CSR Report 2017
Financial Highlights

Net Sales and Operating Income, Net Income

Consolidated Financial Highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Mil. yen)</th>
<th>Operating Income (Mil. yen)</th>
<th>Net Income (Mil. yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>86,010</td>
<td>2,369</td>
<td>1,040</td>
</tr>
<tr>
<td>2015</td>
<td>79,115</td>
<td>1,751</td>
<td>646</td>
</tr>
<tr>
<td>2016</td>
<td>74,371</td>
<td>1,316</td>
<td>1,365</td>
</tr>
</tbody>
</table>

Operations Overview

- **Net Sales**
  - Non-consolidated: [Values]
  - Consolidated: [Values]

- **Operating Income**
  - Non-consolidated: [Values]
  - Consolidated: [Values]

- **Net Income**
  - Non-consolidated: [Values]
  - Consolidated: [Values]

Cautionary Note on Forward-Looking Statements

This Report contains only the past and present performance of Techno Associe Co., Ltd. and its Group companies but also forward-looking statements that reflect the Company’s projections, expectations, and plans. These forward-looking statements are based on the assumptions and judgments made by management in light of information available at the time and therefore involve uncertainties. As a result, actual results or outcomes and future events may differ materially from the results projected in this Report. The Company does not give any assurance that these expectations will be achieved. Users of this Report are requested not to place undue reliance on these forward-looking statements.
At manufacturing sites. In your daily life.
Techno Associe products are at work all around us.

Business Outline

1. Hatchback cylinder
   For opening/closing the rear door on hatchbacks

2. Specially coated multilayer sheet
   Slip-proofing wireless chargers

3. Transmission parts
   For clutches and automatic transmissions

4. Piston for disc brake calipers
   For disc brakes

5. Anti-vibration rubber with metal core
   For anti-vibration rubber parts on car bodies

6. Charging connector and high-voltage harness parts
   For EVs and PHVs

7. Various metal parts
   Current-carrying parts on smart meters for electric utilities
   Mount, module frame, equipment (junction box, cables)
   For solar power systems

8. Solar power system for ZEH
   (zero energy homes)

9. Deep UV LED module
   Sterilizer on the water-supply section of water servers

10. Filter
    Cooling unit part on MFPs and projectors

11. Organic EL panel-integrated mirror
    Mirror using organic EL light
    On the main unit of water servers

12. Decorative screw
    Resin and metal parts for high-function sanitary equipment (toilets, bathrooms)

13. Fasteners and exterior panel parts
    For fan heaters

14. Artificial wood
    Wood-alternative decking

15. Vacuum insulation
    Insulation material for floor heating, bathtubs, refrigerator trucks, and automatic vending machines

16. Fasteners, molded resin products, press parts, chemical products
    Resin and metal parts for high-function sanitary equipment (toilets, bathrooms)

17. Fasteners and exterior panel parts
    For solar power systems

18. Moisture-proof LED fluorescent light
    Energy-saving light source for refrigerated display cases

19. Metal parts
    Precision sliding parts on electric actuators

20. Smartphone parts
    Mechanism components, exterior panels, waterproofing parts

21. Phosphorescent tile
    Light-emitting tiles for emergency evacuation signs

22. Phosphorescent tile
    Light-emitting tiles for emergency evacuation signs

23. Rotary mechanism gear
    Precision high-strength screws for digital cameras and air-conditioner outdoor units

24. Energy-saving sensor
    For camera modules

25. Cable clip
    Clips to fasten LED wiring on Ferris wheels
Greetings to you, our valued stakeholders. Let me begin by thanking you all for the understanding and support you have shown Techno Associe.

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 underline the necessity of countries to work towards achieving goals related to lasting development in society, the environment, and the economy. At Techno Associe, each employee works with a strong awareness of the need for a sustainable society. Under our Corporate Principles, we are committed to contributing to the creation of a better society and environment, and our Charter of Corporate Behavior details what we must do to achieve this. At the same time we are constantly responding to society’s changing demands by setting increasingly higher goals.

Techno Associe was founded in 1804 and incorporated in 1946. With this long history, we have naturally become accustomed to taking the business built up by our forerunners and improving on it with each passing generation. But we also want to take what we have inherited and put it towards creating a better future for society and the Earth’s environment.

**Continuously Evolving CSR Activities**

My top priorities are legal compliance, safety, environmental protection, and quality. I make it a point to be aware of compliance, always be prepared for risks, and ensure safety for employees and local communities. Environment- and quality-related issues are also the lifeblood of our company. While quality is of course important, we strive to expand our lineup of environmentally friendly products for the sake of both the manufacturers and users. Our consciousness of the environment extends to our daily business activities; for example, we are increasing the number of company cars that are hybrids or fuel-efficient vehicles.

It is the responsibility of the company and its top management to continue to earn the trust of employees, customers, suppliers, local citizens, and all other stakeholders. To this end, we have in-house education and training to ensure we make progress with our CSR activities. Furthermore, Techno Associe offers financial support to various music- and sports-related organizations, and we carry out a range of community service activities at our bases. For example, in February 2017 we donated to Japan’s National Land Afforestation Promotion Organization as part of our efforts to protect biodiversity and ecosystems.

Our CSR activities have always been important to us. We plan to continue these activities within a framework of CSR for mutual growth with society, constantly supplementing our actions with stakeholder-centered techniques for prospering in each new era, as we move ahead thoughtfully and resolutely.

**All Employees Unite in “Joy, Vigor, and Sincerity”**

For sustainable growth in a company—and in broader society for that matter—you must empower its people to work with vigor and enthusiasm. To create an environment in which vibrant employees can use their talents to the fullest, we have a range of employee support systems that respect important events in their lives and allow flexible working styles. I believe that companies must aim to serve society by giving employees a work-life balance offering both job and family satisfaction. They can achieve this by making the workplace conducive to the disabled and the elderly, encouraging both men and women to take leave for childcare and nursing care, having work-at-home and flex-time systems, and ensuring that even busy managers get the quality family time they deserve. Putting into practice my personal motto of acting “with Joy, Vigor, and Sincerity,” Techno Associe is a place where work and life are truly in balance.

As an engineering company, we at the Techno Associe Group commit to:

1. Providing services that cater to the needs of customers within the basic concept of “the customer is first.”
2. Improving the level of satisfaction of customers, suppliers, and employees and enhancing our shareholder value.
3. Achieving sustainable growth by maintaining social responsibility and high corporate ethics and promoting globalization.
4. Fostering a lively corporate culture and contributing to the creation of a better society and environment.

We provide opportunities for self-realization and endeavor with the aim of becoming a dependable company.

**Business Policy**

**Heart-to-Heart Bonds**

Be creative so that we keep offering original proposals to customers

Be service-minded and willing to help customers

Be grateful to people supporting us
Value Creation by Techno Associe

Basic Growth Strategy

In the major market areas of automotive parts, electronics, housing, industrial infrastructure, and energy, we make the most of our knowledge accumulated over years of business, and our knowledge as an engineering company, to carry out business in a ‘glocal’ (‘global’ and ‘local’) way. We provide in-house developed, high-value-added products and services that solve customers’ problems in terms of quality, cost, and delivery time for the core products of fasteners, metal products, chemical products, glass, LCDs, and devices. We strive to expand our business by being customers’ first choice.

With a keen watch on demand trends around the world, we are stepping up the pace of our global growth and earnestly studying possible alliances, tie-ups, and joint ventures that will provide business opportunities and expand our market areas.

Techno Associe’s strengths

- Group network
  Global supply chain that delivers to customers worldwide

- Diverse fields
  Create parts and products for various markets

What we aim to be in 2020

Vision 2020
Excellent Engineering Company

Value that Techno Associe offers

- Economic value
- Social value
- Environmental value

Stakeholders

- Customers
- Suppliers
- Shareholders, investors
- Employees
- Local communities
- Next generation
- Global environment

Management Foundation

Close to Customers and Working to Fill Their Needs

The Techno Associe Group has always striven to be sensitive to customers’ desires (‘needs’) and to develop and provide solutions that create new value for them. We do this by utilizing our knowledge of the technologies and products (‘seeds’) possessed by our wide range of suppliers around the world. We will continue to use our wide field of vision and our extensive expertise and capabilities to be a reliable partner that provides customers with valuable, satisfying solutions.

We, as a value-creation company, generate new value in all processes of manufacturing and help customers solve their problems.
Corporate Governance

We are pushing forward with management that wins the trust of stakeholders. We comply with all laws and regulations and have a fair and transparent management system in place.

Basic Concept

Under our Corporate Principles and Business Policy, Techno Associe has an unwavering commitment to contributing to society through fair business practices. We have also formulated the Charter of Corporate Behavior as a set of basic rules for earning the trust and confidence of society.

Guided by a shared awareness of these principles, we have established a framework for decision-making that ensures sound management as well as legal, appropriate, and efficient execution of business. We are also strengthening our system for monitoring and revising the aforementioned framework in an effort to raise corporate value.

Fully aware of our mission in society as a corporate entity, we will contribute to the sustainable development of society. We will do so through ongoing initiatives aimed at protecting the environment and reducing the environmental burden of our business activities.

Corporate Governance System

We believe that objective and impartial monitoring of management from outside the company is crucial to corporate governance. That is why we have adopted an audit and supervisory board system.

The audit and supervisory board has three outside board members who perform audits that provide an objective overview of management. We also appoint one outside director to our board of directors to further strengthen our corporate governance.

The board of directors convenes once a month and whenever necessary to deliberate and decide on how to carry out important business plans, items of marketing policy, and business restructuring.

Decision-making in management and business execution is monitored for transparency and legality via the board of directors and executive officer meetings. Prior to the board of directors meeting, or when an important issue arises, an executive officer meeting attended by directors, executive officers, and audit and supervisory board members is held to ensure there is sufficient deliberation on matters.

Moreover, we have incorporated an executive officer system in order to promptly execute business actions and strengthen functions.

Board of Directors

Under the supervision of the president, executive officers and division managers promptly execute business based on decisions made at the board of directors. To ensure checks and balances, our company rules clarify the organizational authority and the persons responsible and set out appropriate business procedures. Once a month, the director of accounting submits a report to the board of directors covering matters such as sales, profit, and finances. The board also hears reports from other directors on their respective divisions to ensure that they are meeting their business targets and carrying out necessary actions.

Audit and Supervisory Board

Techno Associe’s audit and supervisory board consists of five board members, three of whom come from outside the company. This allows for a suitable level of outside monitoring.

To ensure lawful and appropriate management, audits are conducted by the audit and supervisory board, the Internal Auditing Department, and the accounting auditor. Each audit and supervisory board member—in line with that board’s policies, plans, and assignments—attends important meetings such as board of directors’ meetings. Audit and supervisory board members also attend hearings on the status of duties of directors, executive officers, and the Internal Auditing Department; they review important documents; and they conduct on-site audits of major offices. They also hear audit reports from other auditors, exchange information on a regular basis with directors, and share information as needed with the accounting auditor.

The Internal Auditing Department conducts on-site audits of group companies and offices and makes suggestions for improving their operational efficiency. It also collaborates with audit and supervisory board members and the accounting auditor in carrying out audits.

Corporate Governance System

[Diagram of Corporate Governance System]

General Meeting of Shareholders

- Election/Dismissal

Board of Directors

- Election/Dismissal
- Supervision

Audit and Supervisory Board

- Audit

Accounting Auditor

Risk Management and Compliance Committee

- Reporting
- Investigation

Internal Control Committee

- Collaboration

Business Execution Bodies

- President
- Executive Officer Meeting

Divisions, Group Companies

- Internal Audit

Internal Auditing Department

Legal Advisor

Whistleblowing Contact

(HR & Administration Department)

Audit and Supervisory Board Members’ Office

[Diagram showing flow of responsibilities and collaboration between different departments and boards]
Compliance, Risk Management

**Internal Control**

The purpose of Techno Associe’s internal control system is to ensure that the business philosophies stated in our Corporate Principles, Business Policy, and Charter of Corporate Behavior are embodied in the actions of all Group employees. We have formulated our Basic Policy for System Building of Internal Control and Internal Control System Implementation Guidelines for the purpose of creating and maintaining our internal control system. We review and improve these guidelines as needed with the goal of carrying out our business in the most lawful and efficient manner possible.

And to secure society’s confidence in our financial reports, we have an internal control committee that manages and supervises the internal control system to ensure it is working effectively.

**Information Disclosure**

Techno Associe makes it a policy to disclose the company’s financial information in a timely and appropriate manner. This includes information on finances and operating results. We also actively disclose non-financial information, such as information related to governance. We will continue making improvements to our information disclosure, so that it may provide added value to users.

We also make efforts to release information in a language other than Japanese, as our business grows ever more global. This includes making English versions of our corporate website and various reports.

**Compliance and Risk Management Promotion System**

At Techno Associe, it is our top priority to be in compliance not only with laws, regulations, and our company’s articles of incorporation, but also with social norms and accepted social practices.

Chaired by the president, the Risk Management and Compliance Committee (“RC Committee”) is in charge of compliance. It works to identify, analyze, and assess compliance risks across the entire Techno Associe Group.

All employees are given a compliance manual, and we work to make them thoroughly familiar with compliance through in-house training and e-learning.

For risks other than those pertaining to compliance, the RC Committee takes the initiative in formulating basic policies, setting up systems for appropriately handling such risks, and implementing countermeasures.

When emergency responses are needed—for example, if a serious risk emerges following a natural disaster or major information leak—the president orders the establishment of an emergency headquarters and efforts are made to minimize loss and damage.

**Secure Export Control**

Based on our Secure Export Control Rules, the Foreign Trade Administration Office leads efforts to implement secure export control. As well, all personnel in cargo exports and technical assistance undergo e-learning to boost their awareness of secure trade control practices.

**Information Security**

To ensure meticulous control and handling of information, each sales unit has a set of rules on the handling of confidential information and other sales-related information according to the unique nature of its business.

As a measure against information leakage, all hard disks on company laptops are encrypted so that sensitive information is inaccessible if a laptop is lost or stolen. As well, company data can only be copied onto encrypted USB memory devices provided by the company. We also work to boost employees’ awareness of information security by providing e-learning on information security on a regular basis, as well as training that simulates targeted e-mail attacks.

**Awareness and Education**

All employees receive a compliance manual with information on topics such as compliance with the Anti-Monopoly Act, the prohibition of bribes, and the respect for human rights.

We also conduct e-learning and group training as part of our ongoing compliance education.

**Whistleblowing and Counseling Contact**

At Techno Associe, we have contacts inside and outside the company to whom fraudulent acts and law violations can be reported and from whom counseling may be sought.

The internal contact is placed under the charge of the Human Resources Group Manager. Whistleblowing support is also assigned to the Manager of the Audit and Supervisory Board Members’ Office (who is independent from company management). The external contact is placed under the charge of the company’s legal advisor.

Our Regulations for the Whistleblower System ensure that people who report suspected illegal action or who seek counseling will not be subjected to dismissal or other unfair treatment because of their actions.
Quality and Environmental Initiatives

At Techno Associe, quality control and environmental conservation are top priorities in our business activities. By achieving both at the same time, we can contribute to the sustainable development of society.

Basic Philosophy

At Techno Associe, our top priorities are to improve the level of customer satisfaction and fulfill our corporate social responsibility while at the same time protecting the environment.

Techno Associe is dedicated to using its technology and know-how to provide the best products and services possible and thus bridge the needs of customers and suppliers. At the same time, we continuously strive to reduce our environmental impact and comply with laws and regulations so that we can contribute to the safe and sustainable development of society.

Quality and Environmental Policy

1. As an engineering company that specializes in metal and chemical component components, Techno Associe strives to promote products and improve distribution activities to meet the quality and environmental requirements of its customers, while ensuring strong quality assurance and reducing environmental impact.

2. Techno Associe sets its goals and targets in conformity with its Quality and Environmental Policy, and conducts its activities in an organized manner. At the same time, it strives to make ongoing improvements to its Quality and Environmental Management System through reassessment and expansion.

3. In the course of its activities, Techno Associe complies with laws, regulations, ordinances, and the Compliance Manual established by the company in an effort to fulfill its corporate social responsibility and improve customer satisfaction. In addition, it strives to reduce the environmental impact of its business activities by conserving resources and energy, recycling, reducing waste, and protecting biodiversity.

4. Techno Associe ensures that all its employees are thoroughly familiar with its Quality and Environmental Policy, and it educates employees in order to raise their awareness of quality control and environmental preservation.

5. Techno Associe shall disclose its Quality and Environmental Policy to the general public upon request.

Quality and Environmental Management

Quality and Environmental Policy

We revised the Quality and Environmental Policy in October 2016. It basically follows the previous policy, but we added “protecting biodiversity.” This represents our commitment to giving consideration to the impact our business activities have on ecosystems.

Management System

Our Techno Associe Management System (TMS) encompasses systems for managing quality and environmental matters and information security.

As of the end of fiscal 2016, all Sales Units, the Logistics Department, and the Quality Assurance & Environmental Management Department have been certified for the ISO 9001 standard for quality management systems. And all bases in Japan (apart from the Kanazawa Sales Office) have been certified for the ISO 14001 standard for environmental management systems.

TMS Framework

- Establish quality, environmental, and information security policies
- Allocate necessary resources
- Appoint Quality, Environmental, and Information Security Officer and committee members
- Approve manuals and standards
- Conduct management reviews
- Oversee quality, environmental, and information security management system
- Plan internal auditing and appoint internal auditors
- Conduct internal auditing and follow-up audits
- Provide information necessary for management reviews
- Develop and revise quality, environmental, and information security management system for the entire company
- Support educational activities on quality, environment, and information security
- External communication concerning the environment

Audit Situation

In January 2017, we underwent a review for renewal of ISO 9001 and ISO 14001 certifications conducted by JIC Quality Assurance Ltd.

In fiscal 2016, internal audits were held for all Sales Units and at all bases (audits on quality were held only for the relevant bases). Although several shortcomings were revealed, corrective measures were taken to address these.

Quality Assurance System

To prevent delivery of defective products, sales personnel hold in-depth discussions with customers, clarify the key aspects of quality management, and relay these to suppliers. Quality assurance managers conduct quality inspections at supplier companies to determine whether these suppliers can do the best possible job of manufacturing the products in question.

Group companies that manufacture and process components also have a quality assurance system in place for implementing quality control.
At the quality meeting

Delivering Higher Quality to Customers

Quality Control Guidelines

The philosophy of Techno Associe’s quality control is articulated in the Quality Control Guidelines.

Intended as a quality improvement manual for the company and its suppliers, this booklet describes concrete mechanisms, implementation methods, and guidelines of quality assurance. In March 2016, we revised the guidelines by adding basic items on factory management.

Collaborating with Suppliers

The industrial parts we handle are made using a diverse range of materials and production methods. To ensure the stable supply of these products at an optimal level of quality, we must cooperate with suppliers. Our collaborations with suppliers are therefore of great value to us.

Techno Associe’s quality assurance managers support suppliers in their quality improvement actions. In the event of a defective product, quality assurance managers thoroughly discuss the matter with the supplier’s quality manager until both sides reach an understanding. And both sides join forces to steadily implement countermeasures in all relevant departments.

In November 2016, we held a quality meeting at which 29 suppliers took part. We shared information on quality topics and on the complaints received from customers and asked for further quality improvements on the part of suppliers.

Product Quality Assurance

We are constantly striving to help customers improve their designs and achieve greater product functionality.

To achieve this, the products that we supply to them—which constitute the material of customers’ products—must exhibit ever-higher precision. That’s why our Quality Control Department conducts tests, measurements, and other assessments of products to ensure that they meet our customers’ requirements.

Green Procurement

To contribute to the protection of the environment, many of Techno Associe’s customers carry out green procurement. This involves not procuring materials that contain environmentally harmful chemicals and that therefore comply with directives like the RoHS Directive, the End of Life Vehicles (ELV) Directive, and the REACH regulations in Europe.

To achieve green procurement, we have formulated the Techno Associe Environmental Standard, which unifies the green procurement standards of our customers. This standard is outlined on our website, so that suppliers can fully understand and comply with it.

We are also continuously expanding our arsenal of equipment for measuring chemicals contained in materials. For example, we have a fluorescent X-ray analysis machine that allows us to determine the presence of restricted substances without destroying the item being tested. We also have UV-visible spectrophotometers for determining levels of eluted hexavalent chromium. These and other pieces of equipment help ensure that no harmful substances are contained in products.

Managing Toxic Chemicals throughout the Entire Supply Chain

Green procurement involves more than just analyzing end products. It also involves obtaining and sharing accurate information about the chemicals contained in products throughout the entire supply chain. To comply with a range of regulations in Japan and other countries, and to respond to customer demands, we have our suppliers conduct surveys on chemicals contained in products.

In fiscal 2016, 307 customer companies requested surveys of chemicals contained in products, and 695 suppliers participated in responding to 11,219 survey cases.

Main Inspection and Testing Equipment

- Fluorescent X-ray analysis machine (2)
- UV-visible spectrophotometers (2)
- X-ray fluorescent analysis thickness meter
- Salt spray testing instrument (2)
- Constant temperature/humidity chamber
- Combined cycle salt spray testing instrument
- Three-dimensional measuring device
- Roundness measuring instrument
- Contour measuring instrument
- Surface roughness measuring instrument
- Automatic microhardness tester (4x)
- Screw tightness measuring instrument (torque, friction coefficient)
- Image size measuring instrument
- Tensile tester (20 t)
- PC torque analyzer

Three-dimensional measuring device

Automatic microhardness tester

Tensile tester

In fiscal 2016, 307 customer companies requested surveys of chemicals contained in products, and 695 suppliers participated in responding to 11,219 survey cases.
Quality and Environmental Initiatives

Quality and Environmental Quality Assurance System

Reducing Environmental Impact of Business Activities

Sales of Environmentally Friendly Products

In an effort to protect the environment through its business activities, Techno Associe is working to expand sales of environmentally friendly products and parts (Eco Products). Eco Products are classified into four categories according to the types of environmental benefits they offer. The categories are (A) resource-efficient products; (B) reusable/recyclable products; (C) energy-efficient products; and (D) products that use no toxic chemicals. In fiscal 2016, we set a sales target of 2.95 billion yen for these products, but we fell short of this target, ending up at 2.23 billion yen (4.3% of overall sales).

For fiscal 2017, we have added “sales of parts that make products even more energy-efficient during their use” as a criterion for environmental friendliness. Our target is to make sales of Eco Products account for at least 6.0% of overall sales.

Definition of environmentally friendly products

1. Products and parts that have been selected for the environmental benefits they offer compared to previous products and parts, and that fit the following definitions. (The parts themselves are environment-friendly)

<table>
<thead>
<tr>
<th>Code</th>
<th>Environmental aspect</th>
<th>Definition (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Resource-efficient products (make effective use of resources)</td>
<td>Using resources effectively by reducing the amount of raw materials and packaging or by extending the service life of parts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reducing waste materials by changing manufacturing methods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Smaller parts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhancing durability of parts</td>
</tr>
<tr>
<td>B</td>
<td>Reusable/recyclable products (reduce waste)</td>
<td>Reducing waste by using recycled materials or by reusing a part of all of the product and packaging</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recycled plastic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recycled wood</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Collection and reuse of product chassis</td>
</tr>
<tr>
<td>C</td>
<td>Energy-efficient products (reduce CO₂ emissions)</td>
<td>Reducing CO₂ emissions and energy consumption during manufacture, transport, and use</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lighter parts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Solar power facilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• LED lighting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Materials with outstanding thermal insulation and heat shielding</td>
</tr>
<tr>
<td>D</td>
<td>Products that use no toxic chemicals (prevent environmental pollution)</td>
<td>Preventing environmental pollution and minimizing the effect on ecosystems by eliminating or reducing the use of toxic chemicals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Non-chrome plating</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lead-free, cadmium-free free-cutting steel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Non-halogen resin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduced-VOC paint and glue</td>
</tr>
</tbody>
</table>

2. Eco Products that adopt parts delivered by Techno Associe and that fit the following descriptions (The products using our parts are environment-friendly)

<table>
<thead>
<tr>
<th>Code</th>
<th>Environmental aspect</th>
<th>Products that use Techno Associe parts (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>Environmentally friendly cars</td>
<td>• Hybrids (HV), electric cars (EV), fuel-cell cars (FCV), etc.</td>
</tr>
<tr>
<td>K</td>
<td>High-efficiency water heaters</td>
<td>• Water heaters with superb energy efficiency</td>
</tr>
<tr>
<td>L</td>
<td>LED lighting</td>
<td>• For industrial and residential use</td>
</tr>
<tr>
<td>N</td>
<td>Fuel cell facilities</td>
<td>• For industrial and residential use</td>
</tr>
<tr>
<td>S</td>
<td>Renewable energy</td>
<td>• Solar power facilities, wind power generation, etc.</td>
</tr>
<tr>
<td>T</td>
<td>Storage battery facilities</td>
<td>• Storage batteries, electricity storage systems, power storage adapters, etc.</td>
</tr>
<tr>
<td>Z</td>
<td>Eco houses</td>
<td>• Residences and other buildings with superb insulation, air-tightness, and ventilation, as well as the ability to block and take in insulation, stone heat, and let wind through</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Residences and other buildings that use renewable energy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Residences and other buildings that are made from natural construction materials and materials that use no harmful chemicals</td>
</tr>
</tbody>
</table>

Techno Associe holds lectures on quality topics and conducts e-learning via the company’s intranet. In fiscal 2015, a cumulative total of 492 employees attended nine of the lectures. Our aim is to raise employees’ quality awareness and help them build defect-free processes that prevent the occurrence of defective products. In fiscal 2016 we put these lectures on the company e-learning site so that more employees could deepen their understanding. At present, we have a total of 13 e-learning programs on quality. In fiscal 2017, we are holding lectures on these quality topics: 1) operational compliance management*; 2) analysis; 3) how to create and assess complaint reports; and 4) quality control guidelines. The aim is to check and raise staff’s understanding of quality assurance. As for lectures 1 and 3, we are planning to make them into e-learning programs, in an effort to further enhance quality improvements.

*This includes operational compliance management, management of abnormalities, management of modifications

<table>
<thead>
<tr>
<th>Additions and revisions to quality e-learning programs in fiscal 2016</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to FTA/FMEA</td>
<td>251</td>
</tr>
<tr>
<td>Quality control guidelines 1st half, 2nd half</td>
<td>417</td>
</tr>
<tr>
<td>Introduction to QC process flowcharts</td>
<td>229</td>
</tr>
<tr>
<td>Case studies on complaints</td>
<td>434</td>
</tr>
<tr>
<td>Defect-free processes</td>
<td>90</td>
</tr>
</tbody>
</table>
Quality and Environmental Initiatives

Results in Fiscal 2016

To minimize the environmental impact of the company’s business activities, Techno Associe sets yearly environmental conservation objectives and formulates specific implementation plans. The Quality Assurance & Environmental Management Department plans the introduction of energy-efficient equipment such as LED lighting and fuel-efficient cars. Each base plans and carries out activities such as regularly checking that lights are turned off when not needed and that waste is separated properly for disposal. They also do cleanups of areas surrounding the bases.

In response to the Paris Agreement, we have set a long-term target of reducing CO₂ emissions. By 2030 we aim to have reduced levels by 30% from fiscal 2013 levels. Our 2016 CO₂ emissions were 1,441.8 tons—down 45.1 tons (3.0%) compared to the previous fiscal year and down 498.2 tons (25.7%) compared to fiscal 2013. Because we expect our energy consumption to increase due to future business expansion, we will remain committed to energy-saving activities. Our waste-reduction efforts, which aim to lower the final landfill disposal rate, involve thoroughly separating and recycling waste. Our final disposal rate in fiscal 2016 was 7.0%, down 1.4% from the fiscal 2015 level of 8.4%.

Targets in Fiscal 2017

In fiscal 2017, our main focuses will be reducing CO₂ emissions, recycling waste, and increasing the sale of environmentally friendly products and parts. To reduce CO₂ emissions, a major cause of global warming, we are lowering electricity usage by replacing mercury lamps with LED lighting in warehouses and by switching to energy-efficient cars. Each base plans and carries out activities such as regularly checking that lights are turned off when not needed and that waste is separated properly for disposal. They also do cleanups of areas surrounding the bases.

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Reducing CO₂ Emissions

The use of electricity and gasoline by Techno Associe accounts for about 97% of the company’s total CO₂ emissions. We are therefore focusing on reducing the use of these.

Our target for fiscal 2016 was to reduce CO₂ emissions by 2% compared to the previous fiscal year. To this end, we switched to LED lighting and made work processes more efficient to save electricity. We also reduced the number of company cars and switched to more fuel-efficient vehicles. As a result of these aggressive efforts, emissions were 1,441.8 tons (down 3% from the previous fiscal year), easily meeting our target. We are aiming for CO₂ emissions of no more than 2.77 tons per one hundred million yen of sales in fiscal 2017. (Fiscal 2016 emissions were 2.79 tons.)

Reducing Electricity Consumption

Techno Associe strives to save energy by turning off lights during employee break times, keeping air conditioners set at reasonable temperatures, and holding ‘no overtime’ days to encourage work efficiency. Our target for fiscal 2016 was to reduce electricity consumption by 2% compared to the previous fiscal year. However, due to hot summer temperatures, we were able to reduce electricity consumption by only 3,400 kWh (down 0.1%). In fiscal 2017, we are aiming to reduce electricity consumption by 2% by replacing mercury lamps with LED lights in warehouses and by replacing old air conditioners with more energy-efficient models.

Reducing Gasoline and Light Oil Consumption

By encouraging employees to share or rent cars, use car-sharing services, and make greater use of public transport, we have been able to reduce the company’s car fleet from 237 cars in 2009 to just 128. We set a target of having environmentally friendly cars account for 80% of our company car fleet, up from 71.7% in fiscal 2011. By switching to hybrids and fuel-efficient models, as of March 2015 we had reached 93.2%.

In fiscal 2016, we revised our standard for environmentally friendly cars to match the 2015 Japanese gas mileage standard in order to expand the range of cars switchable to fuel-efficient models. As of March 2017, cars matching the standard accounted for 66.4% of all company cars. As a result, we reduced our fiscal 2016 use of gasoline by 12.2% compared to the previous fiscal year. We will continue to switch to cars meeting the environmental standard in fiscal 2017.

Reducing Paper Consumption

Techno Associe strives to reduce office paper consumption by using both sides of paper when making copies and printouts and by using projectors at meetings instead of making copies for meeting attendees. We used 56.4 tons of paper in fiscal 2016 (down 7.4% compared to the previous fiscal year). In fiscal 2017, we will further reduce copier paper usage by having each base set a concrete target and by eliminating unnecessary printing.
Quality and Environmental Initiatives

Increasing Recycling and Reducing Waste
Techno Associe strives to reduce the waste it generates in offices by separating paper garbage as much as possible, and in warehouses by reusing cardboard boxes for packaging and using returnable boxes.

Our fiscal 2016 target for the final disposal rate was 7.0% or less. By switching to industrial waste disposal contractors capable of higher recycling rates, we were able to keep final disposal to 24.2 tons (a final disposal rate of 7.0%), thus achieving our target.

The overall industrial waste disposal amount was 345.3 tons—down by 6.5% compared to the previous fiscal year. In fiscal 2017, we will continue to review our industrial waste disposal contractors and strive to thoroughly separate waste in order to make further progress in recycling and achieve a final disposal rate of 6.0% or less.

Managing and Reducing Chemical Substances
The Tsuneyoshi Office of group company Tobutsu Techno Co., Ltd. uses toluene, a substance restricted under PRTR*, for manufacturing locking of bolts (fastener adhesive). We have installed activated charcoal filter devices to reduce toluene emissions into the atmosphere.

Toluene emissions in fiscal 2016 were 0.99 tons, a 5.2% increase over the previous fiscal year. This was partly due to increased production volume.

*Under Japan’s PRTR (pollutant release and transfer register) system, businesses handling a certain amount of any of the 354 substances designated by the authorities are obligated to report on the amounts of these substances that are released and/or transferred.

Complying with Freon Emissions Control Law
To comply with the Japanese Freon Emissions Control Law, in June 2015 Techno Associe made a comprehensive list of all equipment requiring inspection. We conduct voluntary periodic inspections of air conditioning units at 21 bases every quarter and keep a database of inspection/maintenance information.

We added equipment requiring periodic inspections by professional subcontractors to our fiscal 2017 inspection plan. The total amount of equipment we possess is small and the possible amount of CFC leakage is minimal; therefore, we are not under obligation to report the amount of CFC leakage to the authorities.

Soil Contamination Countermeasures
Techno Associe has no land on which there is a danger of contamination. If contamination is discovered on or around our land and we are deemed responsible, we will conduct a soil survey (an overview survey or detailed survey).

Protecting Biodiversity
To spread awareness of the importance of biodiversity among Techno Associe employees, since fiscal 2015 we have included information on biodiversity protection in our new employee training manual.

Our goal is to have employees understand the importance of biodiversity and ecosystems to the creation of a sustainable society, and to give them as many opportunities as possible to think about how to incorporate biodiversity protection into their jobs and their daily lives in general.

As part of our 70th anniversary celebrations, we made a donation in February 2017 to the Green Fund organized by the National Land Afforestation Promotion Organization of Japan for the protection of biodiversity and ecosystems. Through this donation, we are cooperating in the development and growth of healthy forests and helping to curb global warming.
Together with Employees

At Techno Associe, we strive to be a rewarding place to work by creating a diverse environment where employees can reach their full potential and express their individuality.

**Personnel Policy**

A Company Providing Rewarding Work, a Company Employees Can Be Proud Of

Techno Associe believes human resources are its most important asset. We aim to provide our employees with rewarding work and be a company they are proud to work at.

Our goal is to have employees improve their level of knowledge and ability; achieve personal growth and company growth so as to contribute to society; and understand their role in revolutionizing the business of our company.

**Respect for Human Rights**

Human Rights Education

Techno Associe carries out human rights education with the goal of creating a corporate culture in which diversity is valued and employees have respect for each other’s human rights.

Preventing Harassment

Techno Associe considers sexual harassment and abuse of authority serious infringements on human rights. We raise awareness of these issues through e-learning, through our in-house newsletter, and through compliance training during job-class-specific training. We do everything possible to prevent infringements, and deal with them in a prompt and appropriate manner. In fiscal 2017, as part of our efforts in human resource development, we held mental health training for general managers and group managers. This training aimed to help managers support their team members with respect to mental health issues.

**Main Human Rights Education in Fiscal 2016**

As a member of the Osaka Corporate Human Rights Promotion Council, we participated in an event held in conjunction with Human Rights Day in December. We also provide ongoing education regarding human rights as part of the curriculum for new employee training.

**Human Resource Development**

Medium- and Long-Term Human Resource Development

**Action Learning (Core Human Resource Training Program)**

In fiscal 2015, we launched our Action Learning (core human resource training) program to provide managers with training in problem-solving. In addition to fostering a belief and a sense of responsibility as future leaders of the company, this program aims to give participants the ability to analyze, consider, and make policy decisions regarding problems and tasks, all while maintaining an appropriate perspective. In 2016, 18 employees considered for their potential to be the company’s next generation of leaders were selected as participants. For the third Action Learning program in fiscal 2017, we aim to delve deeper into themes directly related to management tasks and give participants better skills in tackling issues as they relate to company management.

**Overseas Personnel Development Program**

Launched in fiscal 2016, this monthly program has so far involved 21 participants. The program provides the skills and knowledge needed to aim for a higher level of work. Participants are given lectures from staff formerly stationed at Techno Associe overseas bases, along with training in making presentations in English. The program also includes lectures in cross-cultural communication. These are designed to impart practical management skills as well as basic skills for problem-solving in different cultures. The second round of this program in fiscal 2017 will feature improved lecture content. The program won’t focus solely on skills development; it will aim to foster truly global-minded personnel that can demonstrate Techno Associe’s strengths.

### Training System

<table>
<thead>
<tr>
<th>Participants</th>
<th>Job-class-specific training (Honing organization according to one’s position)</th>
<th>Company-wide key issues training (Revisiting importance of management issues)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>Management issues review meeting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>General manager/deputy general manager training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group manager training</td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>Newly appointed manager training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Newly appointed assistant manager training</td>
<td></td>
</tr>
<tr>
<td>General employees</td>
<td>Newly appointed supervisor training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3rd-year employee training</td>
<td></td>
</tr>
<tr>
<td>New employees</td>
<td>Introductory training</td>
<td></td>
</tr>
</tbody>
</table>
Together with Employees

Promoting Diversity

Respect and Utilize Each Employee’s Uniqueness
Techno Associe strives to build a workplace in which each employee can make the most of his or her unique abilities. Techno Associe makes the most of its ability to introduce new products and offer solutions through manufacturing. By thinking outside the box and creating an organizational culture conducive to new ideas and points of view, we can boost our corporate value and competitive strength.

To this end, we believe we must hire a diverse range of people—regardless of gender, nationality, age, educational background, and work style—and recognize and maximize their unique talents.

A Workforce of Various Nationalities
We have been hiring non-Japanese nationals since fiscal 2004 for all possible positions, and many of these are core members of our international business expansion efforts.

In-house information is created to reach our employees around the world, which is why our intranet includes a Global Message section in Japanese, English, and Chinese.

Maximizing the Talents of Women
In April 2016, the Act on Promotion of Women’s Participation and Advancement in the Workplace came into effect in Japan. In line with this act, Techno Associe has made efforts to create a structure and systems amenable to working women. As a result, we have seen a gradual increase in the percentage and overall number of women in career-track positions. As of the end of fiscal 2016, there were 15 women in career-track positions. Seven of these were working as line managers leading a team of employees. We will continue to improve and expand our systems to promote a work-life balance, so that women can continue to enjoy rewarding work and use their talents to the fullest.

Hiring the Physically Challenged
We strive to create a workplace conducive to our physically challenged employees by providing them with the necessary equipment and amenities for them to work efficiently and safely. Many such employees have for many years been engaged in areas such as cleaning, clerical work, and cargo collection and dispatch.

Achieving a Work-Life Balance

Systems to Promote a Work-Life Balance
Techno Associe believes human resources are its most important management resource in achieving sustainable growth. We make it a management priority to create a pleasant workplace where employees can strike a balance between work and family life. To achieve a work-life balance, it is important that we reform work styles and support employees in childcare and nursing care.

At Techno Associe, we believe work style reforms should promote work efficiency. We have improved and expanded our systems with this goal in mind. For example, to prevent long working hours, every Wednesday is ‘no overtime day’—all employees must leave the company by a certain time. We also have an annual holiday planning system to encourage employees to take their paid holidays. Under this system, employees are required every April to schedule five days of paid holidays for some time in the coming fiscal year.

We are also upgrading our systems for supporting childcare and nursing care. For example, the childcare reduced hours system was previously available up to the time an employee’s child entered elementary school. In line with a law amendment in 2016, from fiscal 2017 this system is now available until the child finishes third grade. Further, we introduced a new holiday reserve system. This enables employees to save annual paid holidays that have expired and use them for reasons such as childcare, nursing, and recovering from non-work-related injuries and sicknesses.

In fiscal 2016, we introduced a flex-time system that accommodates work style reforms and the demands of childcare or nursing care. We improved this system in fiscal 2017 by adding seven work patterns for a total of 10, enabling employees to choose a time schedule that best fits them.
Together with Employees

Achieving a Work-Life Balance

- **Work-Life Balance Promotion Systems**
  - **Type** | **Name** | **Description**
  - Maternity leave | Leave can be taken from 8 weeks before the expected date until 8 weeks after childbirth.
  - Childcare leave | Until the child is 1 year and 6 months old
  - Childcare reduced hours system | Employees can shorten working hours until their child finishes third grade at elementary school.
  - Nursing care leave, nursing care reduced hours system | Employees can have up to 93 days off, or take shorter working hours.
  - Holiday reserve system | Employees can save up to 40 days of annual paid holidays that have expired and use them for childcare, nursing care, and non-work-related injuries and sicknesses.
  - Time off for long-term service | Employees get time off and a monetary reward as gratitude for their long-term service to the company.
  - Time off for senior re-employment persons | Retirees receive a commemorative gift, and those being re-employed get time off.
  - Special marriage leave | Employees receive time off and a monetary gift if they, or one of their children, get married.
  - Annual holiday planning system | Before the end of April each year, all employees must schedule at least 5 paid holidays for the coming fiscal year.
  - Flex-time system | Employees can start and finish work earlier or later in the day on days of their choice, as long as it does not interfere with duties that they must perform. (10 patterns)

**OCCUPATIONAL SAFETY AND HEALTH**

- **Occupational Safety and Health Policy**
  - Employees’ occupational safety and health constitutes the basis for a company’s existence and a company has a social obligation to guarantee such safety and health. At Techno Associe and its partner companies, we respect each individual employee and put their safety and health at the core of our occupational safety and health philosophy. To put this philosophy into action, we implement the following policies.
  1. Continuously improve occupational safety and health in company work processes and in the workplace environment, and build a healthy, productive workplace free of work-related accidents.
  2. Comply with legal stipulations of laws related to environmental safety and health, as well as with in-house regulations, standards, and rules.
  3. Provide education and drills to all employees (including those of partner companies) in order to boost their sensitivity to and knowledge of occupational safety and health.
  - This occupational safety and health policy will be periodically revised to ensure its effectiveness and its compliance with laws.

**Basic Philosophy on Safety**

Like compliance, safety is one of the core issues of operations at Techno Associe. All those in a management position in the company follow the creed of ‘safety above all else’. They strive to implement occupational safety and health activities with the understanding that safety is critical to all work processes.

**Examples of Activities to Raise Awareness of Occupational Safety and Health**

1) **Safety patrols by top management**
Every July, during the National Occupational Safety Week, the top management of Techno Associe tours the company’s major bases in Japan. During each inspection tour, the officers and executives give safety talks to all employees, including those in factory work, to raise safety awareness.

2) **Enhancing education**
We hold training on occupational safety and health every year, to boost awareness across the entire company. Training is conducted across each job class, ranging from new employees to general managers. At Techno Associe, the most common type of accident is traffic accidents during work. We do the following to eliminate traffic accidents. For those who drive company cars, we hold traffic safety and driving classes. And for those in managerial posts, we hold safe driving management classes. These classes teach the importance of safe driving and encourage managers to ensure that their team members drive safely.

When it comes to health, the proceedings of our Safety and Health Committee meetings are relayed to bases and domestic affiliates that employ fewer than 50 employees. These offices and companies are not obliged to have their own safety and health committee. These communications help to raise awareness of health across the entire Techno Associe group.

**VOICE**

Ryuichi Nagaoki
HR Development Group, HR & Administration Department

In the past few years in Japan, work-life balance has once again surfaced as a social issue. Our response at Techno Associe has included having ‘no overtime days’—a policy we’ve had for nine years now. Naturally, ‘balancing work and life’ doesn’t mean simply neglecting your work. I feel it’s important to create a synergy between your work and personal life, by getting your work done while also making the most of your life outside work.

In my case, I play in a futsal team after work and try to meet people from other industries. I feel just talking with people outside my company can help me become a more well-rounded person. It expands my horizons and way of thinking—something I can apply to my work.

I think you can lead a more fulfilling life not necessarily by separating work and personal life, but instead by seeking a synergy between them.

Futsal practice after work

15
Relationship with Shareholders and Investors

Techno Associe would not exist without the understanding and support of shareholders, investors, and neighboring communities. With this in mind, we cooperate with these stakeholders in order to contribute to the creation of a sustainable society.

### Profit Distribution

A key focus of Techno Associe is to steadily grow and progress as a company by making the sharing of profits with shareholders and the raising of corporate value important management policies. Our basic stance is to continue paying all shareholders stable dividends while considering our business environment and performance prospects.

The board of directors is the decision-making body for decisions on the interim dividend, and the general meeting of shareholders is where the year-end dividend is decided on.

#### Dividends

<table>
<thead>
<tr>
<th>Year-end dividend</th>
<th>Interim dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>18</td>
</tr>
<tr>
<td>2013</td>
<td>10</td>
</tr>
<tr>
<td>2014</td>
<td>20</td>
</tr>
<tr>
<td>2015</td>
<td>20</td>
</tr>
<tr>
<td>2016</td>
<td>20</td>
</tr>
</tbody>
</table>

#### Dividend Payout Ratio (Consolidated)

<table>
<thead>
<tr>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.8</td>
</tr>
<tr>
<td>17.6</td>
</tr>
<tr>
<td>22.0</td>
</tr>
<tr>
<td>26.2</td>
</tr>
<tr>
<td>19.1</td>
</tr>
</tbody>
</table>

### Community Service Activities in Japan

In fiscal 2016, we worked through various organizations in carrying out the community service activities shown in the table below. We also strove to make a difference locally in other ways, including the following: we installed an AED (automated external defibrillator) available for use by local residents; held monthly community cleanups; made a donation to a local festival and set up a rest area at the festival; and had employees gather used stamps and PET bottle caps, which were donated to a local volunteer organization.

<table>
<thead>
<tr>
<th>Charity activity</th>
<th>Number of times</th>
<th>Amount (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment/nature protection</td>
<td>Once</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Youth education</td>
<td>Twice</td>
<td>269,000</td>
</tr>
<tr>
<td>Culture and sports</td>
<td>Three times</td>
<td>1,630,000</td>
</tr>
</tbody>
</table>

### Relationship with Local Communities

Since fiscal 2013, the Ho Chi Minh representative office has been accepting Japanese student interns once a year. Under the program, the interns gain valuable experience in working with others by joining in negotiations, visiting supplier plants, and trying the work of local staff. The students work hard to communicate with the locals in English and Vietnamese. In fiscal 2017, the launching of a new subsidiary, Techno Associe Vietnam Co., Ltd., made it difficult to accept interns, but we will use every opportunity to continue this worthwhile program.

#### Community Service Activities Overseas: Japanese Student Interns

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#### VOICE

When I was a university student, I took part in the internship program at the Ho Chi Minh representative office of Techno Associe. It was difficult communicating with local staff, and I remember that I felt it must be tough working in another country. Amidst differences in language, customs, and working philosophy, one must work extremely hard to unite local staff and get the job done. Today, as an employee of Techno Associe, I understand even more how important it is to understand these differences. At the same time, I have come to see that such hard work brings rewards, and that I get a strong feeling inside that drives me to somehow succeed.

I had been interested in sales before my internship, and the many valuable experiences I had at that time further sparked this interest. Things don’t always go as you plan. You have to proceed with your job within the framework of various constraints, such as customer requests, issues to be solved with suppliers, and the need to make a profit for the company. But when it all comes together you get a real feeling of accomplishment. This is what makes me glad that I chose sales.

Shino Hiraizumi | Kansas Sales Group, Broad-Area Sales Division