



Message from KOA

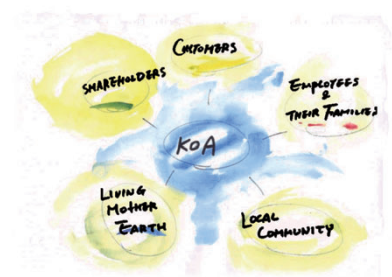
Founding vision: “Farming and Manufacturing in One” and “Bring Sunshine to the Ina Valley”

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.

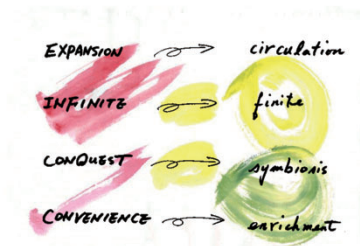
KOA is grateful for the opportunity to be associated with our stakeholders, and by engaging with them, we learn many things that help us to promote corporate activities to enhance the value of all five stakeholders.



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. We have made “circulation,” “finite,” “harmony” and “enrichment” the four values of our corporate management, which are the basis of our operations.



On KOA’s Uniqueness Report

KOA’s Uniqueness Report introduces our CSR-related initiatives and is designed to give everyone an insight into KOA’s uniqueness, as background to our initiatives. At KOA, in our selection process and when we are choosing which path to take, the key criterion in our evaluation is which of the options is “most like KOA.”

While it could be said that KOA’s uniqueness has remained unchanged since our foundation, our unique style has also changed over the years to reflect everything we have learned in the relationships with our five stakeholders. We believe that both continuing to preserve what we view as important and creating new uniqueness are essential for enhancing our corporate value.

Contents

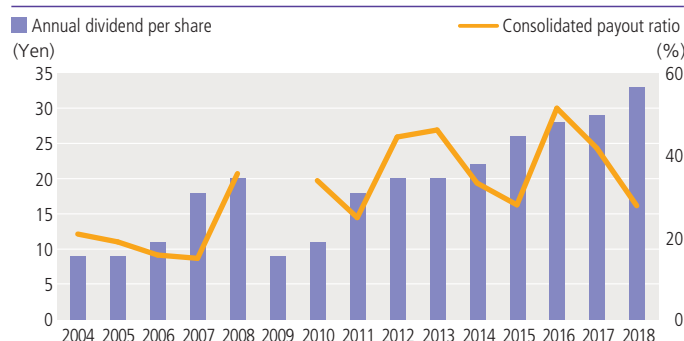
- P2 Shareholders**
A company that you want to keep supporting
- P3 Customers and Business Partners**
Providing profound and distinctive value
- P4 Employees and Their Families**
Making our workplace more upbeat and pleasant than anywhere else
- P5 Communities**
Bring sunshine to the Ina Valley
- P6 The Earth**
Responding to a changing Earth

A company that you want to keep supporting

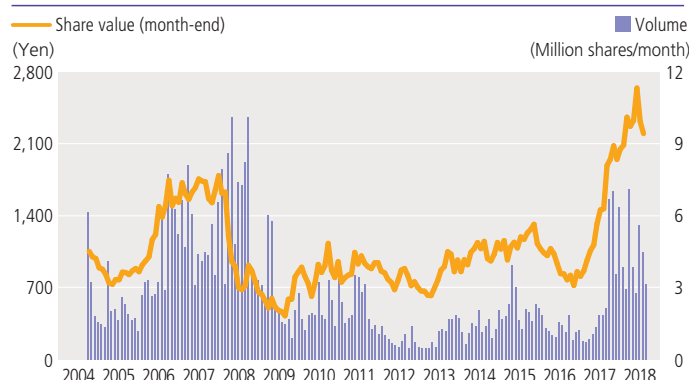
The first promise we make is that we will continuously return profit from business activities to our investors and shareholders. KOA has set a target of achieving our medium-term management plan with a goal of 8% for the return on equity (ROE), and we will actively invest for the future to consistently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



Share value and volume



Investor's Comments



Takahiro Kusakari

Director and Chief
Investment Officer
Sawakami Asset
Management Inc.

"Sawakami Asset Management is an investment company that helps general consumers build up their assets. Since we take a long-term approach to investing, we focus mainly on companies we would like to support, such as those with businesses that offer something essential to our daily lives.

The future remains bright for resistors. Demand is expected to grow for high-precision, high-quality versions of these products in line with the increase in sensors alongside advancements in automation worldwide.

We view KOA, which is able to meet this demand at a fair price, as a company supporting the global economy, even if it may not appear glamorous as an investment."

(See the KOA website for a video of this interview. (Japanese only))

(1) Dividend payout ratio

KOA views the return of profits to shareholders as one of the top priorities of management. Our basic policy is to deliver stable and sustained shareholder returns while ensuring that we maintain sufficient internal reserves to develop business in the future.

Accordingly, we will provide stable and sustained dividends. Specifically, keeping in mind a payout ratio target of around 30%, we will flexibly acquire treasury shares as necessary in light of a comprehensive assessment of the share price, financial position and other factors.

(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.

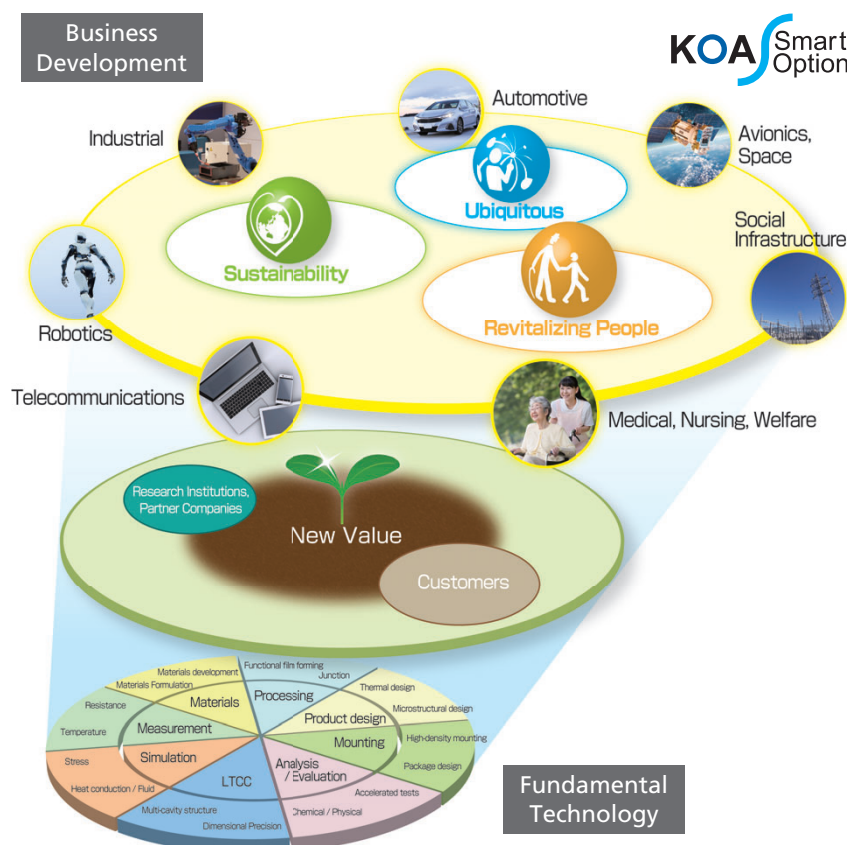
ROE (return on equity)

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

Providing profound and distinctive value

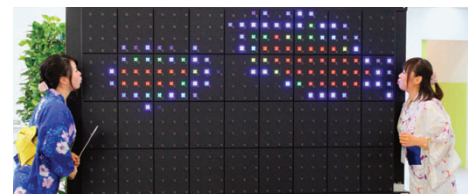
To continuously raise the profit ratio over the long term, it is necessary to boost competitiveness, or more specifically, to increase added value. KOA provides profound and distinctive value that others cannot emulate in products, services and proposal-making capabilities.

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.

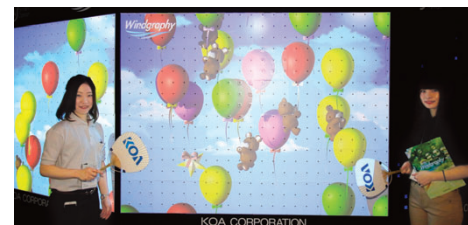


Windgraphy: Wind visualization

KOA is developing a product that makes it possible to visualize the flow of air by using temperature and wind speed sensor technology. We are currently reviewing a range of strategies with a number of customers to determine the applications for this product.



An LED panel shows the strength, direction and distribution of wind in real time.



Wind movement captured by the panel is displayed as floating balloons.

(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 will develop and integrate a wide range of fundamental technologies, such as the materials technology, processing technology, and evaluation technology that we have nurtured throughout our history. We will then work to translate these into new value that we will create together with customers through open innovation with the state-of-the-art research institutions and partner companies.

(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

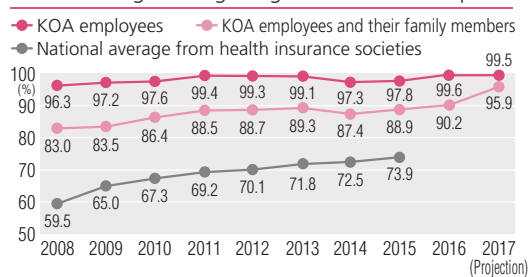
The source of competitiveness and earning power is people. Although expertise may take shape in equipment, real strength lies in the ability of each employee to learn and accumulate experience.

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.

For the peace of mind of employees and their families

KOA Health Insurance Society is undertaking a variety of initiatives to enhance health, so that employees and their family members can live healthy lives with peace of mind.

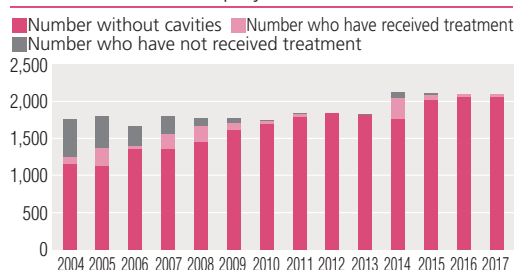
Percentage having a regular health checkup



A total of 95.9% of employees and their families have regular checkups

In addition to providing medical checkups for employees, KOA recommends that employees' family members also have examinations. As a result, the ratio of employees having regular checkups is well above the national average.

Number of employees free of cavities



Campaign to eliminate cavities

KOA encourages employees with cavities to have dental checkups in a bid to eliminate dental problems. The number of employees who are free of cavities continues to rise, including those who have received treatment, and the campaign is now firmly established.

Platinum Kurumin Certification

In April 2017, KOA received the Platinum Kurumin as a company that supports child-rearing. KOA focuses on the following areas to increase 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 shortened work hours for those who are raising children of preschool age
- Create an environment for motivating and empowering woman

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 Certification.)



(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 1,700 employees have taken the course. This course gives employees an opportunity to learn about KOA's history 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.

Sampu no Kai

Shinshu Ina Valley is a beautiful area surrounded by the Southern and the Central Alps of Japan. The area has interwoven the lifestyles and cultures of the people who have lived there since long ago. The Sampu no Kai organization was established to protect and pass on the natural culture, landscape and identity that are unique to the Ina Valley. The organization works in unison with local people, with the aim of instilling a sense of pride in the valley for the next generation.

● Main activities of the organization

There are a number of spots along an expansive farm road in the west of Ina Valley that are characteristic of the area that Sampu no Kai aims to preserve for the future. Preservation efforts include requesting the removal of signs that inhibit the view and replacing them with signs that conform to a design manual depicting the model for the region.



A model sign installed at KOA



A collection of signs designed based on the Sampu model

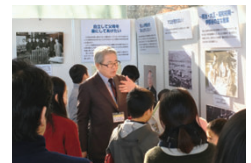
Love for One's Hometown Project: Nagano Prefectural Museum of History and KOA Day



Nagano Prefectural Museum of History (Chikuma City)

As a part of the Love for One's Hometown Project begun by the government, industry and academia of Kamiina, KOA tied up with the Nagano Prefectural Museum of History (Chikuma City, Nagano Prefecture) for a new initiative aimed at getting children to learn more about their hometown. The program helped create a rotating exhibit that introduces the history and culture of Nagano Prefecture and a Museum Partner Day that combines a presentation of local companies.

The first in the series was KOA Day, which saw an exhibit on Yoshio Tanaka from Iida City, known as the father of Japan's museums. In the lobby of the museum, a display introduced the history of KOA and its founder as well as the resistors we make. Explanations were given to children.



Children listen to a description of KOA in its earliest days.

(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 its efforts to nurture human resources who support manufacturing in the Ina Valley, KOA actively accepts junior and senior high school students for work experience, in addition to supporting 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.”

Creating a model connecting forest and lifestyle

Woodlands around us will be destroyed if people do not continue to maintain them. The KOA Forest Management School provides courses that teach maintenance methods for local forests and has passed on the techniques to a great number of people.

The trees that have been cut down are not considered valuable; this is one reason that forest maintenance has not progressed. A KOA Woodworker makes use of the texture of locally grown thinned wood, to produce furniture, lifestyle goods and interior materials that can be introduced into people's lifestyles.

We seek to promote a positive cycle of generating value from the forest by making it an integral part of people's lifestyle, which in turn facilitates forest maintenance.

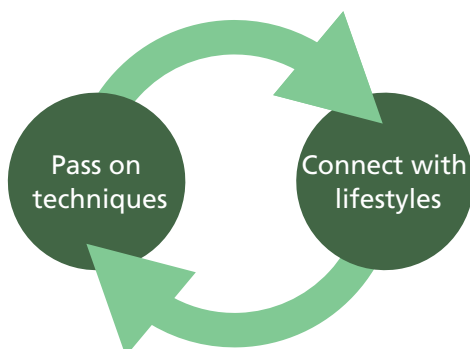
KOA Forest Management School



Forest thinning



Carrying out the logs



KOA Woodworker



An artisan leverages the properties of the wood while crafting products by hand.



Furniture



Wall and floor materials

(13) Reducing internal environmental risk

KOA operates a management system nicknamed “Father Sun” that complies with ISO 14001 (2015 edition) 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 resources and implementing energy conservation activities, while actively encouraging contribution to a sustainable society through products and services.

(14) Factory construction in harmony with the natural environment

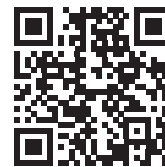
Employees restored the woodland area inside Takumi no Sato, which was completed in 1992, to nurture the *Heterotropa takaoi* plant that the *Luehdorfia japonica* butterfly feeds on to encourage it to return. In all factories built thereafter, we have worked to ensure construction that is in harmony with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

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

KOA's business sites aim to coexist in harmony with the Earth by making the most of the characteristics inherent in each location. With the help of local people, we are working to create a model for a recycling-oriented society in the Ina Valley that is built around the waterways of the Tenryu River. As part of the INA copy paper recycling system started in 1999, we recover and reuse old office paper in cooperation with local companies and organizations. If piled up, the 298 tons of copy paper recycled to date would reach twice the height of Mount Fuji.

Information aside from that introduced in this report is available on the KOA website.

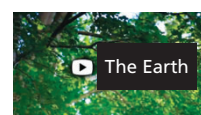
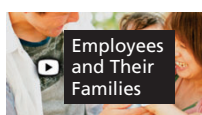
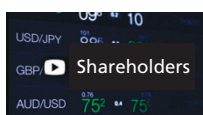
<http://www.koaglobal.com/ir/surveyinfo>



QR code

Video on KOA's five stakeholders

We have made available video clips that convey KOA's corporate value from a variety of angles through a prologue, which describes our mission to create relationships of trust with each of our five stakeholders, and interviews with people associated with these stakeholders.



More detailed version of KOA's Uniqueness Report

On our website, we provide a more detailed version of the report introducing each of KOA's many activities by theme, since it is not possible to include all the information here.

