

KOA celebrates 80 years in business



Together with our hometown, now and in the future

Koichi Mukaiyama, Chairman



"A nation that forgets its past has no future." These are words of warning we often hear. I believe this holds true for companies as well. The Showa Depression of 1930-1931 struck the Shinshu Ina Valley hard due to its dependence on sericulture (silkworm) farms and silk mills. This economic downturn had a significant impact on the region and occurred approximately 60 years after the Meiji Restoration, in the beginning of Japan's modernization. The world at the time was faced with the Great Depression, which saw the entire globe, including Japan, fall into a recessionary spiral. The silk industry, the sole local industry supporting numerous farmers and local communities, started to decline. Many young people, except for eldest sons, were forced to leave their homes and seek jobs in larger urban centers. In addition, many people left for northeastern China with their entire families as immigrants into Manchuria and Mongolia. They did this because there were no industries in the region or jobs that could support their whole families, aside from the silk industry. At the same time, a young man born and raised in a silk farming family in one of these declining villages took it upon himself to start our company at the age of 26. It was the first ever electronic component business established in our hometown of Ina Valley. Our founder was passionate about creating a local community in Ina Valley where people's livelihoods were based on manufacturing. He did this to protect and enrich agriculture, the agricultural community, and the lives of the farmers who formed the foundation of the region's existence, society, and economy. This was the birth of the idea, "Farming and Manufacturing in One."

Some 80 years have passed since that time.

Throughout that period, we have conducted economic activities and business in the global market as a key part of the electronic component industry. We will continue to be active in Ina Valley, where we got our start, and in other local areas, where we have sites as an integral member of society. We strive to live up to our responsibilities as a member of our planet's ecosystem. We sincerely hope that all of our colleagues and their families stay healthy and well as we push ahead with our sustainable activities with a little extra care and thoughtfulness. KOA will keep moving forward hand in hand with the people in the local community.

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.

As the threat of the novel coronavirus (COVID-19) takes hold around the world, we have been forced to reaffirm the importance of life, something we have perhaps taken for granted. The pandemic is expected to bring about immense changes in society. When facing up and responding to the challenges presented by these changes, we may need to rethink the existential value of KOA. For this reason, we will take a close look at KOA's unique style of continuing to preserve what we view as important as well as KOA's new uniqueness created through what we have learned in the relationships with our five groups of stakeholders. At the same time, we will endeavor to raise corporate value as we head into a new era.

Making our workplace more upbeat and pleasant than anywhere else

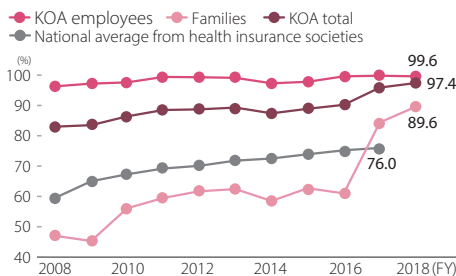
The source of competitiveness and earning power is people. Although expertise may take shape in our equipment, our real strength lies in the ability of every employee to learn and accumulate experience.

KOA's corporate motto is to avoid personnel cutbacks and to 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 education systems that further build on our strengths. Investment in people is the key to raising competitiveness.

For the peace of mind of employees and their families

To create a workplace where employees and their families are healthy and have peace of mind, we are working with KOA Health Insurance Society to promote health from different angles.

Specified health checkup rate



First nationwide in FY2018

KOA has been evaluated highly by the Ministry of Health, Labour and Welfare in a general assessment of insurers relative to health insurance and mutual aid societies throughout Japan (specified health checkup rate, specified health guidance implementation rate, and other action indicators).

message

To prevent the death of employees due to lifestyle-related diseases, we have a specially designed health promotion program called *osensho* based on communicating with employees to make sure they had a medical checkup or in-depth examination. The key to the *osensho* program is to be compassionate to colleagues and to take a little extra care when it comes to the private issue of healthcare.

We collaborate with managers in every workplace on this program to make sure that all employees, including their families, are happy and healthy. KOA's health insurance system was ranked first among health insurance and mutual aid societies nationwide based on a comprehensive evaluation index of national insurer effectiveness. Recognition of our dedication to employees and their families provides us with further motivation to continue taking action.

Yuko Kiriya

Manager at KOA Health Insurance Society



History of the *osensho* program

FY2011: Activities get underway

FY2012: A target of 100% set for employees' health checkup rate, in-depth examination rate, and health guidance

FY2014: Added "health promotion for employees and their families" to the KOA Group Management Policy

FY2017: Started health promotion support program for employees over the age of 60 and their families

Ranked 7th nationwide for specified health checkup rate

FY2019: Started the second stage to increase health awareness and to promote voluntary health activities

The word *osensho* is used in the southern part of Shinshu and means to be compassionate to someone you know.



The campaign character Grandma Osencho is used for this promotions.

1

A safe and secure workplace environment

The turmoil brought about by the spread of the novel coronavirus prompted us to begin activities that consider the health of employees and their families.

In addition to restricting business trips, we are promoting working from home and using IT to ensure that employees can practice safe social distancing while working.

In April, we were able to welcome new recruits, as planned. Employees have been assigned to their work sites and have started work, despite not being able to have an initiation ceremony or group training.

2

Employee treatment (salaries, bonuses)

It is essential to increase the motivation and skill level of each employee to maintain corporate growth and promotions amid tremendous environmental changes. For this reason, 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 idea, the Company changed the personnel system to reward people who boosted individual skills and produced results, irrespective of age, gender or other attributes, with better conditions, while protecting lifetime employment.

3

Motivation (self-realization, education/training)

Amid the growing need for work style reform in response to immense changes, it is extremely important for every employee to see their own career path and to make sure that the steps they take and the work they do are taking them along their path, which is a great way to boost motivation.

We have introduced an extensive support package to help employees achieve self-fulfillment, which includes training, to help envision a clear career path and training so that managers and supervisors promote employee growth.

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 continually generate employment, while also deepening bonds with the local community, since giving back both economically and culturally enables us to maintain strong manufacturing operations.

Bringing vitality to the region through human resource development and ongoing recruitment

We would like KOA to be a place where employees can make their dreams come true. To this reason, we give job seekers, prior to joining us, the opportunity to consider whether they can realize their dreams for the future at KOA and we make every effort to deepen mutual understanding.

Programs for prospective employees to get an idea of working at KOA

Full internship/work experience

We offer a wide range of internship opportunities for all kinds of people, from local junior high school students to university students from other prefectures. In particular, an increasing number of university students are joining the Company after gaining job experience on a 10-day program.

Company and local area bus tour

Several times a year, we provide tours that introduce the Company and give an insight into what the Ina Valley is like, mainly for students from outside the prefecture.

▶ Held three times in FY2019 with 106 participants

Young employees as recruiters

Young employees serve as advisors for applicants, explaining in detail the work content as well as their experiences, motivation, hardships, and the work atmosphere. They also provide job and company explanations at the universities they graduated from.

▶ No. of employee recruiters (FY2020) at science-related universities (51) and arts-related universities (6)

Recruitment and retention rate for past six years

| | Total 2015–2020 |
|--------------------------|-----------------|
| New graduates | 267 |
| Mid-career employees | 40 |
| People with disabilities | 6 |
| Retention rate | 95% |

*As of May 1, 2020

message

I meet a lot of students every year and many of them contact different companies as well. I aim to find people who are a good fit for the Company and who feel motivated to join us. For this reason, we place a high value on the relationship we have with each student and we promote recruitment based on an intense commitment to our personnel.

Saori Nakagawa

HR staff member at the Human Resource Management Center



4

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.

5

Nurturing love for one's hometown

It's a major loss for any region when children grow up and leave the area where they were raised without fully understanding what makes that 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 and the Career Festival program that provides opportunities for children to meet local professionals and hear about and experience local occupations.

6

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 knowhow 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. For this reason, an essential condition for sustainable corporate management is to minimize impact and ensure harmony with the living earth.

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

Connecting forests and lifestyles

The Ina Valley is a major production region for red pine. Being a high-quality pinewood, red pine has been used throughout the ages for the beams in people's homes. Nonetheless, changes in the way of living and a decrease in the self-sufficiency rate of wood in recent years has meant that red pine forests were not being properly maintained. On top of that, a disease called pine blight has led to further deterioration. We are therefore promoting ways to protect red pine forests by incorporating the use of local resources into people's lives.

Neglected pine forests

If forests are properly maintained, they provide a wide range of value for products, fuel, and disaster prevention



From the forest to the town, KOA proposes ways to **enrich people's lives through the forest.**

Forests and lifecycles

We create systems for **maintaining mountain forests by coming up with various ways for them to be used.**

Adding value to red pine



pioneer plants

Red pine furniture
Portable “pioneer plants” furniture



Make use of wood as packaging materials

Plane-shaved, paper-thin wooden sheets called *Shinshu-kyogi Shiki* can be used as alternatives to plastic



Leader training

Solving problems in forest creation at the KOA Forest Management School



Biomass fuel

For use in agricultural greenhouses, offices, and homes

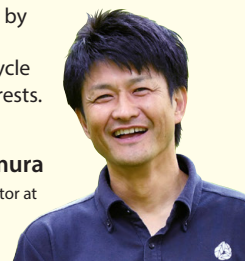
message

Yamatowa Co., Ltd. was established in 2016, inheriting the spirit of the KOA Forest Management School, which has nurtured forest leaders for many years, and KOA's founding spirit, “Farming and Manufacturing in One.”

Although lifestyles change with time, it's not possible to lead an abundant life without nature. We aim to realize a prosperous and sustainable future by reconnecting the bounty provided by the diverse ecosystems of the forest with people's lives.

We believe that by doing this we can create a virtuous cycle with the world's forests.

Hiroshi Nakamura
Representative Director at Yamatowa Co., Ltd.

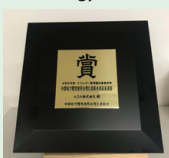


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Reducing internal environmental risk

KOA received the Chubu Electricity Use Rationalization Committee Chairman's Award for FY2019 in recognition of our many years of achievements in energy conservation.

In addition to these achievements, we were highly evaluated for our comprehensive activities that include nurturing leaders in the energy field, disseminating related information locally, and helping to preserve forests.



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Business management in harmony with the natural environment

At Takumi no Sato one of our core production sites, employees take care of a woodland area to nurture a plant called *Asarum takaoi* that the Japanese luehdorfia butterfly (Gifu-cho) feeds on, part of activities that are encouraging native butterflies to return. At Nanakuri no Mori — our 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 harmony between business sites and the local natural environment.

9

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 it was piled up, the 298 tons of copy paper recycled to date would reach twice the height of Mount Fuji.



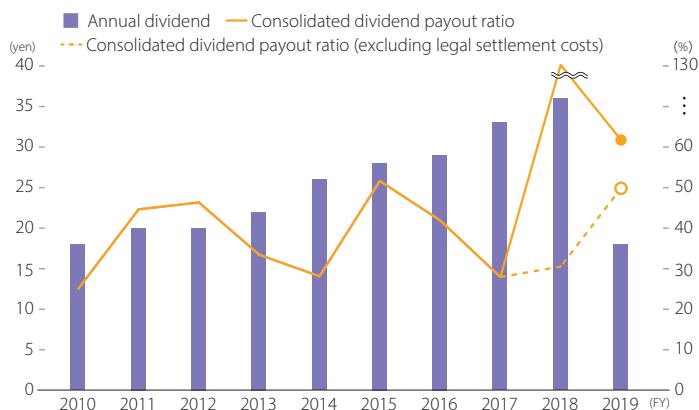
Building trusting relationships with shareholders

A company that you want to keep supporting

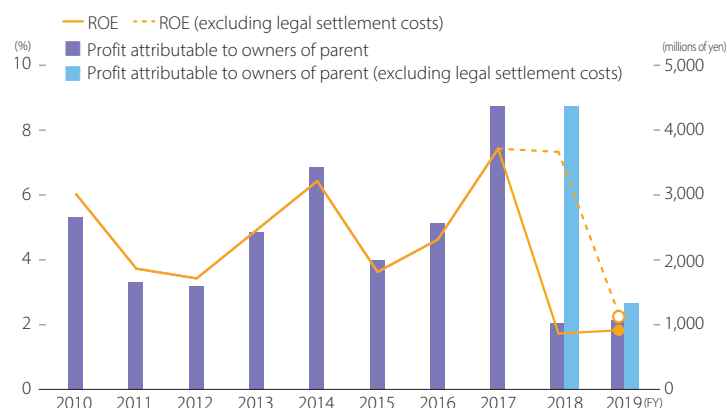
The first promise we make is that we will continually return profits from business activities to our investors and shareholders. KOA has set the target of achieving our medium-term management plan with a goal of 8% for the return on equity (ROE), and we will invest for the future to consistently enhance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

I took up the post of outside director three years ago. During that time, I have been impressed with the attitude of KOA employees every time I visit manufacturing, sales, technological development, and logistics sites in Japan. They always take the time for their fellow workers and the local community, while working diligently and from the customer's standpoint.

KOA places value on relationships of trust with the five groups of stakeholders. Even during discussions at the Board of Directors' meetings, the focus is on maximizing profits for customers and shareholder value as well as boosting the motivation of employees and supporting their families to help achieve these goals, while seeking optimal solutions that consider the local community and preserve the global environment. KOA's corporate philosophy is not simply a bunch of words on show in an expensive frame. Rather, every employee takes the philosophy to heart, and that's the promise the Company makes to the five groups of stakeholders. I believe this is possible because in the 80 years since being founded, all employees have shared a bold mission, enabling KOA to overcome many adversities in the business environment and to grow into a technological company commanding a global market share.

Toru Kitagawa
Outside Director



What we value

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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.

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Share value

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

In 2019, we held roundtable conferences for shareholders. These meetings included briefings from executive officers and social gatherings at venues showcasing KOA's activities, which served to deepen the dialogue between participants and the Company's executives.

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ROE

KOA has formulated a medium-term management plan with the target of 8% for ROE and will work to continually 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

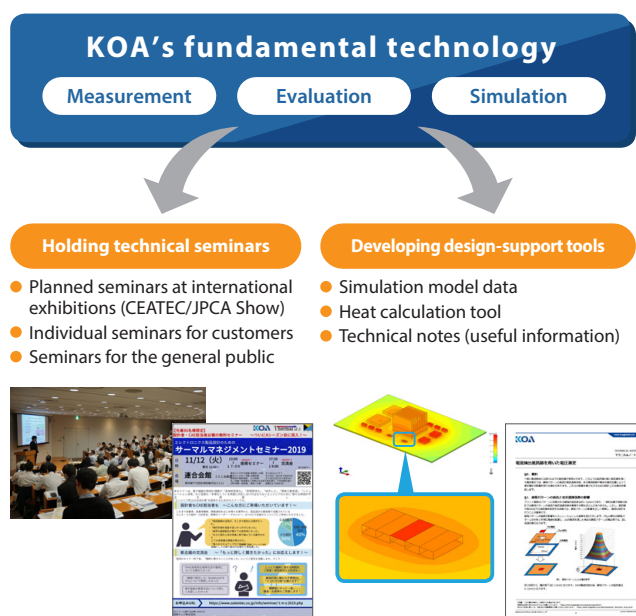
To continually raise the profit ratio over the long term, it is necessary to boost competitiveness, or more specifically, to increase added value. KOA provides profound and distinctive value that others cannot emulate through products, services, and proposal-making.

KOA products maximize these strengths particularly through automotive applications and for sensors. Also, 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.

Creating a safe and secure future with customers

We are getting closer to the realization of a society that offers safer and more secure living through a shift to autonomous driving, the development of service robots, and progress toward an information society. Alongside the miniaturization of electronic components and enhanced density in electronic circuits, which are indispensable to the achievement of such a world, there is a growing need to deal with fast-increasing thermal stress.

At KOA we are playing our part in the realization of a safe and secure future not only by using measurement, evaluation, and simulation technologies (accumulated over many years in the design of our unique products), but also by holding seminars on technology and providing design support tools for circuit design engineers.



message

Thermal Design Laboratory Co., Ltd. was established in 2007 and began providing consulting services for countering heat, mainly for electrical machinery and automotive manufacturers. These manufacturers were not fully aware of the heat-related issues in miniaturized electronic components and I felt that they needed to fundamentally change their design methodology.

I became acquainted with the similar-minded KOA around the same time, and we have been promoting technological development and raising awareness together for the last eight years. Recently, it feels as if our efforts are really starting to bear fruit, and headway has been made for industrial standardization through industry groups. In the electronic component industry going forward, we are confident that manufacturers with a passion for technology, advanced technological capabilities, an ability to reform awareness, and an industry-leading mindset will be the ones best positioned to generate considerable value.

Naoki Kunimine

Technical Advisor to KOA Corporation
and President of Thermal Design
Laboratory Co., Ltd.



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QCD (quality, cost, delivery)

All employees at KOA take part in promoting activities to improve QCD in all operations, not just products and services, in order to raise customer satisfaction, based on the catchphrase "Each item and each piece has our guarantee."

"Each item" represents each process (the aggregates of each job), each task, each piece of equipment, and each movement. "Each piece" represents each product.

We use the phrases "each item" and "each piece" to communicate that we neglect nothing, or that we account for every single thing in pursuing customer satisfaction.

14

Proposal-making strengths (technologies, new products)

To remain a company valued by our customers, we will develop and integrate a wide range of fundamental technologies, such as the equipment design materials processing and analytic evaluation technologies 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 state-of-the-art research institutions and partner companies.

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Mitigating business continuity risk

We set up a countermeasures headquarters to deal with the COVID-19 pandemic and are working as one throughout the Group to ensure business continuity based on our emergency response plan.

We are keeping a close eye on the ever-changing situation and are doing our best to avoid direct contact with people wherever possible while making sure work isn't set back. Our efforts include cancelling events as well as limiting visits to customer sites and face-to-face meetings in our offices.

In addition, we have implemented ways to minimize the impact in case we need to suspend operations, such as limiting the movement of employees between sites.

(As of May 2020)

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

<https://www.koaglobal.com/ir/surveyinfo> (Japanese only)

Videos on corporate value

We have made available video clips that convey KOA's corporate value from a variety of angles through a prologue that describes our mission to create relationships of trust with each of our five groups of stakeholders, interviews with people associated with these stakeholders and executive officer presentations at roundtable conferences for shareholders in 2019.



Executive officer presentation at a roundtable conference for shareholders



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



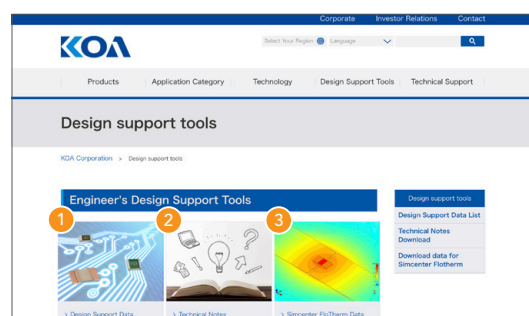
In harmony with local forests

<https://www.koaglobal.com/ir/surveyinfo#categorytitle3> (Japanese only)



Design-support tools providing useful information for engineers

KOA is expanding and improving the information that conveys KOA technology in several ways: tools that support our customers' circuit design, outlining precautions during use, and passing on knowledge via seminars.



1 Design Support Data

This data includes 3D models required for circuit design and data on the attributes of various products.

2 Technical Notes

These materials explain product attributes as well as the precautions necessary when using a resistor.

3 Simcenter FloTherm Data

Simulation model data of KOA's resistors that can be used in the thermal fluid simulator Simcenter FloTHERM.

More detailed version of KOA's Uniqueness Report

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



<https://www.koaglobal.com/corporate/csr/rashisa> (Japanese only)