



## Message from KOA

### 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, employees and their families, communities, and the Earth—from which we receive a great deal of support.

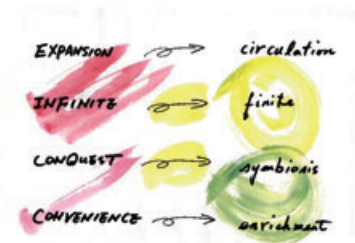
KOA is grateful for the opportunity to be associated with our stakeholders, and by engaging with them, we learn many things that help us to promote corporate activities to enhance the value of all five stakeholders.



### 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” the four values of its corporate management, which are the basis of its operations.



### On issuing KOA’s Uniqueness Report 2017

Until recently, each year KOA issued “KOA’s Mission,” a pamphlet on our CSR-related initiatives. This report replaces “KOA Mission,” inheriting the role it played, and is based on a pamphlet distributed to shareholders in June 2016 for survey purposes.

We believe in the importance of building trustful relationships with each of the five stakeholders supporting KOA. To give an example, our employee education and training initiatives lead to the development of technologies that meet customer expectations, which in turn enhances shareholder value. Because activities for one stakeholder can influence the relationship with other shareholders, we feel it is important to

carry out our activities from a long-term and comprehensive perspective. The report has been kept within the space constraints of one page per stakeholder, so that reading the entire report gives an overall picture of KOA’s activities.

Some undertakings are explained in more detail on our website. We aim to come up with other ways to make our content richer and easier to understand and convey. We would be happy to receive your opinions and thoughts on the report.

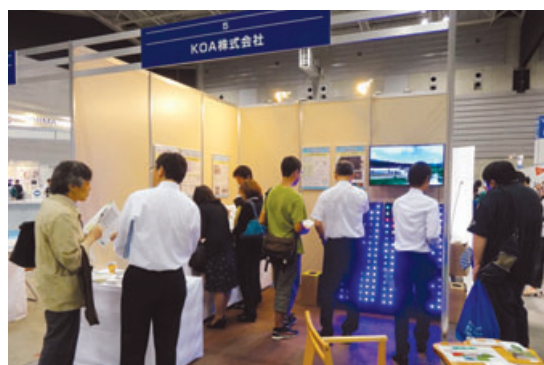
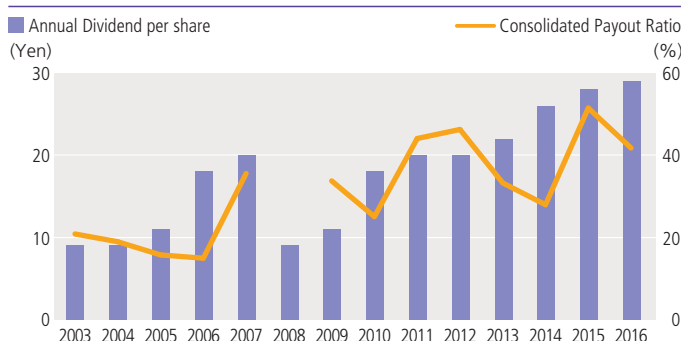


# A company that you will want to keep supporting

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.

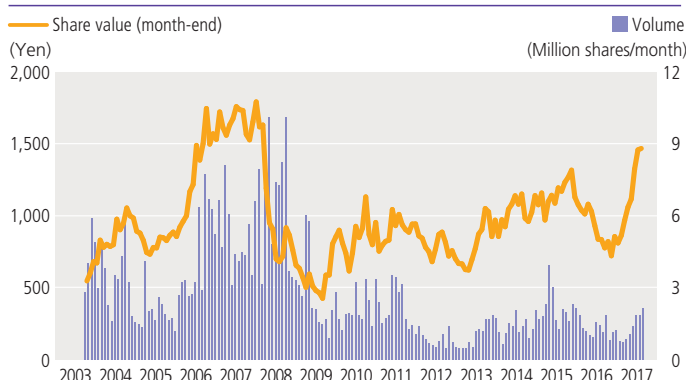
Further, to become a company that continues to offer value in areas besides earnings, and to gain support for many years to come, we will conduct management based on appropriate moral values and build relationships of trust with all stakeholders to fulfill our responsibilities.

Dividends per share and Dividend Payout Ratio



Participating in a joint briefing session for investors

Share value and volume



An electronic engineering workshop for children to teach them about KOA's resistors

## (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)

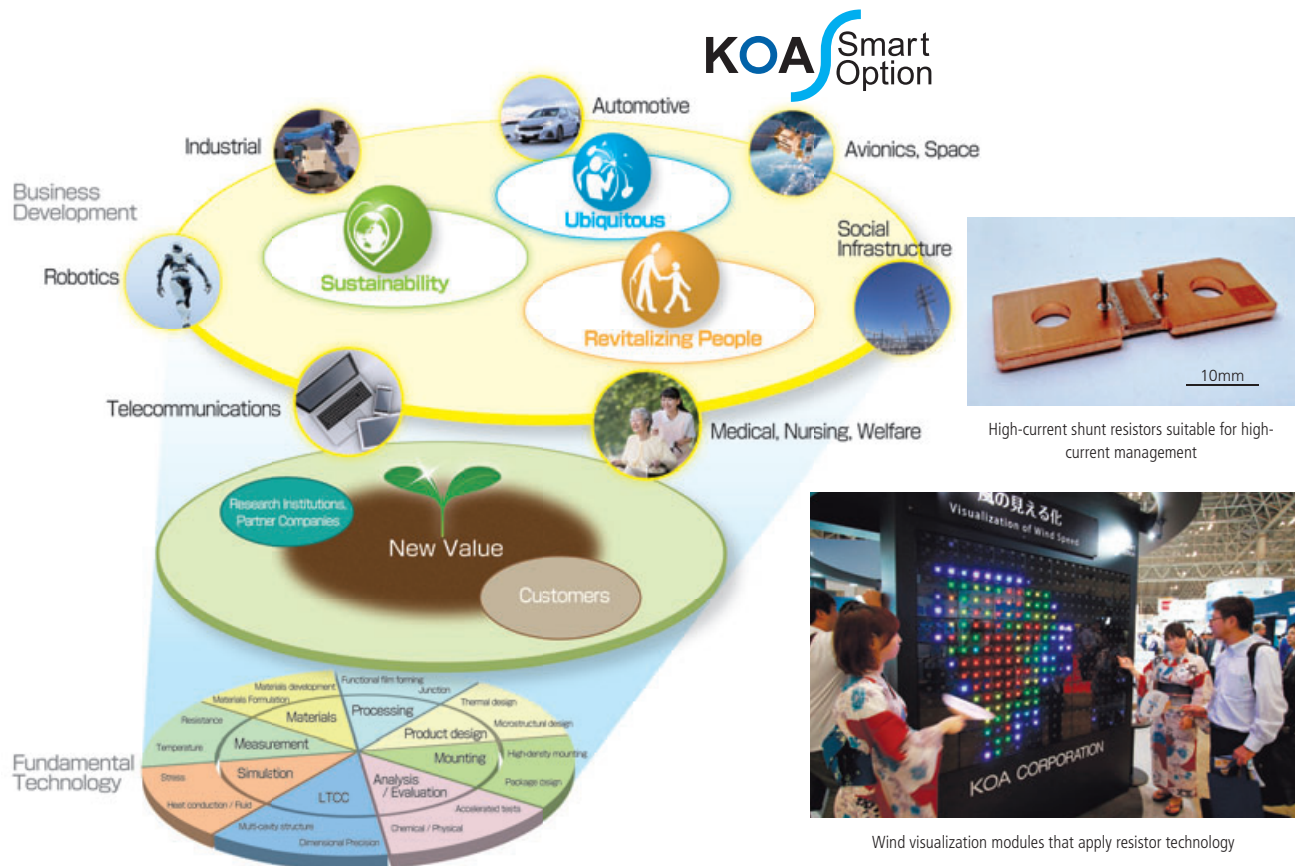
ROE (%) = Net income/shareholders' equity × 100



## 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 a 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.



### (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:

- (1) Prioritize the safety of employees and their families.
- (2) Support the local community.
- (3) 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.

### We received the "Platinum Kurumin" mark

KOA succeeded in receiving the "Platinum Kurumin" mark (Platinum Next-General Approval Mark) in April 2017, after earning the "Kurumin" mark (Next-Generation Approval Mark) in 2009 and 2013.

"Platinum Kurumin" certification was instituted in April 2015 to encourage companies that had already attained the "Kurumin" mark to further promote child-rearing support and encourage companies to steadily engage in activities at a high level.

KOA focused on the following areas to promote further understanding of our work-life balance systems, which we have been promoting since 2005, and to keep our employees aware of the availability of these systems.

- Encourage male employees to take childcare leave and increase the proportion of males taking childcare leave
- Maintain a high rate of female employees who take childcare leave
- Encourage employees to take advantage of a shortened work hour system for those who are raising children of preschool age
- Reduce overtime by enforcing stricter working hour management standards
- Create an environment conducive to women taking a greater role and boost their motivation
- Provide training on how to act as a manager to create a pleasant and motivating workplace for employees

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 "Platinum Kurumin" mark.)



### Learning about the founding spirit



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



Renewing the commitment in front of a monument of the founder

### (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 treatment (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. More than 1,600 employees have taken the course. This course gives employees an opportunity to learn about KOA's history since its founding and the passion and thoughts of our forefathers who made KOA into the company it is today.

## “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.

### Love for One's Hometown Project Career Festival

As a part of the Love for One's Hometown Project devised by the government, industry and academia of Kamiina, the Career Festival was held to create opportunities for junior high school students to come into contact with people working in industrial and cultural circles in their hometown. In the Business booth, companies and jobs that support the hometown were introduced, while the Human booth featured local societies that undertake a range of activities for the town's welfare. The students were free to wander around the booths to experience the fascination their community offers.



Introducing KOA to junior high school students at the Career Festival



### Ina Valley Foundation

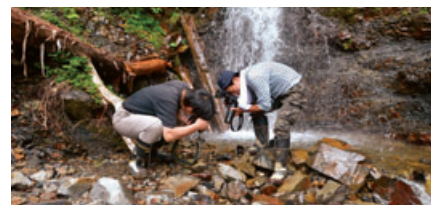
#### What we want to convey and leave to our children

#### Key examples of grants given

- 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



9th Annual Ina Valley  
Rediscovery  
Hometown event for children



Biological research into the Japanese clawed salamander in  
Kiso Village

### (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.”

### Passing on maintenance methods for planted forests Activities of the KOA Forest Management School

Planted forests with cedars, Japanese cypress and larches occupy around 30% of the area of Japan. Tree trimming and other forms of forest maintenance are neglected in these planted forests, which makes trees harvested unusable as building materials. In addition, a growing number of forests are failing to fulfill their beneficial functions such as preventing landslides or providing watershed protection.

The KOA Forest Management School started offering courses in 1994 and continues to pass on the knowledge and techniques related to the grooming of planted forests to increase the number of people who with the expertise and skills needed for forest maintenance. By 2016, a total of 629 people had participated in 979 courses.

Total number of students: 629

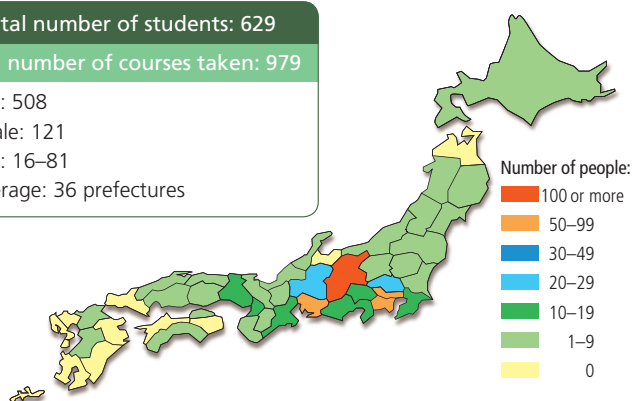
Total number of courses taken: 979

Male: 508

Female: 121

Ages: 16–81

Coverage: 36 prefectures



Tree-climbing and pruning using a special mechanism made from just two bars and a rope



Course on the safest way to use a chainsaw

### (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.

## Introduction to a more detailed version of KOA's Uniqueness Report

A more detailed version of KOA's Uniqueness Report on KOA's CSR activities is available on our website. It provides further information on each initiative undertaken to create a strong relationship of mutual trust with each of our five stakeholders—shareholders, customers and business partners, employees and their families, communities, and the Earth—from which we receive a great deal of support.



QR code



<http://www.koaglobal.com/corporate/csr/rashisa>



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