

We would like very much to hear what you think about KOA's corporate value.

Survey

We would like to express our sincerest gratitude for your kind understanding and warm support of our business activities.

There have been increasing moves to revise relationships between investors and corporations following the enactment of the Corporate Governance Code in Japan in 2015. That means that the perfect time has come for us to further deepen constructive dialogue with shareholders and investors on KOA's corporate value.

KOA has set as its corporate mission the creation of trustful relations with shareholders, customers and business partners, communities, employees and their families, and the Earth (which we call the "five stakeholders"). If we consider the nature of equity investment, there is no doubt that KOA's corporate value would be viewed positively since we generate profit above and beyond our capital costs. At the same time, however, there are different ways to consider this profit and how it is generated, depending on differing viewpoints and values. Ideally speaking, all such differences should be respected.

A diverse array of shareholders has invested in KOA as well. This includes shareholders who place importance on the business value that the Company provides, shareholders who consider the value that KOA offers as a place to work, shareholders who focus on the Company's contribution to local communities, and shareholders who recognize corporate value in initiatives undertaken for the global environment. We aim to give our sincerest attention to all of these diverse shareholders and investors.

In addition, we regard our five stakeholders as the entities supporting the Company and encourage discussion on KOA's corporate value based on different value systems at the General Meeting of Shareholders. We believe this will serve as the foundation for building true bonds of trust and set us on a path that leads to greater corporate value over the medium and long terms.

As the first step to achieve this, we have decided to conduct a shareholder survey. Beginning with this initiative, we aim to further deepen dialogue with shareholders and investors, and ask for your understanding and cooperation in this matter.

June 2016

KOA CORPORATION

Founding vision: "Farming and Manufacturing in One" and "Bring Sunshine to the Ina Valley"

KOA was founded by a young man from a farming community who was dedicated to both bringing a stable livelihood to people struggling to make ends meet in farming communities and improving rural infrastructure. Since then, to fulfill our founder's dream of "Bring Sunshine to the Ina Valley," we have been executing strategies in line with our vision of "Farming and Manufacturing in One." Creating an environment where farmers can live as farmers was the wish of the community when the Company was founded.

Corporate mission: Establish strong relationships of mutual trust with each of the five stakeholders that support KOA

While inheriting the determination of our founder, we also listened to the voice of the current era, and it became KOA's corporate mission to establish a strong relationship of mutual trust with each of our five stakeholders—shareholders, customers and business partners, communities, employees and their families, and the Earth—from which we receive a great deal of support.

KOA is grateful for the opportunity to be associated with our stakeholders, and by engaging with them, we learn many things that help us to promote corporate activities to enhance the value of all five stakeholders.

The values of corporate management: "Circulation," "finite," "harmony" and "enrichment"

As the activities of corporations can have worldwide and global consequences of unprecedented magnitude, it is now the obligation of each corporation to promote corporate activities responsibly with a precise grasp of the times. The 20th century was an era when humanity embraced human-centric concepts of "expansion, infinite, conquest, and convenience," which resulted in a population explosion. The feeling grew that such self-centeredness had pushed all creatures, including humanity, to the brink of extinction.

As a result, the realization grew that all things are "finite," and that we must seek harmony with the global environment to which we owe our existence, and with all creatures living on this planet, by shifting from seeking expansion to embracing circulation, and from pursuing convenience to searching for enrichment while maintaining harmony. KOA has made "circulation," "finite," "harmony" and "enrichment" as the four values of its corporate management, which are the basis of its operations.

Method of response to the survey

What expectations do our shareholders have regarding KOA?

In this pamphlet, we explain on each page how we are building relationships of mutual trust with the five stakeholders important to us, along with three items for each stakeholder (15 in all) that discuss the indices and activities on which we focus in each of these relationships.

When answering the survey, select the relationship with the stakeholder that is the most important to you (multiple selections are possible) and fill in the appropriate score on the "Survey Card" that has been enclosed, taking note of the items listed below.

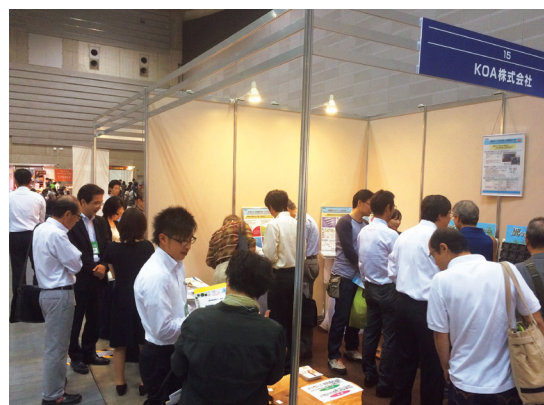
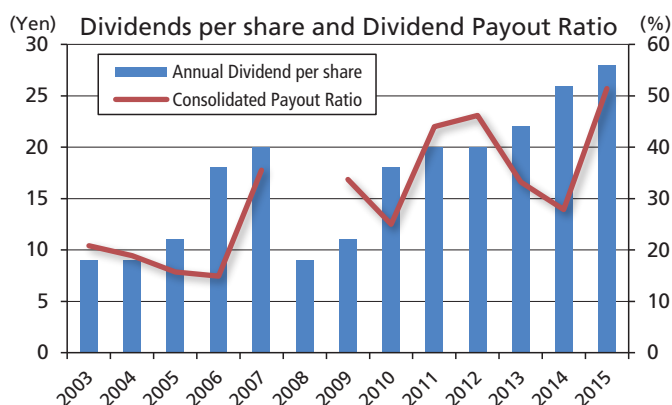
- Insert an integral number from 1 to 10 in the score column so that the numbers total 10.
- Allocate higher scores to the stakeholder relationships that you view as the most important.
- Please feel free to add your own remarks in the "Comments" column if you would like to emphasize something that has not been included in the items.

Please fill in the "Respondent information" column as necessary and place in a post office box. (No stamp is required.)

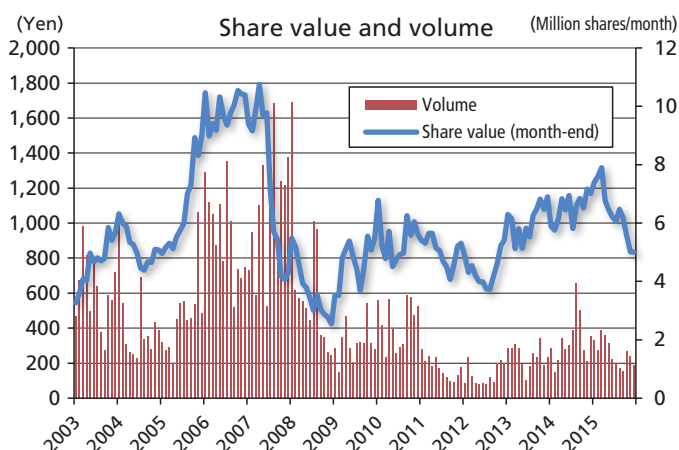
A company that you will want to keep supporting

The first promise we make is that we will continuously return profit from business activities to our investors and shareholders. KOA has set a target of achieving return on equity (ROE) of 8% over the medium- and long-term, and will actively invest for the future to consistently enhance its profit ratio over the long-term.

Further, to become a company that continues to offer value in areas besides earnings, and to gain support for many years to come, we will conduct management based on appropriate moral values and build relationships of trust with all stakeholders to fulfill our responsibilities.



Corporate briefing for investors



1940年、KOA株式会社は、昭和恐慌で主力の産業が大打撃を受け、疲弊した伊那谷（当時）の農村に安定した雇用を創出すべく設立されました。以来、農家が出稼に出ることをなく、一家揃って暮らせる地域を目指し、「一貫した地域貢献を最優先する経営」を貫いてきました。KOAの主力製品は、抵抗器という、自動車からスマートフォンまで様々な製品に使われる電子部品です。1個数銭という低価格品も多く、競合は主に台湾・中国勢です。実際、KOAでも一部海外生産をしていますが、「KPS（KOA Profit Stream）活動」で知られる当

Visiting Business tours
企業訪問ツアー
2013年4月3日開催（長野県上伊那郡）
KOA株式会社
運用調査部

From an investment fund report

(1) Dividend payout ratio

KOA views the return of profit to shareholders as one of its most important policies, and has adopted a basic policy of maintaining and strengthening competitiveness through capital investment and R&D focused on rapid technological innovation, and reinforcing its financial structure. At the same time, efforts will be made to ensure and enhance a stable dividend payout ratio.

Dividend payout ratio (%) = Dividend amount per share/earnings per share × 100

(2) Share value

KOA will strive to ensure that multifaceted assessments of the following components are appropriately reflected in its share value: Our technological expertise accumulated as a leading company in fixed resistors, our development prowess that serves to cultivate new markets, and our efforts to create social value.

(3) ROE

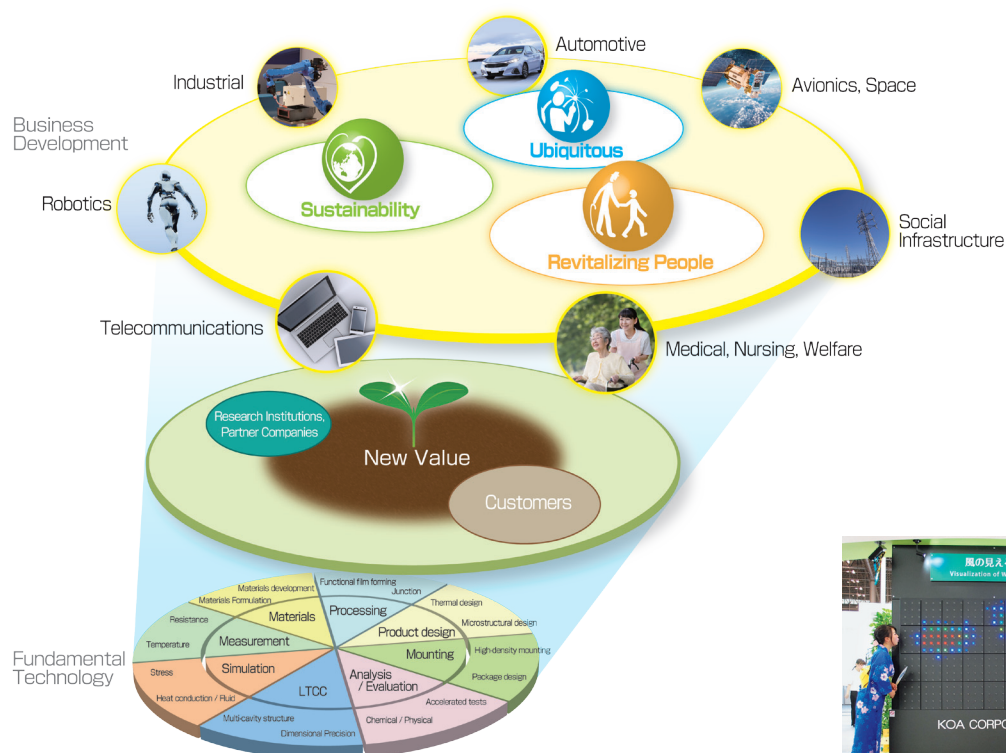
KOA has formulated a medium-term management plan with the target of 8% for ROE, and will work to continuously enhance competitiveness by providing high-value-added products mainly to markets that emphasize quality and reliability. At the same time, we will seek to anticipate trends in innovation and invest management resources in technologies and product development as necessary while promoting activities that create new value together with customers.

ROE (return on equity)
ROE (%) = Net income/shareholders' equity × 100

Providing profound and distinctive value

To continuously raise the profit ratio over the long term, it is necessary to boost competitiveness, or more specifically, to increase added value. KOA provides profound and distinctive value that others cannot emulate in its products, services and proposal-making capabilities.

KOA products maximize these strengths particularly through the automotive business and sensor application. The fixed resistor market, which is key to KOA, is expected to remain buoyant in the years to come. We aim to evolve into an R&D-oriented company that can create the following markets together with customers.



Supporting the enhanced environmental performance of automobiles
Wire-wound noise cancelling filter WSF protects automotive electronics from noise



Wind visualization modules, breaking new ground for resistors

(4) QCD (quality, cost, delivery)

KOA conducts comprehensive management of QCD in all operations, not just products and services, based on the catchphrase “Each item and each piece has our guarantee” and we are always looking to make improvements.

“Each item” represents each process (the aggregates of each job), each task, each equipment, and each movement.

“Each piece” represents each discrete product.

We use these phrases—“each item” and “each piece”—to communicate that we neglect nothing (that we account for every single thing) in pursuing customer satisfaction.

(5) Proposal-making capabilities (technologies, new products)

To remain a valuable company to our customers, we focus on creating a business model in which we can propose new value to the market and our customers by linking innovation with KOA's fundamental technologies.

(6) Mitigating business continuity risk

Assuming a disaster such as a large-scale earthquake, our basic policy calls for the following:

- Prioritize the safety of employees and their families.
- Support the local community.
- Swiftly recover production capability through a systematic response.

We have formulated a business continuity plan (BCP) to minimize the impact of such a disaster on our business.

Making our workplace more upbeat and pleasant than anywhere else

The source of competitiveness and earning power is people. Although expertise may take shape in equipment, real strength lies in the ability of each employee to learn and accumulate experience.

KOA's corporate motto is to avoid personnel cutbacks and make our workplace more upbeat and pleasant than anywhere else, based on the teachings of our founder. With this in mind, we are committed to establishing a workplace where employees can work healthily and with peace of mind so that they and the families supporting them feel happy to be part of KOA. We also work to establish personnel and educational systems that further enhance capabilities. Investment in people is the key to raising competitiveness.

Support systems for balancing work and childcare

Regulations concerning childcare and nursing care leave (April 2006)

1. Revision of the childcare leave system

- Applicable period:
Until the last day of April after the child turns three (previously, the period ended when the child turned one)

2. Revision of the shortened work hour system

- Applicable period:
Until the last day of April immediately after the child enters elementary school (previously, the period ended when the child turned three)
- Unit intervals:
30 minutes (previously, one-hour units)
- One-day limit:
Three hours (previously, two hours)
- Implementation:
After the work-starting time and before the work-finishing time

Regulations concerning the reemployment system (March 2009)

Reemployment of employees and semi-regular employees who have retired due to marriage, pregnancy, birth, childcare, transfer of the partner or nursing care

Special leave (the partner gives birth) Revised July 2015

Number of days:
A maximum of five days in case the partner gives birth

Wages: Paid



Renewing the commitment in front of a monument of the founder



Conveying the DNA of KOA during training, to pass it on

KOA has been certified as an enterprise that actively supports child rearing by the Director of the Nagano Labor Bureau. (This certification is called the "Kurumin" mark.)



(7) A safe and secure workplace environment

The KOA Group works as one to implement health and safety activities aimed at preventing occupational accidents. We also provide support through a number of systems that enable employees to return to work with peace of mind after having to leave temporarily due to circumstances such as childbirth, childcare or nursing care. In recognition of our efforts, KOA won the Nagano Prefecture Governor's Award for companies supporting employees' child rearing in 2010.

(8) Employee conditions (salary, bonus)

It is essential to increase the motivation and skill level of each employee to maintain corporate growth and advancement amid immense environmental changes. To this end, the Company began reforms in 1996 to shift from a traditional personnel system focused on promotion by seniority to a system that is driven by performance and results. In line with this, the Company changed its personnel system to reward people who boosted individual skills and produced results, irrespective of age, gender or other categories, with better conditions, while protecting lifetime employment.

(9) Motivation (self-realization, education/training)

KOA conducts training on the "KOA story" to safeguard and transmit the corporate culture and traditions that are a source of pride for people working at the Company. Since the start of such training in 2004, more than 1,600 employees have taken the course.

“Bring Sunshine to the Ina Valley”

KOA's founder set up the Company to drive advancement in the rural community while maintaining connections between people and the land, people and culture, and people and people by transforming the Ina Valley into a production area for the electronics industry. The slogan behind this initiative was “Bring sunshine to the Ina Valley.”

KOA's history is a history of actions aimed at constant improvement, with most of the employees who have inherited our expertise employed locally. This is the same for all KOA sites in Japan and overseas, not just the region where the Company was founded. This advantage has capital benefits and helps to continuously generate employment, while also deepening bonds with the local community, since giving back both economically and culturally enables us to maintain strong manufacturing operations.



An overview of the Nagano Prefecture Nanshin Institute of Technology



Examples of grants given by the Ina Valley Foundation:

What we want to convey and leave to our children

- Study of diatoms and plankton in the rivers and lakes of Nagano Prefecture
- Programs to protect and conserve the natural environment of Kiso Village
- Research into new-style small, high-efficiency hydraulic power generation equipment
- Continuation of the Takeda marionette theater, folk art from the Ina Valley
- Continuation and proliferation of *sakiori* rag-weaving
- Creation of a picture book of exotic plants in the southern area of Nagano Prefecture, particularly the Ina basin
- Water survey of the Tenryu River's water system and environmental education, mainly for children
- Solar panel educational materials for everyone to enjoy

(10) Local employment

Creating employment in the region has been one of the missions of KOA since our earliest days. To achieve this requires both the nurturing of exceptional human resources in the region and our being an appealing company where people can take on active roles. As part of our efforts to nurture human resources who support manufacturing in the Ina Valley, KOA actively supports the Nagano Prefecture Nanshin Institute of Technology.

(11) Nurturing love for one's hometown

It's a major loss for any region when children grow up and leave the area they were raised in without fully understanding what makes the area so special. In collaboration with government, industry and academia in the Ina Valley, KOA participates in activities aimed at nurturing love for one's hometown that include the Yume Daigaku program to provide opportunities for children to meet local professionals and hear about and experience local occupations.

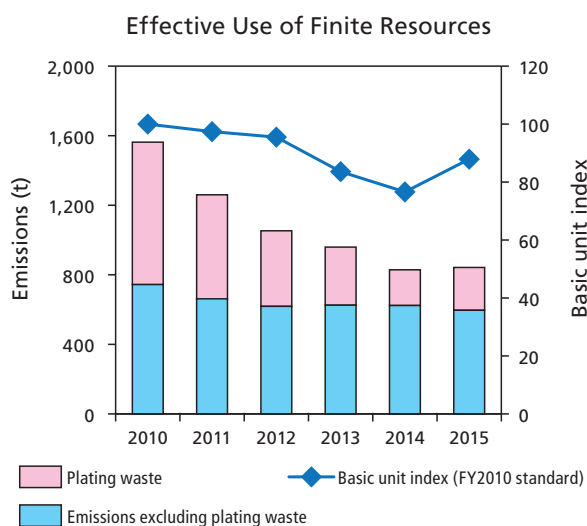
(12) Giving back to the community

KOA's business activities have benefited significantly from the local community for many years. The Ina Valley Foundation respects the customs and knowledge handed down to the valley in protecting and passing on to the next generation the arts, crafts and know-how that enable harmonious coexistence with nature. The initiatives of this foundation are one of the key ways we give back to the community.

Responding to a changing Earth

Corporate business activities have a certain effect on the Earth. As such, an essential condition for sustainable corporate management is to minimize this impact and ensure harmony with the living Earth.

Although it is only in recent times that the term “Earth” has started to appear in connection with corporate activities, for around 30 years KOA has been working to reduce internal environmental risk, create a model for a recycling-oriented society, and foster human resources inside and outside the Company based on the concept that “humankind exists thanks to the Earth, and business exists thanks to humankind.”



Takumi no Sato under construction



Employees work to improve the woodland area



Eggs confirmed on the leaf of the *Heterotropa takaoi* plant



An adult *Luehdorfia japonica* butterfly



Biotope in Nanakuri no Mori



Rejuvenated vegetation around Takumi no Sato

(13) Reducing internal environmental risk

KOA operates a management system nicknamed “Father Sun” that complies with ISO 14001 to minimize the impact that its business activities have on the Earth. The system works to minimize environmental risk, for example, by preventing environmental accidents, reducing waste and implementing energy conservation activities.

(14) Factory construction in harmony with the natural environment

Employees restored the woodland area inside Takumi no Sato, which was completed in 1992, to nurture the *Heterotropa takaoi* plant that the *Luehdorfia japonica* butterfly feeds on to encourage it to return. In all factories built thereafter, we have worked to ensure construction that is in harmony with the natural environment and traditional culture of the local area.

(15) Creating a model for a recycling-oriented society

KOA business sites aim to coexist in harmony with the Earth by making the most of the characteristics inherent in each location. As an example, we have worked to create a model for a recycling-oriented society in the Ina Valley with the help of local people that is built around the waterways of the Tenryu River.

How to fill in the Survey Card

Survey

- Insert an integral number from 1 to 10 in the score column so that the numbers total 10.
- Allocate higher scores to those stakeholder relationships that you view as important.
- Please feel free to add your own remarks in the "Comments" column if you would like to emphasize something that has not been included in the items.

Shareholders	Index/activities	Score
Investors	(1) Dividend payout ratio	5
	(2) Share value	
	(3) ROE	
Customers and business partners	(4) QCD (quality, cost, delivery)	2
	(5) Proposal-making capabilities (technologies, new products)	
	(6) Mitigating business continuity risk	
Employees and their families	(7) A safe and secure workplace environment	1
	(8) Employee conditions (salary, bonus)	
	(9) Motivation (self-realization, education/training)	
Community	(10) Local employment	1
	(11) Nurturing love for one's hometown	
	(12) Giving back to the community	
Earth	(13) Reducing internal environmental risk	1
	(14) Factory construction in harmony with the natural environment	
	(15) Creating a model for a recycling-oriented society	
Comments	Index and activities other than those listed above ()	
Total		10

Please refer to the example of how to fill in the Survey Card on the back of the pamphlet.

Page 1 of the pamphlet explains how to respond to the survey. After reading the explanation, please insert your score for each section on the Survey Card enclosed so that the sum total is 10. (An example of scoring is shown at left.)



KOA CORPORATION

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