

Message from KOA



KOA founder
Kazuto Mukaiyama,
appointed president in 1940

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

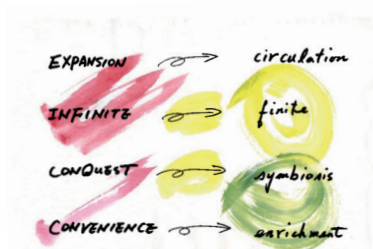
While inheriting the determination of our founder, we also listened to the voice of the current era, and it became KOA’s corporate mission to establish a strong relationship of mutual trust with each of our five stakeholders—shareholders, customers and business partners, employees and their families, 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.”

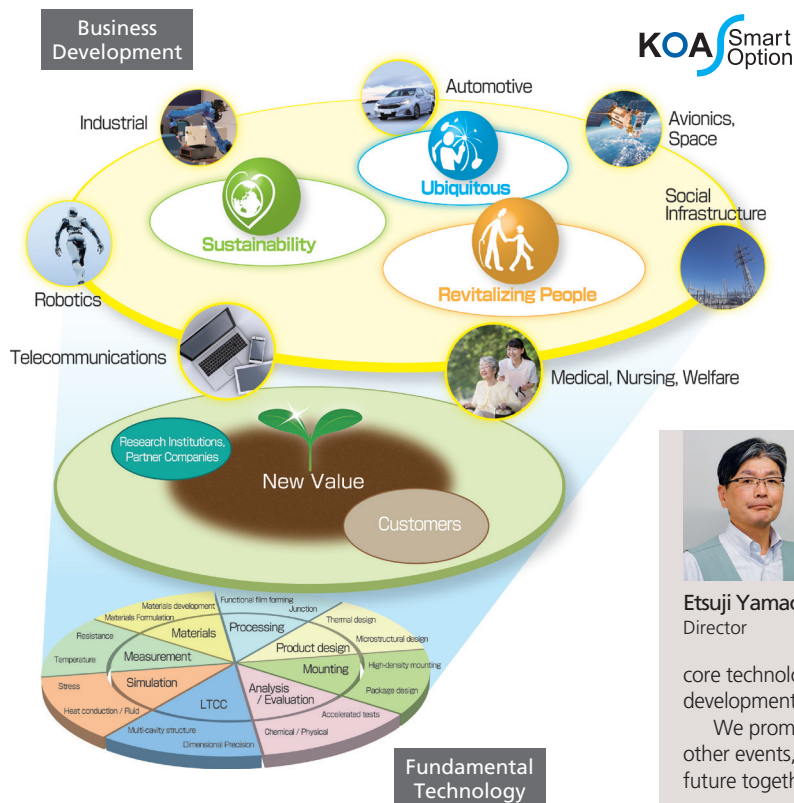
While it could be said that KOA’s uniqueness has remained unchanged since our foundation, our unique style has also changed over the years to reflect everything we have learned in the relationships with our five stakeholders. We believe that both continuing to preserve what we view as important and creating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

Providing profound and distinctive value

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

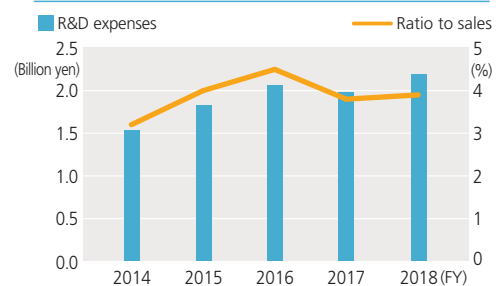
KOA products maximize these strengths particularly through the automotive business and sensor application. The fixed resistor market, which is a key market for KOA, is expected to remain buoyant in the years to come. We aim to evolve into an R&D-oriented company that can create the following markets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

Toward the Creation of New Value



Future-Oriented R&D

R&D expenses and ratio to sales



Etsuji Yamaoka
Director

KOA is focusing on the development of such products as high-voltage current sensing resistors and high-voltage precision resistors where exceptionally strong demand is expected amid a growing trend toward environmentally friendly vehicles around the world. In addition, since many sensors are required to realize a society based on the Internet of things (IoT), we are leveraging the core technologies accumulated in our resistor business in the development of sensor elements and sensor modules.

We promote the appeal of these technologies at exhibitions and other events, and are working hard on R&D aimed at creating the future together with our customers.

(1) 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.

(2) 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.

(3) 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

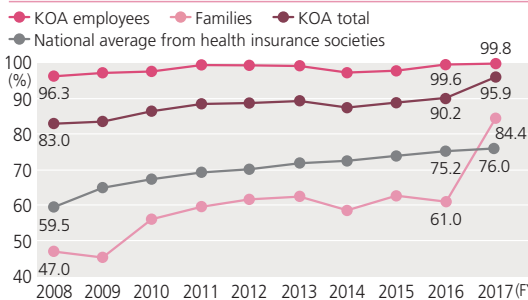
The source of competitiveness and earning power is people. Although expertise may take shape in equipment, real strength lies in the ability of each employee to learn and accumulate experience.

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 taking concrete steps to improve our employees' health, such as working to increase the percentage of employees having regular health checkups, so that they and their families can live healthy lives with peace of mind.

Percentage having a regular health checkup



Seventh Nationwide in Health Checkup Rates

KOA has vastly improved the overall percentage of employees and their families having regular checkups as a result of direct talks by business site managers.



Satsuki Watanabe
Kyoka Mizuguchi
Operational Group,
Shimoina Business Field

Comment from business site person in charge

We consistently explain the importance of having regular health checkups to employees and their families. We're really pleased that the percentage of people having checkups has increased further and that personal health has become a more common topic of conversation within families.

Work style reform begins with personnel development

The need for work style reform stems from the decline in the working population, the need for a better work-life balance, and other issues, such as a decrease in labor productivity. KOA has started to see medium- to long-term challenges arise as a result of these issues. The key to resolving these issues lies in employee development. To this end, it is important that every employee draws up a clear vision of his or her career going forward.

To achieve this goal, KOA is making recommendations for improvements to find time for self-improvement and making work reforms that are not bound by gender roles. In addition, training is given to managers and supervisors, who are central to employee development, so that they have a better understanding of current conditions and challenges. This initiative is part of our unified effort for employee development.



Training for managers

(4) A safe and secure workplace environment

The KOA Group works as one to implement health and safety activities aimed at preventing occupational accidents. We have established finely tuned support systems so that employees who have left work temporarily for various reasons, including childbirth, childrearing, and nursing care, can return to their jobs with peace of mind. KOA won the Governor of Nagano Prefecture's Award for companies supporting employees' childrearing in 2010. We also attained a Platinum Kurumin Certification as a company that supports childrearing in April 2017.



(5) 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.

(6) 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 1,800 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.

Developing youth together with the community

Children are critical to the future of local communities. In an effort to help develop youth from Ina Valley in conjunction with the local people, in 2004 KOA, together with the Nagano Employers' Association, prepared a guidebook targeting local businesses on how to hold factory tours. We have visualized the spirit, manners, and skills that we want every elementary school, junior high and senior high school student to master, and have created opportunities to foster their dreams and creativity as independent people. At the same time, we work to cultivate the children's views on work. In this way, we aim to have youth grow roots in the local community. These activities culminated in the Love for One's Hometown Project begun by the government, industry, and academia of Ina Valley in 2014.

KOA has also initiated contact with children on many occasions that include internships and providing lessons on-site at schools.

Some junior high school students who mentioned their desire to join KOA after taking an internship entered the Company a few years after completing technical high school. We are working on the belief that the number will increase of young people who will support the local community and bring it vitality.



Roundtable discussion among young employees and high school students



An inspection during an internship

Active role of graduates from Nanshin Institute of Technology

With the backing of the local government, industry, and academia, Nagano Prefecture's Nanshin Institute of Technology opened a second junior college for engineering in the prefecture in 2016. This college helps to create an environment for acquiring the knowhow, technology, and skills necessary for working with machinery and electricity, while keeping young people aspiring to be engineers in their hometown. We also collaborate closely with companies who are supporting local employment. This is especially important since it has become difficult to secure local talent and in particular engineers who are experts on equipment.

At the institute, KOA provides opportunities for learning to motivated young employees who have graduated from technical high school, which helps nurture their development over a short period and motivates them to take on more active roles.



Atsuya Nakajima

Equipment Technology Development Group
(Joined KOA in 2015),
first term
FY 2017 graduate

● Comment by a graduate

I aspired to become an equipment engineer ever since joining KOA, and applied to the Company for the opportunity to enter a higher-level school.

The curriculum of the mechanical engineering course that I enrolled in focused on creating products in a process that followed a development flow. In particular, we learned about team management. In addition, we learned practical technologies for equipment design and development work. Going forward, I aim to be a driving force in the equipment technology field.

(7) 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 accepts junior and senior high school students for work experience, in addition to supporting Nagano Prefecture's Nanshin Institute of Technology.

(8) 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.

(9) 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.

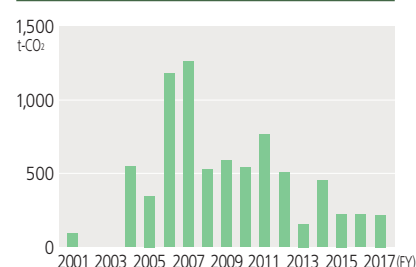
Although it is only in recent times that the term “Earth” has started to appear in connection with corporate activities, for around 30 years KOA has been working to reduce internal environmental risk, create a model for a recycling-oriented society, and foster human resources inside and outside the Company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

Drivers behind improvements: Energy Improvement Committee

KOA's energy conservation initiatives are carried out by all divisions, including production and technology. In recent years, this energy conservation has resulted in an excellent achievement: over 100 improvements every year. The Energy Improvement Committee has the central role in understanding and establishing energy conservation initiatives, looking at new ways to make improvements, and how to contribute to their spread across the organization. The committee is made up of promotion managers from the various business sites in the KOA Group (20 people in FY2018). The committee members, who are experts in energy conservation, inspect business sites, taking on and sharing improvement-related knowhow, and then passing on the required skills.

As the world becomes increasingly decarbonized, it is important to introduce ways to use and create energy without waste while promoting production with better energy efficiency. We receive assistance from outside partners as we look to further strengthen the Energy Improvement Committee.

CO₂ reduction volume



Total improvements (2001~2017)

- No. of improvements: 1,050
- CO₂ reduction volume: Approx. 7,600 t-CO₂



Masami Eto
Manager
Customer Service & Sales
Nagano Area Division
Chubu Electric Power Co., Inc.

● Comment from Chubu Electric Power, which runs energy conservation seminars

Our company provides solution services that include energy conservation support. We assist KOA with various energy saving initiatives, and at the same time, we have been made aware of and learn many new things from KOA. I believe that collaborating with KOA will help us create unprecedented new value. Going forward, we hope to further deepen these activities.



Energy Improvement Committee at a seminar run by Chubu Electric Power

(10) Reducing internal environmental risk

KOA operates a management system nicknamed “Father Sun” that complies with ISO 14001 (2015 edition) to minimize the impact that our 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.

(11) Business management in harmony with the natural environment

In Takumi no Sato, home to our core production site, employees take care of a woodland area to nurture the Himekanaoi plant that the Gifuchou butterfly feeds on, part of activities that are encouraging native butterflies to return. At our Nanakuri no Mori Factory — a model factory at the base of the Misaka Pass, the setting for the Songs of Sakimori (soldiers) in ancient Manyoshu poetry — there is a dining hall based on a motif that uses a saw-tooth roof in the factory wing to maximize natural light, a technique from long ago. A biotope (ecological habitat) has also been built as another way to conserve energy, this time by harnessing the climate of the area. KOA values ensuring harmony between business sites and the local natural environment.

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

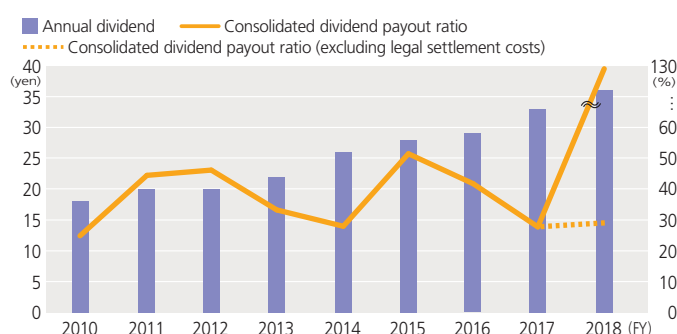
KOA's business sites aim to coexist in harmony with the Earth by making the most of the characteristics inherent in each location. With the help of local people, we are working to create a model for a recycling-oriented society in the Ina Valley that is built around the waterways of the Tenryu River.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

A company that you want to keep supporting

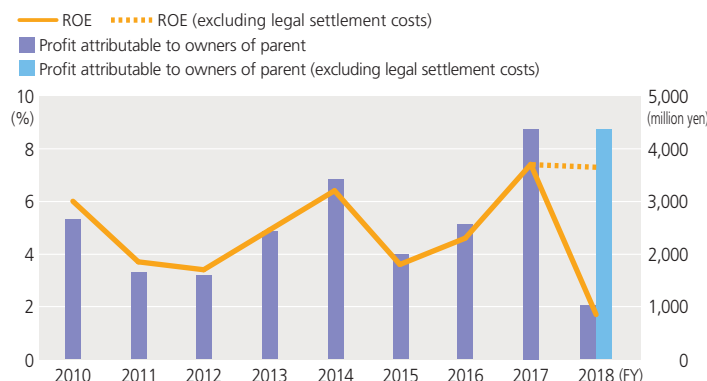
The first promise we make is that we will continuously return profits from business activities to our investors and shareholders. KOA has set a target of achieving our medium-term management plan with a goal of 8% for the return on equity (ROE), and we will actively invest for the future to consistently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



ROE and profit attributable to owners of parent



Perspective of an outside director



Michael John Korver
Director

The resistor industry is a really tough sector for manufacturers to enter, including KOA. Buyers have greater negotiating power, and competition from companies entering the market is intense. KOA has become a leading company in the resistor field by meeting increasingly difficult customer needs (fast delivery of low-cost products with compact design and

exceptional performance) and by ensuring excellent quality in its products and sales processes on the back of consistently high employee abilities and a willingness to succeed. In addition, it is virtually impossible to continually secure a profit ratio like KOA has while meeting the strict requirements of customers that are far bigger in scale. I give top marks to KOA for continuing to generate profit and satisfy customers while consistently providing value to each of the "five stakeholders." Going forward, KOA aims to further evolve as an R&D-oriented company in order to generate sustainable value. KOA is steadily working its way toward this goal.

(13) 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.

(14) 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.

(15) 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

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

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

(Japanese)



Videos on corporate value

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.



KOA from the perspective of Sawakami Asset Management



KOA from the perspective of Dempa Publications



A comfortable and safe workplace



KOA comes to Our Village

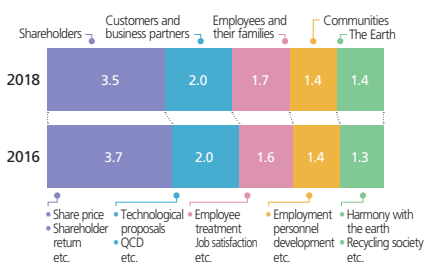


Harmonize with local forests

Findings from our survey on corporate value

KOA holds dialogues with shareholders through a survey as one of its initiative to boost corporate value. We aim to further increase corporate value by improving our other initiatives that reflect the opinions and requests that we receive.

Overall average



Some of the comments we received

I now have a better insight into KOA's corporate mission. I hope to see KOA increase its corporate value and return that value to its many stakeholders.

We have been witnessing different problems lately, such as irregularities in product inspections. I'd like to see KOA place emphasis on crisis management in addition to sound management.

I think KOA is a great company and truly unique in the way it values community ties, employees and their families. I'm sure that creating this kind of environment is a big reason behind its excellent production.

I was shocked, in a good way, to find out that there is a company that includes the Earth as a stakeholder.

I'd like to create a platform for invigorating the community with companies like KOA.

I'd like to see more emphasis placed on developing new technologies and creating new products, while valuing employees.

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.

