committee		● (Chairperson)	●	●
Committee Membership Remuneration Committee		● (Chairperson)	●	●

* Including the climate-change issues

Corporate Auditor



Satoko Kimoto,
Standing Corporate Auditor (Outside)

Apr. 1983 Joined Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency
Jul. 2007 Assistant Regional Commissioner of First Taxation Department, Kanto-Shinetsu Regional Taxation Bureau
Jul. 2008 Assistant Regional Commissioner of Planning and Administration Department, Sendai Regional Taxation Bureau
Jul. 2010 Director of Consumption Tax Office, Taxation Management Division, Taxation Department, National Tax Agency
Jul. 2011 Director of Information Technology Office, Planning Division, Commissioner's Secretariat, National Tax Agency
Jul. 2014 Vice President, National Printing Bureau
Jul. 2018 Director-General, Nagoya National Tax Tribunal
Apr. 2020 Visiting Professor of Graduate School of Accounting & Finance, Chiba University of Commerce
Jun. 2020 Outside Corporate Auditor of the Company
Jun. 2021 Standing Corporate Auditor of the Company (to the present)



Tatsuhito Tanaka,
Standing Corporate Auditor

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



Aiko Oue,
Outside Corporate Auditor

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

Executive Officer



Yuji Sakuta,
Senior Executive Officer

Head of Europe Region, Sales Division



Hiroyuki Akutsu,
Executive Officer

Head of Mobile Audio Business, Sales Division



Takashi Asukagawa,
Executive Officer

Acting General Manager, Engineering Division/ Meister



Masaru Ono,
Executive Officer

General Manager, Quality Assurance Division



Tsuyoshi Yamagishi,
Executive Officer

Acting General Manager, Manufacturing Division



Nguyen Quan Hoang,
Executive Officer (Part-time)

Chairman & General Director, Foster Electric (Vietnam) Co., Ltd.



Tan GuiHai,
Executive Officer (Part-time)

Managing Director, Foster Electric Co., (Hong Kong) Ltd.



Wong Wing Chung,
Executive Officer (Part-time)

Director, in charge of sales, Foster Electric Co., (Hong Kong) Ltd.

Data Section

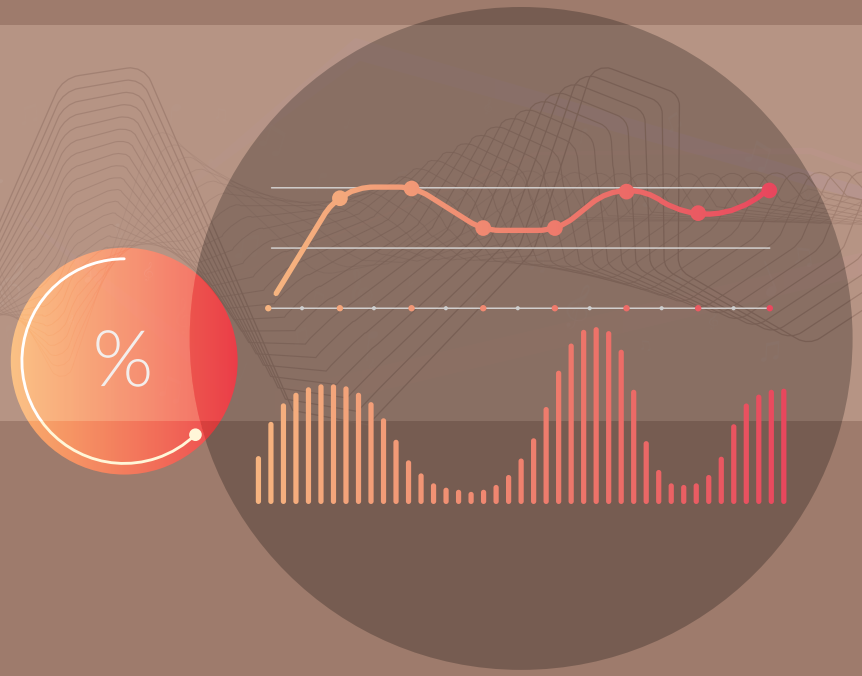
External Recognition

Financial Summary (10 years)

Non-financial Data

GRI content index

Corporate Overview / Stock Information



External Recognition

Japan

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

We have been selected as a constituent of the S&P/JPX Carbon Efficient Index (evaluated based on the disclosure status and results of CO_2 emissions data) for the seventh consecutive year, an ESG index which was adopted by the GPIF since 2018.

Selected as a constituent of SOMPO Sustainability Index (fiscal 2023)

June 2023: We have been selected as a constituent of the SOMPO Sustainability Index, which is operated by Sompo Asset Management Co., Ltd., for the eighth consecutive year. The index places weight on the ESG evaluation by rating firms.

The 7th Nikkei Smart Work Management Survey

November 2023: In the NIKKEI Smart Work Survey which selects leading companies working on a productivity revolution through work style reform, we earned three stars and received a A++ rating in ability to utilize human resources, an A rating in innovation capabilities and a B++ rating in market development capabilities.

Global

CDP

February 2024: We received "B-: Management Level" both for Climate Change and Water Security category for the 2023 survey by CDP, a British non-profit organization that evaluates and discloses information on organization's environmental management. (CDP applies an eight-point scale consisting of A, A-, B, B-, C, C-, D, and D-.)

EcoVadis

January 2024: We received a Gold recognition from EcoVadis, France, in recognition of our sustainability initiatives in the CSR assessment to evaluate suppliers based on the following categories: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement.

Surveys from External Organizations

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

In fiscal 2023, we responded to a total of eight surveys, including the survey for the Toyo Keizai CSR Ranking, the Nikkei SDGs Management Survey, the Nikkei Smart Work Management Survey, and a survey on socially responsible investments by The Good Bankers Co., Ltd. We will continue to respond to survey requests from external investigatory bodies with sincerity and make use of the survey results and what we learn from the surveys in initiatives to enhance the corporate value of the Foster Group.

Job Satisfaction and Creation of Comfortable Workplace Evaluations Received in Japan

New Diversity Management Selection 100 (2018)

Top 100 Telework Pioneers (fiscal 2018)

"Kurumin" Certification (obtained in 2021)

2024 Health and Productivity Management Outstanding Organizations (fiscal 2024)
* Certified for consecutive years since 2019.

Excellent Company in Health (fiscal 2024)
* Certified for consecutive years since 2018.

Financial Summary (10 years)

	Unit	FY2014 81st term	FY2015 82nd term	FY2016 83rd term	FY2017 84th term	FY2018 85th term	FY2019 86th term	FY2020 87th term	FY2021 88th term	FY2022 89th term	FY2023 90th term
Financial Results											
Net sales	Million yen	189,124	190,928	160,896	184,800	140,303	107,298	85,220	91,106	121,338	122,447
Gross profit	Million yen	26,741	27,052	17,369	24,359	17,534	14,687	11,123	7,484	16,155	18,836
Gross profit margin	%	14.1%	14.2%	10.8%	13.2%	12.5%	13.7%	13.1%	8.2%	13.3%	15.4%
Operating profit	Million yen	9,747	10,351	2,963	9,307	3,937	2,064	0.7	(7,757)	2,445	4,412
Operating profit ratio	%	5.2%	5.4%	1.8%	5.0%	2.8%	1.9%	0.0%	(8.5%)	2.0%	3.6%
EBITDA[*1]	Million yen	15,675	15,803	9,885	17,462	8,345	5,223	3,149	(4,548)	6,010	7,609
EBITDA margin	%	8.3%	8.3%	6.1%	9.4%	5.9%	4.9%	3.7%	(5.0%)	5.0%	6.2%
Profit	Million yen	4,858	6,833	1,088	4,265	(2,026)	1,565	(3,363)	(7,017)	848	2,304
Cash flows from operating activities	Million yen	15,499	24,057	4,372	8,153	17,961	11,092	739	(12,767)	354	15,428
Cash flows from investing activities	Million yen	(4,417)	(3,946)	(11,089)	(7,131)	(3,425)	516	(1,960)	(3,071)	(1,321)	(8,539)
Free cash flow[*2]	Million yen	11,082	20,111	(6,717)	1,022	14,536	11,608	(1,221)	(15,838)	(967)	6,889
Cash flows from financing activities	Million yen	(11,513)	(6,676)	1,690	(2,859)	(2,937)	(8,823)	(2,624)	6,771	1,776	(4,440)
Capital expenditures	Million yen	3,641	5,843	10,262	5,937	3,994	4,328	2,131	2,749	2,559	4,810
Depreciation	Million yen	5,928	5,452	6,922	8,155	4,408	3,159	3,148	3,209	3,565	3,197
R&D expense	Million yen	2,600	2,714	2,305	2,421	2,380	2,740	2,476	2,619	2,780	3,147
	[*1] EBITDA =	Operating profit + Depreciation									
	[*2] Free cash flow=	Cash flows from operating activities + Cash flows from investing activities									
As of the End of Fiscal Year											
Cash and cash equivalents	Million yen	5,924	17,858	12,037	10,150	21,524	23,930	20,373	12,089	13,646	17,034
Interest-bearing debt	Million yen	14,061	8,761	13,376	11,702	14,605	6,542	5,203	13,366	17,456	15,128
Net assets	Million yen	64,944	67,017	63,901	66,792	59,294	58,995	55,993	51,632	56,515	64,319
Per Share Information											
Earnings per share (EPS)	Yen	206.18	255.44	41.16	165.78	(83.21)	69.15	(148.47)	(315.53)	38.23	103.70
Book value per share (BPS)	Yen	2,279.32	2,350.26	2,316.09	2,412.06	2,404.10	2,369.46	2,276.20	2,125.72	2,302.49	2,606.90
Dividends	Yen	40	50	40	55	20	35	15	10	20	25
Dividend payout ratio	%	19.4%	19.6%	97.2%	33.2%	-	50.6%	-	-	52.3%	24.1%
Other Financial Indicators											
ROIC[*3]	%	8.5%	13.3%	1.8%	10.3%	3.8%	2.2%	(0.6%)	(14.9%)	2.6%	4.8%
ROE	%	9.1%	11.0%	1.8%	7.0%	(3.5%)	2.9%	(6.4%)	(14.4%)	1.7%	4.2%
Overseas sales ratio	%	94.0%	93.2%	91.2%	91.7%	87.5%	83.7%	79.1%	80.0%	81.3%	79.6%
Equity ratio	%	58.2%	63.7%	58.2%	61.5%	59.5%	66.5%	65.6%	54.7%	55.0%	56.5%
	[*3] ROIC =	(operating profit - income taxes) ÷ (trade receivables - trade payables + inventories + non-current assets (property, plant and equipment + intangible assets)									

Non-financial Data

Boundaries (scopes of reporting) are as follows.

Non-consolidated	FOSTER ELECTRIC CO., LTD. (Headquarters)
Consolidated ①	All overseas sites of FOSTER ELECTRIC
Consolidated ②	FOSTER ELECTRIC CO., LTD. (Headquarters), GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee), FOSTER ELECTRIC CO., (NANNING) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC CO., (TAIWAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS), FOSTER ELECTRIC (EUROPE) GmbH and group companies
Consolidated ③	FOSTER ELECTRIC CO., LTD. (Headquarters, Shizuoka Office, Osaka Office, Iga Logistics Center, FOSTER BUSINESS SERVICE LTD., FOSTER ELECTRONICS LTD.), GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee), Guangzhou Fourstar Electroacoustic Tech Co., Ltd, FOSTER ELECTRIC CO., (NANNING) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC CO., (TAIWAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS), FOSTER ELECTRIC (EUROPE) GmbH
Consolidated ④	FOSTER ELECTRIC CO., LTD. (Headquarters), GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee), FOSTER ELECTRIC CO., (NANNING) LTD., FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., and FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS)
Significant locations of operations (GRI's definition):	Headquarters and 12 overseas sites of the company with large net sales
Breakdown:	FOSTER ELECTRIC CO., LTD. (Headquarters), FOSTER BUSINESS SERVICE LTD., FOSTER ELECTRONICS LTD., FOSTER ELECTRIC CO., (HONG KONG) LTD., Guangzhou Fourstar Electroacoustic Tech Co., Ltd, FOSTER ELECTRIC CO., (GUANGZHOU) LTD., FOSTER ELECTRIC CO (HEYUAN)., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THAILAND) CO., LTD., ESTec CORPORATION, FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS), FOSTER ELECTRIC (EUROPE) GmbH and group companies
ISO 14001 certified locations	
Breakdown:	FOSTER ELECTRIC CO., LTD. (Headquarters, Shizuoka Office), GUANGZHOU PANYU JIU SHUI KENG FOSTER ELECTRIC FACTORY (*outsourcee), FOSTER ELECTRIC CO., (HEYUAN) LTD., FOSTER ELECTRIC (VIETNAM) CO., LTD., FOSTER ELECTRIC (DA NANG) CO., LTD., FOSTER ELECTRIC (QUANG NGAI) CO., LTD., FOSTER ELECTRIC (BAC NINH) CO., LTD., FOSTER ELECTRIC (THILAWA) CO., LTD., and FOSTER ELECTRIC (U.S.A.), INC. (EL PASO OPERATIONS) and FOSTER ELECTRIC (THAILAND) CO., LTD.

"-" in the columns for fiscal 2019 to 2023 indicates data that in the past was not disclosed and therefore the columns are left blank.
Highlighted data are based on consolidated results.

● Environment

Environmental investment and environmental conservation cost		Unit	2020	2021	2022	2023	Boundary	GRI Standards
Costs for measures taken to manage risks and opportunities - total environmental protection expenditures and investments		Thousand yen					Non-consolidated	201-2
Environmental preservation cost (classified by business operations)								
(1) Business area cost			18,131	28,599	26,338	60,825		
(1)-1 Pollution prevention costs	Air and water control-related prevention countermeasures		1,894	6,971	3,756	12,786		
(1)-2 Global environmental conservation costs	Prevention of global warming and energy-saving measures		2,114	3,479	1,632	1,230		
(1)-3 Resource circulation costs	Waste disposal and recycling		14,122	18,149	20,950	46,809		
(2) Upstream/downstream cost: Green purchasing expenses			0	0	0	0		
(3) Administration costs: Environmental education, EMS construction expenses etc.			9,685	12,486	13,345	8,962		
(4) R&D costs: Research and development, etc.			1,554,511	1,597,994	1,587,556	1,835,937		
(5) Social activity costs	Tree planting, etc.		207	342	529	779		
(6) Environmental damage handling costs			0	0	0	0		
Total			1,582,533	1,639,421	1,627,768	1,906,503		

*"Investment" refers to equipment investments for the purpose of environmental conservation. "Cost" refers to personnel and miscellaneous expenses/costs incurred for environmental conservation activities.
*The amount invested was 0 in all of the years.

Climate change		Unit	(Base year) 2018	2019	2020	2021	2022	2023	Boundary	GRI Standards
Greenhouse gas emissions	Scope 1	t-CO_2	1,953	1,501	1,214	1,152	1,083	1,147	Consolidated (3)	302-3, 305-2, 305-5
	Scope 2	t-CO_2	71,243	58,564	51,333	48,354	41,292	46,261		
	Scope 1 + Scope 2	t-CO_2	73,196	60,065	52,547	49,505	42,375	47,408		

Climate change		Unit	(Base year) 2018	2019	2020	2021	2022	2023	Boundary	GRI Standards
Greenhouse gas emissions	Net sales	100 million yen	1,205	876	675	594	731	774	Consolidated (3)	302-3, 305-2, 305-5
	Emission intensity per unit of revenue	(t-CO_2/100 million yen)	60.7	69	78	83	58	61		
	Carbon dioxide	t-CO_2	73,196	60,065	52,547	49,505	42,375	47,408		
	Methane	t-CO_2	0.03	0.03	0.02	0	0	0.02		
	Dinitrogen monoxide	t-CO_2	0.06	0.05	0.04	0	0	0.03		

CO_2 conversion factor (Electric) Japan: Ministry of the Environment, 2021 factor based on CO_2 conversion factor of electric power supplier (2023)
Overseas: Fiscal 2021 factor based on IEA CO_2 Emissions Factors 2023
CO_2 conversion factor (Fuel) Japan/overseas: Factor based on the "Greenhouse gas emissions calculation and report manual" released by the Ministry of the Environment, Ministry of Economy, Trade and Industry.
Global warming potential: The IPCC Fifth Assessment Report (AR5) 100 year values are used.
We have set a medium-term target of reducing 50% from a FY2018 base-year by 2030 based on the 1.5-degree target of Science Based Targets.
Net sales: Amount of consolidated net sales excluding ESTec CORPORATION
* The scope of sites, actual sales and per sales unit for FY2019 and thereafter were corrected reflecting revisions of targets and data.

			Unit	2018	2019	2020	2021	2022	2023	Boundary	GRI Standards
Scope 3	Upstream categories	1. Purchased products and services	t-CO_2	190,087	147,202	117,453	139,466	121,972	126,523	Consolidated (2)	305-3
		2. Capital goods		8,109	8,697	3,573	4,288	4,549	9,299		
		3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)		4,777	7,591	6,764	6,460	5,599	5,539		
		4. Upstream transportation and distribution		25,014	23,972	16,640	20,597	11,572	10,740		
		5. Waste generated from operation		3,104	2,140	2,189	1,251	932	796		
		6. Business trip		612	1,661	352	321	607	621		
		7. Employee commute		6,914	4,309	3,562	3,066	2,817	2,804		
	Downstream categories	9. Downstream transportation and distribution	t-CO_2	3,225	3,206	2,237	2,809	2,317	2,059		
		11. Use of sold products		74,357	73,323	155,887	160,565	111,952	129,611		
		12. Disposal of sold products		5,147	4,945	9,095	2,843	2,139	2,653		
	Total			321,344	277,046	317,752	341,667	264,454	290,646		

Consumption of resources			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Energy consumption within the organization		Total consumption	MWh	101,449	97,172	86,046	86,058	Consolidated (3)	302-1
	Renewable energy	Total consumption	MWh	-	-	1,149	3,230		
		Solar power generation	MWh	-	-	1,108	2,194		
	Non-renewable energy	Total consumption	MWh	101,449	97,172	84,938	83,828		
		Electricity	MWh	95,917	91,826	79,700	78,612		
		Kerosene	liter	-	9,556	8,051	5,396		
		Gasoline	liter	242,058	178,885	137,869	151,620		
		Light oil	liter	35,065	30,142	38,687	89,169*1		
		LPG	kg	77,849	88,261	68,840	57,394		
		Natural gas	m^3	133,321	151,734	188,027	150,016		
		City gas	m^3	10,334	10,813	11,301	11,819		
	Breakdown by site	Japan	MWh	2,834	3,160	2,584	2,475	-	
		Asia		96,873	92,021	81,085	81,731		
		North America		1,639	1,902	2,302	1,802		
		Europe		102	89	75	51		

* Calorific Value (Fuel): Japan/Overseas: Factor based on the "Greenhouse gas emissions calculation and report manual" released by the Ministry of the Environment, Ministry of Economy, Trade and Industry.
* The scope of sites was changed in FY2021.
*1 The significant increase in 2023 is attributed to an increase in the consumption of diesel oil. This was a result of a temporary rise in power demand in North Vietnam due to the abnormal weather in June, which interrupted external power supply and the activation of emergency private power generators.

Consumption of resources				Unit	2020	2021	2022	2023	Boundary	GRI Standards
Water intake and wastewater	Total	Water intake amount			900,313	954,475	761,419	691,447	Consolidated (2)	303-3
		Wastewater amount			721,415	764,924	527,125	511,864		
		Total water consumption			178,898	189,551	234,295	179,583		
	Japan	Water intake amount			7,635	8,828	9,128	8,913		
		Wastewater amount			7,253	8,387	8,672	8,467		
		Total water consumption			382	441	456	446		
	Asia	Water intake amount			891,080	943,894	750,531	681,014		
		Wastewater amount		m^3	712,882	755,133	517,043	502,179		
		Total water consumption			178,198	188,761	233,488	178,835		
	North America	Water intake amount			1,586	1,741	1,748	1,508		
		Wastewater amount			1,269	1,393	1,398	1,206		
		Total water consumption			317	348	350	302		
	Europe	Water intake amount			12	12	12	12		
		Wastewater amount			11	11	11	11		
		Total water consumption			1	1	1	1		
Water resources	Total emissions				178,898	189,551	234,295	179,583	Consolidated (2)	303-3, 303-4, 303-5
	Water intake amount	Total			900,313	954,475	761,419	691,447		
		Surface water			-	-	-	-		
		Groundwater			-	-	-	-		
		Seawater			-	-	-	-		
		Produced water			-	-	-	-		
		Third-party water		m^3	900,313	954,475	761,419	691,447		
	Wastewater amount	Total			721,415	764,924	527,125	511,864		
		Surface water			-	-	-	-		
		Groundwater			-	-	-	-		
		Seawater			-	-	-	-		
		Produced water			-	-	-	-		
		Third-party water			721,415	764,924	527,125	511,864		
Waste directed to disposal	Hazardous waste directed to disposal	Total waste			323.85	273.29	212.79	246.50	Consolidated (4)	306-3, 306-5
		Recycling		ton	60.64	53.24	52.52	60.21		
		Landfill			263.21	220.05	160.10	185.38		
	Non-hazardous waste directed to disposal	Total waste			3,389.80	3,345.59	4,480.09	3,518.78		
		Recycling		ton	2,288.54	2,219.35	3,028.99	2,615.24		
		Landfill			1,101.26	1,126.24	1,451.11	903.54		

Procurement (environment)	Unit	2020	2021	2022	2023	Boundary	GRI Standards
Recycled input materials used * Percentage of recycled materials among all the resin materials purchased	%	8	7	9	8	All procurement sites	301-2
New suppliers that were screened using environmental criteria	%	100	100	100	100		308-1

● Social

Number of employees				Unit	2020	2021	2022	2023[*5]	Boundary	GRI Standards
Directly hired employees (Number of employees)[*1]	Gender	Total			592	534	503	504	Non-consolidated	401-1
		Male		People	457	407	376	365		
		Female			135	127	127	139		
		Total			18,490	16,275	14,974	15,654	Consolidated	
		Male		People	3,821	3,428	3,199	3,429		
		Female			14,669	12,847	11,775	12,225		
	Age	Total			-	-	14,974	15,654		405-1
		Less than 30 year old		People	-	-	4,688	4,912		
		30-50 year old			-	-	9,595	9,985		
		Over 50 year old			-	-	691	757		
	By region	Total			18,490	16,275	14,974	15,654		2-7
		Japan			671	597	573	546		
		China			5,439	3,649	3,911	3,920		
		Asia and Oceania		People	12,276	11,919	10,374	11,011		
		North America			73	78	83	125		
		South America			0	0	0	0		
		Europe, Africa and Middle East			31	32	33	52		
Indirectly hired employees[*1]	Temporary employees	Gender	Total		517	687	544	307		
			Male	People	-	-	215	171		
			Female		-	-	329	136		
Ratio of non-regular employees (contract employees + temporary employees)[*1]		Gender	Total		-	-	967	472		-
			Male	People	-	-	319	277		
			Female		-	-	648	195		
			Male	%	-	-	9	8		
			Female		-	-	5	2		
Number of new graduates who were recruited			Total		15	7	15	14	Non-consolidated	-
			Male	People	10	4	7	9		
			Female		5	3	8	5		
Number and ratio of new employee hires[*2]		Gender	Total		-	17	23	41	Non-consolidated	401-1
			Male	People	-	11	15	28		
			Female		-	6	8	13		
			Total		-	3	4	8		
			Male	%	-	2	4	8		
			Female		-	4	6	10		
		Age	Total		-	17	23	41		
			Less than 30 year old	People	-	8	15	20		
			30-50 year old		-	7	4	17		
			Over 50 year old		-	2	4	4		
			Less than 30 year old		-	13	23	29		
			30-50 year old	%	-	2	2	7		
			Over 50 year old		-	1	2	2		

Number of employees			Unit	2020	2021	2022	2023[*5]	Boundary	GRI Standards
Number and ratio of new employee hires[*2]	Gender	Total	People	-	7,812	5,177	5,811	Consolidated[*4]	401-1
		Male		-	2,049	1,099	1,208		
		Female		-	5,763	4,078	4,603		
		Total	%	-	43	32	38		
		Male		-	61	32	38		
		Female		-	39	31	38		
	Age	Total	People	-	7,812	5,177	5,811		
		Less than 30 year old		-	5,180	3,307	3,746		
		30-50 year old		-	2,578	1,853	2,021		
		Over 50 year old		-	54	17	44		
		Less than 30 year old	%	-	84	56	78		
		30-50 year old		-	23	19	21		
		Over 50 year old		-	9	3	7		
Total employee turnover and turnover rate[*3] (Headquarters)	Gender	Total	People	-	-	40	33	Non-consolidated	
		Male		-	-	36	26		
		Female		-	-	4	7		
		Total	%	-	-	8	7		
		Male		-	-	9	7		
		Female		-	-	3	5		
	Age	Total	People	-	-	40	33		
		Less than 30 year old		-	-	5	4		
		30-50 year old		-	-	19	15		
		Over 50 year old		-	-	16	14		
		Less than 30 year old	%	-	-	8	6		
		30-50 year old		-	-	7	7		
		Over 50 year old		-	-	8	7		
Resignations for personal reasons included in the above	Gender	Total	People	-	19	28	28	Non-consolidated	-
		Male		-	16	24	23		
		Female		-	3	4	5		
		Total	%	-	3	5	6		
		Male		-	4	6	6		
		Female		-	2	3	4		
	Age	Total	People	-	19	28	28		
		Less than 30 year old		-	8	5	4		
		30-50 year old		-	7	18	14		
		Over 50 year old		-	2	5	10		
		Less than 30 year old	%	-	13	8	6		
		30-50 year old		-	2	7	6		
		Over 50 year old		-	1	2	5		
Employee turnover and turnover rate[*3] (Consolidated)	Gender	Total	People	-	9,455	6,433	5,746	Consolidated[*4]	401-1
		Male		-	1,967	1,368	1,076		
		Female		-	7,488	5,065	4,670		

Number of employees			Unit	2020	2021	2022	2023[*5]	Boundary	GRI Standards
Total employee turnover and turnover rate[*3]		Total	%	-	52	39	38	Consolidated[*4]	401-1
		Male		-	58	40	34		
		Female		-	51	39	39		
	Age	Total	People	-	9,455	6,433	5,746		
		Less than 30 year old		-	5,137	3,782	3,233		
		30-50 year old		-	4,169	2,482	2,278		
		Over 50 year old		-	149	169	235		
		Less than 30 year old	%	-	37	64	67		
		30-50 year old		-	24	25	23		
		Over 50 year old		-	52	26	37		

*1 As of March 31 of each year

*2 New employee hires rate = New employee hires for the period from April 1 to March 31 (of the following year) / Total number of employees as of April 1 of each year

*3 Employee turnover rate = Employee turnover for the period from April 1 to March 31 (of the following year) / Total number of employees as of April 1 of each year

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

*5 The calculation method was changed in FY2023.

*6 Some figures regarding the number of contract employees in 2022 were corrected.

Diversity, Equity and Inclusion (DE&I)				Unit	2020	2021	2022	2023	Boundary	GRI Standards
Diversity of employees[*1]	Gender	Male		%	77	76	75	72	Non-consolidated	405-1
		Female			23	24	25	28		
	Age	Less than 30 year old		%	9	10	11	13		
		30-50 year old			51	51	47	44		
		Over 50 year old			40	39	43	43		
	Gender	Male		%	93	88	21	22	Consolidated	
		Female			74	12	79	78		
	Age[*2]	Less than 30 year old		%	34	36	31	31		
		30-50 year old			62	60	64	64		
		Over 50 year old			4	4	5	5		
Ratio of female employees[*1]				%	79	79	79	77	Consolidated	405-1
Ratio of female managers[*1]				%	-	-	14	18		-
Ratio of women to junior managers[*1]				%	-	-	43	32		-
Proportion of senior management hired from the local community[*1]	Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)		%	100	100	95	98	Significant locations of operations	202-2
	Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies			78	76	57	83		
		FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies			78	72	80	75		
		FOSTER ELECTRIC (THAILAND) CO., LTD.			-	-	-	100		
		ESTec CORPORATION and group companies			88	90	52	89		
	North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies			100	100	50	100		
	Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies			100	100	100	100		

Diversity, Equity and Inclusion (DE&I)			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Employment rate of persons with disabilities			%	2.2	2.3	2.1	2.0	Non-consolidated	405-1
Ratio of overseas human resources[*3]			%	10	10	11	12		405-1
	Nationalities of non-Japanese employees and their ratios	Nationality with the highest ratio	People	-	-	Japan (92%)	Japan (88%)		-
		Nationality with the 2nd highest ratio		-	-	China (4%)	Vietnam (5%)		
		Nationality with the 3rd highest ratio		-	-	Vietnam (1%)	China (4%)		
		Nationality with the 4th highest ratio		-	-	Myanmar (1%)	Myanmar (1%)		
		Other nationalities		-	-	Others (2%)	Others (2%)		
	Nationalities of managers and their ratios[*2]	Nationality with the highest ratio	People	-	-	Japan (94%)	Japan (97%)		
		Nationality with the 2nd highest ratio		-	-	China (2%)	China (1%)		
		Nationality with the 3rd highest ratio		-	-	Korea (1%)	Korea (1%)		
		Nationality with the 4th highest ratio		-	-	Vietnam (1%)	Taiwan (1%)		
		Other nationalities		-	-	Others (2%)	-		

*1 As of March 31 of each year
*2 Values for fiscal 2020-2022 were corrected.
*3 Officers are included in the scope.

Parental Leave			Unit	2020	2021	2022[*6]	2023	Boundary	GRI Standards
Parental leave[*1]	Number of employees entitled to parental leave[*2]	Total	People	17,299	16,269	14,897	14,644	Consolidated	401-3
		Male		3,676	3,419	3,152	3,314		
		Female		13,623	12,840	11,745	11,330		
	Number of employees who took childcare leave[*3]	Total	People	1,177	981	624	781		
		Male		174	109	75	150		
		Female		1,003	872	549	631		
	Number of employees who returned to work[*4]	Total	People	1,036	896	539	612		
		Male		173	107	76	141		
		Female		863	789	463	471		
	Number of retained employees[*5]	Total	People	1,069	803	436	417		
		Male		172	146	64	69		
		Female		897	657	372	348		
	Return to work rate[*4]	Total	%	93	95	90	80		
		Male		99	99	99	98		
		Female		92	94	89	76		
	Retention rate[*5]	Total	%	63	76	65	68		
		Male		82	91	83	61		
		Female		61	76	63	69		
	Ratio of male employees taking parental leave		%	30.0	57.1	62.5	60.0	Non-consolidated	-

*1 The employees who have taken parental leave who are assigned to overseas sites are counted locally.
*2 Employees that were entitled to parental leave during the reporting period
*3 Employees that were entitled to and took parental leave during the reporting period
*4 Employees due to and did return to work after parental leave
*5 Employees retained 12 months after returning to work following a period of parental leave in the prior reporting period
*6 The number of employees who returned to work in FY2022 were corrected.

Health and Safety			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Work-related injuries	Work-related fatalities	Total	People	0	0	0	0	Non-consolidated	403-9
		Directly hired employees		0	0	0	0		
		Indirectly hired employees		0	0	0	0		

Health and Safety			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Work-related injuries	Total		People	0	0	0	0	Consolidated	403-9
		Directly hired employees		0	0	0	0		
		Indirectly hired employees		0	0	0	0		
	The main type of work-related injury		-	-	-	-	-		
	Rate[*1]	Directly hired employees	-	0.00	0.00	0.00	0.00		
		Indirectly hired employees		0.00	0.00	0.00	0.00		
	High-consequence work-related injuries	Total	People	0	0	0	0	Non-consolidated	
		Directly hired employees		0	0	0	0		
		Indirectly hired employees		0	0	0	0		
		Total	People	1	0	1	0	Consolidated	
		Directly hired employees		1	0	1	0		
		Indirectly hired employees		0	0	0	0		
	The main type of work-related injury		-	Bone fracture	-	Bone fracture	-		
	Rate[*2]	Directly hired employees	-	0.00	0.00	0.00	0.00		
		Indirectly hired employees		0.00	0.00	0.00	0.00		
	Recordable work-related injuries	Total	People	0	0	1	1	Non-consolidated	
		Directly hired employees		0	0	1	1		
		Indirectly hired employees		0	0	0	0		
		Total	People	30	46	31	25	Consolidated	
		Directly hired employees		28	43	30	25		
		Indirectly hired employees		2	3	1	0		
	The main type of work-related injury		-	Bone fracture, cutting, bruise, sprain, etc.	Cutting, bruise, sprain, burn, etc.	Bone fracture, cut, bruise, sprain, chemical ocular injury, etc.	Bone fracture, bruise, hand/ foot/back injury	Consolidated	
	Rate[*3]	Directly hired employees	-	0.00	0.00	0.00	0.00		
		Indirectly hired employees		0.00	0.00	0.00	0.00		
	The number of hours worked	Total	Hours	40,117,513	31,181,654	43,614,577	31,997,467		
		Directly hired employees		39,082,494	30,246,026	42,456,140	30,861,882		
		Indirectly hired employees		1,035,019	935,627	1,158,437	1,135,585		
	Total of all occupational accidents	Frequency rate: Directly hired employees	-	0.00	0.00	0.00	0.00		
		Frequency rate: Indirectly hired employees		0.00	0.00	0.00	0.00		
		LTIFR[*4]: Directly hired employees	-	-	-	-	0.81		
		LTIFR[*4]: Indirectly hired employees		-	-	-	0.00		
		Severity rate[*5]: Directly hired employees	-	-	-	0.01	0.01		
		Severity rate[*5]: Indirectly hired employees		-	-	0.00	0.00		

*Injuries while commuting were excluded from occupational accidents for fiscal 2020. Frequency rate figures from 2020 to 2022 were corrected due to the revision of the calculation method.

*1 Rate of fatalities as a result of work-related injury = Number of fatalities as a result of work-related injury × 1,000,000 / Number of hours worked

*2 Rate of high-consequence work-related injuries (excluding fatalities) = Number of high-consequence work-related injuries (excluding fatalities) × 1,000,000 / Number of hours worked

*3 Rate of recordable work-related injuries = Number of recordable work-related injuries × 1,000,000 / Number of hours worked

*4 Lost time injury frequency rate (LTIFR) = Number of lost time injuries x 1,000,000 / Total work hours

*5 Severity rate = Total number of lost workdays x 1,000 / Total number of hours worked

Health and Safety			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Work-related ill health	Fatalities	Total	People	0	0	0	0	Consolidated	403-10
		Directly hired employees		0	0	0	0		
		Indirectly hired employees		0	0	0	0		
	Number of people in ill health	Total		0	0	0	0		
		Directly hired employees		0	0	0	0		
		Indirectly hired employees		0	0	0	0		
	Main reasons for work-related ill health			-	-	-	-		

Human Resource Development		Unit	2020	2021	2022	2023	Boundary	GRI Standards
Average hours of training per year per employee*1	Total	Hours	13	11	21	38	Non-consolidated	404-1
	Male		12	11	25	37		
	Female		15	11	20	41		
	Management		12	9	10	12		
	Regular employees		13	12	23	46		
	Total		17	17	26	26	Consolidated	
	Male		20	16	29	29		
	Female		16	17	26	25		
	Management		31	31	36	16		
	Regular employees		16	16	25	26		
Percentage of employees receiving regular performance and career development reviews*2	Total	%	96	96	95	92	Non-consolidated	404-3
	Male		96	98	96	92		
	Female		94	91	91	91		
	Management		98	100	99	100		
	Regular employees		95	95	93	89		
	Total		50	53	57	53	Consolidated	
	Male		98	70	72	66		
	Female		95	49	52	50		
	Management		85	95	95	72		
	Regular employees		49	52	54	52		
Percentage of employees who gave positive answers in the employee engagement survey (headquarters)		%	-	-	71.8	75.0	Non-consolidated	-

*1 In FY2023, we revised the aggregation method used for our headquarters, and the individuals included in the data are now "directly hired employees (including seconded employees) and temporary employees".
*2 In FY2023, we revised the aggregation method used for our headquarters. As a result, employees assigned to overseas and domestic sites were excluded from the denominator because they are not targets of the review.

Measures related to human rights		Unit	2020	2021	2022	2023	Boundary	GRI Standards
Employee training on human rights policies or procedures*	Total hours	Hours	115	1,121	726	1,176	Non-consolidated	412-2
			103,799	66,594	54,569	32,804	Consolidated	
	Ratio of employees who received the training	%	100	100	100	100	Non-consolidated	
			96	95	96	90	Consolidated	
Security personnel trained in human rights policies or procedures		%	100	100	100	100	Non-consolidated	410-1
			98	98	100	100	Consolidated	

* In FY2023, we revised the aggregation method used for our headquarters. As a result, directly hired employees (including assigned employees) and temporary employees are targeted.

Social Contribution			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Expenses for social contribution activities	Expenses for activities	Total	Million yen	-	-	10	8	Consolidated	-
		Cash donations		-	-	8	7		
		Voluntary activities by employees		-	-	0	0		
		In-kind donations		-	-	1	0		

Payments and benefits				Unit	2020	2021	2022	2023	Boundary	GRI Standards
Wage gap between men and women at headquarters	FOSTER ELECTRIC CO., LTD. (Headquarters)						Basic salary	Total amount of remuneration	Basic salary	Total amount of remuneration		
		Gender wage gap among all employees		%*1	-	-	-	77.0	-	78.8	Non-consolidated	
		Gender wage gap among regular employees			-	-	-	77.9	-	80.4		
		Gender wage gap among contract employees			-	-	-	70.7	-	65.7		
Ratio of basic salary and remuneration of women to men	Directly hired employees - Managers			%*1							Significant locations of operations	405-2
	Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)			-	-	102	93	102	93		
	Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies			-	-	84	77	78	78		
		FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies			-	-	100	107	100	100		
		FOSTER ELECTRIC (THAILAND) CO., LTD.			-	-	-	-	100	100		
		ESTec CORPORATION and group companies			-	-	97	96	100	96		
	North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies			-	-	88	85	100	100		
	Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies			-	-	-*2	-*2	94	100		
	Directly hired employees - Non-management employees				-	-						405-2
	Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)			-	-	100	81	108	84		
	Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies			-	-	111	95	78	76		
		FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies			-	-	100	90	100	100		
		FOSTER ELECTRIC (THAILAND) CO., LTD.		%*1	-	-	-	-	100	100		
		ESTec CORPORATION and group companies			-	-	91	93	101	85		
	North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies			-	-	86	96	100	100		
	Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies			-	-	100	100	100	100		

*1 Ratio of the amount paid to women to the amount paid to men with the amount paid to men set at 100
*2 Calculation not possible because only men or only women work in the location or there are no applicable individuals.

Benefits provided to full-time employees that are not provided to temporary or part-time employees	Retirement allowance							Non-consolidated	401-2
	Life insurance, disability and illness compensation, medical insurance, parental leave, retirement allowance, etc.							Consolidated	
Ratios of standard entry level wage by gender compared to local minimum wage * Same ratio for men and women	Japan	FOSTER ELECTRIC CO., LTD. (Headquarters)	%	107	108	108	108	Significant locations of operations	202-1
	Asia	FOSTER ELECTRIC CO., (HONG KONG) LTD. and group companies		102	113	130	121		
		FOSTER ELECTRIC (VIETNAM) CO., LTD. and group companies		109	119	117	121		
		ESTec CORPORATION and group companies		124	118	120	122		
		FOSTER ELECTRIC (THAILAND) CO., LTD.		-	-	-	100		

Payments and benefits			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Ratios of standard entry level wage by gender compared to local minimum wage *Same ratio for men and women	North America	FOSTER ELECTRIC (U.S.A.), INC. and group companies	%	100	114	128	133	Significant locations of operations	202-1
	Europe	FOSTER ELECTRIC (EUROPE) GmbH and group companies		116	116	116	116		

Procurement (Social)			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Proportion of spending on local suppliers	Manufacturing in China	Percentage of materials that are procured locally in China*2	%	89	90	83	88	-	204-1
	Manufacturing in ASEAN countries*3	Percentage of materials that are procured locally in ASEAN countries*2	%	65	59	59	61	-	
*1 Local suppliers: Suppliers in the above-mentioned areas where Foster's manufacturing sites are located. *2 Indicates the percentage in transaction amount for material procurement with corporations in above sites. *3 Values for manufacturing in ASEAN countries from 2021 to 2023 were corrected.									
New suppliers that were screened using social criteria			%	100	100	100	100	All procurement sites	414-1

● Governance

Governance			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Diversity of governance body	Gender	Male	%	92	92	86	86	Non-consolidated	405-1
		Female		8	8	14	14		
	Age	Less than 30 year old	%	0	0	0	0		
		30-50 year old		4	4	18	18		
		Over 50 year old		96	96	82	82		
	Gender	Male	%	93	88	92	89	Consolidated	
		Female		7	12	8	11		
	Age	Less than 30 year old	%	0	0	0	0		
		30-50 year old		20	24	26	27		
		Over 50 year old		80	76	74	73		
Attendance rate	Board of Directors		%	-	-	100	100	Non-consolidated	-
	Nominating Committee			-	-	94	100		
	Remuneration Committee			-	-	100	100		
	Board of Corporate Auditors			-	-	100	100		
Communication and training on anti-corruption policies and procedures.	Governance body members		Total*	26	27	24	22	Non-consolidated	205-2
			%*	100	100	100	100		
			Total*	81	88	86	95	Consolidated (1)	
			%*	88	81	93	90		
* Total number and percentage of notifications on anticorruption related organizations policies and procedures.									

Governance			Unit	2020	2021	2022	2023	Boundary	GRI Standards
Operations assessed for risks related to corruption			Total	13	13	12	12	-	205-1
			%	72	72	67	63		
Substantiated complaints concerning breaches of customer privacy and losses of customer data	Complaints received from outside parties and substantiated by the organization		Cases	-	-	0	0	-	418-1
	Complaints from regulatory bodies			-	-	0	0		
	Total number of leakage, theft, and loss of customer data			-	-	0	0		
Compliance with public laws, regulations and other rules									
	Non-compliance with laws and regulations	Total	Cases	0	0	0	0	Consolidated	2-27, 205-3, 406-1, 416-2, 417-2, 417-3, 418-1
		Non-compliance with laws and regulations		0	0	0	0		
		Non-compliance with environmental laws and regulations		0	0	0	0		
	Non-compliance regarding corrupt practices			0	0	0	0		
	Non-compliance regarding customer health and safety			0	0	0	0		
	Violation of customer privacy			0	0	0	0		
	Non-compliance regarding product information and labeling			0	0	0	0		
	Marketing communications			0	0	0	0		
	Long working hours and unfair dismissal			0	0	0	0		
	Human rights violations and harassment			0	0	0	0		
* There were no financial penalties or surcharges incurred due to non-compliant practices.									
Political contributions	Total		Yen	0	0	0	0	Non-consolidated	-
	Lobbying activities			0	0	0	0		
	Political activities			0	0	0	0		
	Trade associations			0	0	0	0		
	Others			0	0	0	0		

GRI content index

Statement of use	Foster Electric Company, Limited has reported in accordance with the GRI Standards for the period from April 1, 2023 to March 31, 2024.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	-

GRI 2: General Disclosures 2021

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
1. The organization and its reporting practices	2-1	Organizational details	P.71	Corporate Overview / Stock Information ▸ Securities Report (available in Japanese)
	2-2	Entities included in the organization's sustainability reporting	P.71	Corporate Profile and Stock Information ▸ Securities Report (available in Japanese)
	2-3	Reporting period, frequency and contact point	P. 1	Contents/Editorial Policy
	2-4	Restatements of information	PP. 62-70	Non-financial Data (Described changes in calculation methods, scope etc.)
	2-5	External assurance	-	- (External assurance not received)
2. Activities and workers	2-6	Activities, value chain and other business relationships	P. 10 PP. 36-39	Foster's Business Initiatives on Social and Relationship Capital ▸ Securities Report (available in Japanese)
	2-7	Employees	PP. 62-70 -	Non-financial Data ▸ Securities Report (available in Japanese)
	2-8	Workers who are not employees	PP. 62-70 -	Non-financial Data ▸ Securities Report (available in Japanese)
3. Governance	2-9	Governance structure and composition	PP. 48-54 PP. 55-58 - -	Governance Officers ▸ Securities Report (available in Japanese) ▸ Corporate Governance Guidelines (available in Japanese)
	2-10	Nomination and selection of the highest governance body	PP. 48-54 PP. 55-58 -	Governance Officers ▸ Securities Report (available in Japanese)
	2-11	Chair of the highest governance body	PP. 48-54 PP. 55-58 -	Governance Officers ▸ Securities Report (available in Japanese)
	2-12	Role of the highest governance body in overseeing the management of impacts	PP. 27-29 PP. 30-31 PP. 48-54 - -	Foster Electric's Sustainability Initiatives on Natural Capital: (1)TCFD Governance ▸ Securities Report (available in Japanese) ▸ Corporate Governance Guidelines (available in Japanese)
	2-13	Delegation of responsibility for managing impacts	PP. 27-29 PP. 48-54	Foster Electric's Sustainability Governance
	2-14	Role of the highest governance body in sustainability reporting	PP. 27-29	Foster Electric's Sustainability
	2-15	Conflicts of interest	PP. 55-58 - -	Officers ▸ Securities Report (available in Japanese) ▸ Corporate Governance Guidelines (available in Japanese)
3. Governance	2-16	Communication of critical concerns	PP. 48-54 PP. 62-70	Governance Non-financial Data
	2-17	Collective knowledge of highest governance body	PP. 27-29 PP. 62-70	Foster Electric's Sustainability Non-financial Data *ESG training for officers was provided in February 2024.
	2-18	Evaluation of the performance of the highest governance body	PP. 48-54 -	Governance ▸ Securities Report (available in Japanese)
	2-19	Remuneration policies	PP. 48-54 -	Governance ▸ Securities Report (available in Japanese)
	2-20	Process to determine remuneration	PP. 48-54 -	Governance ▸ Securities Report (available in Japanese)
	2-21	Annual total compensation ratio	-	▸ Securities Report (available in Japanese)
4. Strategy, policies and practices	2-22	Statement on sustainable development strategy	PP. 4-6 P. 19	Message from the CEO Message from the CFO
	2-23	Policy commitments	PP. 27-29 PP. 32-35 - -	Foster Electric's Sustainability Natural Capital Initiatives: (2) Environment ▸ Corporate Action Guidelines ▸ Code of Conduct for Staff
	2-24	Embedding policy commitments	PP. 27-29 PP. 36-39	Foster Electric's Sustainability Initiatives on Social and Relationship Capital
	2-25	Processes to remediate negative impacts	PP. 48-54	Governance
	2-26	Mechanisms for seeking advice and raising concerns	PP. 48-54	Governance
	2-27	Compliance with laws and regulations	PP. 62-70	Non-financial Data
	2-28	Membership associations	-	-
5. Stakeholder engagement	2-29	Approach to stakeholder engagement	PP. 40-46	Efforts on Human Capital
	2-30	Collective bargaining agreements	-	-

GRI 3: Material Topics 2021

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
	3-1	Process to determine material topics	PP. 13-14	Material Issues
	3-2	List of material topics	PP. 13-14	Material Issues
	3-3	Management of material topics	PP. 13-14 PP. 27-29 PP. 30-35 PP. 36-39 PP. 40-46 PP. 48-54	Material Issues Foster Electric's Sustainability Initiatives on Natural Capital Initiatives on Social and Relationship Capital Efforts on Human Capital Governance

Economy

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	-	▸ Securities Report (available in Japanese)

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	PP. 62-70	Non-financial Data
	201-3	Defined benefit plan obligations and other retirement plans	-	▸ Securities Report (available in Japanese)
	201-4	Financial assistance received from government	-	201-4-a, 201-4-b ii. Subsidies Total amount of employment adjustment subsidy and other subsidies received at sites in China: ¥6 million
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	PP. 62-70	Non-financial Data
	202-2	Proportion of senior management hired from the local community	PP. 62-70	Non-financial Data
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	P. 46	Social Contribution and Philanthropy
	203-2	Significant indirect economic impacts	-	-
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	PP. 62-70	Non-financial Data
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	PP. 62-70	Non-financial Data
	205-2	Communication and training on anti-corruption policies and procedures.	PP. 36-39 PP. 62-70	Initiatives on Social and Relationship Capital Non-financial Data
	205-3	Confirmed incidents of corruption and actions taken	-	-
GRI 206: Anticompetitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-
GRI 207: Tax 2019	207-1	Approach to tax	P. 54	Our Stance on Tax Matters
	207-2	Tax governance, control, and risk management	-	-
	207-3	Stakeholder engagement and management of concerns related to taxes	-	-
	207-4	Country-by-country reporting	-	▸ Securities Report (available in Japanese)

Environment

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 301: Materials 2016	301-1	Materials used by weight or volume	-	-
	301-2	Recycled input materials used	PP. 62-70	Non-financial Data
	301-3	Reclaimed products and their packaging materials	-	-
GRI 302: Energy 2016	302-1	Energy consumption within the organization	PP. 62-70	Non-financial Data
	302-2	Energy consumption outside of the organization	-	-
	302-3	Energy intensity	PP. 62-70	Non-financial Data
	302-4	Reduction of energy consumption	PP. 62-70	Non-financial Data
	302-5	Reductions in energy requirements of products and services	P. 34	Environmentally Friendly Products
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	P. 32	Environmental Activities
	303-2	Management of water discharge-related impacts	P. 32	Environmental Activities
GRI 303: Water and Effluents 2018	303-3	Water withdrawal	PP. 62-70	Non-financial Data
	303-4	Water discharge	PP. 62-70	Non-financial Data
	303-5	Water consumption	PP. 62-70	Non-financial Data
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-
	304-2	Significant impacts of activities, products, and services on biodiversity	-	-
	304-3	Habitats protected or restored	-	-
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	-
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	PP. 62-70	Non-financial Data
	305-2	Energy indirect (Scope 2) GHG emissions	PP. 62-70	Non-financial Data
	305-3	Other indirect (Scope 3) GHG emissions	PP. 62-70	Non-financial Data
	305-4	GHG emissions intensity	PP. 62-70	Non-financial Data
	305-5	Reduction of GHG emissions	PP. 62-70	Non-financial Data
	305-6	Emissions of ozone-depleting substances (ODS)	-	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	-
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	-	-
	306-2	Management of significant waste-related impacts	-	-
	306-3	Waste generated	PP. 62-70	Non-financial Data
	306-4	Waste diverted from disposal	-	-
	306-5	Waste directed to disposal	PP. 62-70	Non-financial Data
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	PP. 62-70	Non-financial Data
	308-2	Negative environmental impacts in the supply chain and actions taken	-	No “Negative environmental impacts in the supply chain and actions taken,” according to the results of CSR self-assessments containing these questions

Social

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	PP. 62-70	Non-financial Data
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	PP. 62-70	Non-financial Data
	401-3	Parental Leave	PP. 62-70	Non-financial Data
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	-	The minimum notices are given according to the law of the countries / regions.
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	PP. 44-45	4. Health and Safety

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 403: Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	PP. 44-45	4. Health and Safety
	403-3	Occupational health services	PP. 44-45	4. Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	PP. 44-45	4. Health and Safety
	403-5	Worker training on occupational health and safety	PP. 44-45	4. Health and Safety
	403-6	Promotion of worker health	PP. 43-44 PP. 44-45	3. Labor (Labor Practices and Decent Work) 4. Health and Safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	PP. 44-45	4. Health and Safety
	403-8	Workers covered by an occupational health and safety management system	PP. 44-45	4. Health and Safety
	403-9	Work-related injuries	PP. 44-45 PP. 62-70	4. Health and Safety Non-financial Data
	403-10	Work-related ill health	PP. 44-45 PP. 62-70	4. Health and Safety Non-financial Data
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	PP. 62-70	Non-financial Data
	404-2	Programs for upgrading employee skills and transition assistance programs	PP. 40-41	1. Human Resource Development
	404-3	Percentage of employees receiving regular performance and career development reviews	PP. 62-70	Non-financial Data
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	PP. 62-70	Non-financial Data
	405-2	Ratio of basic salary and remuneration of women to men	PP. 62-70	Non-financial Data
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	-	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	No “Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk,” according to the results of CSR self-assessments containing these questions
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-	No “Operations and suppliers at significant risk for incidents of child labor,” according to the results of CSR self-assessments containing these questions
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	No “Operations and suppliers at significant risk for incidents of forced or compulsory labor,” according to the results of CSR self-assessments containing these questions
GRI 410: Security 2016	410-1	Security personnel trained in human rights policies or procedures	PP. 62-70	Non-financial Data
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	-	-
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	P. 46	Social Contribution and Philanthropy
	413-2	Operations with significant actual and potential negative impacts on local communities	-	-

GRI Standards	Disclosures		Where the information is disclosed	
	No.	Disclosure item	Refer to	This report and corporate website
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	PP. 62-70	Non-financial Data
	414-2	Negative social impacts in the supply chain and actions taken	-	No “Negative social impacts in the supply chain and actions taken,” according to the results of CSR self-assessments containing these questions
GRI 415: Public Policy	415-1	Political contributions	-	-
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	-	-
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	PP. 62-70	Non-financial Data
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	-	-
	417-2	Incidents of non-compliance concerning product and service information and labeling	PP. 62-70	Non-financial Data
	417-3	Incidents of non-compliance concerning marketing communications	PP. 62-70	Non-financial Data
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	PP. 62-70	Non-financial Data

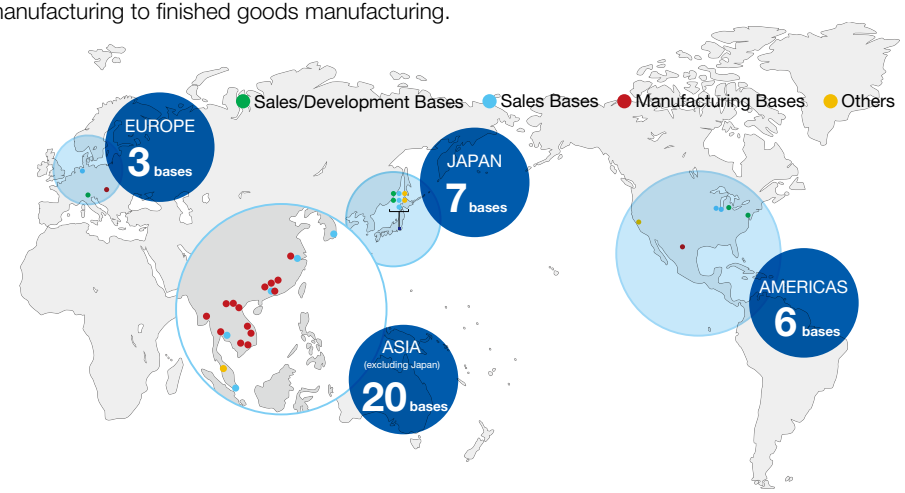
Corporate Overview / Stock Information

Corporate Overview (as of March 31, 2024)

Company Name	Foster Electric Company, Limited
Founded	June 20, 1949
Common Stock	6,770,360,135 yen
Headquarters	The Prime Market of the Tokyo Stock Exchange 1-1-109, Tsutsujigaoka, Akishima City, Tokyo, 196-8550 Phone: +81-42-546-2311 (main number)
Employees	15,752 (Number includes our outsourcee in Panyu, China)

Foster's Global Network

The Group operates 36 bases in 11 countries and regions worldwide as bases for development, manufacturing, and sales activities.
We have established a sophisticated production system integration processes from components manufacturing to finished goods manufacturing.



Website

FOSTER ELECTRIC CO., LTD. website
Japanese version English version

Investor Relations
Japanese version
English version

Sustainability
Japanese version
English version

Stock Information

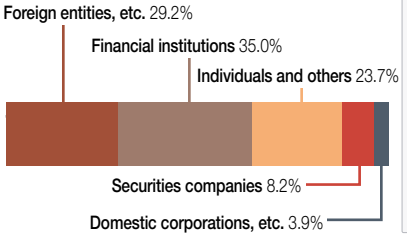
(as of March 31, 2024)

Total number of shares authorized to be issued by the company
80,000,000 shares

Total number of shares issued
25,000,000 shares

Number of shareholders
8,092

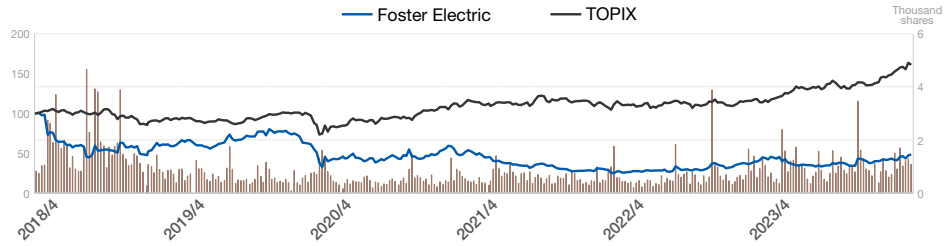
Distribution of Shareholders by Shareholder Type



Shareholder's Name	Number of Shares Held (thousands)	Ratio of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,871	12.81
Custody Bank of Japan, Ltd. (trust account)	1,935	8.63
Mizuho Bank, Ltd.	1,016	4.54
MUFG Bank, Ltd.	945	4.22
JPMorgan Securities Japan Co., Ltd.	853	3.81
Morgan Stanley MUFG Securities Co., Ltd.	563	2.52
GOVERNMENT OF NORWAY	449	2.01
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	434	1.94
Mizuho Trust & Banking Co., Ltd.	405	1.81
STATE STREET BANK AND TRUST COMPANY 505223	390	1.74

Treasury stock (2,587,035 shares) is excluded for the calculation of the "Ratio of Shares Held."

Share Price Trend



Foster Electric share price and TOPIX figures are shown based on their closing values at the end of April 2018 being set to 100 in the chart.

	FY2020	FY2021	FY2022	FY2023
Highest price	1,592 yen	1,344 yen	1,207 yen	1,278 yen
Lowest price	1,005 yen	631 yen	657 yen	840 yen

FOSTER ELECTRIC CO., LTD.

Foster Electric Company, Limited

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https: //www.foster-electric.com/

FOSTER

Month of issue: July 2024