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Materials for the 96th Ordinary General Meeting of Shareholders

(Matters to be provided electronically, but not included in the paper-based documents delivered upon request for delivery of paper-based documents in accordance with laws and regulations and the Articles of Incorporation)

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

Basic Policy Regarding the Control of the Company

Consolidated Statement of Changes in Shareholders' Equity, etc. and Notes to the Consolidated Financial Statements

Non-consolidated Statement of Changes in Shareholders' Equity, etc. and Notes to the Non-consolidated Financial Statements

(From April 1, 2023 to March 31, 2024)

KOA CORPORATION

In accordance with laws and regulations and Article 16 of the Articles of Incorporation of the Company, the above matters are not included in the paper-based documents to be delivered to shareholders who have requested the delivery of paper-based documents.

For this General Meeting of Shareholders, regardless of whether a request for delivery of paper-based documents has been made, the Company will uniformly send paper-based documents to all shareholders that contain the items to be provided electronically, excluding the items listed above.

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 action guidelines), a management philosophy laid down as internal regulations, with which all 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 Regulations.
- The Operations Audit Center strives to work with corporate auditors and audit the overall Group, including subsidiaries, based on the Whistleblower System Regulations and other related internal 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 the business properly

- The Company appoints a director in charge of each of its subsidiaries and affiliates, who is responsible for the management of the subsidiary or affiliate, in accordance with the Regulations for the Management of Subsidiaries and Affiliates.
- The director in charge of each subsidiary or affiliate works to flexibly manage the subsidiary or affiliate and to achieve mutual growth, and reports important information about the subsidiary or 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 with his/her duties. The auditor should consult with the directors about appointments, changes, and merit ratings 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 Regulations. 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 effective 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 the representative director, 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 relationships of trust.
- Corporate auditors hold meetings to exchange views as necessary with independent auditors.

9) Items related to the handling of expenses or financial obligations incurred as a result of corporate auditors performing their duties, including procedures for requesting advances or reimbursements for expenses arising through such performance of duties

- Expenses or financial obligations incurred as a result of corporate auditors performing their duties, including procedures for requesting advances or reimbursements for expenses arising through such performance of duties are handled promptly at the request of the corporate auditor, based on related internal regulations.
- Expenses arising from 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 has 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 Proper Performance of Duties

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

We have designated KOA Mind (code of conduct and action guidelines), 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 training at each division.

With regard to risk management, the Risk Management Committee has been established with directors of the Company as committee members, operational opportunities and risks associated with changes in external and internal environments are managed, measures are implemented so that the necessary steps can be taken prior to issues occurring, and the results of identifying the opportunities and risks are utilized as basic information for the formulation of a medium-term management plan in order to reduce risks and minimize business losses.

With regard to carrying out the duties of directors, in addition to deciding important matters and auditing 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. Further, consolidated management strategy meetings were held twice yearly, 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 attended meetings of the Board of Directors and other important meetings, conducted audits with regard to legality and efficiency, held meetings with the representative director, where they confirmed management policies and exchanged opinions concerning issues to be addressed and important issues. Corporate auditors also exchanged opinions with the Operations Audit Center and the independent auditor. In the fiscal year under review, they exchanged opinions three times with the representative director, four times with the Operation Audit Center, four times with the Financial Affairs Group of the Management Strategy Center, which is responsible for internal control related to financial reporting, and five times with the independent auditor.

To ensure that the Group conducts the business properly, the director responsible for management of each subsidiary or affiliate reports to the Board of Directors and others as necessary with regard to management conditions and other important information, based on the Regulations for the Management of Subsidiaries and Affiliates.

The Operations Audit Center receives reports from 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 10 domestic reports and no overseas reports and they were dealt with as appropriate.

Basic Policy Regarding the Control of the Company

The Company respects the free trading of its shares on 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. Further, 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 allow the target company's Board of Directors to propose an alternative. The Company believes that we should establish effective control only after, with adequate information and evidence, explaining the roles of persons who control decisions on our policies to the Company's shareholders and other stakeholders as follows and gaining their full understanding: the persons who control decisions on the Company's financial and business policies must be those who fully understand the various sources of the Company's corporate value, 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 our shareholders.

The Company had repeatedly discussed opinions of institutional investors in Japan and overseas, the recent tones and trends of the idea of so-called takeover defense after the penetration of the corporate governance code, risks and opportunities in the stock market, and other related matters at meetings of the Board of Directors. As a result, we abolished the "plan for countermeasures to be taken against large-scale acquisitions of the shares of the Company (takeover defense measures)" as of the end of the 92nd Ordinary General Meeting of Shareholders held on June 20, 2020. The Company will sustainably enhance our corporate value and common interests of our shareholders by steadily implementing our mid-and-long term growth strategy and maximizing the trust of shareholders and investors.

With due attention to its fiduciary responsibilities to shareholders, the Company's Board of Directors will take appropriate countermeasures based on the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations in the event of large-scale purchases of the Company's shares even after the abolishment of the "plan for countermeasures to be taken against large-scale acquisitions of the shares of the Company (takeover defense measures)." These countermeasures include collecting information necessary for shareholders to make an appropriate judgment on the propriety of such large-scale purchases, disclosing opinions of the Company's Board of Directors with due respect to the opinions of outside director(s) recognized as independent, and securing time and information necessary for shareholders to consider the information and opinions.

Consolidated Statement of Changes in Equity, etc.

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,033	9,211	57,453	(2,381)	70,316
Changes during period					
Dividends of surplus			(1,854)		(1,854)
Profit attributable to owners of parent			2,769		2,769
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		21		13	34
Net changes in items other than shareholders' equity					
Total changes during period	–	21	914	13	949
Balance at end of period	6,033	9,232	58,368	(2,368)	71,265

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,563	2,234	(391)	3,406	73,722
Changes during period					
Dividends of surplus					(1,854)
Profit attributable to owners of parent					2,769
Purchase of treasury shares					(0)
Disposal of treasury shares					34
Net changes in items other than shareholders' equity	308	2,568	1,024	3,901	3,901
Total changes during period	308	2,568	1,024	3,901	4,850
Balance at end of period	1,871	4,803	633	7,307	78,573

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

Notes to the Consolidated Financial Statements

1. Notes on Important Matters Serving as a Basis for the Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

1) Consolidated subsidiaries

・Number of consolidated subsidiaries: 16 companies

・Names of the principal consolidated subsidiaries:

KOA ELECTRONICS CO., LTD.
KASHIMA KOA DENKO CO., LTD.
KOA TRADING CO., LTD.
KOA SPEER HOLDING CORPORATION
KOA DENKO (MALAYSIA) SDN. BHD.
KOA DENKO (S) PTE. LTD.
KOA ELECTRONICS (H.K.) LTD.
KOA Europe GmbH
SHANGHAI KOA ELECTRONICS TRADING CO., LTD.
KOA ELECTRONICS (TAICANG) CO., LTD.

2) Non-consolidated subsidiaries

・Number of non-consolidated subsidiaries: 3 companies

・Name of the principal non-consolidated subsidiary:

WUXI KOA ELECTROCERAMICS CO., LTD.

・Reason for exclusion from consolidation:

The three non-consolidated subsidiaries are excluded from the scope of consolidation because all of them are small-sized companies and their total assets, net sales, profit or loss (the amount equivalent to equity shareholdings), retained earnings (the amount equivalent to equity shareholdings), and other items have no significant impact on the consolidated financial statements.

(2) Application of Equity Method

1) Non-consolidated subsidiaries and affiliates accounted for using equity method

・Number of affiliates accounted for using equity method: 1 company

・Name of the company accounted for using equity method:

DAH HSING ELECTRIC CO., LTD.

2) Non-consolidated subsidiaries not accounted for using equity method

・Name of the principal company not accounted for using equity method:

WUXI KOA ELECTROCERAMICS CO., LTD.

・Reason for exclusion from equity method:

The above one company is not accounted for using equity method because its profit or loss (the amount equivalent to equity shareholdings), retained earnings (the amount equivalent to equity shareholdings), and other items would have no significant impact on the consolidated financial statements and are not of particular importance overall.

3) Special notes regarding the application of equity method

As for the companies accounted for using equity method employing a different fiscal year from the consolidated fiscal year, the non-consolidated financial statements corresponding to the fiscal year of each company are used.

(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 are prepared using the non-consolidated financial documents dated as of December 31. However, the adjustments needed for consolidation are 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: Stated at amortized cost.

b. Available-for-sale securities:

・Securities other than shares without a determinable market value:
Stated at fair market value (with any unrealized gains or losses reported directly as a component of net assets and the cost of securities sold calculated by the moving average method).

・Shares without a determinable market value:
Stated at cost using the moving average method.

c. Derivative transactions: Stated at fair market value.

d. Inventories:
Primarily stated at cost using the moving average method (the amount on the consolidated balance sheet is calculated by reducing book value when the contribution of inventories to profitability declines.).

2) Depreciation method of significant assets

a. Property, plant and equipment (excluding lease assets):
The declining balance method is mainly applied.
However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

b. Intangible assets (excluding lease assets):
The straight-line method is applied.

c. Lease assets:
Lease assets related to non-ownership transfer finance lease transactions are depreciated using the straight-line method over the lease term with no residual value.

3) Accounting standards for significant provisions

a. Allowance for doubtful accounts:
To prepare for losses from uncollectable receivables, at the Company and its domestic consolidated subsidiaries, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables. At overseas consolidated subsidiaries, estimates of irrecoverable amounts are recorded based on consideration of feasibly recoverable amounts mainly for specific receivables.

b. Provision for bonuses:
To provide for the payment of bonuses to employees, the estimated total amount of bonus payments is recorded.

c. Provision for loss on orders received:
A provision for loss on orders received is recorded based on an estimate of the total anticipated loss on contracts for which eventual losses are deemed inevitable as of the end of the consolidated fiscal year under review and for which the amount of loss can be reasonably estimated.

4) Recognition standard for revenues and expenses

The principal business of the Company and its consolidated subsidiaries is to manufacture and sell resistors, and performance obligations are held to deliver merchandise and finished goods based on the sales contract with the customer. Those performance obligations are deemed to be fulfilled by the customer acquiring control over the merchandise and finished goods when those merchandise and finished goods are delivered, and revenue is recognized at the time of that delivery.

Further, the Company has applied the alternative treatment stipulated in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" and recognizes revenue at the time of shipment when the period from the time of shipment until the time that control of the merchandise and finished goods is transferred to the customer is a typical period in cases of domestic sale of merchandise and finished goods.

5) Standard for translation of significant foreign currency-denominated assets and liabilities to Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the consolidated closing date, and the difference arising from such translation is recorded as profits or losses. The assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing on the closing date of each subsidiary, and their revenues and expenses are translated into yen at the average exchange rate during the fiscal year, with the differences arising from such translation included in the foreign currency translation adjustment account under net assets.

6) Other important matters for the preparation of consolidated financial statements

a. Method of accounting for retirement benefits

This reserve is provided for the payments of future retirement benefits to employees. It is recorded at the amount accrued at the end of the consolidated fiscal year under review, based on the retirement benefit obligation and the fair value of pension plan assets at the end of the consolidated fiscal year under review.

i.) Method of attributing estimated retirement benefits to periods

In calculating retirement benefit obligation, the benefit formula basis is used to attribute the projected retirement benefits to the period through the end of the consolidated fiscal year under review.

ii.) Method of amortizing actuarial gains or losses and prior service cost

Prior service cost is amortized using the straight-line method over a certain number of years (10 years) within the average remaining service years of employees at the time of incurrence.

Actuarial gains or losses are amortized using the straight-line method from the following consolidated fiscal year over a certain number of years (10 years) within the average remaining service years of employees as these gains or losses are incurred.

iii.) Method of accounting for unrecognized actuarial gains or losses and prior service cost

Unrecognized actuarial gains or losses and unrecognized prior service cost, after adjustment for tax effect, are recorded as remeasurements of defined benefit plans within accumulated other comprehensive income, included in net assets.

b. Accounting treatment for hedges

Special treatment is applied to interest rate swaps that meet certain criteria.

(5) Accounting Estimates

1) Inventory valuation

Merchandise and finished goods:	¥5,115 million
Work in process:	¥5,364 million
Raw materials and supplies:	¥3,486 million

The Group estimates the amount of write-downs required to properly value inventory. Inventories aged over certain holding periods are considered to be slow-moving or obsolete, for which, and for excessive inventory, write-downs are accrued as well as valuation losses required to adjust the recorded cost to its net realizable value. The Group may record inventory write-downs based on its projections of future demand, market conditions, and related management's judgment even though the age of corresponding inventory is shorter than certain holding periods.

2) Impairment of non-current assets

Property, plant and equipment: ¥52,616 million

Intangible assets: ¥2,769 million

The Group assesses indication of impairment of non-current assets by grouping assets by organization. If there is any indication of impairment, future cash flows and the like will be estimated based on the business plan formulated by management to determine the necessity of recognizing an impairment. If an asset is determined to be impaired, the carrying amount is reduced to its recoverable amount. Among the estimated items in such business plan, order forecast, the timing of the development and launch of new products, and the market environment can significantly affect net sales. The estimate of the said items is highly uncertain and requires the judgment of management. Therefore, if the actual situation is different from the business plan, it could have a significant impact on the amount of non-current assets in the consolidated financial statements for the following consolidated fiscal year.

2. Notes to the Consolidated Balance Sheet

(1) The breakdown of notes and accounts receivable-trade from contracts with customers is as follows:

Notes receivable-trade: ¥105 million

Accounts receivable-trade: ¥13,815 million

(2) Total amount of depreciation of property, plant and equipment: ¥60,710 million

Total amount of depreciation of property, plant and equipment includes total amount of impairment losses.

(3) Amount of discounts on notes receivable-trade: ¥4 million

Amount of discounts on electronically recorded monetary claims-operating: ¥89 million

(4) Contingent liability

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

YAMATOWA Co., Ltd. ¥21 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 treasury shares at the beginning of the consolidated fiscal year under review	Number of treasury shares increased in the consolidated fiscal year under review	Number of treasury shares decreased in the consolidated fiscal year under review	Number of treasury shares at the end of the consolidated fiscal year under review
Common shares	3,404,617 shares	280 shares	19,684 shares	3,385,213 shares

(Note) (Summary of the reasons for the changes)

A component of the increase is as follows:

Purchase request for shares less than one unit 280 shares

A component of the decrease is as follows:

Payment of compensation through the allotment of restricted shares 19,684 shares

(3) Dividends of Surplus

1) Dividends paid, etc.

a. Matters concerning dividends based on resolutions at the 95th Ordinary General Meeting of Shareholders held on June 24, 2023

- Total amount of dividends: ¥926 million
- Amount of dividends per share: ¥25.00
- Date of record: March 31, 2023
- Effective date: June 26, 2023

b. Dividends decided at a Board of Directors meeting held on October 24, 2023

- Total amount of dividends: ¥927 million
- Amount of dividends per share: ¥25.00
- Date of record: September 30, 2023
- Effective date: December 1, 2023

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 96th Ordinary General Meeting of Shareholders scheduled for June 22, 2024, we will propose the payment of dividends as follows:

- Total amount of dividends: ¥927 million
- Funds for dividends: Retained earnings
- Amount of dividends per share: ¥25.00
- Date of record: March 31, 2024
- Effective date: June 24, 2024

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-trade, accounts receivable-trade, 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 borrowings are working capital (mainly short-term) and capital expenditure funds (long-term). Our derivative transactions are the forward 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, 2024 (consolidated closing date for the fiscal year under review) are as shown in the table below. Note that shares without a determinable market value (consolidated balance sheet carrying amount of ¥1,130 million) are not included in “Available-for-sale securities.” In addition, notes on cash are omitted. Notes on deposits, notes receivable-trade, accounts receivable-trade, electronically recorded monetary claims-operating, securities, notes payable-trade, accounts payable-trade, electronically recorded obligations-operating, and short-term borrowings are also omitted as they are settled within a short period of time so that fair value approximates the carrying amount.

(Millions of yen)

	Amount recorded in the consolidated balance sheet (*1)	Market value (*1)	Difference
1) Investment securities			
Available-for-sale securities	3,643	3,643	–
2) Long-term loans receivable	125	113	(11)
3) Long-term borrowings (including portion to be repaid within one year)	{30,945}	{29,141}	(1,804)
4) Derivative transactions (*2)	(72)	(72)	–

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

(*2) Net credit or liability arising from derivative transactions

(Note 1) Explanation of evaluation methods and inputs used to calculate fair value

The fair value of financial instruments is classified into the following three levels according to the observability and importance of input used to calculate fair value.

Level 1 fair value: Fair value calculated by (unadjusted) market price in an active market of the same asset or liability
Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs
Level 3 fair value: Fair value calculated using inputs significantly unobservable

When using multiple inputs that have an important impact on the calculation of fair value, fair value is classified into the lowest priority level in calculating fair value among the levels to which those inputs belong.

1) Investment securities

Listed stocks and corporate bonds are valued using market prices. Since a listed stock is traded in an active market, its fair value is classified as Level 1 fair value.

On the other hand, the corporate bonds held by the Company are quoted in markets with infrequent transactions and are not recognized as market trading in an active market. As a result, these fair values are classified as Level 2 fair value.

(Available-for-sale securities)

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	541	3,253	2,712
Available-for-sale securities with an amount posted in the consolidated balance sheet below the acquisition cost	Stocks	401	389	(11)
Total		942	3,643	2,700

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

2) Long-term loans receivable

The fair value of long-term loans is classified by a certain period of time, and is calculated using the discounted present value method based on future cash flows and interest rates of appropriate indicators, such as government bond yields, plus credit spreads for each credit risk category in terms of credit management, and is classified as Level 2 fair value.

3) Long-term borrowings

The fair value of long-term borrowings is calculated using the discounted present value method based on the total amount of principal and interest, with the interest rate taking into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value.

4) Derivative transactions

Because interest rate swaps which are accounted for by applying the special treatment are treated in conjunction with long-term borrowings that are deemed as hedged items, fair values of the interest rate swaps are included in the fair values of the long-term borrowings (see “Long-term borrowings” above).

The fair value of forward exchange contracts is calculated by the discounted present value method using observable inputs such as interest rate and estimate rate, and is classified as Level 2 fair value.

Those to which hedge accounting is not applied

Currency (Millions of yen)

Classification	Transaction type	Contract amount, etc.	Contract amount, etc. over one year	Current market price	Appraisal of profit/loss
Transaction other than market transaction	Forward exchange transaction				
	Short position				
	US dollar	584	–	(20)	(20)
	Euros	1,646	–	(51)	(51)

(Note 2) 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 10 years
Notes receivable-trade, accounts receivable-trade, and electronically recorded monetary claims-operating	16,161	–	–
Securities and investment securities			
Available-for-sale securities with maturity			
Corporate bonds	–	–	318
Other	1,196	–	–
Total	17,358	–	318

(Note 3) 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	Over five years
Short-term borrowings	264	–	–	–	–	–
Long-term borrowings	409	2,060	5,807	3,107	3,407	16,153

5. Notes on revenue recognition

(1) Information on breakdown of revenue from contracts with customers

(Millions of yen)

	Japan	Asia	US	Europe	Total	Adjustments (Note 1)	Total
Net sales Sales to external customers	21,456	20,117	11,311	11,950	64,835	–	64,835
Inter-segment sales or transfers	30,109	12,351	8	–	42,469	(42,469)	–
Total	51,565	32,468	11,319	11,950	107,304	(42,469)	64,835
Segment profit	433	1,306	615	524	2,880	433	3,313

(Notes) 1. The adjustment of segment profit (operating profit) of ¥433 million for the consolidated fiscal year under review includes elimination of inter-segment transactions of ¥444 million and inventory adjustment, etc., of ¥(11) million.

2. The breakdown of main countries and regions belonging to each segment other than Japan and the US is as follows.

Asia: Taiwan, Singapore, People’s Republic of China, Hong Kong

Europe: Germany

(2) Information that serves as a basis for understanding revenue

As described in “1. Notes on Important Matters Serving as a Basis for the Preparation of Consolidated Financial Statements, (4) Accounting Policies, 4) Recognition standard for revenues and expenses.”

(3) Information that serves as a basis for understanding the amount of revenue in the consolidated fiscal year under review and subsequent fiscal years

1) Balance of contract assets, etc.

(Millions of yen)

	Consolidated fiscal year under review
Receivables arising from contracts with customers (beginning balance)	18,432
Receivables arising from contracts with customers (ending balance)	16,215

2) Transaction prices allocated to remaining performance obligations

The Company and its consolidated subsidiaries have no material transactions with an initial expected contract term exceeding one year. The practical expedient method is applied to contracts with an initial expected term of one year or less, and the description is omitted.

6. Notes on the Per-share Information

(1) Net assets per share ¥2,118.19

(2) Earnings per share ¥74.66

Non-consolidated Statement of Changes in Equity, etc.

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of period	6,033	11,261	192	11,454	916	801	16,040	17,338	35,097	(2,381)	50,204
Changes during period											
Dividends of surplus								(1,854)	(1,854)		(1,854)
Reversal of reserve for tax purpose reduction entry						(7)		7	—		—
Profit								2,230	2,230		2,230
Purchase of treasury shares										(0)	(0)
Disposal of treasury shares			21	21						13	34
Net changes in items other than shareholders' equity											
Total changes during period	—	—	21	21	—	(7)	—	383	376	13	410
Balance at end of period	6,033	11,261	214	11,475	916	794	16,040	17,722	35,473	(2,368)	50,614

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of period	1,485	51,689
Changes during period		
Dividends of surplus		(1,854)
Reversal of reserve for tax purpose reduction entry		—
Profit		2,230
Purchase of treasury shares		(0)
Disposal of treasury shares		34
Net changes in items other than shareholders' equity	271	271
Total changes during period	271	682
Balance at end of period	1,756	52,371

(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) Shares of subsidiaries and affiliates: Stated at cost using the moving average method.

2) Held-to-maturity securities: Stated at amortized cost.

3) Available-for-sale securities:

・Securities other than shares without a determinable market value
Stated at fair market value (with any unrealized gains or losses reported directly as a component of net assets and the cost of securities sold calculated by the moving average method).

・Shares without a determinable market value
Stated at cost using the moving average method.

4) Derivative transactions: Stated at fair market value.

5) Inventories:

・Merchandise and finished goods, raw materials, and work in process:
Stated at cost using the moving average method (The amount on the non-consolidated balance sheet is calculated by reducing book value when the contribution to profitability declines.)

・ Supplies:
Stated at cost using the last invoice cost method (The amount on the non-consolidated balance sheet is calculated by reducing book value when the contribution to profitability declines.)

(2) Depreciation Method of Non-current Assets

1) Property, plant and equipment (excluding lease assets):
The declining balance method is applied. However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

2) Intangible assets

・Software for own use:
The straight-line method based on the usable period at the Company (five years)

・Other intangible assets:
The straight-line method is applied.

3) Lease assets:
Lease assets related to non-ownership transfer finance lease transactions are depreciated using the straight-line method over the lease term with no residual value.

(3) Accounting Standards for Provisions

1) Allowance for doubtful accounts:
To prepare for losses from uncollectable receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

2) Provision for bonuses:
To provide for the payment of bonuses to employees, the estimated total amount of bonus payments is recorded.

3) Provision for retirement benefits
This reserve is provided for the payments of future retirement benefits to employees. It is recorded at the amount accrued at the end of the non-consolidated fiscal year under review, based on the retirement benefit obligation and the fair value of pension plan assets at the end of the non-consolidated fiscal year under review.
The accounting methods for the Company's provision for retirement benefits and retirement benefit expenses are as follows:

i.) Method of attributing estimated retirement benefits to periods

In calculating retirement benefit obligation, the benefit formula basis is used to attribute the projected retirement benefits to the period through the end of the non-consolidated fiscal year under review.

ii.) Method of amortizing actuarial gains or losses

Actuarial gains or losses are amortized using the straight-line method from the following non-consolidated fiscal year over a certain number of years (10 years) within the average remaining service years of employees as these gains or losses are incurred.

4) Provision for loss on orders received

A provision for loss on orders received is recorded based on an estimate of the total anticipated loss on contracts for which eventual losses are deemed inevitable as of the end of the non-consolidated fiscal year under review and for which the amount of loss can be reasonably estimated.

(4) Recognition standard for revenues and expenses

The principal business of the Company is to manufacture and sell resistors, and performance obligations are held to deliver merchandise and finished goods based on the sales contract with the customer. Those performance obligations are deemed to be fulfilled by the customer acquiring control over the merchandise and finished goods when those merchandise and finished goods are delivered, and revenue is recognized at the time of that delivery.

Further, the Company has applied the alternative treatment stipulated in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” and recognizes revenue at the time of shipment when the period from the time of shipment until the time that control of the merchandise and finished goods is transferred to the customer is a typical period in cases of domestic sale of merchandise and finished goods.

(5) Other Matters Serving as a Basis for the Preparation of Non-consolidated 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 treatment for hedges

Special treatment is applied to the interest rate swaps that meet certain criteria.

(6) Accounting Estimates

1) Inventory valuation

Merchandise and finished goods:	¥355 million
Work in process:	¥2,721 million
Raw materials and supplies:	¥1,685 million

The Company estimates the amount of write-downs required to properly value inventory. Inventories aged over certain holding periods are considered to be slow-moving or obsolete, for which, and for excessive inventory, write-downs are accrued as well as valuation losses required to adjust the recorded cost to its net realizable value. The Company may record inventory write-downs based on its projections of future demand, market conditions, and related management’s judgment even though the age of corresponding inventory is shorter than certain holding periods.

2) Impairment of non-current assets

Property, plant and equipment:	¥24,175 million
Intangible assets:	¥316 million

The Company assesses indication of impairment of non-current assets by grouping assets by organization. If there is any indication of impairment, future cash flows and the like will be estimated based on the business plan formulated by the management to determine the necessity of recognizing an impairment. If an asset is determined to be impaired, the carrying amount is reduced to its recoverable amount. Among the estimated items in such business plan, order forecast, the timing of the development and launch of new products, and the market environment can significantly affect net sales. The estimate of the said items is highly uncertain and requires the judgment of management. Therefore, if the actual situation is different from the business plan, it could have a significant impact on the amount of non-current assets in the non-consolidated financial statements for the following non-consolidated fiscal year.

2. Notes to the Non-consolidated Balance Sheet

(1) Total Amount of Depreciation of Property, Plant and Equipment: ¥30,486 million

Total amount of depreciation of property, plant and equipment includes total amount of impairment losses.

(2) Contingent Liability

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

Koa Kasei Co., Ltd.	¥298 million
KASHIMA KOA DENKO CO., LTD.	¥2,100 million
YAMATOWA CO., LTD.	¥21 million

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

1) Short-term monetary claims:	¥8,016 million
2) Short-term monetary liabilities:	¥2,477 million
3) Long-term monetary claims:	¥6,172 million

3. Notes to the Non-consolidated Statement of Income

The Company's transactions with its subsidiaries and affiliates:

1) Operating transactions (income):	¥33,863 million
2) Operating transactions (expenses):	¥21,265 million
3) Non-operating transactions (income):	¥1,067 million

4. Notes to the Non-consolidated Statement of Changes in Shareholders' Equity, etc.

Number of treasury shares

Type of shares	Number of treasury shares at the beginning of the non-consolidated fiscal year under review	Number of treasury shares increased in the non-consolidated fiscal year under review	Number of treasury shares decreased in the non-consolidated fiscal year under review	Number of treasury shares at the end of the non-consolidated fiscal year under review
Common shares	3,404,617 shares	280 shares	19,684 shares	3,385,213 shares

(Note) (Summary of the reasons for the changes)

A component of the increase is as follows:

Purchase request for shares less than one unit	280 shares

A component of the decrease is as follows:

Payment of compensation through the allotment of restricted shares	19,684 shares

5. Notes on Tax Effect Accounting

The main causes of deferred tax assets are provision for bonuses, loss on valuation of inventories, and provision for retirement benefits, and the main causes of deferred tax liabilities are reserve for tax purpose reduction entry of non-current 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 (millions of yen)	Business	Voting rights held (%)	Relations		Transactions	Amount of transactions (millions of yen)	Account item	Term-end balance (millions of yen)
					Officer's post held, etc.	Business relations with the Company				
Subsidiary	KOA SPEER ELECTRONICS, INC.	0.1	Electronic parts business	Indirect ownership: 100	1	Major customer	Sale of the Company's products	7,275	Accounts receivable -trade	1,288
Subsidiary	KOA Europe GmbH	98	Electronic parts business	Direct ownership: 55 Indirect ownership: 45	1	Major customer	Sale of the Company's products	8,486	Accounts receivable -trade	2,939
Subsidiary	KOA ELECTRONICS (TAICANG) CO., LTD.	4,500	Electronic parts business	Direct ownership: 85.7 Indirect ownership: 14.3	2	Major supplier	Purchase of products	4,922	Accounts payable-trade	438
Subsidiary	KOA DENKO (MALAYSIA) SDN.BHD.	15,034	Electronic parts business	Direct ownership: 93.1 Indirect ownership: 6.9	1	Major supplier	Purchase of products	5,387	Accounts payable-trade	737
Subsidiary	KASHIMA KOA DENKO CO., LTD.	300	Electronic parts business	Direct ownership: 100	2	Supplier	Loan of funds Receipt of interest	— 11	Long-term loans receivable	2,000
Subsidiary	SANADA KOA Corporation	100	Electronic parts business	Direct ownership: 100	1	Supplier	Loan of funds Receipt of interest	2,800 15	Long-term loans receivable	3,800

(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 are determined using market prices, etc. for reference.

7. Notes on revenue recognition

(Information that serves as a basis for understanding revenue)

Information that serves as a basis for understanding revenue is omitted because the same content is stated in "5. Notes on revenue recognition" of the notes to the consolidated financial statements.

8. Notes on the Per-share Information

(1) Net assets per share ¥1,411.83

(2) Earnings per share ¥60.14

9. Other Notes

Loss on valuation of shares of subsidiaries and associates

We recorded a loss on valuation of shares of subsidiaries and associates of ¥312 million due to the loss on valuation of the shares of VIA electronic GmbH, a consolidated subsidiary.