

To Our Shareholders with Voting Rights

Tadao Hanagata, President  
**KOA CORPORATION**  
3672, Arai, Ina-shi, Nagano Prefecture, Japan  
Head office: 14016, Oaza-Nakaminowa, Minowa-machi,  
Kamiina-gun, Nagano Prefecture, Japan

**NOTICE OF CONVOCATION  
OF THE 87TH ORDINARY GENERAL MEETING  
OF SHAREHOLDERS**

Dear Shareholder:

Taking this occasion, we would like to express our deep gratitude to you for your good offices.

This is to notify you of the 87th Ordinary General Meeting of Shareholders of KOA CORPORATION to be held as described below. We are looking forward to your attendance at the meeting.

**If you are unable to attend the meeting, you may exercise your voting rights in writing or on the Internet. Please read the reference documents for the Ordinary General Meeting of Shareholders attached at the end and exercise your voting rights by 5 p.m., Friday, June 12, 2015 according to the instructions given on the next page.**

Notice

1. **Date:** 10:00 a.m., Saturday, June 13, 2015
2. **Place:** Meeting Room in KOA Pine Park,  
14016, Oaza-Nakaminowa, Minowa-machi, Kamiina-gun, Nagano Prefecture, Japan
3. **Meeting Agenda**  
**Matters to report:**
  1. The business report, consolidated financial statements as well as the Audit Reports of the Independent Auditors and Board of Corporate Auditors for consolidated financial statements for the 87th fiscal year (from April 1, 2014 to March 31, 2015)
  2. The non-consolidated financial statements for the 87th fiscal year (from April 1, 2014 to March 31, 2015)

**Matters to be resolved:**

- Proposal 1: Appropriation of retained earnings
- Proposal 2: Partial amendment of the Articles of Incorporation
- Proposal 3: Election of nine (9) directors
- Proposal 4: Election of two (2) corporate auditors
- Proposal 5: Election of one (1) substitute corporate auditor

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•For those attending, please present the enclosed Exercise Voting Rights Form at the reception desk upon arrival.

•Any change that may occur in the reference documents for the ordinary general meeting of shareholders, business report, non-consolidated or consolidated financial statements will be reported on the company's Internet website (<http://www.koanet.co.jp/index.htm>).

•The Company participates in the voting rights exercise platform for institutional investors operated by ICJ, Inc.

•This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

### **Instructions on the Exercise of Your Voting Rights**

(1) If you exercise your voting rights by mail

Please indicate your approval or disapproval of each of the proposals on the Exercise Voting Rights Form enclosed herewith and mail the form so as to reach us by the deadline stated above.

(2) If you exercise your voting rights on the Internet

Please read the “Exercising your voting rights on the Internet” stated on pages 56 and 57 and enter your approval or disapproval of each proposal in the form by the deadline stated above.

1) When exercising your voting rights both in writing and on the Internet

If you exercise your voting rights both in writing and on the Internet, we will deem the voting right you exercise on the Internet to be effective.

2) When exercising your voting rights on the Internet more than once

If you exercise your voting rights on the Internet more than once, we will deem the voting right exercised last to be effective.

**(Attached documents with regard to the NOTICE OF CONVOCAATION OF  
THE 87TH ORDINARY GENERAL MEETING OF SHAREHOLDERS)**

**BUSINESS REPORT**

(From April 1, 2014 to March 31, 2015)

**1. Operating Performance**

**(1) Status of Operations in the Fiscal Year Under Review**

**1) Process and Results of Operations**

In the world economy in the consolidated fiscal year under review, while a slow expansion continued in the United States against a backdrop of such factors as an earnings recovery in the corporate sector, an increase in consumer spending, and an improvement in employment conditions, a slow recovery continued in Europe. Meanwhile, in Asia, the Chinese economy entered a period of stable growth in which it continued to decelerate, but overall the Asian economy recovered slowly. Furthermore, in the Japanese economy, a decrease in consumer spending due to the dissipation of rush demand that was experienced prior to the consumption tax rate increase became a factor that exerted downward pressure on growth. However, with an improvement in corporate profits and a rebound in capital investment, the economy continued to recover slowly.

In the electronic parts industry, to which KOA CORPORATION (“the Company” or “we”) and its corporate group (“the Group” or “we”) belong, in Japan, demand for parts for automobiles slumped on the dissipation of rush demand that was experienced prior to the consumption tax rate increase, however demand for parts for industrial equipment recovered slowly. In Asia, although there was a slump in demand for electronic parts for home electronics, such as air conditioners and air purification systems, which had been strong in the first half of the fiscal year, demand for electronic parts for automobiles remained strong. In addition, demand for electronic parts for automobiles in Europe and North America continued to increase.

In this environment, as a result of having pursued activities including an expansion of sales of high-value-added products mainly in markets that emphasize quality and reliability, the Group was able to increase its sales of electronic parts for use in automobiles and industrial equipment. Furthermore, with the weaker yen also having a positive effect, consolidated net sales in the fiscal year under review were ¥46,595 million, an increase of ¥1,700 million, or 3.8%, from the previous fiscal year.

On the profit front, besides the aforementioned increase in net sales, due to continued efforts to reduce costs, the Company’s operating income was ¥3,677 million (up ¥448 million, or 13.9%, year on year), its ordinary income was ¥4,647 million (up ¥833 million, or 21.9%, year on year), and its net income was ¥3,423 million (up ¥992 million, or 40.8%, year on year).

Our track record by region was as follows: in Japan, net sales were ¥40,097 million (up ¥1,765 million, year on year) and regional profit, ¥2,633 million (up ¥351 million, year on year); in Asia, net sales were ¥23,558 million (up ¥1,262 million, year on year) and regional profit, ¥654 million (down ¥15 million, year on year); in the United States, net sales were ¥8,256 million (up ¥793 million, year on year) and regional profit, ¥323 million (up ¥142 million, year on year); and in Europe, net sales were ¥5,176 million (up ¥334 million, year on year) and regional profit, ¥51 million (down ¥134 million, year on year).

The breakdown of our consolidated net sales by product type is as follows:

Product type	Net sales (millions of yen)	Percentage (%)
Resistors	39,796	85.5
ICs and IC-related equipment	1,280	2.7
High-frequency inductors	1,227	2.6
Protective components	2,256	4.8
Others	2,036	4.4
Total	46,595	100.0

## 2) Capital Expenditures

The capital expenditures in the fiscal year under review totaled ¥2,275 million, including those for quality improvements, development of new products and mass-production equipment, etc.

## 3) Financing Activities

Not applicable.

## (2) The Group's Assets and Profit and Loss during the Recent Three Fiscal Years

Item	84th fiscal year (year ended March 31, 2012)	85th fiscal year (year ended March 31, 2013)	86th fiscal year (year ended March 31, 2014)	87th fiscal year Consolidated fiscal year under review (year ended March 31, 2015)
Net sales	¥40,542 million	¥38,962 million	¥44,895 million	¥46,595 million
Ordinary income	¥2,743 million	¥2,243 million	¥3,813 million	¥4,647 million
Net income	¥1,651 million	¥1,589 million	¥2,430 million	¥3,423 million
Net income per share	¥45.04	¥43.34	¥66.28	¥93.33
Total assets	¥57,204 million	¥59,218 million	¥63,979 million	¥69,972 million
Net assets	¥45,604 million	¥47,968 million	¥51,378 million	¥56,356 million
Net assets per share	¥1,241.67	¥1,305.86	¥1,398.78	¥1,534.08

## (3) Status of Important Subsidiaries

### 1) Status of Important Subsidiaries

Company name	Capital stock	Ratio of voting rights (%)	Principal business
KOA ELECTRONICS CO., LTD.	¥400 million	100.0	Manufacture of electronic parts
KOA SPEER HOLDING CORPORATION	US\$1,210	100.0	Sale of electronic parts
KOA DENKO (S) PTE. LTD.	US\$47,333	100.0	Sale of electronic parts
KOA TRADING CO., LTD.	¥10 million	100.0	Sale of electronic parts
SANADA KOA Corporation	¥100 million	100.0	Manufacture of electronic parts
KOA ELECTRONICS (TAICANG) CO., LTD.	RMB143 million	100.0	Manufacture of electronic parts
SHANGHAI KOA ELECTRONICS TRADING CO., LTD.	RMB1,659 thousand	100.0	Sale of electronic parts
KOA DENKO (MALAYSIA) SDN. BHD.	M\$48,104 thousand	100.0	Manufacture of electronic parts
KOA ELECTRONICS (H.K.) LTD.	HK\$1,500 thousand	100.0	Sale of electronic parts
KOA Europe GmbH	EUR766,938	100.0	Sale of electronic parts

## 2) Status of Important Affiliates

Company name	Capital stock	Ratio of voting rights (%)	Principal business
DAH HSING ELECTRIC CO., LTD.	NT\$39,000 thousand	50.0	Sale of electronic parts

### (4) Our Tasks Ahead

As for the future economic outlook, although the world economy as a whole is expected to recover slowly on such factors as the economic expansion in the United States, due to factors including the stagnation of the European economy and the slowdown in the Chinese economy, the uncertainty over the future outlook for the world economy will likely remain high.

In the electronic parts industry that the Group serves, as well, caution will be required regarding the trend of orders received in the next fiscal year. On the profit front, moreover, causes for concern include rising prices of raw materials, as well as exchange rate fluctuations.

With these circumstances in mind, we, as a manufacturer specializing in resistors, will concentrate on the fields where quality and reliability are important factors, particularly onboard equipment, aerospace and health care, and where the market is expected to grow larger by future technological innovation in an effort to satisfy the expectations of our customers.

Concretely speaking, in markets where future growth is expected because of such factors as technological innovation, by strengthening our technical proposal activities and the like and thereby raising our sales ratio of high-value-added products, we will proceed with reforming our business structure and make every effort to improve our business performance. Furthermore, in order to ensure our competitive advantage in markets that demand unparalleled product quality, we have set “Building Zero Defect Flows” as a group-wide target, and we are proceeding with activities to increase quality and reliability. Finally, by continuing with our cost-cutting activities and our activities aimed at substantially improving productivity, we will increase profitability.

### (5) Principal Business Activities (as of March 31, 2015)

The Group’s principal business activities are the development, manufacture and sale of various electronic parts, mainly fixed resistors.

### (6) Principal Offices and Plants (as of March 31, 2015)

#### 1) Principal Offices and Plants of the Company

Head office	Minowa-machi, Kamiina-gun, Nagano Prefecture, Japan (Earth Wing)
Main office	Ina-shi, Nagano Prefecture, Japan (Ina Office)
Branch	Fuchu-shi, Tokyo, Japan (Musashino Kohbo)
Business bases	Meguro; (sales offices): Sendai, Mito, Kumagaya, Tokyo, Musashino, Ina, Shizuoka, Nagoya, Osaka
Plants	East Wing, MINOWA Wing, Minowa, Nishiyama, Chuo, Takuminosato, Nanakurinomori (all in Nagano Prefecture)

2) Subsidiaries

Company name	Address
KOA ELECTRONICS CO., LTD.	Anan-cho, Shimoina-gun, Nagano Prefecture, Japan
KOA SPEER HOLDING CORPORATION	U.S.A.
KOA DENKO (S) PTE. LTD.	Republic of Singapore
KOA TRADING CO., LTD.	Chiyoda-ku, Tokyo, Japan
SANADA KOA Corporation	Ueda-shi, Nagano Prefecture, Japan
KOA ELECTRONICS (TAICANG) CO., LTD.	People's Republic of China
SHANGHAI KOA ELECTRONICS TRADING CO., LTD.	People's Republic of China
KOA DENKO (MALAYSIA) SDN. BHD.	Malaysia
KOA ELECTRONICS (H.K.) LTD.	Hong Kong
KOA Europe GmbH	Federal Republic of Germany

**(7) Employees** (as of March 31, 2015)

1) Employees in the Group

Number of employees	Year-on-year change
3,860 persons	-75 persons

(Note) The above figures are the numbers of employees excluding part-timers.

2) Employees in the Company

Number of employees	Year-on-year change	Average age	Average length of service
1,345 persons	+7 persons	39.9 years of age	16.6 years

(Note) The above figures are the numbers of employees excluding part-timers.

**(8) Major Lenders** (as of March 31, 2015)

Not applicable.

## 2. Status of the Company

### (1) Status of Shares (as of March 31, 2015)

- 1) Number of shares authorized to be issued by the Company: 150,000,000 shares
- 2) Number of outstanding shares: 40,479,724 shares
- 3) Number of shareholders: 6,372 persons
- 4) Major Shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
Credit Suisse AG	3,461	9.44
Nippon Life Insurance Co.	2,226	6.07
The Hachijuni Bank, Ltd.	1,832	4.99
Sompo Japan Nipponkoa Insurance Inc.	1,452	3.96
Credit Suisse AG Singapore Trust A/C For Phycomp Holding B.V.	1,279	3.49
The Master Trust Bank of Japan, Ltd. (trust account)	1,226	3.34
BNP Paribas Wealth Management Hong Kong Branch	1,193	3.25
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000	2.72
Bank Julius Baer And Co. Ltd. Singapore Clients	871	2.37
NEC Corporation	868	2.36

- (Notes) 1. The Company holds 3,801,813 treasury shares, but it is excluded from the major shareholders shown above.
2. The treasury shares held by the Company are omitted from the figures for the ratio of equity participation.



## (2) Status of Company Officers

### 1) Directors and Corporate Auditors (as of March 31, 2015)

Position in the Company	Name	Tasks responsible and important concurrent positions
Representative director and chairman	Koichi Mukaiyama	President, KOA TRADING CO., LTD. Representative Director, DAH HSING ELECTRIC CO., LTD.
Representative director and president	Tadao Hanagata	Director, SANADA KOA Corporation
Managing Director	Kayoko Fukano	In charge of the Management Administration Initiative Director, KOA TRADING CO., LTD. Chairman, KOA SPEER HOLDING CORPORATION Managing Director, KOA Europe GmbH Director, KOA DENKO (S) PTE.LTD. Director, KOA ELECTRONICS (H.K.) LTD. Representative Director, SHANGHAI KOA ELECTRONICS TRADING CO., LTD. Director, DAH HSING ELECTRIC CO., Ltd.
Director	Noriaki Nakata	In charge of the Quality Assurance Initiative, Manufacturing Initiative, and China Business Field Director, KOA ELECTRONICS CO., LTD. Chairman, KOA DENKO (MALAYSIA) SDN. BHD.
Director	Takuo Hayashi	In charge of the Business Structure Reform Initiative and Japan Sales Business Field
Director	Katsuhiko Momose	In charge of the Management Administration Initiative and Kamiina Business Field
Director	Akira Nonomura	In charge of the Business Structure Reform Initiative
Director	Etsuji Yamaoka	In charge of the Manufacturing Initiative, Shimoina Business Field and Minowa Business Field
Director	Michael John Korver	

Position in the Company	Name	Tasks responsible and important concurrent positions
Full-time Corporate Auditor	Kazuo Endo	
Corporate Auditor	Ryoichi Sawa	
Corporate Auditor	Tetsuro Kamijikkoku	Attorney
Corporate Auditor	Nobuyuki Shigemune	

(Notes) 1. Director Michael John Korver is an outside director.

The Company appointed Director Michael John Korver as an independent officer in accordance with the rules of the Tokyo Stock Exchange and the Nagoya Stock Exchange and reported the appointment to both of the stock exchanges.

2. Corporate Auditors Tetsuro Kamijikkoku and Nobuyuki Shigemune are outside corporate auditors. The Company appointed Corporate Auditor Tetsuro Kamijikkoku and Corporate Auditor Nobuyuki Shigemune as independent officers in accordance with the rules of the Tokyo Stock Exchange and the Nagoya Stock Exchange and reported the appointment to both of the stock exchanges.
3. Corporate Auditors Kazuo Endo, Ryoichi Sawa, and Nobuyuki Shigemune have considerable knowledge of financial affairs and accounting, as follows.
  - Corporate Auditor Kazuo Endo has experience as a general manager in charge of the Management Administration Initiative of the Company and is familiar with the Company's financial affairs and accounting as a result of his attendance at various meetings for management analysis, business results examination, and the like.
  - Through his position as the representative director and president of KASHIMA KOA DENKO CO., LTD, one of the Company's subsidiaries, Corporate Auditor Ryoichi Sawa has experienced corporate management and has obtained thorough knowledge of the Company's operations related to financial affairs and accounting.
  - Having held positions such as director and president at a securities company, Corporate Auditor Nobuyuki Shigemune has considerable knowledge of financial affairs and accounting.

2) Compensation, etc. Paid to the Directors and Corporate Auditors

a. Total Amount of the Compensation, etc. Paid in the Fiscal Year under Review

Position	Number of officers	Amount paid
Directors (of whom an outside director)	Nine (one)	¥266 million (¥6 million)
Corporate Auditors (of whom outside corporate auditors)	Four (two)	¥44 million (¥9 million)
Total (of whom outside officers)	Thirteen (three)	¥310 million (¥15 million)

(Notes) 1. The amount of compensation paid to the directors does not include the amount paid to the directors who were also employees as employee's salaries.

2. The provision includes a provision for allowance for officers' retirement bonuses for this fiscal year.
3. The 85th Ordinary General Meeting of Shareholders held on June 15, 2013, resolved that the total amount of compensation for the directors should be up to ¥350 million in one year (excluding salaries as employees).
4. The 70th Ordinary General Meeting of Shareholders held on June 13, 1998, resolved that the total amount of compensation for the auditors should be up to ¥70 million in one year.
5. In addition to the provisions above, in accordance with a resolution of the 86th Ordinary General Meeting of Shareholders held on June 14, 2014, the amounts of final retirement bonuses that are expected to be paid in conjunction with the abolishment of the officers' retirement bonus system are as follows. Please note that these amounts include the amounts for the allowance for officers' retirement bonuses that was disclosed in the business report for this fiscal year and the previous fiscal year.

- ¥610 million for eight directors (including ¥ -- million for -- outside directors )
- ¥5 million for one corporate auditor (including ¥ -- million for -- outside corporate auditors)

b. Total Amount of the Compensation, etc. that the Outside Officers Received from the Parent Company, Subsidiary, etc.

The total amount of the compensation, etc. that the Company's outside directors and outside corporate auditors received in the fiscal year under review from the parent company, subsidiary, etc. for which they served as officers was ¥2 million.

3) Matters Regarding the Outside Officers

a. Important Concurrent Positions in Other Corporations, etc. as Managers and the Relations between the Company and Such Other Corporations, etc.

There are no relations to be disclosed between the Company and the corporations, etc. for which the Company's outside directors and outside corporate auditors serve concurrently.

b. Main Activities of the Outside Officers during the Fiscal Year under Review

	Main Activities
Director, Michael John Korver	Mr. Michael John Korver attended 11 of the 13 meetings of the Board of Directors that were held in the fiscal year under review. He expressed his opinions based mainly on his abundant knowledge and long experience as a specialist in corporate strategies and a manager for an investment company, and he gave advice and offered proposals for ensuring the appropriateness and adequacy of the decisions made at the meetings of the Board of Directors.
Corporate Auditor, Tetsuro Kamijikkoku	Mr. Tetsuro Kamijikkoku attended all of the 13 meetings of the Board of Directors, and all of the 13 meetings of the Board of Corporate Auditors, held in the fiscal year under review. He expressed his opinions mainly from the specialist viewpoint of an attorney, and gave advice and offered proposals for ensuring the appropriateness and adequacy of the decisions made at the meetings of the Board of Directors. In addition, Mr. Kamijikkoku made appropriate and necessary remarks in the exchange of opinions about the audit results, consultations about matters to be audited, etc. at the meetings of the Board of Corporate Auditors.
Corporate Auditor, Nobuyuki Shigemune	Mr. Nobuyuki Shigemune attended all 13 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors that were held in the fiscal year under review. Mainly by expressing opinions based on experience and deep insight gained over many years of involvement in management of a financial institution, he voiced opinions to ensure the adequacy and appropriateness of decision-making at the meeting of the Board of Directors. In addition, Mr. Shigemune made appropriate and necessary remarks in the exchange of opinions about the audit results, consultations about matters to be audited, etc. at the meetings of the Board of Corporate Auditors.

(Note) In addition to the aforementioned number of times that meetings of the Board of Directors were held, based on Article 370 of the Companies Act and Article 28 of the Company's Articles of Incorporation, there was one written resolution that was deemed a resolution by the Board of Directors.

c. Outline of the Limited Liability Contract

Under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company and outside officers signed a limited liability contract, which limits the liability for damages provided for in Article 423, Paragraph 1, of the Companies Act.

The limited liability contract provides that the maximum liability for damages of the outside officer to the Company under such contract shall be ¥5 million or the amount provided for in the laws and ordinances, whichever is higher.

**(3)Status of the Independent Auditor**

1) Name: Grant Thornton Taiyo LLC

(Note) As of October 1, 2014, Grant Thornton Taiyo ASG LLC changed its name to Grant Thornton Taiyo LLC.

2) Amount of Compensation, etc.

	Amount of compensation, etc.
Amount of compensation, etc. for the independent auditor for the fiscal year under review	¥39 million
Total amount of the money and other financial benefits to be paid by the Company and its subsidiaries to the independent auditor	¥39 million

(Notes) 1. The audit contract between the Company and the independent auditor does not clearly distinguish the compensation, etc. for the audit under the Companies Act from the compensation, etc. for the audit under the Financial Instruments and Exchange Act, and it is virtually impossible to distinguish these compensations, etc. Because of this, the amounts stated in the table above are the totals of these compensation, etc.

2. The Company's overseas subsidiaries are audited by the certified public accountant (or the independent auditor) other than the Company's independent auditor.

3) Non-auditing Services

Not applicable.

#### 4) Policy of the Dismissal or Non-reappointment of Independent Auditors

The Board of Corporate Auditors shall, by comprehensively taking into account such factors as the independence and integrity of the independent auditor as prescribed in the laws and regulations and standards, etc., as well as any other circumstances relating to the independent auditor's performance of its duties, decide on the reappointment or non-reappointment of the independent auditor.

If there is a problem in an independent auditor's performance of its duties, the Board of Corporate Auditors shall, if it deems necessary, approve the contents of a proposal concerning the independent auditor's dismissal or non-reappointment that is submitted to the general meeting of shareholders. Furthermore, if an independent auditor is deemed to correspond to any provision prescribed in each item of Article 340, Paragraph 1, of the Companies Act, the Board of Corporate Auditors shall, with the consent of all the corporate auditors, dismiss the independent auditor. In this case, a corporate auditor selected by the Board of Corporate Auditors shall, at the first general meeting of shareholders convened after the dismissal, report the independent auditor's dismissal and the reason thereof.

(Note) With the "Act for Partial Amendment of the Companies Act" (Act No. 90 of 2014) taking effect on May 1, 2015, the decision-making body for a proposal concerning the dismissal or non-reappointment of an independent auditor has been changed from the Board of Directors to the Board of Corporate Auditors.

#### **(4) Systems for Ensuring the Proper Performance of the Director's Duties and the Company's Business**

The decisions made about the systems for ensuring that the performance of the director's duties conforms to laws and ordinances and to the Articles of Incorporation and for ensuring the proper conduct of the Company's business are outlined below:

##### **1) System for Ensuring that the Performance of the Director's and Employee's Duties Conforms to Laws and Ordinances and to the Articles of Incorporation**

- The Ethics and Compliance Committee has been established and makes the code of conduct and the guidelines for conduct known to every person in the Company so as to promote the maintenance of and improvement in company-wide compliance systems and to cause them to closely observe laws and ordinances and the Articles of Incorporation.
- The personnel affairs and education division provides training programs in cooperation with other related divisions in order to spread compliance ideas among all the directors and employees.
- The Company has formulated the "Whistleblower System Regulation" and will promptly detect and take necessary steps against any dishonest, illegal, unethical or other similar acts committed by an organization or an individual.
- The Company will never yield to any unreasonable demand from any antisocial power or organization and will take a resolute attitude to such power or organization.

##### **2) System for Keeping and Managing Information about the Fulfillment of the Directors' Duties**

The information about the fulfillment of the directors' duties is recorded on paper or electromagnetic media and is kept and managed properly and securely in accordance with the "Regulations of Document Management."

##### **3) Regulations for the Management of the Risk of Losses and Other Related Systems**

- The possible risks of the Company are analyzed, the risk management system has been created to cope with each risk, the "Risk Management Regulations" have been established as the basic policy for risk management, and efforts are made to prevent losses in advance.
- Each director responsible promotes improvement in the risk management system in each section and reports the activities of the system to the Board of Directors.
- In the event of a contingency, headquarters for countermeasures will be established directly under the president and will take prompt action to minimize damage.

##### **4) System for Ensuring that the Directors' Duties Are Efficiently Fulfilled**

- The Company makes decisions on important matters at its board meetings and supervises the conduct of business by the directors. To strengthen the functions of the Board of Directors and to increase its business efficiency, the Company holds management strategy meetings, where it makes decisions flexibly on matters concerning the conduct of business and on important matters. In addition, it holds consolidated management strategy meetings where responsible people in the subsidiaries attend, as well. The subjects discussed and decided at these meetings include how to achieve the goals, checking of the conduct of business and steps to solve the management problems common to the Group.

- As for the conduct of daily business, the Company delegates authority to the sections concerned according mainly to the Regulations for Division of Duties so that the responsible person at each stage of the organization can conduct business efficiently.
- 5) System for Ensuring that the Group Composed of the Company and Its Parent Company and Subsidiaries Conduct Their Business Properly
- The Company formulates the “Regulations for the Management of Affiliates” and appoints a director in charge of each of its affiliates, who is responsible for the management of the affiliate, in accordance with the Regulations.
  - The director in charge of each of the affiliates works to flexibly manage the affiliate and to achieve mutual growth and reports important information about the affiliate to the Company’s Board of Directors.
- 6) Matters Related to Employees to Assist Duties of Corporate Auditors When So Requested by Corporate Auditors and the Independence of Such Employees from Directors
- The corporate auditor will, if necessary, appoint an employee as an assistant, to help the auditor in his duties. The auditor should consult with the directors about the appointment, change and merit rating of such employees.
  - If the employee is given a direction or an order by the corporate auditor concerning auditing work, he does not have to follow any direction or order regarding such work from any director or any other employee.
- 7) System for a Director’s or an Employee’s Report to the Corporate Auditor, for Other Reports to the Corporate Auditor and for Ensuring that the Corporate Auditor’s Audit Is Conducted Effectively
- The director should, if he finds any matter provided for in the law or any fact likely to cause great damage to the Company, immediately report such matter or fact to the corporate auditor.
  - The corporate auditor will, if necessary, hold a meeting for an exchange of opinions about such matter or fact with the Company’s management and with the independent auditor, respectively.
- 8) System for Ensuring the Reliability of Financial Reports
- The Company formulated the “Internal Control Basic Regulations over Financial Reporting” to ensure the reliability of financial reports and establishes, operates and evaluates the internal control system in accordance with the Basic Regulations.



**(5) Basic Policy Regarding the Control of the Company**

**1) Basic Policy Regarding the Ideal Method of the Person Controlling the Decisions of the Company's Financial and Business Policies**

The Company respects the free trading of its shares in the market. It does not unconditionally disapprove of large purchases of its shares by particular persons as long as those purchases increase the corporate value of the Company itself and enhance shareholder interests. Furthermore, the Company believes that a decision on whether or not to accept a proposal for a large purchase of shares should ultimately be left up to the shareholders.

However, among large purchases of shares, there may be some that do not contribute to the corporate value of the target company or, by extension, to the common interests of its shareholders. Such purchases include those that, in light of their purposes, would damage corporate value and, by extension, the common interests of shareholders; those that, in effect, might compel shareholders to sell their shares; and those that do not provide sufficient time or information to the target company's Board of Directors and shareholders to consider the terms and conditions of the purchase of shares or sufficient time or information to allow the target company's Board of Directors to propose an alternative proposal.

The Company believes that the persons who control decisions on the Company's financial and business policies must be those persons who fully understand the sources of the Company's various corporate values, including the corporate culture of the Company and a solid relationship of trust with stakeholders, and who ensure and enhance the corporate value of the Company and common interests of its shareholders in the medium-to-long term. Therefore, the Company believes that a person who would make a large-scale acquisition in a manner that might harm the corporate value of the Company and the common interests of its shareholders would be inappropriate as a person who controls decisions on the Company's financial and business policies.

**2) Special Activities Contributing to the Effective Use of the Company's Assets, the Formation of a Proper Business Group and the Implementation of Other Basic Policies**

The Company was established in 1940 when the founder started the business with high additional value as a way to earn hard cash in the Inadani area of Nagano Prefecture, which had been an exhausted and poor village depending mainly on silk cultivation. Since then the Company has continued its production activities in this area and has established competitive advantages through accumulation of steady improvements and engineering developments competing against overseas rivals with low production cost in order to "protect our employment by ourselves," and has grown into a global company with a worldwide share for fixed resistors. The Company believes that the source of the Company's corporate value is in the enthusiastic corporate culture, which is to diligently inherit the above-mentioned "spirit of the founder," to take strong root in Japan and other countries it serves in the true sense and to make untiring efforts to improve the corporate value while building a relationship of trust.

The Company made an early start in its business in China, North America and Southeast Asia and later in Europe and constructed a global marketing and sales network. In addition, the Company has ensured international competitiveness in manufacturing through the KPS (KOA Profit System), the participation-by-all improvement activities that we have been working on continuously since the second half of the 1980s. At the same time, the Company has cemented the firm trust relationship with customers focusing on further improvement of quality and reliability. Furthermore, in its history of over 70 years as a fixed resistor specialist manufacturer, the Company has accumulated fundamental technologies, which are the process technology of thick films and thin films, materials technology and production and control technology. The Company has gained great trust from customers in terms of sufficient lineup of products and quality and thus maintained an advantage over rival companies.

Since the Great East Japan Earthquake in 2011, the electronics industry has changed dramatically in relation to two points. The first has been the industry's response to the paradigm shift in the energy field, which was triggered by the nuclear issue. Amid sharply rising energy prices, a response to renewable energy as well as technologies for more precise energy management are required. By forecasting the technologies and products that will be required in the markets that will come into existence ahead of these changes, the Company is investing management resources in order to respond appropriately.

In addition, in terms of monetary amounts, the Company has for many years maintained a structure in which its domestic production ratio exceeds 70% and its export ratio exceeds 60%. Although the yen's trading level since 2013 is expected to continue in the long term, this is a major opportunity for the Company. The Company intends to keep itself in the thick of the competition by utilizing Japan's domestic strengths in manufacturing to carry out production of high-quality and high-reliability products that are unique to Japan.

The second point is pressure from customers for business continuity. In the case of the Great East Japan Earthquake, the existence of vulnerable points of supply chains in unanticipated places was revealed. For this reason, with respect to Japan's manufacturing, resilience against disasters and the taking of absolute responsibility for supplying products to customers is required. In addition, demands for high reliability of quality are becoming increasingly intense. Through the problem of recalls of Japanese automobiles in the United States, we saw with our own eyes that, if the response to a problem makes a single misstep, the company as well as the entire supply chain will be greatly affected. In order to be respected by our customers worldwide and to continue being a company that we can be proud of in areas including product quality as well as business continuity and CSR, we have enhanced our company structure and are undertaking various measures.

Through its efforts for product development, the Company will proceed with expanding its product line to respond to customer needs. The product line includes noise suppression components with high energy resistance and excellent responsive performance, which are required for automotive applications; temperature sensors that can be used in high-temperature environments; resistors with improved sulfide resistance; high-precision low resistors suitable for detection of large currents; limiting and discharging resistors that can be used at high electric power; resistors with excellent long-term reliability; and small-sized fuses with excellent environment resistance. In the field of sustainable energy, with the visualization of electric power as a keyword, the Company will work on improvement in low resistors for detection of electric currents and high-precision resistors for voltage detection. In addition to this, the Company is also focusing on developing ultra-thin passive components for parts incorporating boards, which are the next-generation mounting technology. The Company will improve the organization capable of responding fully to the ever-increasing demand of the market for quality, performance and functionality, and promote high-value product development and research and development activities through reinforcement of collaboration with external bodies that utilize advanced technologies.

The Company regards its five stakeholders, i.e., shareholders, customers and business partners, employees and their family members, local communities and the earth as the entities that support the Company, and regards establishing bonds of trust with each of these stakeholders as the mission of the Company. The Company will continue to aim at ensuring and enhancing corporate value and the common interests of shareholders. The Company believes that these efforts will contribute to the realization of the Basic Policy mentioned above.

### **3) Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Viewed as Inappropriate under the Basic Policy**

The Company considers that, if a proposal for large-scale share purchase is made by a tender offeror, it will not necessarily be easy for the Company's shareholders to determine the impact of the purchase on the Company's corporate value and, by extension, the common interests of shareholders even after sufficiently understanding the Company's tangible and intangible management resources, potential effects of the measures looking at the future in the medium-to-long term, and other various factors comprising the Company's corporate value. Therefore, at the 80th Ordinary General Meeting of Shareholders held on June 14, 2008, the Company's Board of Directors received approval to introduce the "plan for countermeasures to be taken against large-scale acquisitions of the shares of the Company (takeover defense measures)" in order to deter purchases that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders by ensuring that the necessary time and information are made available for the shareholders to decide whether or not to accept the proposal or for the Company's Board of Directors to present alternative proposals to the shareholders and by enabling the Board of Directors to negotiate with the tender offeror for the benefit of the shareholders if an acquisition of the shares of the Company is launched. At the 83rd Ordinary General Meeting of Shareholders held on June 18, 2011, and at the 86th Ordinary General Meeting of Shareholders held on June 14, 2014, after having amended some of the contents of the plan, the Company's Board of Directors received approval to continue the plan.

The Company's Board of Directors considers that this plan for countermeasures was introduced for the purpose of securing the Company's corporate value and, in turn, the common interests of its shareholders and is in accordance with the Basic Policy stated above.

Also, the fairness and objectivity of the Plan are guaranteed mainly because it was adopted by the resolution at the Company's general meeting of shareholders and is based on the intentions of our shareholders, since the Independent Committee has been established and the Committee's judgments have been regarded as important and also the rational and objective requirements for the Plan's application have been established. In addition, it has been decided that this Plan may be abolished by the decision at the Company's general meeting of shareholders or by the Board of Directors composed of the directors elected at the Company's general meeting of shareholders. Thus, the Plan has high-level rationality and contributes to the corporate value of the Company and, in turn, the common interests of its shareholders, and is not intended to maintain the positions of the Company's officers.

## Consolidated Balance Sheet

(As of March 31, 2015)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current Assets</b>	<b>39,329</b>	<b>Current Liabilities</b>	<b>9,047</b>
Cash and deposits	18,619	Notes and accounts payable - trade	4,181
Notes and accounts receivable - trade	12,279	Electronically recorded obligations - operating	160
Electronically recorded monetary claims - operating	325	Short-term borrowings	161
Securities	1,057	Accrued income taxes	679
Merchandise and finished goods	2,516	Accrued expenses	1,255
Work in process	1,952	Accrued employees' bonuses	1,319
Raw materials and supplies	748	Other current liabilities	1,289
Deferred tax assets	994	<b>Fixed Liabilities</b>	<b>4,567</b>
Corporation tax refunds receivable, etc.	19	Long-term borrowings	424
Other current assets	853	Long-term accounts payable - other	645
Allowance for doubtful accounts	-36	Deferred tax liabilities	1,377
<b>Fixed Assets</b>	<b>30,642</b>	Net defined benefit liability	1,739
<b>Tangible fixed assets</b>	<b>22,519</b>	Allowance for officers' retirement bonuses	90
Buildings and structures	8,211	Other fixed liabilities	290
Machinery, equipment and vehicles	6,197	<b>Total Liabilities</b>	<b>13,615</b>
Tools, furniture and fixtures	430	<b>Net Assets</b>	
Land	6,739	<b>Shareholders' Equity</b>	<b>53,656</b>
Construction in progress	940	Capital stock	6,033
<b>Intangible fixed assets</b>	<b>540</b>	Capital surplus	9,012
<b>Investments and other assets</b>	<b>7,582</b>	Retained earnings	41,267
Investments in securities	4,006	Treasury shares	-2,656
Deferred tax assets	107	<b>Total Amount of Other Comprehensive Income</b>	<b>2,609</b>
Long-term deposits	1,467	Valuation difference on available for sale securities	1,370
Insurance reserve fund	1,439	Foreign currency translation adjustments	1,188
Other investments	609	Remeasurements of defined benefit plans	51
Allowance for doubtful accounts	-48	<b>Minority Interests</b>	<b>89</b>
<b>Total Assets</b>	<b>69,972</b>	<b>Total Net Assets</b>	<b>56,356</b>
		<b>Total Liabilities and Net Assets</b>	<b>69,972</b>

(Note) The above figures are rounded down to the nearest ¥1 million.

# **Consolidated Statement of Income**

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>46,595</b>
<b>Cost of sales</b>		<b>32,957</b>
<b>Gross profit</b>		<b>13,638</b>
<b>Selling, general and administrative expenses</b>		<b>9,960</b>
<b>Operating income</b>		<b>3,677</b>
<b>Non-operating income</b>		
Interest income	68	
Dividends income	57	
Investment profit by the equity method	86	
Foreign exchange gains	380	
Other	623	1,216
<b>Non-operating expenses</b>		
Interest expense	17	
Other	228	246
<b>Ordinary income</b>		<b>4,647</b>
<b>Extraordinary income</b>		
Gain on sales of fixed assets	2	2
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	8	
Impairment loss	28	37
<b>Income before income taxes and minority interests</b>		<b>4,612</b>
Income taxes current	1,240	
Income taxes deferred	-56	1,183
Income before minority interests		3,429
Minority interests in consolidated subsidiaries		6
<b>Net income</b>		<b>3,423</b>

(Note) The above figures are rounded down to the nearest ¥1 million.

## Consolidated Statement of Changes in Shareholders' Equity, etc.

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,033	9,012	39,127	-2,655	51,517
Cumulative effect of changes in accounting policies			-403		-403
Restated balance	6,033	9,012	38,724	-2,655	51,114
Changes during current period					
Dividends of surplus			-880		-880
Net income			3,423		3,423
Treasury shares acquired				-0	-0
Net changes in items other than shareholders' equity during current period					
Total changes during current period	—	—	2,542	-0	2,542
Balance at the end of current period	6,033	9,012	41,267	-2,656	53,656

	Total amount of other comprehensive income				Minority interests	Total net assets
	Valuation difference on available for sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total amount of other comprehensive income		
Balance at the beginning of current period	611	-504	-319	-212	72	51,378
Cumulative effect of changes in accounting policies						-403
Restated balance	611	-504	-319	-212	72	50,974
Changes during current period						
Dividends of surplus						-880
Net income						3,423
Treasury shares acquired						-0
Net changes in items other than shareholders' equity during current period	759	1,692	370	2,822	16	2,839
Total changes during current period	759	1,692	370	2,822	16	5,381
Balance at the end of current period	1,370	1,188	51	2,609	89	56,356

(Note) The above figures are rounded down to the nearest ¥1 million.

## Notes to the Consolidated Financial Statements

### 1. Notes on Important Basic Matters for the Preparation of Consolidated Financial Statements

#### (1) Scope of Consolidation

##### 1) Consolidated Subsidiaries

- Number of consolidated subsidiaries: 15 companies
- Names of the principal consolidated subsidiaries:  
KOA ELECTRONICS CO., LTD., KOA TRADING CO., LTD., KOA DENKO (S) PTE. LTD. SANADA KOA Corporation, KOA ELECTRONICS (TAICANG) CO., LTD., KOA SPEER HOLDING CORPORATION and KOA DENKO (MALAYSIA) SDN. BHD.

##### 2) Non-consolidated Subsidiaries

- Number of non-consolidated subsidiaries: 3 companies
- Names of the principal non-consolidated subsidiaries:  
WUXI KOA ELECTROCERAMICS CO., LTD. and JAPAN ELECTRONIC APPLICATIONS CO., LTD.
- Reason for exclusion from consolidation:  
The three non-consolidated subsidiaries were excluded from the scope of consolidation because all of them are small-sized companies and their total assets, net sales, net income or loss (the amount in accordance with the equity), retained earnings (the amount in accordance with the equity), etc. had no significant impact on the consolidated financial statements.

#### (2) Application of the Equity Method

##### 1) Non-consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

- Number of the affiliates accounted for by the equity method: 1 company
- Name of the company accounted for by the equity method:  
DAH HSING ELECTRIC CO., LTD.

##### 2) Non-consolidated Subsidiaries Not Accounted for by the Equity Method

- Names of the main companies not accounted for by the equity method:  
WUXI KOA ELECTROCERAMICS CO., LTD. and JAPAN ELECTRONIC APPLICATIONS CO., LTD.
- Reason for exclusion from the equity method:  
The above two companies have not been accounted for by the equity method because their net income or loss (the amount in accordance with the equity), retained earnings (the amount in accordance with the equity), etc. would have no significant impact on the consolidated financial statements and were not very important as a whole.

##### 3) Special Notes regarding the Application of the Equity Method

As for the financial statements of the companies accounted for by the equity method that employed a different fiscal year from the consolidated fiscal year, we used the fiscal year of such companies for their financial statements.



(3) Fiscal Year, etc. of the Consolidated Subsidiaries

The account closing date of SHANGHAI KOA ELECTRONICS CO., LTD., KOA ELECTRONICS (TAICANG) CO., LTD., and SHANGHAI KOA ELECTRONICS TRADING CO., LTD., which are among the consolidated subsidiaries, is December 31. The consolidated financial statements of these subsidiaries were prepared using the financial documents dated as of December 31. However, the adjustments needed for consolidation were made for all the important transactions that took place between this date and the consolidated closing date.

(4) Accounting Standards

1) Valuation Basis and Methods for Significant Assets

a. Held-to-maturity Securities:

Amortized cost method

b. Available-for-sale Securities

• Marketable securities classified as available-for-sale securities:

Market value method based on market price, etc. as of the end of the fiscal year under review (The valuation balance is valued by the total net assets method, and the cost of securities sold is determined by the moving-average method.)

• Non-marketable securities classified as available-for-sale securities:

Cost method based on the moving-average method

c. Derivative Transactions:

Market value method

d. Inventories:

Mainly the cost method based on the moving-average method

(The values stated in the balance sheet were calculated by the method of reducing the book value according to lowered profitability.)

2) Depreciation Method of Significant Depreciable Assets

a. Tangible Fixed Assets (excluding Lease Assets):

Mainly the declining-balance method.

However, the straight-line method has been adopted for the buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998.

b. Intangible Fixed Assets (excluding Lease Assets):

Straight-line method

c. Lease Assets:

The straight-line method was used regarding the lease period as the service life and the residual value as zero.

3) Accounting Standards for Principal Reserves and Allowances

a. Allowance for Doubtful Accounts:

The allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is provided for possible bad debt at the amount estimated based on the past bad debt experience for general receivables and at the uncollectible amounts determined by reference to the collectibility of individual doubtful receivables for doubtful receivables and other specific receivables. That of our overseas consolidated subsidiaries is provided mainly for uncollectible amounts determined by reference to the collectibility of the specific receivables.

b. Accrued Employees' Bonuses:

The accrued employees' bonuses are provided for the payment of employees' bonuses based on the estimated amounts to be paid in the future.

c. Allowance for Officers' Retirement Bonuses:

The allowance for officers' retirement bonuses is provided for the possible payment of officers' retirement bonuses in an amount required at the end of the fiscal year under review in accordance with the Regulations for Officers' Retirement Bonuses.

(Additional information)

At the Ordinary General Meeting of Shareholders held in June 2014, the Company resolved to pay a final retirement bonus in conjunction with the abolishment of the officers' retirement bonus system. As a result, "Allowance for officers' retirement bonuses" is reduced, and the unpaid final retirement bonus amount of ¥615 million is recorded in "Other current liabilities" under "Current Liabilities" and in "Long-term accounts payable – other" under "Fixed Liabilities."

4) Policies concerning the Conversion of Assets or Liabilities in Foreign Currencies into Those in the Japanese Currency

Assets and liabilities in foreign currencies are converted into yen at the spot exchange rate on the consolidated closing date and the translation balance is treated as a loss or gain. The assets and liabilities of our overseas consolidated subsidiaries are converted into yen at the spot exchange rate on the consolidated closing date, and the income and expenses, at the average annual exchange rate for each period. The translation balance is recorded in "Foreign currency translation adjustments" and "Minority interests" in the "Net Assets" section.

5) Method of important hedge accounting

a. Method of hedge accounting

Deferred hedge accounting has been adopted. For the hedging of exchange risks, so-called "furiate" processing is used if the requirements for this processing are fulfilled.

b. Hedging instruments and hedged assets

Hedging instruments: Exchange contracts

Hedged assets: Foreign currency-denominated receivables from the export of products and foreign currency-denominated payables from the import of products

c. Hedging policy

To minimize exchange risks, we carry out hedging within the scope of the hedged assets.

d. Method of assessing the validity of hedging

We consider that hedging has a high validity because the important conditions of exchange contracts, our hedging instruments, and those of scheduled foreign currency-denominated export and import transactions are the same.

6) Other Important Matters for the Preparation of Consolidated Financial Statements

a. Method of accounting for retirement benefits

i.) Method of attributing estimated retirement benefits

In calculating its retirement benefit obligation, the benefit formula basis is applied

for the method of attributing the estimated retirement benefits to the period until the end of the fiscal year under review.

ii.) Method of amortizing actuarial gain or loss, prior service cost, and obligation at transition

The Company is amortizing an obligation at transition (¥996 million) on a straight-line basis over 15 years.

The Company is amortizing prior service cost on a straight-line basis over a certain number of years (13 years) within the average remaining service years of employees at the time of incurrence.

As for actuarial gains or losses, proportional amounts based on a certain number of years (mainly 10 years) within the average remaining service years of employees when a gain or loss occurs in a consolidated fiscal year are amortized beginning in the consolidated fiscal year following the fiscal year of incurrence.

b. Accounting of consumption taxes, etc.:

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of the consumption taxes. But non-deducted consumption tax, etc. is posted as a cost for the consolidated fiscal year under review.

(5) Changes in the accounting policy

(Application of Accounting Standard for Retirement Benefits)

From the consolidated fiscal year under review, the Company is applying Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, May 17, 2012; hereinafter, “Retirement Benefits Accounting Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter, Retirement Benefits Guidance) based on the main text of Retirement Benefits Accounting Standard, Paragraph 35, and the main text of Retirement Benefits Guidance, Paragraph 67. The Company has revised its calculation method for retirement benefit obligation and service cost and switched from a straight-line basis to a benefit formula basis for its method of attributing expected retirement benefits. In addition, for its method of determining the discount rate, it has switched from the method of using a discount rate based on the number of years approximating the average remaining service years of its employees to the method of using a single weighted average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of expected retirement benefits in every such period.

With regard to application of the Retirement Benefits Accounting Standard, etc., in accordance with the transitional provisions prescribed in the Retirement Benefits Accounting Standard, Paragraph 37, at the beginning of the consolidated fiscal year under review, the affected amount resulting from the change of the calculation method of retirement benefit obligation and service cost has either been added to or subtracted from retained earnings.

As a result, the net defined benefit liability at the beginning of the consolidated fiscal year under review increased ¥618 million, and retained earnings decreased ¥403 million. Furthermore, the impact on operating income, ordinary income, and income before income taxes and minority interests in the consolidated fiscal year under review is negligible.

## 2. Notes to the Consolidated Balance Sheet

- |   |                 |
|---|-----------------|
| (1) Total Amount of Depreciation of Tangible Fixed Assets | ¥43,509 million |
| (2) Amount of Discounts of Notes Receivables              | ¥183 million    |

## 3. Notes to the Consolidated Statement of Changes in Shareholders' Equity, etc.

### (1) Total Number of Outstanding Shares

Type of shares	Number of outstanding shares at the beginning of the consolidated fiscal year under review	Number of outstanding shares increased in the consolidated fiscal year under review	Number of outstanding shares decreased in the consolidated fiscal year under review	Number of outstanding shares at the end of the consolidated fiscal year under review
Common shares	40,479,724 shares	— shares	— shares	40,479,724 shares

### (2) Number of Treasury Shares

Type of shares	Number of outstanding shares at the beginning of the consolidated fiscal year under review	Number of outstanding shares increased in the consolidated fiscal year under review	Number of outstanding shares decreased in the consolidated fiscal year under review	Number of outstanding shares at the end of the consolidated fiscal year under review
Common shares	3,801,285 shares	528 shares	— shares	3,801,813 shares

(Note) The increase in common treasury shares of 528 shares was due to the purchase of less-than-one-voting-right shares.

### (3) Appropriation of Retained Earnings

#### 1) Dividends Paid, etc.

a. Dividends decided at the 86th Ordinary General Meeting of Shareholders held on June 14, 2014

- Total amount of dividends: ¥440 million
- Amount of dividends per share: ¥12.00
- Date of record: March 31, 2014
- Effective date: June 16, 2014

b. Dividends decided at the meeting of the Board of Directors held on October 20, 2014

- Total amount of dividends: ¥440 million
- Amount of dividends per share: ¥12.00
- Date of record: September 30, 2014
- Effective date: December 1, 2014

#### 2) Dividends Whose Date of Record Belongs to the Consolidated Fiscal Year under Review But that Become Effective in the Next Consolidated Fiscal Year

At the 87th Ordinary General Meeting of Shareholders scheduled for June 13, 2015, we will propose the payment of dividends as follows:

- Total amount of dividends: ¥513 million
- Funds for dividends Retained earnings
- Amount of dividends per share: ¥14.00
- Date of record: March 31, 2015
- Effective date: June 15, 2015

#### 4. Notes on Financial Instruments

##### (1) Status of Financial Instruments

The Group limits the management of its funds mainly to short-term deposits and the like and raises necessary funds by borrowings from banks and other financial institutions.

The Group reduces customer credit risk for notes receivable, accounts receivable, and electronically recorded monetary claims - operating by performing due date management and credit management. Our investments in securities are mainly those in stocks, and we check the market price of the listed stocks we hold every quarter.

The uses of the Company's borrowings are working capital (mainly short-term) and capital expenditure funds (long-term).

Our derivative transactions are the exchange contract transactions aiming at hedging part of the foreign exchange fluctuation risks related to foreign currency operating receivables and payables, and we make it a policy to conduct derivative transactions within the actual demand according to the Risk Management Regulations.

##### (2) Market Value of Financial Instruments, etc.

The amount posted in the consolidated balance sheet, market value and difference between them as of March 31, 2015 (consolidated closing date for the fiscal year under review) are as shown in the table below. The items whose market value is considered to be very difficult to estimate are excluded from the table (See Note 2 below).

(Millions of yen)

	Amount recorded in the consolidated balance sheet (*1)	Market value (*1)	Difference
1) Cash and deposits	18,619	18,619	—
2) Notes and accounts receivable - trade (*2)	12,279	12,279	—
3) Electronically recorded monetary claims - operating	325	325	—
Allowance for doubtful accounts (*2)	(36)	(36)	—
4) Securities and Investments in securities	12,569	12,569	—
Held-to-maturity securities	450	468	18
Available-for-sale securities	3,678	3,678	—
5) Notes and accounts payable - trade	(4,181)	(4,181)	—
6) Electronically recorded obligations - operating	(160)	(160)	—
7) Short-term borrowings	(161)	(161)	—
8) Long-term borrowings	(424)	(438)	14

(\*1) The items recorded as liabilities are shown in parentheses.

(\*2) We subtract an allowance for doubtful accounts for notes and accounts receivable, and electronically recorded monetary claims - operating.

(Note 1) Method of calculating the market value of financial instruments and the matters concerning securities and derivative transactions

1) Cash and deposits; 2) Notes and accounts receivable - trade; and 3) Electronically recorded monetary claims - operating

The market value of these items is roughly equal to their book value because they are settled in a short period. Therefore, their market value is stated using their book value.

4) Securities and Investments in Securities

(Held-to-maturity securities)

The market value of held-to-maturity securities is calculated using the price presented by our financial institutions. The amount posted in the consolidated balance sheet, market value and difference between them by type are as stated in the table below. There are no held-to-maturity securities sold during the consolidated fiscal year under review.

(Millions of yen)

	Type	Amount posted in the consolidated balance sheet	Market value	Difference
Held-to-maturity securities with a market value higher than the amount posted in the consolidated balance sheet	Others	450	468	18
Held-to-maturity securities with a market value below the amount posted in the consolidated balance sheet	Others	—	—	—
Total		450	468	18

(Available-for-sale securities)

The market value of available-for-sale securities is based on the price at the stock exchange as for stocks. The difference between the amount posted in the consolidated balance sheet and the acquisition cost is as shown in the table below.

(Millions of yen)

	Type	Acquisition cost	Amount posted in the consolidated balance sheet	Difference
Available-for-sale securities with an amount posted in the consolidated balance sheet higher than the acquisition cost	Stocks	648	2,664	2,015
Available-for-sale securities with an amount posted in the consolidated balance sheet below the acquisition cost	Stocks	10	7	−3
Total		659	2,671	2,011

The “acquisition cost” stated in the table above is the book value after applying impairment accounting. There are no marketable securities whose purpose of holding was changed during the consolidated fiscal year under review.

Please note that, since some marketable securities, such as MMF (¥1,007 million), are settled in a short period of time, the market price approximates the book value. Therefore, the book value is applied.

5) Notes and accounts payable - trade, 6) Electronically recorded obligations - operating, and 7) Short-term borrowings

The market value of these items approximates their book value because they are settled in a short period. Therefore, they are stated using their book value.

8) Long-term Borrowings

The market value of long-term borrowings is calculated by discounting the sum of the principal and interest by the interest rate supposed for newly made borrowings.

(Note 2) The non-listed stocks (amount posted in the consolidated balance sheet: ¥935 million) have no market price and their future cash flows cannot be estimated, making it very difficult to check their market value. Therefore, these stocks are not included in “5) Investments in Securities, Available-for-sale securities” above.

(Note 3) Planned amount of redemption of monetary claims and securities with maturity after the consolidated closing date

(Millions of yen)

	Redeemable within one year	Redeemable over one year but within five years
Cash and deposits	18,619	—
Notes receivable, accounts receivable, and electronically recorded monetary claims - operating	12,569	—
Securities and investments in securities		
Held-to-maturity securities	1,057	400
Total	32,246	400

(Note 4) Planned amount of repayment of long-term borrowings after the consolidated closing date

(Millions of yen)

Over one year but within two years	Over two years but within three years
401	22

**5. Notes on the Information about Amounts per Share**

(1) Amount of Net Assets per Share	¥1,534.08
(2) Net Income per Share	¥93.33

**6. Other notes**

There is nothing to be stated here.



# Non-consolidated Balance Sheet

(As of March 31, 2015)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
<b>Current Assets</b>	<b>22,728</b>	<b>Current Liabilities</b>	<b>7,478</b>
Cash and deposits	7,042	Notes payable-trade	145
Notes receivable-trade	1,451	Electronically recorded obligations - operating	944
Electronically recorded monetary claims - operating	322	Accounts payable-trade	4,033
Accounts receivable-trade	11,629	Accounts payable-other	510
Merchandise and finished goods	207	Accrued employees' bonuses	890
Work in process	902	Other current liabilities	955
Raw materials and supplies	274	<b>Fixed Liabilities</b>	<b>2,510</b>
Other current assets	898	Long-term accounts payable - other	592
Allowance for doubtful accounts	-0	Allowance for employees' retirement benefits	1,121
<b>Fixed Assets</b>	<b>27,463</b>	Other fixed liabilities	796
<b>Tangible fixed assets</b>	<b>11,947</b>	<b>Total Liabilities</b>	<b>9,988</b>
Buildings	4,470	<b>Net Assets</b>	
Structures	284	<b>Shareholders' Equity</b>	<b>38,882</b>
Machinery and equipment	2,082	<b>Capital stock</b>	<b>6,033</b>
Vehicles	29	<b>Capital surplus</b>	<b>11,261</b>
Tools, furniture and fixtures	111	Legal capital surplus	11,261
Land	4,161	<b>Retained earnings</b>	<b>24,243</b>
Construction in progress	807	Legal retained earnings	916
<b>Intangible fixed assets</b>	<b>100</b>	Other retained earnings	23,327
Software	84	Reserve for advanced depreciation of fixed assets	868
Other intangible fixed assets	16	General reserve	16,040
<b>Investments and other assets</b>	<b>15,415</b>	Retained earnings brought forward	6,418
Investments in securities	2,930	<b>Treasury shares</b>	<b>-2,656</b>
Investments in stocks of subsidiaries	9,457	<b>Valuation and translation adjustments</b>	<b>1,321</b>
Long-term loans receivable for subsidiaries	171	Valuation difference on available for sale securities	1,321
Other investments	2,969	<b>Total Net Assets</b>	<b>40,204</b>
Allowance for doubtful accounts	-113	<b>Total Liabilities and Total Net Assets</b>	<b>50,192</b>
<b>Total Assets</b>	<b>50,192</b>		

Note: The above figures are rounded down to the nearest ¥1 million.

# **Non-consolidated Statement of Income**

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>39,075</b>
<b>Cost of sales</b>		<b>32,433</b>
<b>Gross profit</b>		<b>6,642</b>
<b>Selling, general and administrative expenses</b>		<b>4,497</b>
<b>Operating income</b>		<b>2,144</b>
<b>Non-operating income</b>		
Interest income	2	
Dividends income	553	
Foreign exchange gains	339	
Other	563	1,458
<b>Non-operating expenses</b>		
Interest expense	0	
Other	50	50
<b>Ordinary income</b>		<b>3,552</b>
<b>Extraordinary income</b>		
Gain on sales of fixed assets	1	1
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	2	
Impairment loss	8	11
<b>Income before income taxes</b>		<b>3,542</b>
Income taxes current	776	
Income taxes deferred	116	892
<b>Net income</b>		<b>2,649</b>

(Note) The above figures are rounded down to the nearest ¥1 million.

# **Non-consolidated Statement of Changes in Shareholders' Equity, etc.**

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings					Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
						Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current period	6,033	11,261	—	11,261	916	668	11,040	10,229	22,854	-2,655	37,494
Cumulative effect of changes in accounting policies								-380	-380		-380
Restated balance	6,033	11,261	—	11,261	916	668	11,040	9,849	22,474	-2,655	37,114
Changes during current period											
Dividends of surplus								-880	-880		-880
Provision of reserve for advanced depreciation of fixed assets						163		-163	—		—
Reversal of reserve for advanced depreciation of fixed assets						-4		4	—		—
Increase in reserve due to effective tax rate change						41		-41	—		—
Provision of general reserve							5,000	-5,000	—		—
Net income								2,649	2,649		2,649
Treasury shares acquired										-0	-0
Net changes in items other than shareholders' equity during current period											
Total changes during current period	—	—	—	—	—	200	5,000	-3,431	1,769	-0	1,768
Balance at the end of current period	6,033	11,261	—	11,261	916	868	16,040	6,418	24,243	2,656	38,882

	Valuation and translation adjustments	Total net assets
	Valuation difference on available for sale securities	
Balance at the beginning of current period	578	38,072
Cumulative effect of changes in accounting policies		-380
Restated balance	578	37,692
Changes during current period		
Dividends of surplus		-880
Provision of reserve for advanced depreciation of fixed assets		—
Reversal of reserve for advanced depreciation of fixed assets		—
Increase in reserve due to effective tax rate change		—
Provision of general reserve		—
Net income		2,649
Treasury shares acquired		-0
Net changes in items other than shareholders' equity during current period	743	743
Total changes during current period	743	2,511
Balance at the end of current period	1,321	40,204

(Note) The above figures are rounded down to the nearest ¥1 million.

## **Notes to the Non-consolidated Financial Statements**

### **1. Notes on matters relating to the important accounting policies**

#### **(1) Valuation Basis and Methods for Assets**

##### **1) Securities of Subsidiaries and Affiliates:**

Cost method based on the moving-average method

##### **2) Available-for-sale Securities**

###### **• Marketable securities classified as available-for-sale securities:**

The market value method based on market price, etc. as of the end of the fiscal year  
(The valuation balance is valued by the total net assets method, and the cost of securities sold is determined by the moving-average method.)

###### **• Non-marketable securities classified as available-for-sale securities:**

The cost method based on the moving-average method

##### **3) Inventories**

###### **• Merchandise and finished goods, raw materials, and work in progress:**

The cost method based on the moving-average method  
(For the values stated in the balance sheet, the method of reducing the book value according to lowered profitability)

###### **• Stores:**

The cost method based on the last invoice cost method  
(For the values stated in the balance sheet, the method of reducing the book value according to lowered profitability)

#### **(2) Depreciation Method of Fixed Assets**

##### **1) Tangible Fixed Assets (excluding Lease Assets):**

The declining-balance method. However, the straight-line method has been adopted for the buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998.

##### **2) Intangible Fixed Assets**

###### **• Software for own use:**

The straight-line method based on the usable period in the Company (five years)

###### **• Other intangible fixed assets:**

The straight-line method

##### **3) Lease Assets:**

The straight-line method was used regarding the lease period as the service life and the residual value as zero.

##### **4) Long-term Prepaid Expenses:**

The straight-line method

#### **(3) Accounting Standards for Reserves and Allowances**

##### **1) Allowance for Doubtful Accounts:**

The allowance for doubtful accounts is provided for possible bad debt at the amount estimated based on the loan loss ratio for general receivables and at the uncollectible amounts determined by reference to the collectibility of individual doubtful receivables for doubtful receivables and other specific receivables.

##### **2) Accrued Employees' Bonuses:**

The accrued employees' bonuses are provided for the payment of employees' bonuses based on the estimated amounts to be paid in the future.

3) Allowance for Employees' Retirement Benefits:

The allowance for employees' retirement benefits is provided for the possible payment of employees' post-retirement benefits at the amount to be accrued at the end of the fiscal year under review, and is calculated based on the retirement benefit obligation and the fair value of pension plan assets at the end of the fiscal year under review.

The accounting methods for the Company's allowance for employees' retirement benefits and for its retirement benefit expenses are as follows.

a. Method of attributing expected retirement benefits

In calculating its retirement benefit obligation, the Company applies the benefit formula basis as the method of attributing its expected benefit payments to the period until the end of the fiscal year under review.

b. Method of amortizing actuarial gains or losses

As for actuarial gains or losses, proportional amounts based on a certain number of years (10 years) within the average remaining service years of employees when a gain or loss occurs in a fiscal year are amortized beginning in the fiscal year following each fiscal year of incurrence.

(4) Method of important hedge accounting

1) Method of hedge accounting

Deferred hedge accounting has been adopted. For the hedging of exchange risks, so-called "furiate" processing is used if the requirements for this processing are fulfilled.

2) Hedging instruments and hedged assets

Hedging instruments: exchange contracts

Hedged assets: foreign currency-denominated receivables from the export of products and foreign currency-denominated payables from the import of products

3) Hedging policy

To minimize exchange risks, we carry out hedging within the scope of the hedged assets.

4) Method of assessing the validity of hedging

We consider that hedging has a high validity because the important conditions of exchange contracts, our hedging instruments, and those of scheduled foreign currency-denominated export and import transactions are the same.

(5) Other Important Matters for the Preparation of Financial Statements

1) Method of accounting for retirement benefits

The accounting methods for unrecognized actuarial gains and losses related to retirement benefits differ from the accounting methods used in the consolidated financial statements. On the non-consolidated balance sheet, the Company recognizes, in allowance for employees' retirement benefits, the amount obtained by subtracting the amount of pension assets from the amount obtained by adding or subtracting unrecognized actuarial gains and losses to or from the retirement benefit obligation.

2) Accounting of consumption taxes, etc.

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of the consumption taxes. However non-deducted consumption tax, etc. is posted as a cost for the fiscal year under review.

(6) Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

From the fiscal year under review, the Company is applying Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012); hereinafter, "Retirement Benefits Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter, Retirement Benefits Guidance) based on the main text of Retirement Benefits Accounting Standard, Paragraph 35, and the main text of Retirement Benefits Guidance, Paragraph 67. The Company has revised its calculation method for retirement benefit obligation and service cost and switched from a straight-line basis to a benefit formula basis for its method of attributing expected retirement benefits. In addition, for its method of determining the discount rate, it has switched from the method of using a discount rate based on the number years approximating the average remaining service years of its employees to the method of using a single weighted average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of expected retirement benefits in every such period.

With regard to application of the Retirement Benefits Accounting Standard, etc., in accordance with the transitional provisions prescribed in the Retirement Benefits Accounting Standard, Paragraph 37, at the beginning of the fiscal year under review, the affected amount resulting from the change of the calculation method of retirement benefit obligation and service cost has either been added to or subtracted from retained earnings.

As a result, the net defined benefit liability at the beginning of the fiscal year under review increased ¥582 million, and retained earnings decreased ¥380 million. Furthermore, the impact on operating income, ordinary income, and income before income taxes in the fiscal year under review is negligible.

(7) Additional Information

(Allowance for Officers' Retirement Bonuses)

At the Ordinary General Meeting of Shareholders held in June 2014, the Company resolved to pay a final retirement bonus in conjunction with the abolishment of the officers' retirement bonus system. As a result, the allowance for officers' retirement bonuses is reduced, and the unpaid final retirement bonus amount of ¥615 million is recorded in "Accounts payable – trade" under "Current Liabilities" and in "Long-term accounts payable – other" under "Fixed Liabilities."

## 2. Notes to the Non-consolidated Balance Sheet

(1) Total Amount of Depreciation of Tangible Fixed Assets ¥21,734 million

(2) Contingent Liability

The Company guarantees the borrowings from financial institutions, etc. of its affiliates as follows:

Koa Kasei Co., Ltd. ¥291million

(3) The Company's monetary claims against and liabilities for its affiliates are as follows:

1) Short-term monetary claims ¥7,775 million

2) Short-term monetary liabilities ¥2,677 million

3) Long-term monetary claims ¥171 million

## 3. Note to the Statement of Income

The Company's transactions with its affiliates:

1) Operating transactions (income) ¥24,957 million

2) Operating transactions (expenses) ¥16,868 million

3) Non-operating transactions (income) ¥567 million

## 4. Note to the Statement of Changes in Shareholders' Equity, etc.

Number of treasury shares

Type of shares	Number of treasury shares at the beginning of the fiscal year under review	Number of treasury shares increased in the fiscal year under review	Number of treasury shares decreased in the fiscal year under review	Number of treasury shares at the end of the fiscal year under review
Common shares	3,801,285 shares	528 shares	— shares	3,801,813 shares

(Note) The increase in treasury shares of 528 shares was due to the purchase of less-than-one-voting-right shares.

## 5. Note on Tax Effect Accounting

The main causes of deferred tax assets are an excess over the upper limit to the accrued employees' bonuses included in expenses and an excess over the upper limit to the allowance for employees' retirement benefits included in expenses, and the main causes of the occurrence of deferred tax liabilities are reserve for advanced depreciation of fixed assets and valuation difference on available-for-sale securities.



## 6. Notes on Transactions with Parties Interested

Subsidiaries, etc.

Status	Name	Capital stock or money invested (¥million)	Business	Ownership of voting rights, etc. (ownership ratio (%))	Relations		Transactions	Amount of transactions (¥million)	Account item	Term-end balance (¥million)
					Officer's post held, etc.	Business relations				
Subsidiary	KOA ELECTRONICS CO., LTD.	400	Electronic parts business	Direct ownership: 100	2	The Company's supplier	Purchase of products	3,755	Accounts payable-trade and electronically recorded obligations -operating	747
Subsidiary	KOA TRADING CO., LTD.	10	Electronic parts business	Direct ownership: 100	3	The Company's main customer	Sale of the Company's products	2,028	Accounts receivable-trade and notes receivable-trade	917
Subsidiary	KOA DENKO (MALAYSIA) SDN.BHD.	1,928	Electronic parts business	Direct ownership: 35.6 Indirect ownership: 64.4	1	The Company's supplier	Purchase of products	2,892	Accounts payable-trade	507
Subsidiary	KOA ELECTRONICS (TAICANG) CO., LTD.	1,898	Electronic parts business	Direct ownership: 79.0 Indirect ownership: 21.0	3	The Company's supplier	Purchase of products	3,723	Accounts payable-trade	432
Subsidiary	KOA SPEER ELECTRONICS, INC.	0.1	Electronic parts business	Indirect ownership: 100	2	The Company's main customer	Sale of the Company's products	5,817	Accounts receivable-trade	1,527
Subsidiary	KOA Europe GmbH	98	Electronic parts business	Direct ownership: 55 Indirect ownership: 45	1	The Company's main customer	Sale of the Company's products	3,824	Accounts receivable-trade	1,620
Subsidiary	KOA DENKO (S) PTE. LTD.	10	Electronic parts business	Direct ownership: 100	1	The Company's main customer	Sale of the Company's products	3,828	Accounts receivable-trade	1,034
Subsidiary	KOA ELECTRONICS (H.K.) LTD.	21	Electronic parts business	Direct ownership: 100	2	The Company's main customer	Sale of the Company's products	4,941	Accounts receivable-trade	1,150
Subsidiary	SHANGHAI KOA ELECTRONICS TRADING CO., LTD.	22	Electronic parts business	Direct ownership: 50 Indirect ownership: 50	3	The Company's main customer	Sale of the Company's products	2,432	Accounts receivable-trade	697
Affiliate	DAH HSING ELECTRIC CO., LTD.	276	Electronic parts business	Direct ownership: 50	2	The Company's main customer	Sale of the Company's products	1,086	Accounts receivable-trade	547

(Notes) 1. While the figures in the “Amount of transactions” column include no consumption taxes, etc., those in the “Term-end balance” column include consumption taxes, etc.

2. The terms of transactions, etc. with the above companies were determined using market prices, etc. for reference.

## 7. Notes on the Information about Amounts per Share

(1) Amount of Net Assets per Share ¥1,096.15

(2) Net Income per Share ¥72.23

## 8. Other notes

There is nothing to be stated here.

**Certified Copy of the Independent Auditors' Report on the Consolidated Financial Statements**

**INDEPENDENT AUDITORS' REPORT**

May 2, 2015

To the Board of Directors  
KOA CORPORATION

Grant Thornton Taiyo LLC  
Tatsuya Arai, CPA Seal  
Designated Partner, Engagement Partner  
Tetsuya Ishihara, CPA Seal  
Designated Partner, Engagement Partner

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements for the consolidated fiscal year from April 1, 2014 to March 31, 2015 of KOA CORPORATION; that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to the consolidated financial statements.

**Responsibility of the Company's management for consolidated financial statements**

The responsibility of the Company's management is to prepare and present properly consolidated financial statements in accordance with the accounting standards generally accepted in Japan. This includes establishing and operating the internal control that the management considers necessary in order to prepare and present properly such consolidated financial statements free of any material misstatement due to dishonesty or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements as independent auditors on the basis of the audit we conducted. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we draft an audit plan and conduct an audit based on such plan in order to obtain reasonable reassurance about whether the consolidated financial statements and their supporting schedules are free of any material misstatement.

In our audit, we perform the procedure for obtaining audit evidence as to the amounts and disclosure of the consolidated financial statements. The audit procedure is selected and used, according to our judgment, on the basis of the assessment of the risk of material misstatements on the consolidated financial statements due to dishonesty or error. Although the purpose of our audit is not to express our opinion on the validity of the internal control, we examine the internal control relating to the preparation and proper presentation of consolidated financial statements in order to plan a proper audit procedure according to the situation in conducting the assessment of the risk. Our audit also includes examining the overall presentation of the consolidated financial statements, including the assessment of the accounting policies and their application method adopted by the management and of the estimates made by the management.

We believe that we obtained the sufficient and appropriate audit evidence that serves as the basis for expressing our opinions.

**Audit opinion**

In our opinion, the above consolidated financial statements present properly in every material point the situations of the assets as well as the income and losses of the Group composed of KOA CORPORATION and its consolidated subsidiaries for the term related to these consolidated financial statements in accordance with the accounting standards generally accepted in Japan.

**Interests**

Neither the above audit corporation nor its engagement partners have any interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

## Certified Copy of the Independent Auditors' Report on the Non-consolidated Financial Statements

### **INDEPENDENT AUDITORS' REPORT**

May 2, 2015

To the Board of Directors  
KOA CORPORATION

Grant Thornton Taiyo LLC

Tatsuya Arai, CPA Seal  
Designated Partner, Engagement Partner

Tetsuya Ishihara, CPA Seal  
Designated Partner, Engagement Partner

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements for the 87th fiscal year from April 1, 2014 to March 31, 2015 of KOA CORPORATION; that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, etc. and the notes to the non-consolidated financial statements as well as their supporting schedules.

#### Responsibility of the Company's management for non-consolidated financial statements

The responsibility of the Company's management is to prepare and present properly financial statements and their supporting schedules in accordance with the accounting standards generally accepted in Japan. This includes establishing and operating the internal control that the management considers necessary in order to prepare and present properly such financial statements and their supporting schedules free of any material misstatement due to dishonesty or error.

#### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements and their supporting schedules as independent auditors on the basis of the audit we conducted. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we draft an audit plan and conduct an audit based on such plan in order to obtain reasonable reassurance about whether the non-consolidated financial statements and their supporting schedules are free of any material misstatement.

In our audit, we perform the procedure for obtaining audit evidence as to the amounts and disclosure of the financial statements and their supporting schedules. The audit procedure is selected and used, according to our judgment, on the basis of the assessment of the risk of material misstatements on the financial statements and their supporting schedules due to dishonesty or error. Although the purpose of our audit is not to express our opinion on the validity of the internal control, we examine the internal control relating to the preparation and proper presentation of financial statements and their supporting schedules in order to plan a proper audit procedure according to the situation in conducting the assessment of the risk. Our audit also includes examining the overall presentation of the financial statements and their supporting schedules, including the assessment of the accounting policies and their application method adopted by the management and of the estimates made by the management.

We believe that we obtained the sufficient and appropriate audit evidence that serves as the basis for expressing our opinions.

#### Audit opinion

In our opinion, the above financial statements and their supporting schedules present properly in every material point the situations of the assets as well as the income and losses for the term related to these financial statements and their supporting schedules in accordance with the accounting standards generally accepted in Japan.

#### Interests

Neither the above audit corporation nor its engagement partners have any interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

## Certified Copy of the Audit Report by the Board of Corporate Auditors

### AUDIT REPORT

Regarding the performance of duties by the Directors for the 87th fiscal year beginning on April 1, 2014, and ending on March 31, 2015, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on the reports prepared by the respective corporate auditors.

#### 1. Auditing Methods Employed by the Corporate Auditors and the Board of Corporate Auditors and the Details of the Audit

The Board of Corporate Auditors determined the auditing policies, the assignment of tasks to corporate auditors, etc., and received from each corporate auditor reports of the situation of auditing work and its result. In addition, it received reports on the performance of duties, and if necessary, asked for explanations, from directors, etc. and from independent auditors.

Based on the standards of auditing of corporate auditors and in accordance with the auditing policies, the assignment of tasks to corporate auditors, etc., each corporate auditor kept up communications with directors, the internal audit section, other employees, etc. and worked to collect information and improve the auditing environment. Corporate auditors also attended the meetings of the Board of Directors and other important meetings, received reports on the performance of duties from the directors, employees, etc., read important authorized documents, etc. and studied the operations and financial positions at the head office and principal branch offices. For the details of the resolutions of the Board of Directors on the establishment of the system for ensuring that the performance of the directors' duties conforms to laws and ordinances and to the Articles of Incorporation stated in the Business Report and other systems provided for the Ordinance for Enforcement of the Companies Act Article 100, Paragraph 1 and Paragraph 3 as necessary to ensure the proper conduct of business of a corporation and the system established according to such resolutions (internal control system), we regularly received reports on the situation of the establishment and operation of such systems from the directors, employees, etc., asked them for explanations and expressed our opinions when necessary. With regard to the basic policy of the Ordinance for Enforcement of the Companies Act, Article 118, Item 3 (a) stated in the business report above and the efforts taken to enforce Item 3 (b), we examined the details of the policy and efforts considering the situations of discussion at the meetings of the board of directors, etc. As for the subsidiaries, we worked to keep up communications and exchange information with the directors, auditors, etc. of these subsidiaries and, if necessary, received reports on business from the subsidiaries. We examined the business report and its supporting schedules for the fiscal year under review in the way described above.

In addition, the Corporate Auditors monitored and inspected to check whether the independent auditors maintained their independence and conducted their audit work properly, and received reports from them about the performance of their duties and, if necessary, asked them for explanations. We also received a report from them to the effect that they had established the system for ensuring that they properly perform the duties (matters stated in each item of the Corporate Accounting Rules, Article 131) provided for in the "Quality Control Standards for Audit," (October 28, 2005, Business Accounting Deliberation Council), etc. and, if necessary, asked them for explanations. We examined the financial statements and their supporting schedules as well as the consolidated financial statements for the fiscal year under review in the way described above.

## 2. Audit Results

### (1) Audit Results of the Business Report, etc.

- 1) In our opinion, the business report and its supporting schedules fairly represent the Company's situations in accordance with the laws and ordinances and the Articles of Incorporation.
- 2) With regard to the performance of duties by the directors, we have found neither evidence of wrongful action nor any material violation of the laws and ordinances or the Articles of Incorporation.
- 3) In our opinion, the resolution of the Board of Directors regarding the internal control system is fair and reasonable. As for the statements in the business report and the performance of directors' duties concerning such internal control system, as well, we have found no matters to be pointed out.
- 4) We have found no matters to be pointed out with regard to the "basic policy regarding the persons who would control decisions on the Company's financial and business policies" stated in the business report. Each of the measures in the Ordinance for Enforcement of the Companies Act, Article 118, Item 3 (b) complies with the basic policy and will not harm the common interests of the Company's shareholders, and is not intended to maintain the positions of the directors of the Company.

### (2) Audit Results of the Financial Statements and Their Supporting Schedules

In our opinion, the audit method and results employed and rendered by the independent auditor, Grant Thornton Taiyo LLC, are fair and reasonable.

### (3) Audit Results of the Consolidated Financial Statements

In our opinion, the audit method and results employed and rendered by the independent auditor, Grant Thornton Taiyo LLC, are fair and reasonable.

May 9, 2015

Board of Corporate Auditors of KOA CORPORATION:

Kazuo Endo  
Full-time Corporate Auditor Seal

Ryoichi Sawa  
Corporate Auditor Seal

Tetsuro Kamijikkoku  
Corporate Auditor Seal

Nobuyuki Shigemune  
Corporate Auditor Seal

(Note) Corporate Auditors Tetsuro Kamijikkoku and Nobuyuki Shigemune are outside corporate auditors.

## **Reference Documents for the 87th Ordinary General Meeting of Shareholders**

### **Proposal 1: Appropriation of retained earnings**

The Company believes that it is one of its important policies to pass on some part of its profit to the shareholders. Thus, we make it our basic principle to strive to provide our shareholders with a more stable and better distribution of dividends while working to maintain and reinforce our competitiveness through capital expenditures and research and development in response to rapid technological innovations and also to strengthen our financial positions.

We hereby propose the distribution of the term-end dividends for the 87th fiscal year as follows in consideration of the track record in the fiscal year under review and future business plans and so as to respond to the continued support of our shareholders:

### **Matters regarding the term-end dividends**

#### **1) Type of dividend assets**

The dividend assets are those in money.

#### **2) Allocation and total amount of dividend assets**

We propose that the amount of dividends per the Company's common share be ¥14.00.

The total amount of dividends in this case would be ¥513,490,754.

As a result, the amount of the annual dividends for the fiscal year under review, including interim dividends, would be ¥26 per share.

#### **3) Date when the dividends of surplus become effective**

We propose to make this date June 15, 2015.

**Proposal 2:** Partial amendment of the Articles of Incorporation

1. Reason for the proposal

(1) Article 1 of the current Articles of Incorporation shall be amended in order to standardize “Kōa Kabushiki Kaisha,” which is the registered trade name of the Company, on “KOA Kabushiki Kaisha,” which the Company now uses.

(2) On May 1, 2015, the “Act for Partial Amendment of the Companies Act” (Act No. 90 of 2014) took effect. It is now permitted to enter into limited liability contracts with directors who are not executive directors and with corporate auditors who are not outside corporate auditors. Parts of Article 32, Paragraph 2, and Article 41, Paragraph 2, of the current Articles of Incorporation shall be amended to enable those directors and corporate auditors, as well, to fully perform the functions that they are expected to perform. Please note that the consent of each corporate auditor has been received for the amendment of Article 32, Paragraph 2, of the Articles of Incorporation.

2. Details of Proposed Amendments

The proposed amendments are as follows:

(Amendments shown by underlines.)

Current Articles	Proposed Amendments
Chapter 1. General Provisions (Trade Name) Article 1. The Company is called KOA Kabushiki Kaisha, and it is indicated as Kōa Kabushiki Kaisha in its corporate registration. (2) <u>In English, the Company is called KOA CORPORATION.</u>  Article 2. through Article 31. (Omitted)  (Exemption of Directors from Liabilities) Article 32. (Omitted) 2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Companies Act meet, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with an <u>outside</u> director. However, the limit to the liabilities under such contract shall be the amount fixed in advance of five million yen or more or the amount provided for in the laws and regulations, whichever is higher.	Chapter 1. General Provisions (Trade Name) Article 1. The Company is called KOA Kabushiki Kaisha, and <u>it is indicated as KOA CORPORATION in English.</u> (Deleted)  Article 2. through Article 31. (No amendment)  (Exemption of Directors from Liabilities) Article 32. (No amendment) 2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Companies Act meet, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with a director ( <u>excluding those who are executive directors and the like</u> ). However, the limit to the liabilities under such contract shall be the amount fixed in advance of five million yen or more or the amount provided for in the laws and regulations, whichever is higher.

Current Articles	Proposed Amendments
Article 33. through Article 40. (Omitted)	Article 33. through Article 40. (Omitted)
(Exemption of Corporate Auditors from Liabilities)	(Exemption of Corporate Auditors from Liabilities)
Article 41. (Omitted)	Article 41. (No amendment)
2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Company Act meet, in accordance with the provisions of Article 427, Paragraph 1 of the Company Act, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with an <u>outside</u> auditor. However, the limit to the liabilities under such contract shall be the amount fixed in advance of five million yen or more or the amount provided for in the laws and regulations, whichever is higher	2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Company Act meet, in accordance with the provisions of Article 427, Paragraph 1 of the Company Act, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with an auditor. However, the limit to the liabilities under such contract shall be the amount fixed in advance of five million yen or more or the amount provided for in the laws and regulations, whichever is higher
Article 42. through Article 46. (Omitted)	Article 42. through Article 46. (No amendment)



**Proposal 3: Election of nine (9) directors**

The term of all of the nine directors will expire at the end of this ordinary general meeting of shareholders.

Thus, we would like to propose that nine directors be elected.

The nominees for directors are as follows:

(An asterisk (\*) indicates a candidate for a new appointment.)

No.	Name (Date of birth)	Brief personal history and position and tasks responsible in the Company (Important concurrent positions)	Number of the Company's shares held
1	Koichi Mukaiyama (September 13, 1948)	<p>March 1972      Joined the Company.</p> <p>June 1976      Director of the Company</p> <p>December 1977   Representative director and president of the Company</p> <p>October 2001   In charge of the Environmental Business Field of the Company.</p> <p>April 2013      Representative director and chairman of the Company (present position)</p> <p>(Important concurrent positions)</p> <p>Representative director and president, KOA TRADING CO., LTD.</p> <p>Representative director, DAH HSING ELECTRIC CO., LTD.</p>	450,505 shares
2	Tadao Hanagata (January 28, 1956)	<p>March 1979      Joined the Company.</p> <p>April 2000      General manager of the Discrete Product Block, Resistor Production Dept. of the Company.</p> <p>October 2001   General manager of the Quality Improvement Center of the Global Quality Assurance Initiative of the Company.</p> <p>October 2003   Representative of the Kamiina Business Field of the Manufacturing Initiative of the Company.</p> <p>June 2008      Director of the Company In charge of the Manufacturing Initiative and Kamiina Business Field of the Company.</p> <p>April 2009      In charge of the Shimoina Business Field and Minowa Business Field of the Company.</p> <p>April 2013      Representative director and president of the Company (present position)</p> <p>(Important concurrent positions)</p> <p>Director, SANADA KOA Corporation</p>	10,200 shares

No.	Name (Date of birth)	Brief personal history and position and tasks responsible in the Company (Important concurrent positions)	Number of the Company's shares held
3	Kayoko Fukano (July 18, 1958)	<p>October 1995 Corporate advisor of the Company</p> <p>June 2002 Director of the Company In charge of the Administration Initiative and Human Resource Management Initiative of the Company.</p> <p>October 2003 In charge of the Management Administration Initiative of the Company (present responsibility).</p> <p>June 2011 Managing director of the Company (present position) In charge of the China Business Field of the Company.</p> <p>(Important concurrent positions) Director, KOA TRADING CO., LTD. Chairman, KOA SPEER HOLDING CORPORATION Managing Director, KOA Europe GmbH Director, KOA DENKO (S) PTE. LTD. Representative Director, SHANGHAI KOA ELECTRONICS TRADING CO., LTD. Director, KOA ELECTRONICS (H.K.) LTD. Director, DAH HSING ELECTRIC CO., LTD.</p>	19,300 shares
4	Takuo Hayashi (March 3, 1952)	<p>March 1974 Joined the Company.</p> <p>May 1998 General manager of the Thin-film Parts Workshop Division of the Company.</p> <p>March 1999 General manager of the Technology Division of the Company.</p> <p>June 2004 Director of the Company (present position) In charge of the Manufacturing Initiative of the Company.</p> <p>June 2006 In charge of the Kamiina Business Field of the Company.</p> <p>June 2008 In charge of the Business Structure Reform Initiative and Japan Sales Business Field of the Company (present responsibilities).</p>	14,300 shares
5	Katsuhiko Momose (November 10, 1962)	<p>March 1985 Joined the Company.</p> <p>July 1996 General manager of the KPS Division of the Company.</p> <p>October 2003 General manager of the Management Strategy Center of the Management Administration Initiative of the Company.</p> <p>June 2011 Director of the Company (present position) In charge of the Management Administration Initiative of the Company (present responsibility).</p> <p>April 2013 In charge of the Kamiina Business Field of the Company (present responsibility).</p>	15,100 shares

No.	Name (Date of birth)	Brief personal history and position and tasks responsible in the Company (Important concurrent positions)		Number of the Company's shares held
6	Akira Nonomura (August 5, 1960)	March 1983 October 2003 December 2009 April 2012 June 2012	Joined the Company. Representative of the Japan Sales Business Field of the Company. Managing director of KOA DENKO (S) PTE. LTD. General manager of the Marketing Center of the Business Structure Reform Initiative of the Company. Director of the Company (present position) In charge of the Business Structural Reform Initiative of the Company (present responsibility).	4,100 shares
7	Etsuji Yamaoka (October 2, 1963)	April 1986 April 2007 June 2012 April 2013 June 2013	Joined the Company. General manager of the Fundamental Technology Commercialization Center of the Manufacturing Initiative of the Company. Director of the Company (present position) In charge of the Manufacturing Initiative of the Company (present responsibility). In charge of the Shimoina Business Field of the Company (present responsibility). In charge of the Minowa Business Field of the Company (present responsibility).	3,900 shares
8	* Masaru Yuzawa (May 24, 1965)	April 1990 June 2006 April 2014	Joined the Company. General manager of the Quality Assurance Center in the Quality Assurance Initiative, general manager of the KPS Center, and general manager of the Procurement Control Center. Representative of the Company's Kamiina Business Field (present position).	1,000 share
9	Michael John Korver (September 17, 1954)	July 1983 July 1987 June 1996 June 2004 June 2006 June 2008 September 2011 July 2013	Obtained an attorney's certificate in California, U.S.A. Obtained an attorney's certificate in New York, U.S.A. Director of Global Venture Capital Inc. Professor at the Graduate School of International Corporate Strategy Research, Hitotsubashi University (present position) Representative director of Global Venture Capital Inc. (present position) Outside director of the Company (present position) Representative director, Real English Broadband Co., Ltd. (present position) Representative director, Durafizz Holdings Corporation (present position)	9,600shares

- (Notes)
1. There is no special interest between each nominee and the Company.
  2. Mr. Michael John Korver is the nominee for outside director.  
The Company appointed Director Michael John Korver as an independent officer in accordance with the rules of the Tokyo Stock Exchange and the Nagoya Stock Exchange and reported the appointment to both of the stock exchanges. If Mr. Michael John Korver is reelected as an outside director, we will reappoint him as an independent officer.
  3. The reason that we nominated Mr. Michael John Korver as an outside director is as follows:  
We propose the election of Mr. Michael John Korver as an outside director because we would like him to make the most of his broad experience in business management, learning, etc. for the Company's management.
  4. Mr. Michael John Korver is now the Company's outside director, and his term of office as an outside director for the Company will be seven years as of the end of this ordinary general meeting of shareholders.
  5. An outline of the contents of the limited liability contract with the outside director is as follows:  
The Company signed a limited liability contract with Mr. Michael John Korver for limiting the liability for damages as provided for in Article 423, Paragraph (1) of the Companies Act in accordance with the provisions of Article 427, Paragraph (1) of the Companies Act. The upper limit to the liability for damages under such a contract shall be the amount of ¥5 million or the amount provided for in the laws and ordinances, whichever is higher.  
If Mr. Michael John Korver is reappointed as director, we will continue the existing limited liability contract with him.

**Proposal 4:** Election of two (2) corporate auditors

As of the conclusion of the 87th Ordinary General Meeting of Shareholders, the corporate auditors Mr. Kazuo Endo and Mr. Nobuyuki Shigemune will reach the expiration of their terms. Thus, we would like to propose that two corporate auditors be elected.

We have obtained the consent of the Board of Corporate Auditors to this proposal.

The nominees for corporate auditors are as follows.

No.	Name (Date of birth)	Brief personal history and position in the Company (Important concurrent positions)		Number of the Company's shares held
1	Kazuo Endo (December 6, 1949)	December 1999	Joined the Company.	3,400 shares
		December 1999	General Manager attached to the Division Director of the Company's Resistors Workshop Division	
		April 2000	General Manager of the Company's Safety Products Block, Coil Safety Production Department	
		October 2001	General Manager of the Company's Intellectual Property Right Center, Management Initiative, and General Manager of the Company's Information System Center	
		October 2009	General Manager of the Company's Intellectual Property Right Center, Corporate Management Initiative	
		June 2011	Full-time corporate auditor of the Company (present position)	
2	Nobuyuki Shigemune (August 7, 1949)	April 1972	Joined Nomura Securities Co., Ltd.	0 shares
		June 1993	Director, Nomura Securities Co., Ltd.	
		May 1997	Managing Director, Nomura Securities Co., Ltd.	
		June 1999	Director and President, The Nomura Trust and Banking Co., Ltd.	
		June 2004	Director, Nomura Holdings Inc. (Auditing Director Extraordinary)	
		April 2010	Representative Director and President of Tower Securities Co., Ltd.	
		September 2013	Outside corporate auditor of the Company (present position)	

(Notes) 1. There is no special interest between each nominee and the Company.

2. Mr. Nobuyuki Shigemune is a candidate for outside corporate auditor.

3. The Company has designated Mr. Nobuyuki Shigemune an independent director as prescribed by the Tokyo Stock Exchange and the Nagoya Stock Exchange, and it has registered him at both exchanges. If he is reappointed, the Company intends to continue to employ him as an independent director.

Mr. Nobuyuki Shigemune comes from Nomura Securities Co., Ltd., which is the lead managing underwriter of the Company. However, a reasonable period of time has elapsed since he resigned from that company. Furthermore, between Nomura Securities Co., Ltd. and the Company, its subsidiaries, and its affiliates, ever since a transaction relating to the appointment of Nomura Securities Co., Ltd. as the financial adviser for a subsidiary of the Company in June 2004, there has been no underwriting, financial advisory, consulting, or any other transaction. Thus, Mr. Nobuyuki Shigemune's appointment will not affect the independence of the outside corporate auditors.

4. Reasons for selecting Mr. Nobuyuki Shigemune as a candidate for outside corporate auditor

Mr. Nobuyuki Shigemune has held positions including director and president of a securities company, and he possesses in-depth knowledge and experience of corporate management. From that standpoint, the Company has high expectations for him to supervise the management of the Company.

5. Mr. Nobuyuki Shigemune is now an outside corporate auditor of the Company, and his tenure as an outside corporate auditor will be one year and nine months as of the conclusion of the 87th Ordinary General Meeting of Shareholders. (He took over the term of an outside corporate auditor who resigned during the 86th term.)
6. A summary of the contents of the limited liability contract with the outside auditor candidate is as follows.
- Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company has entered into a contract with Mr. Nobuyuki Shigemune to limit the liability for damages prescribed under Article 423, Paragraph 1, of the Companies Act. The amount of compensation under the contract is ¥5 million or an amount specified by the laws and regulations, whichever is higher.
- Please note that, if Mr. Nobuyuki Shigemune is reappointed, the Company intends to continue the limited liability contract with him.

**Proposal 5:** Election of one (1) substitute corporate auditor

The effective term of appointment of Mr. Kenichi Kakuta, who was elected as a substitute corporate auditor at the 86th Ordinary General Meeting of Shareholders held on June 14, 2014, is until the start of the 87th Ordinary General Meeting of Shareholders. Therefore, in preparation for a situation where the number of corporate auditors falls short of the number specified by the laws and regulations, the Company again requests the election of one substitute corporate auditor.

We have obtained the consent of the Board of Corporate Auditors to this proposal.

The nominee for substitute corporate auditor is as follows.

Name (Date of birth)	Brief personal history and position in the Company (Important concurrent positions)	Number of the Company's shares held
Kenichi Kakuta (December 14, 1954)	September 1982 Registered as a certified public accountant October 1986 Joined Aoyama Audit Corporation (subsequently, ChuoAoyama Audit Corporation) July 1996 Became a representative partner of ChuoAoyama Audit Corporation July 2000 Representative director of IPO Research Institute, Ltd. (present position).	0 shares

- (Notes)
- There is no special interest between each nominee and the Company.
  - The Company requests the election of Mr. Kenichi Kakuta as a substitute for the outside corporate auditors.  
If Mr. Kenichi Kakuta assumes the position of corporate auditor, given that he satisfies the requirements for independent director prescribed by the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company plans to register him as an independent officer.
  - Reason for nominating Mr. Kenichi Kakuta as candidate for substitute outside corporate auditor  
Because he possesses the qualification of Certified Public Accountant and is also currently involved in corporate management, Mr. Kenichi Kakuta possesses in-depth knowledge and experience of accounting and corporate management. From that standpoint, the Company has high expectations for him to audit the management of the Company.
  - A summary of the contents of the limited liability contract with substitute outside corporate auditors is as follows.  
If Mr. Kenichi Kakuta assumes the position of corporate auditor, under the provisions of Article 427, paragraph (1) of the Companies Act, the Company plans to conclude between the Company and Mr. Kenichi Kakuta, as an outside corporate auditor, a contract that limits the liability for damages provided for Article 423, paragraph (1) of the Companies Act. The upper limit to the liability for damages under such a contract shall be the amount of ¥5 million or the amount provided for in the laws and ordinances, whichever is higher.

## Exercising your voting rights on the Internet

If you exercise your voting right on the Internet, please read the following carefully and exercise your voting rights according to the instructions given.

If you attend the meeting personally, you do not need to follow the procedure for exercising your voting rights by mail (using the Exercise Voting Rights Form enclosed) or on the Internet.

### Notice

#### **1. Exercising voting rights website**

- (1) You may exercise your voting rights on the Internet only by accessing the exercise voting rights website designated by the Company (<http://www.evot.jp/>) on your PC, smartphone or cellphone (i-mode, EZweb or Yahoo! keitai).\*

(This website is closed from 2:00 a.m. to 5:00 a.m. every day.)

\* “i-mode,” “EZweb” and “Yahoo! Keitai” are the trademark or registered trademark of NTT docomo, Inc., KDDI Corp. and Yahoo! Inc. of the U.S., respectively.

- (2) You are unable to exercise your voting rights on your PC or smartphone in some of your Internet environments, among others, if you use a firewall, etc. for Internet access, have installed anti-virus software or use a proxy server.
- (3) If you exercise your voting rights on your cellphone, please use i-mode, EZweb or Yahoo! keitai. In addition, for security purposes, you are unable to use any cellphone incapable of dealing with encrypted communication (SSL communication) or of sending cellphone information.
- (4) We will accept the voting rights exercised on the Internet by 5:00 p.m., Friday, June 12, 2015, but please exercise your voting rights on the Internet at your earliest convenience. If you have any questions, etc., please contact the help desk stated below.

#### **2. Exercising voting rights on the Internet**

- (1) Please enter your approval or disapproval on the exercise voting rights website (<http://www.evot.jp/>) using the “log-in ID” and “tentative password” specified in the Exercise Voting Rights Form according to the instructions shown on the screen.
- (2) To prevent fraudulent accesses by non-shareholder third parties (“spoofing”) and the doctoring of the voting rights exercised, you will be asked to change the “tentative password” on the exercise voting rights website.
- (3) We will notify you of a new “log-in ID” and “tentative password” each time the Ordinary General Meeting of Shareholders is convened.



**3. If you exercised your voting rights twice or more**

- (1) If you exercise your voting rights both in writing and on the Internet, we will deem the voting right you exercise on the Internet to be effective.
- (2) If you exercise your voting rights on the Internet more than once, we will deem the voting right exercised last to be effective. If you exercised your voting rights more than once using your PC, smartphone and cellphone, we will also deem the voting right exercised last to be effective.

**4. Expenses of accesses to the exercise voting rights website**

The expenses of your accesses to the exercise voting rights website (e.g., Internet access fees, etc.) shall be borne by you. If you use your cellphone, you shall bear the expenses for using cellphones, such as packet communication charges.

<p>Inquiries about the system, etc. to be addressed to: Securities Business Division (help desk), Mitsubishi UFJ Trust and Banking Corporation Telephone: 0120-173-027 (9:00 - 21:00; toll free)</p>
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**<To institutional investors>**

Trust & Custody Services Bank and other nominal owners (including permanent agents) that applied for the use of the exercise voting rights platform operated by ICJ Inc. may use this platform, in addition to the above-mentioned methods for exercising voting rights on the Internet, in exercising their voting rights in the Company's General Meeting of Shareholders by an electromagnetic method.