

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 the five groups of 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 groups of 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 stakeholder groups.



Chairman
Koichi Mukaiyama,
appointed president in 1977

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.



President
Tadao Hanagata,
appointed in 2013

KOA’s Uniqueness Report

Over the past year, the novel coronavirus has left society deeply scarred. In this environment, the words Build Back Better have become a forward-looking slogan shared by many, and the “green shoots” of change can be seen in many places, including countries announcing plans to decarbonize, as well as more emphasis on ESG investing. While recognizing these societal changes, we are moving steadily forward, one step at a time, to Build on KOA’s Uniqueness.

In addition to explaining our CSR initiatives, we hope that the *KOA’s Uniqueness Report* conveys what we have learned in our relationships with our five groups of stakeholders, expresses new elements of what makes KOA unique, and articulates our unique approach to continuing to preserve what we view as important.

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.

Nurturing human resources who understand and can contribute to the issues faced by the region and the world beyond

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 include 17 common goals for international society to be achieved by 2030, and these goals are increasingly attracting global attention. KOA's initiatives for the SDGs began with training for all managers in 2019. By understanding the goals and the societal issues that lie behind the SDGs, we are working to help resolve these issues by developing "yardsticks" that are shared with the region and with our customers.

2019 CSR basic training for managers (SDGs edition)

- Frequency: 13 times in FY 2019
- Target: All employees at level LL and higher and other interested employees in the KOA group in Japan (336 participants)
- Program: Workshops using card games
- Instructor: Mitsuko Sawanishi, Certified Facilitator for 2030 SDGs



Training message: "I'm making a new start too"

By experiencing the world through simulations up to 2030, workshop participants reconsider their relationship with society, and what they can do to make a contribution



Participant feedback

Post-training questionnaire (responses received from 316/336)

- Response rate: 94%; aware of the issues: 82%; putting what was learned into practice: 41%
Around 260 people are aware of the issues in a professional context, of these around half have taken some action

2020 Publication of internal newsletter to promote understanding of the SDGs

When the COVID-19 crisis prevented group training from being implemented in FY 2020, we published an internal newsletter to encourage people to identify with the SDGs. The intent was to combine a discussion of the SDGs with familiar societal issues, such as the meaning of the SDGs, and the issues faced by the region.



Message

Mitsuko Sawanishi

Certified Facilitator
for 2030 SDGs



Having moved to the Ina valley, I encountered the SDGs at a time when I was becoming increasingly interested in societal issues, such as the low birthrate and regional sustainability. I then became the first facilitator in Nagano Prefecture. KOA was one of the first companies in Nagano Prefecture to participate in the SDGs. After I was asked to be an instructor, we determined our approach based on detailed mutual discussions. What is special about using a card game for training is that it allows us to experience, in simulated form, the environmental, social, and economic (ESG) issues facing the world, and to think about them in a more familiar way. What was striking about the participants from KOA was that many went a step further by linking what they learned to taking action, such as considering changes to the way they work or how they might implement programs within their own departments. Going forward, I hope that KOA will continue to take care of the five groups of stakeholders, and by working even harder, move closer to the objective of becoming a company that helps achieve goals at the level of the individual, society, and the planet, fulfilling the potential of KOA's uniqueness.

1

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.

2

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, including the Yume Daigaku and the Career Festival program that provides opportunities for children to meet local professionals and hear about and experience local occupations.

3

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 in 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.

We also support Museum Partner Day at the Nagano Prefectural Museum of History. One day every year is designated as KOA Day at the Museum of History; entrance is free and the Company provides assistance for tour events on that day for elementary school children from the Kamiina area.

Building a trusted relationship with the earth

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.”

As a member of a global society moving toward decarbonization

The Paris Agreement, an international framework for initiatives to combat global warming, aims to limit the average rise in global temperatures to well below 2°C, preferably to 1.5°C, compared with preindustrial revolution levels. In 2020, Japan also declared a commitment to achieving carbon neutrality by 2050. This goal is a significant shift in direction toward a decarbonized society, with the government and private enterprise working together. For 20 years, KOA has been saving energy through initiatives under the direction of the Energy Improvement Committee. To assist the decarbonization movement, we will work on combining this with our own initiatives, such as introducing renewable energy and making contributions at the product level.

Achievements

Received external awards for energy conservation

Actions taken by KOA as a whole over the course of many years have contributed to improvements in energy efficiency, as well as promoting and extending energy conservation. In recognition of these achievements, we received external awards in fiscal 2020, in a continuation of those received in fiscal 2019.

Nanakuri no Mori

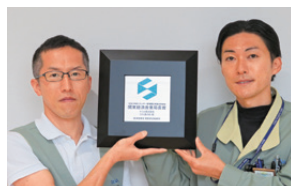
Kanto Bureau of Economy, Trade and Industry's 2020 Director General's Award for Excellence in Energy Management in Business

This award was given in recognition of operational improvements made within a factory designed with energy conservation in mind that began production in 2012 and for ongoing improvements in energy efficiency through the introduction of new technology.

KOA as a whole

Chubu Electricity Use Rationalization Committee's Chairman's Award for FY 2019

This prize recognized KOA's continuing energy conservation initiatives as well as regional activities that serve as a model for other companies, including the KOA Forest Management School.



Hidekazu Takeuchi

Kiyotaka Miyazawa

Voice

Nanakuri no Mori

Kiyotaka Miyazawa

in charge of controlling energy / SIM Group

Hidekazu Takeuchi

Administration Group

It is a great honor to have our efforts to reduce electricity use over the course of many years recognized in this way. Nanakuri no Mori is the largest of our factories in Japan and uses a significant amount of electricity. To promote cost cutting, we have developed several ways to attract people's attention, such as displaying electricity charges at the employee entrance. It is gratifying to think that being awarded this prize will result in further attention to this issue and that progress is being made in our improvement programs.

Until now we have promoted improvements by gaining an understanding of changes in operations, exploring refinements to equipment, and introducing technology that leads to energy conservation. Going forward, our aim is to involve even more employees in our activities. One of our initiatives is to use visualizations of factory operations so that we can see areas with poor efficiency and problems with production, as well as how to improve productivity. In these ways, we are opening the “gate” to further energy conservation.

New initiatives

Beginning to use renewable energy

In March 2021, KOA introduced CO₂-free electricity Shinshu Green Electricity generated in the Shinshu region, under the management of the Nagano Prefecture Public Enterprise Bureau. From the perspective of renewable energy, we are also working to contribute to the region by reducing CO₂ emissions and by generating and consuming power locally.

Three KOA Group factories switch from purchased electricity to renewable energy

- from March 2021: head office and employee restaurant (Shinshu Green Electricity)
- from January 2018: sales office in Germany



4

Internal environmental risk reduction

At KOA, the central pillar of our efforts is internal environmental audits, which we are continuously working to strengthen. By doing so, we spread environmental improvement activities and encourage all employees to participate. These audits have been systematically developed so that at least one internal environmental audit team member is assigned to every department of the KOA Group in Japan. These members now exceed 200, or more than 10% of all employees. Every year, around 80 internal environmental audit members form audit teams, visiting every business location to look for ways to make improvements and to learn from one another, which in turn results in more improvements.

5

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 sawtooth roof in the factory wing to maximize natural light, a technique from long ago. A biotope (ecological habitat) has 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.

6

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.

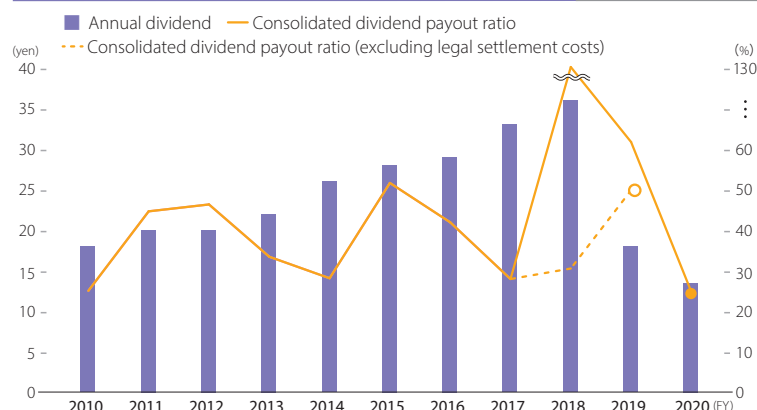
As part of the INA copy paper recycling system started in 1999, we recover and reuse old office paper in cooperation with local companies and organizations. If it was piled up, the 350 tons of copy paper recycled to date would reach twice the height of Mount Fuji.

A company that you want to keep supporting

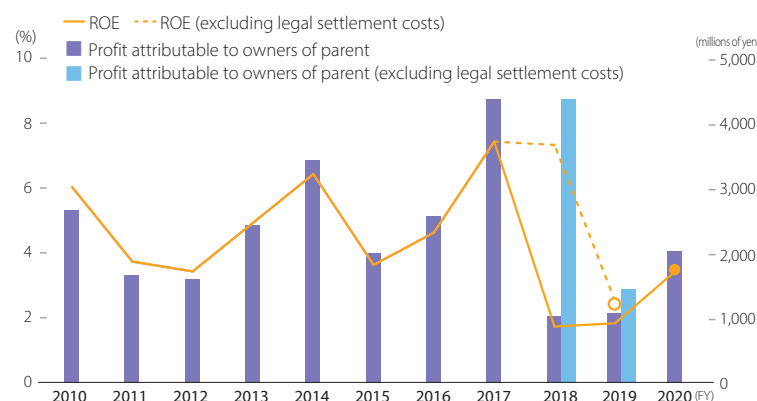
The first promise we make is that we will continually return profits from business activities to our investors and shareholders. KOA has set the target of achieving our medium-term management plan with a goal of 8% for the return on equity (ROE), and we will invest for the future to consistently enhance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

Tetsuro Kamijikkoku
Outside Auditor



When I think about the uniqueness of KOA, I think about the way that KOA cares about people. This is going back some years now, but at the time of the bankruptcy of Lehman Brothers, KOA adopted a policy of protecting employment until all other methods had failed, and over the course of several years managed to overcome the difficulties it faced. Protecting employees and their families is one of the Company's founding principles, and it is essential for building trust with the region, the customers, the shareholders, and in turn the earth that support us. KOA's practices in relation to the environment and society flow naturally from this approach. As a result, KOA anticipated the ESG movement. These principles have been passed down like DNA, and have formed the corporate values of KOA in a way that cannot be achieved overnight.

The basic principles advocated by KOA are compatible with the focus on ESG, the SDGs, and respect for human rights that are required of a modern company. Even when confronted by the unparalleled crisis of the pandemic, KOA did not change the approach of caring about people, instead focusing on the future after COVID-19 and developing strategies to create new value beyond that point—and working together as one to implement them.

7

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.

While keeping in mind a dividend payout ratio target of around 30%, we will pay stable and consistent dividends.

8

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.

Financial results meetings are normally held twice a year, in April and October. In April 2020, the COVID-19 crisis prevented us from holding a meeting, but in October 2020 the format was switched to a telephone conference, with many institutional investors and analysts participating.

9

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

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.

Aiming to create safe, secure, and new added value

The impact of COVID-19 has caused significant changes in the way we communicate and is transforming our workstyles. We are moving ahead with ways to enable employees and their families to live and work with confidence in this environment. These initiatives include developing systems to help people work from home, putting in place, for instance, IT and information security systems, and providing individually tailored support for the health of employees.

Group initiatives COVID-19 countermeasures

Promoting remote working

- Greater Tokyo area: set office occupancy ratio at 30 to 50%
- Standardizing online meetings

Reviewing systems/equipment

- Developing a special leave program
- Lending IP telephones
- Formulating rules for remote work

New approaches to communicating with customers

- Attracting people to online exhibitions hosted by KOA
- Distributing information via technical seminars and videos to convey the distinctive features of KOA products



Online exhibitions
main webpage
(smartphone version)

Voice

Sawako Kanda

Product Management Center



With the COVID-19 pandemic causing wrenching changes to the usual ways to communicate, the past year has been a process of trial and error for providing customers with effective information and for ensuring that they are satisfied. For operations, we are in charge of websites and exhibitions for the product promotion strategy, but when exhibitions were canceled across the board, leading to a loss of our points of contact with customers, there was a genuine sense of crisis. The shift to online exhibitions was the catalyst for us to hold our own exhibitions on the Internet. We developed ways of making the content more polished and substantial, such as by having the employees in charge of the products talk about them.

Because I work in the Greater Tokyo area, I was worried when the state of emergency led to school being suspended for all children. But thanks to the flexibility of the company's decision-making, such as the introduction of a special leave program and remote working, I feel I was able to deal with the situation.

Experiencing such a massive change in workstyles has given me a keener awareness of the need to use time well and to communicate more effectively. Going forward I intend to cooperate with other departments across the company to provide customers with more in-depth product information and to showcase the appeal of KOA products.

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A safe and secure workplace environment

The KOA Health Insurance Society helps to ensure that ways to deal with lifestyle illnesses during the pandemic are not overlooked, as well as to support voluntary and independent initiatives by employees and their families to maintain their health. Under the slogan "Creating a healthy body for yourself," we have promoted maintaining personal health by developing ways for employees and their families to enjoy themselves without coming into close contact with other people. These health programs include bodyweight measuring challenges, walking challenges where you can compare yourself with others and with teams based on distance walked, and the distribution of fitness videos.

11

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 with better conditions, while protecting lifetime employment, to reward people who improved individual skills and produced results, irrespective of age, gender or other attributes.

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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.

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.

➤ Technological developments that improve on the value created by customers

To achieve a sustainable society, electronic components manufacturers are required to make significant changes. In recent years, the role played by electronic components manufacturers has changed from “providing better electronic components” to “working with the customer to provide the optimal electronic components for them.” Going forward, KOA believes that electronic components companies will be required to change further, to “working with customers to create a sustainable society.” For this goal, we are not only developing our own products and technology that will be useful to customers, but we are also developing and making available technology that can be used widely around the world to help realize a sustainable society.

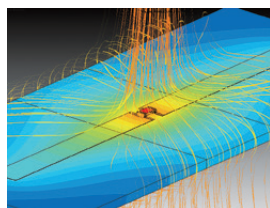
For more effective use
of resources

Promoting simulation technology for all industries

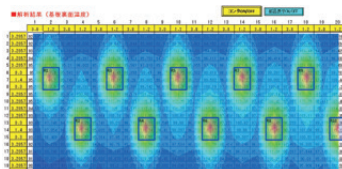
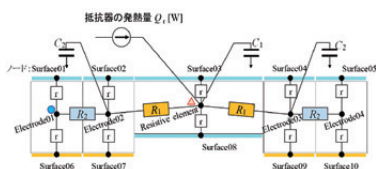
Optimization of thermal design leads to the efficient use of finite resources. Customer requirements are for much of design to be performed in simulators and for product development time to be further shortened. As a result, due to changes in the way they are used, resistors are also seeing growing demand for countering heat.

KOA is promoting research into thermal design that uses simulation technology. This technology helps improve thermal design in the overall electronic components industry through activities such as providing simulation models for our own products online for free as well as developing and distributing our own simple temperature simulator.

Result (right) of using model provided by KOA for use with the Simcenter™ Flotherm™ thermal fluid simulator software, which is widely used around the world, and a schematic (below). The model is included in the standard Flotherm™ library.



Results of analysis from KOA simple temperature simulator running in Microsoft Excel



Message

Hirotohi Aoki

Evaluation Technology
Development Group



The thermal simulation models for countering heat published by KOA are also registered in the standard libraries for the Simcenter™ Flotherm™ software that is used by many people around the globe. It is very satisfying to think that these models are helping people all over the world. Of course, we are able to obtain instant feedback from customers, but when we conducted seminars with user groups, more than 200 people took part and we responded to many questions. This generated interactions among attendees, and I feel that this could reinvigorate the industry.

In the same way that my senior coworkers obtained doctorates as students who also work full-time, I too intend to work diligently so I can develop new technologies at KOA.

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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.

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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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Dealing with 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.

Our basic approach was to control infections by preventing clusters, and we worked to respond to situations that were changing minute by minute to avoid suspending product shipments, wherever possible. We responded flexibly to customers, seeking to maximize performance under constrained conditions through such measures as Internet exhibitions and using IT tools to help people communicate.

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)

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)

Recruiting engineers

KOA is working to strengthen recruitment, and one of the recent initiatives is using our own YouTube channel to publish many videos aimed at recruiting engineers.



These videos provide descriptions of the wide range of work being done by engineers, such as product development, equipment development, technical sales, and technical strategy, as well as detailed explanations of the operations performed by different roles. The videos also contain the comments and opinions of older graduates who are now working in numerous locations, as well as messages from KOA about engineering work and a variety of other content designed to make the Company easier to understand for students searching for employment.



A message from the future: the future is created by you

A message from engineers: a place to make dreams come true



Series on introducing different engineering roles



<https://www.youtube.com/channel/UC5CbQ-DagxVShvJTtUTUa0A> (Japanese only)