

May 24, 2019

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 91ST 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 91st 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 14, 2019 according to the instructions given on page 3.

Notice

1. **Date:** 10:00 a.m., Saturday, June 15, 2019
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 91st fiscal year (from April 1, 2018 to March 31, 2019)
 2. The non-consolidated financial statements for the 91st fiscal year (from April 1, 2018 to March 31, 2019)
Matters to be resolved:
 - Proposal 1: Appropriation of retained earnings
 - Proposal 2: Election of eight (8) directors
 - Proposal 3: Election of two (2) corporate auditors
 - Proposal 4: Election of one (1) substitute corporate auditor

•Disclosure via the Internet

- 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.

The Company's website: <http://www.koaglobal.com>

- The Company participates in the electronic 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.

Gathering with Shareholders after Ordinary General Meeting of Shareholders

From this year onwards, we will hold a gathering with shareholders after the ordinary general meeting of shareholders.

-- Part 1 Report Meeting --

We will explain what we think about the corporate value to shareholders.

Time: 10:55 a.m.-11:45 a.m. (scheduled)

-- Part 2 Gathering with Shareholders --

We would like to hear valuable opinions from shareholders whom we rarely meet.

Time: 11:50 a.m.-12:30 p.m. (scheduled)

We will serve snacks and others. Please feel free to take part in the gathering.

Instructions on the Exercise of Your Voting Rights

Voting rights at the general meetings of Shareholders are important rights of all shareholders.

Please review the attached reference documents for the 91st Ordinary General Meeting of Shareholders and exercise your voting rights.

You can exercise your voting rights using one of the three following methods.

Attending the meeting in person

Please turn in the voting form enclosed here at the reception desk in the meeting hall.

Date for the meeting: 10:00 a.m., Saturday, June 15, 2019

Exercising voting rights by mail

Please indicate your approval or disapproval of each of the proposals on the voting form and mail it.

Deadline: Voting forms that arrive by the deadline of
5:00 p.m., Friday, June 14, 2019 will be deemed valid.

Exercising voting rights via the Internet

Follow the instructions on the last page and enter your approval or disapproval of each of the proposals.

Deadline: The deadline for exercising your voting rights via the Internet is
5:00 p.m., Friday, June 14, 2019.

How to indicate approval or disapproval on the voting form

Proposals 2 and 3

- | | | |
|--|---|---|
| If you approve all candidates | → | Please mark a circle (○) in the “贊” (approval) section |
| If you disapprove all candidates | → | Please mark a circle (○) in the “否” (disapproval) section |
| If you disapprove part of the candidates | → | Please mark a circle (○) in the “贊” (approval) section and fill in the numbers of candidates you disapprove |

Proposals 1 and 4

- | | | |
|------------------------------|---|---|
| If you approve a proposal | → | Please mark a circle (○) in the “贊” (approval) section of the proposal |
| If you disapprove a proposal | → | Please mark a circle (○) in the “否” (disapproval) section of the proposal |

If any voting right is exercised both by writing (mail) and via the Internet, we will deem the voting right exercised on the Internet to be effective. 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 CONVOCATION OF THE 91ST ORDINARY
GENERAL MEETING OF SHAREHOLDERS)

BUSINESS REPORT

(From April 1, 2018, to March 31, 2019)

1. Operating Performance

(1) Status of Operations in the Fiscal Year under Review

1) Process and results of operations

In the consolidated fiscal year ended March 31, 2019, the U.S. economy continued to expand modestly, mainly reflecting an increase in consumer spending, an improvement in employment trends, and firm corporate performance. In Asia, however, the Chinese economy showed a clear slowdown of growth including slowing investments due to a reduction in excessive liabilities and slowing trends in consumer spending affected by the U.S.-China trade frictions. In Europe, the economic recovery overall weakened as shown by slowing trends due to worse corporate performance, mainly in the manufacturing sector. Meanwhile, in Japan, the economy overall remained flat. Consumer spending strengthened somewhat and corporate earnings continued to improve, mainly buoyed by a rise in capital investments. However, exports and production weakened due to the weakening recovery in the global economy.

In the electronic parts industry, to which KOA CORPORATION (“the Company” or “we”) and its corporate group (“the Group” or “we”) belong, there has been expansion of the automotive parts market through advancements in digitization, and automotive parts performed well.

In this environment, the Group pushed forward with activities such as expanding sales of high-value added products focused on markets that value quality and reliability. In addition, the Group increased R&D investments for future growth and capital investments to cope with the firm demand.

In the fiscal year under review, the Group posted consolidated net sales of ¥55,895 million, an increase of ¥3,379 million or 6.4% from the previous fiscal year. This result reflects an increase in sales of automotive parts in Japan and China.

On the profit front, although the Group made efforts to increase sales of high value-added products and reduce costs, mainly due to the increased fixed costs, such as personnel and depreciation expenses, consolidated operating income was ¥5,670 million, a decrease of ¥80 million or 1.4% from the previous fiscal year. Ordinary income totaled ¥6,304 million, an increase of ¥464 million or 8.0% from the previous fiscal year, mainly due to an increase in foreign exchange gains. Net income attributable to owners of the parent came to ¥1,018 million, a decrease of ¥3,359 million or 76.7% from the previous fiscal year, as we recorded extraordinary loss of ¥4,806 million in settlement money as a result of settlement with the plaintiffs of a class-action lawsuit in the United States.

With regard to segment results, in Japan, net sales were ¥48,228 million, an increase of ¥2,979 million from the previous fiscal year, and regional profit was ¥3,889 million, a decrease of ¥436 million from the previous fiscal year. In Asia, net sales were ¥28,979 million, an increase of ¥3,339 million from the previous fiscal year, and regional profit was ¥916 million, an increase of ¥167 million from the previous fiscal year. In the

United States, net sales were ¥9,076 million, an increase of ¥640 million from the previous fiscal year, and regional profit was ¥536 million, an increase of ¥128 million from the previous fiscal year. In Europe, net sales were ¥7,177 million, an increase of ¥439 million from the previous fiscal year, and regional profit was ¥390 million, an increase of ¥47 million from the previous fiscal year.

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

Product type	Net sales (millions of yen)	Percentage (%)
Resistors	49,385	88.4
ICs and IC-related equipment	1,472	2.6
High-frequency inductors	1,199	2.1
Protective components	1,970	3.5
Others	1,867	3.4
Total	55,895	100.0

2) Capital expenditures

The capital expenditures in the fiscal year under review totaled ¥6,210 million, including those for quality improvements, development of new products and mass-production equipment, etc.

3) Financing activities

Not applicable.

4) Business transfers, absorption-type company splits, or incorporation-type company splits

Not applicable.

5) Business transfers from other companies

Not applicable.

6) Succession of rights and duties relating to other legal entities due to absorption-type merger or absorption-type company split

KASHIMA KOA DENKO CO., LTD., a consolidated subsidiary of the Company, underwent an absorption-type merger with JAPAN ELECTRONIC APPLICATIONS CO., LTD., a non-consolidated subsidiary of the Company, as of the effective date on April 1, 2018, and became the surviving company.

7) Acquisition or disposal of shares, other interests or stock acquisition rights in other companies

Not applicable.

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

Item	88th fiscal year (year ended March 31, 2016)	89th fiscal year (year ended March 31, 2017)	90th fiscal year (year ended March 31, 2018)	91st fiscal year Consolidated fiscal year under review (year ended March 31, 2019)
Net sales	¥45,462 million	¥45,600 million	¥52,515 million	¥55,895 million
Ordinary income	¥2,971 million	¥3,323 million	¥5,839 million	¥6,304 million
Net income attributable to owners of parent	¥1,999 million	¥2,563 million	¥4,378 million	¥1,018 million
Net income per share	¥54.50	¥69.90	¥119.30	¥27.73
Total assets	¥69,169 million	¥71,859 million	¥77,258 million	¥77,355 million
Net assets	¥55,615 million	¥56,935 million	¥60,895 million	¥59,839 million
Net assets per share	¥1,513.95	¥1,549.50	¥1,658.15	¥1,627.09

- (Notes) 1. Net income per share is based on the average number of shares outstanding during the period, excluding treasury shares. Net assets per share are calculated based on the total number of issued shares at the end of the period excluding treasury shares.
2. Concerning the calculation of net income per share for the 89th and 91st fiscal years, the Company's shares held by the Employee Stock Ownership Plan (ESOP) Trust were treated as treasury shares and therefore were not included in the average number of shares outstanding during the period. In addition, when calculating net assets per share, the Company's shares held by the ESOP Trust were also excluded from the total number of issued shares at the end of the period.
3. The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the fiscal year under review. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Fixed liabilities." The amounts for the previous fiscal year displayed reflect the reclassification.

(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\$54,843 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	39.0	Sale of electronic parts

(4) Our Tasks Ahead

The economy overall is expected to remain in slowing trends. The outlook for the global economy is likely to remain murky due to negative impact from matters such as fear that China's economy will slow down because of excessive liabilities and real-estate price fluctuations, trade friction between the U.S. and China, the U.K.'s possible no-deal Brexit, as well as rising geopolitical risks in the Middle East and elsewhere.

In the electronic parts industry, of which the Group is a member, it is required that order trends in the next fiscal year be cautiously considered. 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 aim to satisfy the expectations of our customers. To this end, we will concentrate on the fields where quality and reliability are important and where the market is expected to grow larger alongside future technological innovation. Examples of such fields include onboard equipment, industrial equipment, health care, and eco/energy fields. 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 activities aimed at substantially improving productivity and our cost-cutting activities, we will increase profitability.

In addition, we have conducted the investments needed for that goal to aim at becoming a R&D company and are proceeding with activities to flexibly meet changes in society and requirements from customers and create the comfortable and safe future along with customers.

(5) Principal Business Activities (as of March 31, 2019)

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, 2019)

1) Principal offices and plants of the Company

	Address
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	Shin-Yokohama; (sales offices): Sendai, Mito, Takasaki, Tokyo, Musashino, Ina, Shizuoka, Nagoya, Osaka
Plants	East Wing, MINOWA Wing, Minowa, Nishiyama, Chuo, Nanakurinomori, Takuminosato (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, 2019)

1) Employees in the Group

Number of employees	Year-on-year change
3,940 persons	+142 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
1,401 persons	+33 persons	40.9 years of age	17.4 years

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

(8) Major Lenders (as of March 31, 2019)

Not applicable.

(9) Other Important Notes on the Group's Circumstances

The Company and its U.S. subsidiary, KOA SPEER ELECTRONICS, INC. (hereinafter collectively referred to as “the Company”), reached a settlement to resolve a class-action civil lawsuit filed in the United States. Accordingly, the Company reported extraordinary loss of ¥4,806 million in settlement money as a result of the settlement with the plaintiffs of the lawsuit.

(Details of the filing of the lawsuit and the settlement)

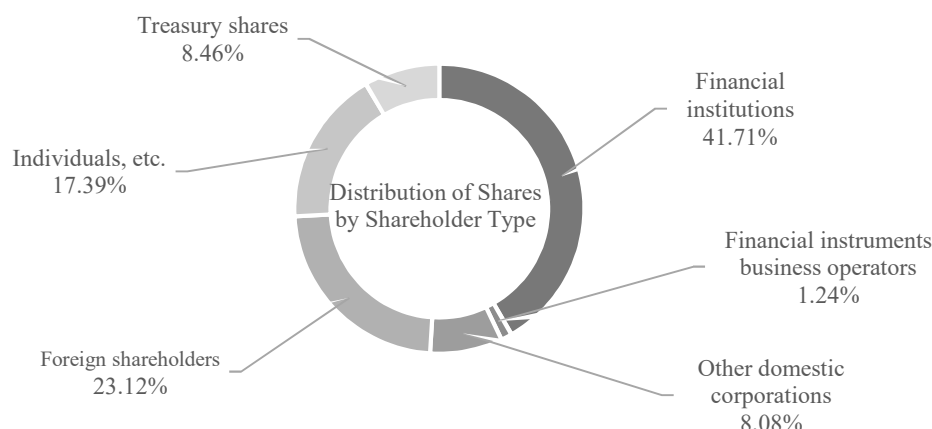
On August 20, 2015 and later, direct and indirect purchasers of linear resistors filed class-action lawsuits with the U.S. District Court for the Northern District of California, seeking compensation for damages from several resistor manufacturers, including the Company, on the allegation that these manufacturers violated the U.S. antitrust law.

Though the Company has not conceded liability, it has agreed to a settlement, judging that an early resolution is in its best interest after comprehensively considering the potential impact of a prolonged litigation on its future performance, along with other matters.

2. Status of the Company

(1) Status of Shares (as of March 31, 2019)

- 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: 7,183 persons



4) Major shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Ratio of equity participation (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,700	7.29
Nippon Life Insurance Co.	2,226	6.01
The Hachijuni Bank, Ltd.	1,832	4.94
Japan Trustee Services Bank, Ltd. (trust account)	1,767	4.77
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	1,510	4.07
MUFG Bank, Ltd.	1,000	2.70
NEC Corporation	868	2.34
Mitsubishi UFJ Trust and Banking Corporation	700	1.89
KOA Kyoeikai	695	1.87
KOITO MANUFACTURING CO., LTD.	680	1.83

- (Notes) 1. The Company holds 3,425,692 treasury shares, but it is excluded from the major shareholders shown above.
The 276,900 shares of the Company held by the Employee Stock Ownership Plan (ESOP) Trust are not included in treasury shares.
2. The treasury shares held by the Company are omitted from the figures for the ratio of equity participation.

5) Other important matters concerning shares
(Employee Stock Ownership Plan (ESOP) Trust)

The Company has introduced an employee incentive plan “Employee Stock Ownership Plan (ESOP) Trust” (hereinafter referred to as the “ESOP Trust”). The decision to implement this plan was approved at a Board of Directors meeting held on October 20, 2016. The goal is to provide better welfare benefits to our employees as they support the growth of the Company. In addition, we believe this will improve our corporate value in the medium and long term, as this creates an incentive for employees to increase the share price by boosting their awareness of corporate earnings and share price trends.

The ESOP Trust was modeled after the ESOP system in the United States. It is an employee incentive plan that takes the form of a trust which applies the employee ownership structure. The objective is to expand savings (enhance employee benefits) by promoting asset-building among employees using the Company’s shares.

The Company has established a trust account for which the beneficiaries are legitimate employee members who satisfy certain requirements, of the Company and the Group’s domestic subsidiaries (hereinafter referred to as the “group employees”) that participate in the “KOA Employee Shareholding Association” (hereinafter referred to as the “Company’s Shareholding Association”). The trust account acquires, in one lot, the Company’s shares of which the number is expected to be acquired by the Company’s Shareholding Association from February 2017 to February 2022 (plan). Then, the trust sells the Company’s shares to the Company’s Shareholding Association on a certain date every month. The voting rights that come with the Company’s shares in the ESOP Trust will be exercised reflecting the intentions of the Company’s Shareholding Association. Once the ESOP Trust reaches maturity, if there are proceeds from a rise in share price, money will be distributed to the beneficiaries (employees) based on contribution ratio. In the event of a loss on the sale of shares due to a decline in share price, the remaining debt related to the trust assets will be paid to the bank in a lump sum by the Company in accordance with the guarantee clause in the loan agreement. Employees will not shoulder any extra financial burden.

The gross method is applied for accounting treatment for financial statements related to the ESOP Trust. The Company’s shares held by the ESOP Trust are included as treasury shares under net assets in the balance sheet.

Note that as of March 31, 2019, the book value of the treasury shares, based on the gross method was ¥320 million (276,900 shares). The book value of the loans payable was ¥262 million.

(2) Policy on Cross-shareholdings and Criteria for Exercising Voting Rights

The Company holds shares in our business partners as strategic shareholdings with the goal of reinforcing business transactions. We assess investments in cross-shareholdings based on a comprehensive evaluation of the gains for the Company from the strengthening of business relationships versus the amount of the investment, etc.

The Board of Directors regularly checks the position of cross-shareholdings and examines the appropriateness of continuing the holdings by comparing and analyzing the

performance associated with the holdings, such as the overall return, and the risks, such as the emergence of losses in association with the holdings.

While we do not currently have the unified criteria for exercising voting rights for our cross-shareholdings, we nevertheless exercise such voting rights appropriately. Before exercising the rights, we carefully consider the performance such as the overall return and whether the proposals would contribute to an improvement in shareholder value, and we inquire with the investee company if we have any concerns.

(3) Status of Company Officers

1) Directors and corporate auditors (as of March 31, 2019)

Position in the Company	Name	Tasks responsible and important concurrent positions
Director and chairman	Koichi Mukaiyama	Director and chairman, KOA TRADING CO., LTD. Vice Director, DAH HSING ELECTRIC CO., LTD.
Representative director and president	Tadao Hanagata	In charge of the KPS-3 Initiative
Managing director	Kayoko Fukano	In charge of Human Resource and Training/Education Director, DAH HSING ELECTRIC CO., LTD.
Managing director	Akira Nonomura	In charge of the Sales & Marketing Initiative, Management Administration Initiative, and Japan Sales Business Field President, KOA TRADING CO., LTD. Director, KOA SPEER HOLDING CORPORATION Managing Director, KOA Europe GmbH Director, KOA DENKO (S) PTE. LTD. Director, KOA ELECTRONICS (H.K.) LTD. Director, SHANGHAI KOA ELECTRONICS TRADING CO., LTD.
Director	Katsuhiko Momose	In charge of the Manufacturing Initiative, Kamiina Business Field, Shimoina Business Field, Minowa Business Field, and China Business Field Director, KOA ELECTRONICS CO., LTD. Director, SANADA KOA Corporation Vice Director, KOA ELECTRONICS (TAICANG) CO., LTD. Chairman, KOA DENKO (MALAYSIA) SDN. BHD.
Director	Etsuji Yamaoka	In charge of the Research & Development Initiative and Quality Assurance Initiative
Director	Toshihiro Kojima	In charge of the KPS-3 Initiative
Director	Michael John Korver	Outside director, BJIT Inc. Representative director, Global Venture Capital Inc. Outside director, Geovector Corporation Representative director, Durafizz Holdings Corporation

Position in the Company	Name	Tasks responsible and important concurrent positions
Director	Toru Kitagawa	Outside director [chairperson of the Audit Committee, member of the Nomination Committee], Cookpad Inc. Outside director, Nippon Ski Resort Development, Co., Ltd. Outside director, Audit and Supervisory Committee Member, KAYAC Inc.
Full-time corporate auditor	Masashi Gomi	
Corporate auditor	Kazuo Endo	
Corporate auditor	Tetsuro Kamijikkoku	Attorney
Corporate auditor	Nobuyuki Shigemune	

- (Notes) 1. Director Michael John Korver and Director Toru Kitagawa are outside directors.
2. Corporate auditor Tetsuro Kamijikkoku and Corporate auditor Nobuyuki Shigemune are outside corporate auditors.
3. Corporate auditors Masashi Gomi, Kazuo Endo, and Nobuyuki Shigemune have considerable knowledge of financial affairs and accounting, as follows:
- Corporate auditor Masashi Gomi and Corporate auditor Kazuo Endo have experience as a general manager in charge of the Management Administration Initiative of the Company and are familiar with the Company's financial affairs and accounting as a result of their attendance at various meetings for management analysis, business results examination, and the like.
 - Having held positions such as officer and president at a securities company, Corporate auditor Nobuyuki Shigemune has considerable knowledge of financial affairs and accounting.
4. The Company has registered all of its outside directors and outside corporate auditors 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.

2) Overview of limited liability contracts

Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company signs a limited liability contract with each outside director and each corporate auditor to limit the liability for damages, as stipulated in Article 423, Paragraph 1 of the same Act.

The limited liability contract provides that the maximum liability for damages shall be ¥5 million or the amount provided for in laws and regulations, whichever is higher.

3) Changes in positions and tasks of directors and corporate auditors during the fiscal year under review

a. There was a change as follows as of April 1, 2018.

Name	Previous position/task responsible	New position/task responsible
Akira Nonomura	Director In charge of the Sales & Marketing Initiative and Japan Sales Business Field	Managing Director In charge of the Sales & Marketing Initiative and Japan Sales Business Field

- b. At the meeting of the Board of Directors held on June 16, 2018 the following changes were made to positions or tasks responsible.

Name	Previous position/task responsible	New position/task responsible
Koichi Mukaiyama	Representative director and chairman	Director and chairman
Tadao Hanagata	Representative director and president In charge of the KPS-3 Initiative and the Quality Assurance Initiative	Representative director and president In charge of the KPS-3 Initiative
Kayoko Fukano	Managing director In charge of the Management Administration Initiative	Managing director In charge of development and training of human resources
Akira Nonomura	Managing Director In charge of the Sales & Marketing Initiative and the Japan Sales Business Field	Managing Director In charge of the Sales & Marketing Initiative, the Management Administration Initiative, and the Japan Sales Business Field
Etsuji Yamaoka	Director In charge of the Research & Development Initiative	Director In charge of the Research & Development Initiative and the Quality Assurance Initiative

- c. At the meeting of the Board of Corporate Auditors held on June 25, 2018 the following changes were made to positions or tasks responsible.

Name	Previous position/task responsible	New position/task responsible
Masashi Gomi	Corporate auditor	Full-time corporate auditor
Kazuo Endo	Full-time corporate auditor	Corporate auditor

4) 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 outside directors)	Nine (two)	¥256 million (¥12 million)
Corporate auditors (of whom outside corporate auditors)	Four (two)	¥53 million (¥10 million)
Total (of whom outside officers)	Thirteen (four)	¥309 million (¥22 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 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).
3. The 70th Ordinary General Meeting of Shareholders held on June 13, 1998, resolved that the total amount of compensation for the corporate auditors should be up to ¥70 million in one year.
4. We have an outstanding balance of ¥566 million in the account payable from change in the retirement benefit system for directors and corporate auditors for six directors (0 of whom was an outside director) and ¥5 million for one corporate auditor (0 of whom was an outside corporate auditor) as of the end of the fiscal year under review, following the termination of the system upon a resolution at the 86th Ordinary General Meeting of Shareholders, held on June 14, 2014. The benefits will be paid upon the retirement of those officers.

- 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 ¥1 million.

- c. Policy for determining compensation for officers

The representative director determines the amounts of compensation paid to directors and other members of management pursuant to certain criteria. The Board of Directors considers the amounts as necessary so that they will be at appropriate levels according to fluctuations in business performance and share-price performance. The Board of Directors has not set a specific policy for compensation for directors and other members of management. Though the Company does not plan to introduce incentive compensation, it does not deny the introduction of the program and will consider it as necessary.

5) Matters regarding the outside officers

- a. Important concurrent positions in other corporations, etc. and the relations between the Company and such other corporations, etc.

The important concurrent positions are as described in “1) Directors and corporate auditors (as of March 31, 2019)”

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

Rank	Name	Board of Directors attendance	Board of Corporate Auditors attendance	Contribution to meetings
Director	Michael John Korver	14/14 (100%)	-	Mr. Michael John Korver 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.
Director	Toru Kitagawa	13/14 (92.8%)	-	Mr. Toru Kitagawa expressed his opinions based mainly on his experience and insight as a chief financial officer involved in corporate planning management at a publically listed 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	13/14 (92.8%)	12/13 (92.3%)	Mr. Tetsuro Kamijikkoku expressed his opinions mainly from the specialist viewpoint of an attorney, and made remarks for ensuring the appropriateness and adequacy of the decisions made at the meetings of the Board of Directors. In addition, he 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	14/14 (100%)	13/13 (100%)	Mr. Nobuyuki Shigemune expressed his opinions based mainly on his experience and insight over many years of involvement in management of securities companies, and he made remarks for ensuring the appropriateness and adequacy of the decisions made at the meetings of the Board of Directors. In addition, he 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.

(4) Status of the Independent Auditor

1) Name:

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 Board of Corporate Auditors has agreed to the amount of compensation etc. for the independent auditor after careful scrutiny of the content of the independent auditing plan for the fiscal year under review, such as the number of auditing days and allocation of personnel as explained by the independent auditor, inspection and evaluation of the previous fiscal year's audit results, the suitability of the audit conducted by the independent auditor, and the basis for calculation in the estimate on which compensation etc. is based.
 3. 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

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 addition, in the event that the Board of Corporate Auditors determines that it is difficult for the independent auditor to satisfactorily fulfill his/her duties in light of the evaluation criteria for independent auditors, or in other cases in which it is deemed necessary, the Board of Corporate Auditors shall include the dismissal or non-reappointment of the independent auditor in the agenda for the general meeting of shareholders.

3. Systems for Ensuring Proper Performance of Duties and the Operation of these Systems

(1) Overview of Decisions Made about Systems for Ensuring Proper Performance of Duties

The decisions made about the systems for ensuring that the directors' performance of duties is compatible with laws and regulations and the Articles of Incorporation and systems for ensuring the proper performance of other Company business are outlined below.

- 1) Systems for ensuring that the performance of duties by directors and employees of the Company and its subsidiaries (hereafter, "the Group") is compatible with laws and regulations and the Articles of Incorporation
 - The Group has established the KOA Mind (code of conduct and behavior guidelines), a management philosophy laid down as internal regulations, with which all of the Group's officers and employees comply.
 - The Group promptly recognizes and deals with inappropriate, illegal, and anti-social behavior by organizations or individuals, based on the Whistleblower System Regulation.
 - The Operations Audit Center strives to work with corporate auditors and audit the overall Group, including subsidiaries, based on the Whistleblower System Regulation and other internal-related regulations. The results are reported to the audited divisions and the Company president.
- 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 Group 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.
- 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 conducts their business properly
 - The Company appoints a director in charge of each of its affiliates, who is responsible for the management of the affiliate, in accordance with the “Regulations for the Management of Affiliates.”
 - 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/her 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/she does not have to follow any direction or order regarding such work from any director or any other employee.
- 7) Systems allowing group directors and employees to report to corporate auditors, other systems related to reporting to corporate auditors, and systems ensuring that directors and employees are not treated unfairly as a result of their report
 - If facts that are likely to significantly damage the Group are discovered, the directors and employees of the Group immediately report such facts as well as legal matters to the corporate auditors of the Company.
 - The Operations Audit Center functions as the whistleblowing hotline stipulated in the Whistleblower System Regulation. When a report is received from the Group, it is reported to the Ethics and Compliance Committee, depending on its importance. The corporate auditors receive these reports through the Ethics and Compliance Committee.
 - The Group has stipulated in its related internal regulations that directors and employees who have made such reports cannot be treated unfairly because of their report.
- 8) Other systems ensuring the efficient performance of audits by corporate auditors
 - Corporate auditors attend board of directors meetings and other important meetings, and supervise the legality and efficiency of management. In addition, they hold regular meetings with representative directors, confirm management policies, and exchange views on issues that should be addressed, risks, the environment for conducting audits, and important issues in order to ensure mutual awareness and deepen a relationship of trust.
 - Corporate auditors hold meetings to exchange views as necessary with Company management and independent auditors.
- 9) Pre-payment of costs incurred in the corporate auditor’s performance of duties and procedures for repayment, and other items related to policies on the treatment of costs and liabilities incurred for the performance of these duties
 - Pre-payment of costs incurred in the corporate auditor’s performance of duties and procedures for repayment and costs and liabilities incurred for the performance of these duties are processed promptly at the request of the corporate auditor, based on related internal regulations.

- Costs incurred in the corporate auditor's performance of duties are included in the annual budget based on related internal regulations.

10) 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.

11) Systems to eradicate anti-social forces

The Group will not comply with inappropriate demands from anti-social forces and groups that threaten the order and safety of civil society, and takes an unequivocal stance on this.

(2) Outline of Management of Systems to Ensure Suitability of Duties

An outline of management of systems to ensure suitability of duties is as follows:

We have designated "KOA Mind (Code of Conduct and Action Guideline)," which establishes the Company's management philosophy, as our internal regulations, and we ensure its uptake and penetration by distributing copies to all employees, including officers, at the beginning of each fiscal year and conducting education in each department.

With regard to risk management, based on the Risk Management Regulations, we are implementing measures etc., in order to have mechanisms in place to assess, avoid, mitigate, and remove risks before issues arise, as well as other measures deemed necessary. Specifically, the Ethics and Compliance Committee and the KOA Group Health and Safety Committee each meet twice yearly, analyze risks, and implement measures to combat them. Furthermore, we recognize that the greatest risk we face is halting of production at Japanese production centers, due to earthquakes etc., and we are promoting various earthquake proofing measures in addition to implementing our BCP regulations.

With regard to carrying out the duties of directors, in addition to decisions concerning important matters and auditing etc. of the conduct of business at the monthly Board of Directors meetings, the Company also held management strategy meetings as appropriate, where it made decisions flexibly on matters concerning the conduct of business and important matters. Furthermore, consolidated management strategy meetings are held twice yearly, which are also attended by representatives of Group companies. Subjects discussed and decided at these meetings, included how to achieve the goals, checking on the conduct of business, and steps to respond to Group-wide management issues.

With regard to the conduct of audits, corporate auditors not only attended meetings of the Board of Directors and other important meetings etc., they also conducted audits with regard to legality and efficiency, periodically held meetings with representative directors, where they confirmed management policies and exchanged opinions concerning issues to be addressed and important issues etc. Corporate auditors also exchanged opinions with the Operations Audit Center and the independent auditor as necessary. In the fiscal year under review, opinions were exchanged 2 times with the representative director, 12 times with the Operations Audit Center, and 5 times with the independent auditor.

With regard to ensuring the suitability of operations at the Group, the director responsible for management of each affiliate reports to the Board of Directors etc. as necessary with regard to

management conditions and other important information, based on the “Regulations for Management of Affiliates.”

The Operations Audit Center receives reports from throughout the Group through the “KOA Hotline” internal reporting mechanism, and reports to the Ethics and Compliance Committee as necessary, depending on the importance of the content of the report. In the fiscal year under review, there were 3 domestic reports and they were dealt with as appropriate.

4. 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

1) Spirit of the founder

Kazuto Mukaiyama, the founder of the Company, was born into a silk cultivation farming family in Nakaminowa-mura (now Minowa-machi, Kamiina-gun in Nagano Prefecture) in Nagano Prefecture in 1914. The Inadani area of Nagano Prefecture, where the head office of the Company and many major manufacturing sites are still located to this day, was a rich silk cultivation area at that time. Many silk mills were located in this area, including the world-famous Katakura Silk Industries in Okaya, and farming families raised silkworms and shipped cocoons to earn cash income here. This situation suddenly changed when the Great Depression hit in 1929. This triggered the beginning of the collapse in the price of raw silk thread. Moreover, the advent of rayon and similar led to the continued decline in

the raw silk thread industry in Japan after that. Silk cultivation farming families were unable to raise many of the children who had been valuable labor. This meant that all those apart from the eldest son had to leave home.

The founder was the second son of eight siblings. He grew up watching his hometown becoming impoverished at an impressionable age and so personally chose to pay for his own schooling by working in Tokyo. Under these circumstances, the founder discovered business promise in electricity – in particular, the field of light electricity. He went independent and founded the Company at the young age of 26 in 1940. He then established a factory in the town of his birth the following year. He promoted management under the concept of “agriculture and industry working together as one” to create the way to achieve cash income in rural areas so that “farmers can live together with their families as farmers” since that time. The Company has established competitive advantages through accumulation of steady improvements and engineering developments and has grown into a global company with a top class share of the worldwide market for fixed resistors under the spirit of “protect our workplaces by ourselves” against the handicap of a regional company in that “it took half a day to make a connection even if applying for a business phone call urgently” and overseas rivals with low production costs.

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 production, marketing and sales network.

2) KPS (KOA Profit System)

In KPS (KOA Profit System), the participation-by-all improvement activities that we have been working on continuously since the second half of the 1980s, we first adopted the Toyota Production System and then worked on ending waste in all areas of management in addition to the production process.

In the 2000s, KPS took up quality as the theme for the next stage. We established automotive applications as the area of symbolic sales expansion and promoted “quality first” activities to shift our sales areas from the generic product-orientated home appliance market to markets where quality and reliability of a different magnitude are required. In this activity, we aimed for the improvement of all work and employees involved in addition to product quality. As a result of this activity, automotive applications that accounted for about 10% of our net sales at the start of this activity have now risen to close to 40% and customers have come to praise the “KOA of quality and services.” This brand value is the pride and treasure of the Company.

Furthermore, the Company started the third stage of KPS in the 2010s. To put this simply, this is our “response to innovation.” In our history as a fixed resistor specialist manufacturer approaching the 80th anniversary of the foundation of the Company in 2020, the Company has accumulated fundamental technologies, which are the process technology of thick films and thin films, materials technology and production and control technology. This is an activity that will continue to take advantage of these in the “joint development”

of the technological and product development with our customers. In this era of change, we are strengthening investment in our marketing and technical departments to make proactive proposals from the Company in anticipation of new product and technological demands born in advance of these changes in addition to supplementing the so-called “missing pieces” of customers they do not have in their development and training with the basic technologies of the Company. As a result of this, new products combining the resistors of the Company with the mechanical parts of other firms have already been released.

3) Resistors and future developments

In terms of product development, we are expanding our product lineup. This includes high-precision low resistance resistors suitable for detection of large currents, resistors with improved sulfide resistance that can be used safely even in environments with air pollution and similar, ultra-thin passive components to support three-dimensional high-density mounting, high withstand voltage chip resistors that can be used even at high voltages, small-sized fuses with excellent environment resistance, noise suppression components with high energy resistance and excellent responsive performance that protect advanced control equipment for automatic operation and similar, and temperature sensors that can be used in high-temperature environments.

In particular, in the automotive field, it is predicted that there will be an increase in the number of motors used in power steering drives in addition to those for driving due to further advances in motorization because of toughening environmental regulations. It is necessary to precisely detect the currents flowing in the circuits to control these rotations. The Company has long focused on high precision “metal plate resistors” suitable for this application. It is expected that there will be an increase in the need for the detection of electric currents in many fields such as industrial equipment in addition to automotive applications. Therefore, we will continue to expand the number of products we provide to meet the needs of our customers for this application.

4) Becoming a R&D company that can jointly develop with our customers

The Company is proactively performing activities connecting to new product and business development from underlying technology development jointly with research institutions, universities and other organizations in Japan and overseas with the aim of being a R&D company. We opened the Kitakyushu Research Laboratory in the Hibikino Kitakyushu Science and Research Park in Kitakyushu City in Fukuoka Prefecture in April 2016 as part of this. Hibikino was established in 2001 by Kitakyushu City and Fukuoka Prefecture with the aims of “becoming a core academic research center in Asia” and “promoting creation of new industries and further development of technology.” This has now become one of the leading research and development parks to rival that of the Tsukuba Science City by bringing together science and technology universities, public research institutes, and semiconductor/electronics, automobile and industrial robot related companies, among other organizations. In particular, the park frequently plays host to workshops with companies involved in industrial equipment such as car electronics and robots where the Company is focusing our efforts. We are gradually building a network with researchers in research institutes, engineers in companies and students in graduate schools by directly putting ourselves in such a place of innovation and participating in information gathering/dissemination and various workshops. The Kitakyushu Research Laboratory is

also concentrating on the development of various sensors that are the gateways to information and taking on the role of achieving success with new businesses in anticipation of the IoT era in which various things are connected to the Internet to try and make life more convenient by controlling this.

5) Toward the 80th Anniversary of the foundation of the Company in 2020

There are increasing demands from customers concerning business continuity due to the Great East Japan Earthquake and the earthquakes that have continued to strike Japan since then. The Company proceeded with work to seismically reinforce our factory buildings and work to prevent the fall of ceilings and similar from an early stage. Moreover, the Company built a new state-of-the-art flat chip resistor production factory in Achi-mura, Shimoina-gun in Nagano Prefecture in 2012 and our subsidiary SANADA KOA Corporation aggregated its old factories into a new factory in Ueda City in Nagano Prefecture in 2013. Furthermore, we established a new product testing and R&D facility in 2016. Together with this, we are looking to strengthen and expand our business continuity structure by improving the important facilities in our group, such as by rebuilding our old logistics center.

In addition, the demand for high reliability of quality is becoming increasingly stronger. 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. The Company saw 63% of our consolidated net sales came from outside of Japan in FY2016 while 73% of this was produced inside Japan. The Company is utilizing and enhancing Japan's domestic strengths in manufacturing to carry out production of high-quality and high-reliability products that are unique to Japan while also rivalling our competitors by collecting the latest information on innovations through taking advantage of our global network.

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, at the 86th Ordinary General Meeting of Shareholders held on June 14, 2014, and at the 89th Ordinary General Meeting of Shareholders held on June 17, 2017, 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, 2019)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current Assets	39,445	Current Liabilities	13,582
Cash and deposits	15,197	Notes and accounts payable - trade	4,839
Notes and accounts receivable - trade	13,616	Electronically recorded obligations - operating	902
Electronically recorded monetary claims - operating	1,411	Short-term borrowings	221
Securities	200	Accrued income taxes	279
Merchandise and finished goods	3,694	Accrued expenses	1,299
Work in process	2,481	Accrued employees' bonuses	1,557
Raw materials and supplies	1,445	Other current liabilities	4,482
Corporation tax refunds receivable, etc.	470	Fixed Liabilities	3,933
Other current assets	971	Long-term borrowings	217
Allowance for doubtful accounts	-44	Long-term accounts payable - other	626
Fixed Assets	37,910	Deferred tax liabilities	625
Tangible fixed assets	28,301	Net defined benefit liability	2,117
Buildings and structures	11,003	Other fixed liabilities	345
Machinery, equipment and vehicles	7,757	Total Liabilities	17,515
Tools, furniture and fixtures	549	Net Assets	
Land	6,312	Shareholders' Equity	59,219
Construction in progress	2,678	Capital stock	6,033
Intangible fixed assets	556	Capital surplus	9,195
Investments and other assets	9,052	Retained earnings	46,706
Investments in securities	5,161	Treasury shares	-2,715
Deferred tax assets	462	Total Amount of Other Comprehensive Income	620
Long-term deposits	1,571	Valuation difference on available for sale securities	1,803
Insurance reserve fund	1,469	Foreign currency translation adjustments	-846
Other investments	417	Remeasurements of defined benefit plans	-336
Allowance for doubtful accounts	-29	Total Net Assets	59,839
Total Assets	77,355	Total Liabilities and Net Assets	77,355

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

Consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account item	Amount	
Net sales		55,895
Cost of sales		37,894
Gross profit		18,000
Selling, general and administrative expenses		12,330
Operating income		5,670
Non-operating income		
Interest income	88	
Dividends income	72	
Investment profit by the equity method	82	
Foreign exchange gains	148	
Other	391	783
Non-operating expenses		
Interest expense	2	
Other	146	149
Ordinary income		6,304
Extraordinary income		
Gain on sales of fixed assets	3	3
Extraordinary losses		
Loss on sale of fixed assets	1	
Loss on disposal of fixed assets	60	
Impairment loss	2	
Litigation settlement	4,806	
Other	0	4,872
Income before income taxes		1,435
Income taxes current	519	
Income taxes deferred	-102	416
Net income		1,018
Net income attributable to owners of parent		1,018

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

Consolidated Statement of Changes in Shareholders' Equity, etc.

(From April 1, 2018 to March 31, 2019)

(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	9,185	47,043	-2,775	59,486
Changes during current period					
Dividends of surplus			-1,333		-1,333
Net income attributable to owners of parent			1,018		1,018
Treasury shares acquired				-1	-1
Disposal of treasury shares				60	60
Increase by merger		10	-22		-11
Net changes in items other than shareholders' equity during current period					
Total changes during current period	—	10	-337	59	-267
Balance at the end of current period	6,033	9,195	46,706	-2,715	59,219

	Total amount of other comprehensive income				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	2,217	-557	-250	1,409	60,895
Changes during current period					
Dividends of surplus					-1,333
Net income attributable to owners of parent					1,018
Treasury shares acquired					-1
Disposal of treasury shares					60
Increase by merger					-11
Net changes in items other than shareholders' equity during current period	-413	-288	-85	-788	-788
Total changes during current period	-413	-288	-85	-788	-1,055
Balance at the end of current period	1,803	-846	-336	620	59,839

(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.
- 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.
- Reason for exclusion from the equity method:
The above one 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 Policies

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 difference 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 consolidated 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, and the equipment attached to buildings and structures acquired on or after April 1, 2016.

b. Intangible fixed assets (excluding lease assets):

Straight-line method

c. Lease assets:

With regard to lease assets related to non-ownership transfer finance lease transactions, the straight-line method has been employed, with the residual value as zero, and lease period as the estimated life.

3) Accounting standards for significant 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 loan loss ratio for general receivables and at the uncollectible amounts determined by reference to the collectability 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 collectability 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.

- 4) Policies concerning the conversion of significant 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 difference 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 closing date of each company, and the income and expenses, at the average annual exchange rate for each period. The translation difference is recorded in foreign currency translation adjustments and non-controlling interests in the net assets section.

- 5) 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.) Amortization of actuarial gains or losses and past service cost

The Company is amortizing prior service cost on a straight-line basis over a certain number of years (10 years) within the average remaining service years of employees at the time of incurrence.

As for actuarial gains or losses, proportional amounts under the straight-line method 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 consolidated fiscal year are amortized beginning in the consolidated fiscal year following the fiscal year of incurrence.

- iii.) Method of accounting for differences in unrecognized actuarial gain or loss, and unrecognized prior service cost

With regard to differences in unrecognized actuarial gain or loss, and unrecognized prior service cost, remeasurements of defined benefit plans in total amount of other comprehensive income in net assets are calculated after adjusting for taxation.

- 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 Presentation

(Changes associated with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the consolidated fiscal year under review. Accordingly, deferred tax assets are presented under “Investments and other assets” and deferred tax liabilities are presented under “Fixed liabilities.”

- (6) Additional Information

Accounting treatment for employee shareholding ESOP Trust

The Company conducts transactions to offer the Company’s shares to the employee shareholding association through a trust, with the aim of enhancing the employee benefits.

a. Outline of transactions

The Company has introduced an employee incentive plan “Employee Stock Ownership Plan (ESOP) Trust” (hereinafter referred to as the “ESOP Trust”). The decision to implement this plan was approved at a Board of Directors meeting held on October 20, 2016. The goal is to provide better welfare benefits to our employees as they support the growth of the Company. In addition, we believe this will improve our corporate value in the medium and long term, and increase the share price by boosting their awareness of corporate earnings and share price trends.

The Company has established a trust account for which the beneficiaries are legitimate employee members who satisfy certain requirements, of the Company and the Group’s domestic subsidiaries that participate in the “KOA Employee Shareholding Association” (hereinafter referred to as the “Company’s Shareholding Association”). The trust account acquires, in one lot, the Company’s shares of which the number is expected to be acquired by the Company’s Shareholding Association from February 2017 to February 2022 (plan). Then, the trust sells the Company’s shares to the Company’s Shareholding Association on a certain date every month.

b. The Company’s own shares remaining in the trust

As for accounting transactions related to the ESOP Trust, the Company has applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015) and accounted for the transactions using the gross method, which treats the Company and the ESOP Trust as combined together. As a result, The Company’s shares held by the ESOP Trust is presented under net assets in the Consolidated Balance Sheet as “Treasury shares” using the book value at the ESOP Trust (excluding amounts of ancillary costs).

Please note that the number of the Company’s shares held by the Trust on the last day of the consolidated fiscal year under review (March 31, 2019) is 276,900 shares and its book value is ¥320 million.

c. Book value of loans payable recorded using the gross method

The consolidated fiscal year under review: ¥262 million

2. Notes to the Consolidated Balance Sheet

- | | |
|---|-----------------|
| (1) Total Amount of Depreciation of Tangible Fixed Assets | ¥45,869 million |
| (2) Amount of Discounts of Notes Receivables | ¥154 million |
| (3) Contingent Liability | |

The Company has provided financial guarantees for borrowings, etc. from financial institutions.

ESOP Trust	¥262 million
VIA electronic GmbH	¥62 million

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

(1) Total Number of Issued Shares

Type of shares	Number of shares at the beginning of the consolidated fiscal year under review	Number of shares increased in the consolidated fiscal year under review	Number of shares decreased in the consolidated fiscal year under review	Number of 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 shares at the beginning of the consolidated fiscal year under review	Number of shares increased in the consolidated fiscal year under review	Number of shares decreased in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common shares	3,754,638 shares	554 shares	52,600 shares	3,702,592 shares

(Notes) 1) The number of shares of treasury shares at the end of the consolidated fiscal year under review includes 276,900 shares of the Company held by the ESOP Trust.

2) (Summary of the reasons for the changes)

A component of the increase is as follows:

Purchase request for shares less than one unit 554 shares

A component of the decrease is as follows:

Sale from the ESOP Trust to the employees' shareholding association 52,600 shares

(3) Appropriation of Retained Earnings

1) Dividends paid, etc.

a. Dividends decided at the 90th Ordinary General Meeting of Shareholders held on June 16, 2018

- Total amount of dividends: ¥666 million
- Amount of dividends per share: ¥18.00
- Date of record: March 31, 2018
- Effective date: June 18, 2018

b. Dividends decided at the meeting of the Board of Directors held on October 19, 2018

- Total amount of dividends: ¥666 million
- Amount of dividends per share: ¥18.00
- Date of record: September 30, 2018
- Effective date: December 3, 2018

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 91st Ordinary General Meeting of Shareholders scheduled for June 15, 2019, we will propose the payment of dividends as follows:

- Total amount of dividends: ¥666 million
- Funds for dividends Retained earnings
- Amount of dividends per share: ¥18.00
- Date of record: March 31, 2019
- Effective date: June 17, 2019

(Note) Total amount of dividends to be submitted for a resolution at the 91st Ordinary General Meeting of Shareholders to be held on June 15, 2019 includes the dividends of ¥4 million on the Company's shares held by the ESOP Trust.

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, 2019 (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	15,197	15,197	—
2) Notes and accounts receivable - trade	13,616	13,616	—
3) Electronically recorded monetary claims - operating	1,411	1,411	—
Allowance for doubtful accounts (*2)	-44	-44	—
	14,983	14,983	—
4) Securities and Investments in securities			
Held-to-maturity securities	673	663	-10
Available-for-sale securities	3,445	3,445	—
5) Notes and accounts payable - trade	(4,839)	(4,839)	—
6) Electronically recorded obligations - operating	(902)	(902)	—
7) Short-term borrowings	(221)	(221)	—
8) Long-term borrowings	(217)	(213)	-3
9) Derivative transactions (*3)	9	9	—

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

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

(*3) Net credit or liability arising from derivative transactions is shown.

(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	206	207	1
Held-to-maturity securities with a market value below the amount posted in the consolidated balance sheet	Others	467	456	-11
Total		673	663	-10

(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	604	3,198	2,593
Available-for-sale securities with an amount posted in the consolidated balance sheet below the acquisition cost	Stocks	54	47	-6
Total		659	3,245	2,586

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 (¥200 million), are settled in a

short period of time, the market price approximates the book value. Therefore, they have been excluded from the above table.

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.

9) Derivative transactions

The current market price of forward exchange transactions is calculated based on the price indicated by the correspondent financial institution. Hedge accounting is not applied.

Currency

(Millions of yen)

Classification	Transaction type	Contract amount etc.	Contract amount etc. over 1 year	Current market price	Appraisal of profit/loss
Transaction other than market transaction	Forward exchange transaction Short position Euros	918	—	9	9

(Note 2) The non-listed stocks (amount posted in the consolidated balance sheet: ¥1,241 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 “4) Securities and Investments in 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	Redeemable over five years but within ten years
Cash and deposits	15,197	—	—
Notes receivable, accounts receivable, and electronically recorded monetary claims - operating	14,983	—	—
Securities and investments in securities			
Held-to-maturity securities	—	—	673
Total	30,180	—	673

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

(Millions of yen)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years
Short-term borrowings	108	—	—	—	—
Long-term borrowings	112	112	105	—	—

5. Notes on the Information about Amounts per Share

(1) Amount of Net Assets per Share ¥1,627.09

(2) Net Income per Share ¥27.73

(Note) Treasury shares held by the ESOP Trust are included in treasury shares deducted from total number of issued shares at the end of the period when calculating net assets per share, and are also included in treasury shares deducted from the average number of shares during the period when calculating net income per share.

Number of treasury shares at the end of the period 276,900 shares

Average number of treasury shares during the period 306,292 shares

6. Other Notes

Litigation settlement

On August 20, 2015 and later, purchasers of linear resistors filed class-action lawsuits with the U.S. District Court for the Northern District of California, seeking compensation for damages from several resistor manufacturers, including the Company, on the allegation that these manufacturers violated the U.S. antitrust law.

Though the Company has not conceded liability, it has agreed to a settlement, judging that an early resolution is in its best interest after comprehensively considering the potential impact of a prolonged litigation on its future performance, along with other matters.

Non-consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current Assets	23,050	Current Liabilities	10,550
Cash and deposits	5,639	Notes payable-trade	37
Notes receivable - trade	1,046	Electronically recorded obligations - operating	1,074
Electronically recorded monetary claims - operating	1,402	Accounts payable - trade	4,116
Accounts receivable-trade	11,755	Accounts payable - other	2,925
Merchandise and finished goods	294	Accrued employees' bonuses	1,076
Work in process	1,218	Other current liabilities	1,320
Raw materials and supplies	705	Fixed Liabilities	2,255
Other current assets	988	Long-term accounts payable - other	534
Fixed Assets	34,045	Allowance for employees' retirement benefits	1,060
Tangible fixed assets	17,127	Other fixed liabilities	660
Buildings	6,800	Total Liabilities	12,805
Structures	365	Net Assets	
Machinery and equipment	3,462	Shareholders' Equity	42,550
Vehicles	40	Capital stock	6,033
Tools, furniture and fixtures	140	Capital surplus	11,434
Land	4,181	Legal capital surplus	11,261
Construction in progress	2,136	Other capital surplus	173
Intangible fixed assets	203	Retained earnings	27,797
Software	75	Legal retained earnings	916
Software in progress	113	Other retained earnings	26,880
Other intangible fixed assets	14	Reserve for advanced depreciation of fixed assets	839
Investments and other assets	16,714	General reserve	16,040
Investments in securities	3,858	Retained earnings brought forward	10,001
Investments in stocks of subsidiaries	9,764	Treasury shares	-2,715
Long-term loans receivable for subsidiaries	482	Valuation and translation adjustments	1,740
Other investments	2,615	Valuation difference on available for sale securities	1,740
Allowance for doubtful accounts	-5	Total Net Assets	44,290
Total Assets	57,096	Total Liabilities and Total Net Assets	57,096

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

Non-consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account item	Amount	
Net sales		47,095
Cost of sales		37,383
Gross profit		9,711
Selling, general and administrative expenses		6,161
Operating income		3,550
Non-operating income		
Interest income	9	
Dividends income	492	
Foreign exchange gains	132	
Other	262	897
Non-operating expenses		
Interest expense	0	
Other	91	92
Ordinary income		4,355
Extraordinary income		
Gain on sales of fixed assets	3	3
Extraordinary losses		
Loss on sale of fixed assets	1	
Loss on disposal of fixed assets	57	
Impairment loss	2	
Litigation settlement	3,598	
Other	0	3,661
Income before income taxes		698
Income taxes current	16	
Income taxes deferred	72	88
Net income		609

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

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

(From April 1, 2018 to March 31, 2019)

(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	173	11,434	916	849	16,040	10,715	28,522	-2,775	43,215
Changes during current period											
Dividends of surplus								-1,333	-1,333		-1,333
Reversal of reserve for advanced depreciation of fixed assets						-10		10			—
Net income								609	609		609
Treasury shares acquired										-1	-1
Disposal of treasury shares										60	60
Net changes in items other than shareholders' equity during current period											
Total changes during current period	—	—	—	—	—	-10	—	-713	-724	59	-664
Balance at the end of current period	6,033	11,261	173	11,434	916	839	16,040	10,001	27,797	-2,715	42,550

	Valuation and translation adjustments	Total net assets
	Valuation difference on available for sale securities	
Balance at the beginning of current period	2,146	45,361
Changes during current period		
Dividends of surplus		-1,333
Reversal of reserve for advanced depreciation of fixed assets		—
Net income		609
Treasury shares acquired		-1
Disposal of treasury shares		60
Net changes in items other than shareholders' equity during current period	-405	-405
Total changes during current period	-405	-1,070
Balance at the end of current period	1,740	44,290

(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) Held-to-maturity securities

Amortized cost method

3) 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 difference 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

4) Derivatives

Market value method

5) Inventories

- Merchandise and finished goods, raw materials, and work in process:

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, and the equipment attached to buildings and structures acquired on or after April 1, 2016.

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:

With regard to lease assets related to non-ownership transfer finance lease transactions, the straight-line method has been employed, with the residual value as zero, and lease period as the estimated life.

(3) Accounting Standards for 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:

i.) 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.

ii.) 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) 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.

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.

(5) Changes in Presentation

(Changes associated with the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the fiscal year under review. Accordingly, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Fixed liabilities."

(6) Additional Information

Accounting treatment for employee shareholding ESOP Trust

The note regarding transactions to offer the Company's shares to the employee shareholding association through the trust are omitted because the same content is stated in "Additional Information" of the notes to the consolidated financial statements.

2. Notes to the Non-consolidated Balance Sheet

(1) Total Amount of Depreciation of Tangible Fixed Assets ¥23,383 million

(2) Contingent Liability

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

Koa Kasei Co., Ltd. ¥239 million

ESOP Trust ¥262 million

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

1) Short-term monetary claims ¥6,802 million

2) Short-term monetary liabilities ¥2,243 million

3) Long-term monetary claims ¥482 million

3. Note to the Statement of Income

The Company's transactions with its affiliates:

1) Operating transactions (income) ¥31,006 million

2) Operating transactions (expenses) ¥19,332 million

3) Non-operating transactions (income) ¥497 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	3,754,638 shares	554 shares	52,600 shares	3,702,592 shares

(Notes) 1) The number of shares of treasury shares at the end of the fiscal year under review includes 276,900 shares of the Company held by the ESOP Trust.

2) (Summary of the reasons for the changes)

A component of the increase is as follows:

Purchase request for shares less than one unit 554 shares

A component of the decrease is as follows:

Sale from the ESOP Trust to the employees' shareholding association 52,600 shares

5. Note on Tax Effect Accounting

The main causes of deferred tax assets are the accrued employees' bonuses included in expenses and 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 SPEER ELECTRONICS, INC.	0.1	Electronic parts business	Indirect ownership: 100	1	The Company's main customer	Sale of the Company's products	6,483	Accounts receivable-trade	1,019
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	5,447	Accounts receivable-trade	1,869
Subsidiary	KOA DENKO (S) PTE. LTD.	10	Electronic parts business	Direct ownership: 100	2	The Company's main customer	Sale of the Company's products	4,928	Accounts receivable-trade	1,197
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	6,240	Accounts receivable-trade	1,013
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	2,956	Accounts receivable-trade	583
Subsidiary	KOA ELECTRONICS (TAICANG) CO., LTD.	1,898	Electronic parts business	Direct ownership: 79 Indirect ownership: 21	2	Supplier to the Company	Purchase of products	4,850	Accounts payable - trade	366
Affiliate	DAH HSING ELECTRIC CO., LTD.	276	Electronic parts business	Direct ownership: 39	3	The Company's main customer	Sale of the Company's products	1,399	Accounts receivable-trade	669

- (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 ¥1,204.31

(2) Net Income per Share ¥16.59

(Note) Treasury shares held by the ESOP Trust are included in treasury shares deducted from total number of issued shares at the end of the period when calculating net assets per share, and are also included in treasury shares deducted from the average number of shares during the period when calculating net income per share.

Number of treasury shares at the end of the period 276,900 shares

Average number of treasury shares during the period 306,292 shares

8. Other Notes

Litigation settlement

On August 20, 2015 and later, purchasers of linear resistors filed class-action lawsuits with the U.S. District Court for the Northern District of California, seeking compensation for damages from several resistor manufacturers, including the Company, on the allegation that these manufacturers violated the U.S. antitrust law.

Though the Company has not conceded liability, it has agreed to a settlement, judging that an early resolution is in its best interest after comprehensively considering the potential impact of a prolonged litigation on its future performance, along with other matters.

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

INDEPENDENT AUDITORS' REPORT

May 3, 2019

To the Board of Directors
KOA CORPORATION

Grant Thornton Taiyo LLC
Katsuhiko Kaneko, CPA Seal
Designated Partner, Engagement Partner
Tomohiro Tamura, 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, 2018 to March 31, 2019 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 3, 2019

To the Board of Directors
KOA CORPORATION

Grant Thornton Taiyo LLC
Katsuhiko Kaneko, CPA Seal
Designated Partner, Engagement Partner
Tomohiro Tamura, 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 91st fiscal year from April 1, 2018 to March 31, 2019 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 91st fiscal year beginning on April 1, 2018, and ending on March 31, 2019, 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. Auditing has been conducted using the following method.

(1) 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. Furthermore, with regard to subsidiaries, we facilitated communication and exchange of information with directors and corporate auditors etc. of subsidiaries, and received business reports from subsidiaries as necessary.

(2) 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.

(3) 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.

(4) 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.

Based on the above methods, we gave consideration to reports and supporting schedules, non-consolidated financial statements (Non-consolidated Balance sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Shareholders' Equity, etc. and Notes to the Non-consolidated Financial Statements) and their supporting schedules, and consolidated financial statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Shareholders' Equity, etc. and Notes to the Consolidated Financial Statements) concerning the fiscal year under review.

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 8, 2019

Board of Corporate Auditors of KOA CORPORATION:

Masashi Gomi

Full-time Corporate Auditor Seal

Kazuo Endo

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 91st Ordinary General Meeting of Shareholders

Proposal 1: Appropriation of retained earnings

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

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

We hereby propose the distribution of the term-end dividends for the 91st fiscal year as follows, in consideration of our basic policy mentioned above, as well as business results for the fiscal year under review, future business plans and other factors:

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 ¥18.00.

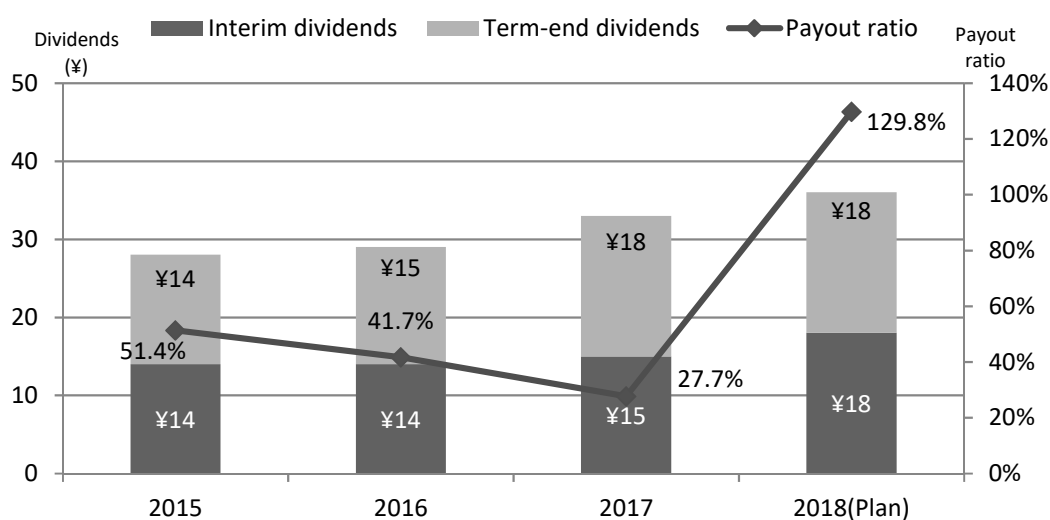
The total proposed dividend amounts to be ¥666,972,576.

The proposed annual dividend for the fiscal year under review (including the interim dividend) is ¥36 per share.

(3) Date when the dividends of surplus become effective

We propose to make this date June 17, 2019.

Change of the dividends, payout ratio and dividends on equity (DOE) per share



	FY 2015	FY 2016	FY 2017	FY 2018 (plan)
Annual dividend	¥28	¥29	¥33	¥36
Payout ratio	51.4%	41.7%	27.7%	129.8%
Dividends on equity (DOE)	1.8%	1.9%	2.1%	2.2%

Proposal 2: Election of eight (8) directors

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

Thus, we propose the election of eight directors (of which two are outside directors). The candidates for directors are as follows:

Both candidates for outside directors satisfy the Company's "Standard for Determining Independence" (page 59).

No.	Candidate name	Type of appointment	Position in the Company	Time of office (as of the close of the General Meeting)	Board of Directors attendance (FY2018)
1	Koichi Mukaiyama	Reappointment	Director and chairman	43 years	14/14 (100%)
2	Tadao Hanagata	Reappointment	Representative director and president	11 years	14/14 (100%)
3	Akira Nonomura	Reappointment	Managing director	7 years	14/14 (100%)
4	Katsuhiko Momose	Reappointment	Director	8 years	14/14 (100%)
5	Etsuji Yamaoka	Reappointment	Director	7 years	14/14 (100%)
6	Toshihiro Kojima	Reappointment	Director	2 years	14/14 (100%)
7	Michael John Korver	Reappointment Independent outside director	Outside director	11 years	14/14 (100%)
8	Toru Kitagawa	Reappointment Independent outside director	Outside director	2 years	13/14 (92.8%)

Reappointment: Candidate for director to be reelected

Independent outside director: Candidate for outside director and independent officer as defined by the Tokyo Stock Exchange

[Ensuring that the Board of Directors functions effectively]

The membership of the Board of Directors of the Company comprises directors whose expertise lies in the fields of quality assurance, technology, production, sales, overseas development, and business strategy. It also includes outside directors, who are independent and have abundant experience and insight in corporate strategy and corporate management. The membership represents a balance of knowledge, experience, and skills. The Company will continuously consider making the membership also encompass diversity, including the aspects of gender equality and internationality.

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) Reappointment	March 1972 Joined the Company June 1976 Director of the Company December 1977 Representative director and president of the Company October 2001 In charge of the Environmental Business Field of the Company April 2013 Representative director and chairman of the Company June 2018 Director and chairman of the Company (present position) (Important concurrent positions) Director and chairman, KOA TRADING CO., LTD. Vice Director, DAH HSING ELECTRIC CO., LTD.	446,108 shares
		Reason for nomination as a director: Mr. Koichi Mukaiyama has abundant executive experience and knowledge as a manager stemming from his long years of service since assuming office as director of the Company, and he has duly fulfilled his duties. We are therefore confident that, if elected, he will continue to contribute toward the Company's growth and corporate value as director and chairman.	
2	Tadao Hanagata (January 28, 1956) Reappointment	March 1979 Joined the Company April 2000 General manager of the Discrete Product Block, Resistor Production Dept. of the Company October 2001 General manager of the Quality Improvement Center of the Global Quality Assurance Initiative of the Company October 2003 Representative of the Kamiina Business Field of the Manufacturing Initiative of the Company June 2008 Director of the Company In charge of the Manufacturing Initiative and Kamiina Business Field of the Company April 2009 In charge of the Shimoina Business Field and Minowa Business Field of the Company April 2013 Representative director and president of the Company (present position) June 2015 In charge of the KPS-3 Initiative of the Company (present responsibility) January 2017 In charge of the Quality Assurance Initiative of the Company	13,900 shares
		Reason for nomination as a director: Mr. Tadao Hanagata has abundant experience and knowledge in a range of business operations; since joining the Company, he has engaged in technological operations, as well as in various other internal operations, including as manufacturing, quality assurance, and overseas subsidiary of manufacturing management. As representative director, Mr. Hanagata has supervised the entire company with steadfast leadership. We are therefore confident that, if elected, he will continue to contribute toward the Company's growth and corporate value.	

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	Akira Nonomura (August 5, 1960) Reappointment	<p>March 1983 Joined the Company</p> <p>October 2003 Representative of the Japan Sales Business Field of the Company</p> <p>December 2009 Managing director of KOA DENKO (S) PTE. LTD.</p> <p>April 2012 General manager of the Marketing Center of the Business Structure Reform Initiative of the Company</p> <p>June 2012 Director of the Company In charge of the Business Structure Reform Initiative of the Company</p> <p>June 2015 In charge of the Sales & Marketing Initiative (present responsibility) In charge of the Japan Sales Business Field of the Company (present responsibility)</p> <p>April 2018 Managing director of the Company (present position)</p> <p>June 2018 In charge of the Management Administration Initiative of the Company (present responsibility)</p> <p>(Important concurrent positions)</p> <p>Representative director and president, KOA TRADING CO., LTD.</p> <p>Director, KOA SPEER HOLDING CORPORATION</p> <p>Managing Director, KOA Europe GmbH</p> <p>Director, KOA DENKO (S) PTE.LTD.</p> <p>Director, KOA ELECTRONICS (H.K.) LTD.</p> <p>Director, SHANGHAI KOA ELECTRONICS TRADING CO., LTD.</p>	6,000 shares
	<p>Reason for nomination as a director:</p> <p>Mr. Akira Nonomura has abundant experience and knowledge in domestic and overseas business administration; since joining the Company, having been engaged primarily in the Company's marketing operations and having been appointed to the manager at its overseas sales companies. As a member of top management of the Management Administration Initiative and the Sales & Marketing Initiative and officer in charge of the Japan Sales Business Field, Mr. Nonomura supervises both management administration and marketing operations, and he is working to strengthen the corporate structure and to further develop sales channels. We are therefore confident that, if elected, he will continue to contribute toward the Company's growth and corporate value.</p>		

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
4	Katsuhiko Momose (November 10, 1962) Reappointment	<div>March 1985 Joined the Company</div> <div>July 1996 General manager of the KPS Division of the Company</div> <div>October 2003 General manager of the Management Strategy Center of the Management Administration Initiative of the Company</div> <div>June 2011 Director of the Company (present position) In charge of the Management Administration Initiative of the Company</div> <div>April 2013 In charge of the Kamiina Business Field of the Company</div> <div>June 2015 In charge of the Manufacturing Initiative (present responsibility) In charge of the Shimoina Business Field of the Company (present responsibility) In charge of the China Business Field of the Company (present responsibility)</div> <div>January 2017 In charge of the Kamiina Business Field of the Company (present responsibility)</div> <div>June 2017 In charge of the Minowa Business Field of the Company (present responsibility)</div> <div>(Important concurrent positions) Director, KOA ELECTRONICS CO., LTD. Director, SANADA KOA Corporation Vice Director, KOA ELECTRONICS (TAICANG) CO., LTD. Chairman, KOA DENKO (MALAYSIA) SDN. BHD.</div>	18,800 shares
	Reason for nomination as a director: Mr. Katsuhiko Momose has abundant experience and knowledge in business strategy; since joining the Company, he has engaged primarily in the Company's business strategy. Now he supervises manufacturing operations as manager of the manufacturing field, and he is working to further improve productivity and to develop a production system for new products. We are therefore confident that, if elected, he will continue to contribute toward the Company's growth and corporate value.		

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
5	Etsuji Yamaoka (October 2, 1963) Reappointment	April 1986 April 2007 June 2012 April 2013 June 2013 June 2015 March 2018 June 2018	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 In charge of the Shimoina Business Field of the Company In charge of the Minowa Business Field of the Company In charge of the Research & Development Initiative of the Company (present responsibility) General manager of Research & Development Initiative Research & Development Strategy Center of the Company In charge of the Quality Assurance Initiative of the Company (present responsibility)	6,500 shares
	Reason for nomination as a director: Mr. Etsuji Yamaoka has abundant experience and knowledge in technology; since joining the Company, he has been engaged primarily the Company's technological operations. He currently supervises both technological and quality assurance operations as a member of top management of the Research & Development Initiative and the Quality Assurance Initiative. He leads new product and technology projects that leverage core technologies and activities to improve the quality and reliability, such as "Building Zero Defect Flows." We are therefore confident that, if elected, he will continue to contribute toward the Company's growth and corporate value.			
6	Toshihiro Kojima (January 22, 1964) Reappointment	April 1986 April 2007 June 2011 June 2012 June 2015 June 2017 March 2018	Joined the Company General manager of the Product Management Center of the Business Structure Reform Initiative of the Company General manager of the Marketing Center of the Business Structure Reform Initiative of the Company Managing director of KOA DENKO (S) PTE. LTD. General manager of the Product Roadmap Development Center of the KPS-3 Initiative of the Company Director of the Company (present position) In charge of the KPS-3 Initiative (present responsibility) General manager of the New Application Research Center of the KPS-3 Initiative of the Company (present responsibility)	3,200 shares
	Reason for nomination as a director: Mr. Toshihiro Kojima has abundant experience and knowledge in technological and marketing and in foreign countries; since joining the Company, he has engaged primarily in these operations and has been assigned to the manager at its overseas sales companies. Now in charge of new business development, Mr. Kojima devotes himself to forging new markets. We are therefore confident that, if elected, he will continue to contribute toward the Company's growth and corporate value.			

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
7	Michael John Korver (September 17, 1954) Reappointment Independent outside director	<p>July 1983 Obtained an attorney's certificate in California, U.S.A.</p> <p>July 1987 Obtained an attorney's certificate in New York, U.S.A.</p> <p>June 1996 Director of Global Venture Capital Inc.</p> <p>April 2004 Outside director of BJIT Inc. (present position)</p> <p>June 2004 Professor at the Graduate School of International Corporate Strategy Research, Hitotsubashi University</p> <p>May 2006 Outside director of Really English.com Limited</p> <p>June 2006 Representative director of Global Venture Capital Inc. (present position)</p> <p>October 2006 Outside director of Geovector Corporation (present position)</p> <p>June 2008 Outside director of the Company (present position)</p> <p>September 2011 Representative director of Real English Broadband Co., Ltd.</p> <p>July 2013 Representative director of Durafizz Holdings Corporation (present position)</p> <p>(Important concurrent positions)</p> <p>Outside director, BJIT Inc.</p> <p>Representative director, Global Venture Capital Inc.</p> <p>Outside director, Geovector Corporation</p> <p>Representative director, Durafizz Holdings Corporation</p>	12,500 shares
		Reason for nominating as an outside director: Mr. Michael John Korver is a highly experienced corporate strategist and business administrator, as well as a distinguished scholar. Since becoming a director of the Company, Mr. Korver has duly fulfilled his duties, including advising on business strategy and overseeing management. We are therefore confident that, if elected, he will continue to contribute toward the Company's business and help ensure that the Board of Directors functions effectively.	
		<p>[Notes regarding independence]</p> <p>The candidate has no special interest relationship with the Company.</p> <p>The Company recognizes the candidate as independent, since he satisfies the Company's "Standard for Determining Independence".</p> <p>The Company has registered the candidate as an independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange. If the candidate's reelection is approved, the Company will re-register him as an independent officer.</p>	

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
8	Toru Kitagawa (August 4, 1960)	<p>April 1983 Joined Kanematsu-Gosho, Ltd. (current KANEMATSU CORPORATION)</p> <p>November 1999 Joined Japan Communications Inc. as General manager of Corporate Planning Office</p> <p>February 2001 Joined Baltimore Technologies Japan Co., Ltd. (current Cybertrust Japan Co., Ltd.) as Senior executive financial officer</p> <p>January 2002 Joined Levi Strauss Japan K.K. as Finance Controller</p> <p>September 2006 Joined Starbucks Coffee Japan, Ltd. as Officer in charge of supervising finance infrastructure and CFO</p> <p>March 2016 Outside director [chairperson of the Audit Committee, member of the Remuneration Committee] of Cookpad Inc.</p> <p>Reappointment October 2016 Outside director, Nippon Ski Resort Development, Co., Ltd. (present position)</p> <p>Independent outside director June 2017 Outside director of the Company (present position)</p> <p>March 2018 Outside director [chairman of Audit Committee, member of the Nomination Committee] of Cookpad Inc. (present position)</p> <p>March 2018 Outside Director, Audit and Supervisory Committee Member, KAYAC Inc. (present position)</p> <p>(Important concurrent positions)</p> <p>Outside Director [chairperson of the Audit Committee, member of the Nomination Committee], Cookpad Inc.</p> <p>Outside Director, Nippon Ski Resort Development, Co., Ltd.</p> <p>Outside Director, Audit and Supervisory Committee Member, KAYAC Inc.</p>	0 share
		Reason for nomination as an outside director: Mr. Toru Kitagawa has in-depth knowledge and experience in accounting and corporate management, much of which stems from his service as a chief financial officer and corporate planning manager at a publically listed company. Since becoming a director of the Company, Mr. Kitagawa has duly fulfilled his duties, including advising on business strategy and overseeing management. We are therefore confident that, if elected, he will continue to contribute toward the Company's business and help ensure that the Board of Directors functions effectively.	
		[Notes regarding independence] The candidate has no special interest relationship with the Company. The Company recognizes the candidate as independent, since he satisfies the Company's "Standard for Determining Independence". The Company has registered the candidate as an independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange. If the candidate's reelection is approved, the Company will re-register him as an independent officer.	

- (Notes) 1. There is no special interest between each nominee and the Company.
2. Mr. Michael John Korver and Mr. Toru Kitagawa are nominees for outside director.
3. Mr. Michael John Korver and Mr. Toru Kitagawa are now the Company's outside directors, and their term of office as an outside director for the Company will be 11 years, two years, respectively, as of the end of this ordinary general meeting of shareholders.
4. The Company signed a limited liability contract with Mr. Michael John Korver and Mr. Toru Kitagawa 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 same 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 the reelection of Mr. Michael John Korver and Mr. Toru Kitagawa are approved, we will continue the existing limited liability contract with them.

Reference: Standard for determining independence of outside directors and outside corporate auditors
To ensure proper corporate governance, the Company prioritizes independence when selecting outside officers. The Company has established the following standard to guide such selections.

[Standard for Determining Independence]

The Company judges outside officer candidates to be independent if they do not fall under any of the following:

1. Persons who represent, or perform executive roles for, entities whose major client is the Company (*1)
2. Persons who represent, or perform executive roles for, major clients of the Company (*1)
3. Experts (e.g., consultants, accountants, attorneys-at-law) who receive, in addition to any officer compensation, a large amount of money (more than ¥10 million on average over the past 5 years) or non-monetary property from the Company
4. Persons who perform executive roles for the Company or any of its subsidiaries
5. Persons who serve as a corporate auditor or who perform important officer roles (*2) in the Company or any of its subsidiaries and affiliates
6. Major shareholders of the Company (holding more than 5% of the voting rights) or persons who perform executive roles for such
7. Persons who have served as a director or corporate auditor for the Company or any of its subsidiaries or affiliates at any time in the past 10 years
8. Close relatives (first or second-degree) of persons described above items 1 through 7 (except such persons whose importance is negligible)

- (*1) “Entities whose major client of the Company” are those who received payments from the Company equivalent to more than 1% of their consolidated annual sales in the latest business year. “Major clients of the Company” are those who made payments to the Company equivalent to more than 1% of the Group’s consolidated sales in the latest business year.
- (*2) Persons who perform “important officer roles” are executive or managerial staff; persons who perform “important officer roles” related to accounting firms or law firms mean licensed accountants and attorneys-at-law, etc.

Proposal 3: Election of two (2) corporate auditors

The term of corporate auditors Mr. Kazuo Endo and Mr. Nobuyuki Shigemune will expire at the end of this ordinary general meeting of shareholders. Thus, we propose the election of two corporate auditors.

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

The nominees for corporate auditors are as follows:

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	Tsuyoshi Yajima (December 7, 1958) New appointment	February 2001 January 2002 July 2004 April 2007	Joined K-TECH DEVICES CORPORATION (current KOA CORPORATION) General manager of the General Affairs Department, K-TECH DEVICES CORPORATION Transferred to the Company General manager of the General Affairs Center of the Management Administration Initiative of the Company (present position)	1,056 shares
	Reason for nomination as a corporate auditor: Mr. Tsuyoshi Yajima has abundant experience and knowledge in general affairs and accounting; since joining a subsidiary of the Company, he has been engaged primarily in the general affairs and administration operations. After he transferred to the Company, he has served as the general manager of the General Affairs Center and has knowledge and experience that are necessary for the Company's sound and appropriate operations. We therefore judge that, if elected, he will fulfill his duties as a corporate auditor in a proper way.			
2	Yoshiko Iinuma (February 13, 1963) New appointment Independent outside director	April 1985 September 1986 May 1991 September 1991 June 1998 August 2011 (Important concurrent positions) Director of Mirai Keiei KK Partner of Mirai Keiei Tax Accountant Office	Joined Showa Audit Corporation (current Ernst & Young ShinNihon LLC) Joined YOKOYAMA ACCOUNTING FIRM Registered as a certified tax accountant Joined Iinuma Accounting Firm Established Mirai Keiei KK, Director (present position) Established Mirai Keiei Tax Accountant Office, Partner (present position)	1,000 shares
	Reason for nomination as an outside corporate auditor: As a certified tax accountant, Ms. Yoshiko Iinuma has professional knowledge and abundant experience in the finance and accounting field. We therefore judge that, if elected, she will play a role of monitoring and supervising management of the Company from her specialist and neutral viewpoint.			
	[Notes regarding independence] The Company and the tax accountant office managed by her have signed an advisory contract. However, as the annual contract fee is less than ¥3 million, the Company recognizes the candidate as independent, since she satisfies the Company's "Standard for Determining Independence". The nominee also satisfies the requirements for independence standards prescribed by the Tokyo Stock Exchange and Nagoya Stock Exchange. If the candidate's election is approved, the Company will register her as an independent officer.			

- (Notes) 1. The Company has signed an advisory contract with the tax accountant office managed by Ms. Yoshiko Iinuma. There is no special interest between the other nominee and the Company.
2. Ms. Yoshiko Iinuma is a nominee for outside corporate auditor.
3. If the election of Mr. Tsuyoshi Yajima and Ms. Yoshiko Iinuma is approved, under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to conclude with them 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 contract is the amount of ¥5 million or the amount provided for in the laws and ordinances, whichever is higher.

Proposal 4: 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 90th Ordinary General Meeting of Shareholders held on June 16, 2018, is until the start of the 91st 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 (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) (Important concurrent positions) Representative director, IPO Research Institute, Ltd.	0 share
Reason for nominating as a substitute outside corporate auditor: Because he possesses the qualification of Certified Public Accountant and is also currently involved in corporate management, Mr. Kenichi Kakuta has in-depth knowledge and experience of accounting and corporate management. From that standpoint, we are therefore confident that, if elected, he will audit the management of the Company.		
[Notes regarding independence] The candidate has no special interest relationship with the Company. The Company recognizes the candidate as independent, since he satisfies the Company’s “Standard for Determining Independence”. If the candidate assumes the position as corporate auditor, the Company will register the candidate as an independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange.		

(Notes) 1. Mr. Kenichi Kakuta is nominee for substitute outside corporate auditor.

2. 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 as 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 is the amount of ¥5 million or the amount provided for in the laws and ordinances, whichever is higher.

Guidance on the exercise of your voting rights on the Internet

1. Decoding the QR code

You can log in to the website for exercising voting rights without inputting the “log-in ID” and “tentative password” shown on the side slip of the voting form.

- (1) Please let your device scan the QR code on the side slip (the right side) of the voting form.
*QR Code” is a registered trademark of DENSO WAVE INCORPORATED.
- (2) Please follow the instructions on the screen and enter approval or disapproval.

You can log in to the exercise voting rights website using the QR code only once.

If you want to exercise your voting rights again or exercise your voting rights without using the QR code, please confirm the way of “Entering the log-in ID and tentative password” below.

2. Entering the log-in ID and tentative password

[Website for exercising voting rights] <https://evote.tr.mufg.jp/>

- (1) Please access the exercise voting rights website.
- (2) Please input the “log-in ID” and “tentative password” shown on the voting form and click “Log in.”
Enter the “log-in ID and tentative password”
Click “Log in”
- (3) Please register a new password
Enter a “new password”
Click “Send”
- (4) Please follow the instructions on the screen and enter approval or disapproval.

For inquiries about how to use your PC, smartphone or cellphone or other matters in the exercise of your voting rights via the Internet, please call:

Securities Business Division (Help desk), Mitsubishi UFJ Trust and Banking Corporation
0120-173-027
(Toll free/9 a.m.-9 p.m.)

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