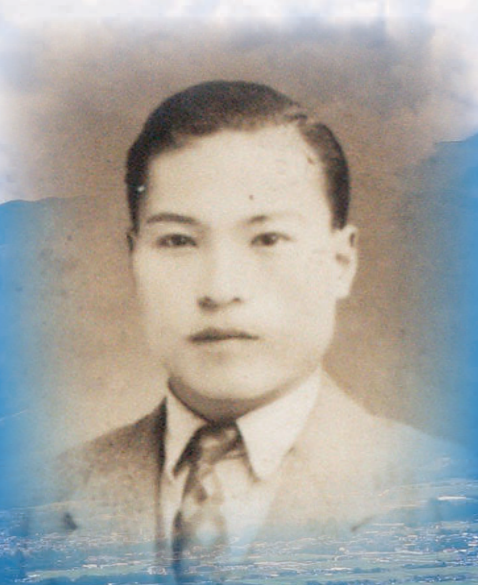




To protect the livelihood of our hometown, the Ina Valley



Founder

Kazuto Mukaiyama
(1914-1995)

Photo: When appointed president in 1940

KOA's founder, Kazuto Mukaiyama, experienced harsh living conditions with his family and other farmers during his impressionable years. This experience led him to decide to foster the seeds of industry in Ina Valley. He came to this resolution by listening carefully to the voices of the times and made it his mission in life to do so. This was how KOA was established. Ever since, KOA has stayed in tune to the voices of the times, analyzing the ideal way forward and identifying social issues to be addressed. KOA has been and will be operating diligently to be a solution to those social issues.



Ina Factory of the KOA Kogyo-sha (1943)



Nagano Prefecture

Ina Valley

View of Ina Valley from Kayano Highlands (Minowa Town); the Central Alps are in the background



Founding Spirit

**“Farming and Manufacturing in Unison”
“Bring Sunshine to the Ina Valley”**

In 1940, KOA's founder, Kazuto Mukaiyama, established KOA's predecessor company, KOA Kogyo-sha. He established the company's main manufacturing plant in his hometown the next year.

Located in the southern part of Nagano Prefecture, Ina Valley once had a thriving silk cultivation industry that was a valuable source of cash income for farmers. However, raw silk prices plummeted during the Great Depression that began in 1929 and farming villages were devastated. Farming families had no choice but to send their sons, except the eldest, to work in the city. Such conditions ate away the vitality of the community and began to break it apart.

Concerned about his hometown, Kazuto Mukaiyama decided to bring manufacturing industry to the community. That way, he tried to build a foundation to provide economic security. Convinced that the future would rely on electricity, he built a resistor factory in the valley to embody his dream “Bring Sunshine to the Ina Valley.” The people of the Ina Valley longed to keep their families together and to maintain their rural way of living. There, Kazuto Mukaiyama tried to create a solution by providing an opportunity for earning income through factory work. This represents his foundational vision “Farming and Manufacturing in Unison.”

In practicing the Farming and Manufacturing in Unison concept, KOA has succeeded in building trust in its relationships with its employees and the local community. KOA has been protecting local employment in the Ina Valley and Japan. At the same time, KOA has been valuing the trust established in its relationships with the communities and employees of its overseas operations in Asia, Europe, and the United States.

Today, 83 years since its founding, KOA has grown into a top-class electronic component manufacturer with a leading share of the global fixed resistor market.



Initial oven-firing ceremony at the Ina Factory of KOA Kogyo-sha (1942)



Manual cutting process (1959)

KOA's Management Values

“Circulation, finite, harmony and enrichment”

KOA was in the process of establishing a solid position in the resistor market when Japan fell into the recession induced by a strong yen after the Plaza Accord of 1985. This proved a major management challenge and crossroads. This event provided the company an opportunity to thoroughly review its management practices and to undertake management reforms.

Koichi Mukaiyama, then president (now director and chairman), explained, “Our's has been a human-centric era in which humanity pursued only convenience, believed that resources were unlimited, and continued to exploit the environment under a policy of constant expansion of the material economy. However, this pursuit of ‘expansion, infinite, conquest, and convenience’ is no longer sustainable and is about to reach a crisis point. From now on, humanity must create a recycle-oriented society in which we seek balanced and fulfilled lives. In this new era, humanity must harmonize its activities with both the environment that has long nurtured humanity and all other living things. We must now transform our consciousness. We as KOA must place the Four Values of ‘circulation, finite, harmony and enrichment’ at the heart of our management values.” Since then, KOA has implemented the KOA Profit System (KPS) (⇒ P. 15 Evolution of KPS Activities) in which all employees engage in kaizen practices to eliminate management waste and inefficiencies. Through these practices, emphasizing the Four Values, we have been creating new models for both internal as well as customer-facing management. This was an early precursor to today's megatrends of sustainability and SDGs.



Non-Financial Balance Sheet

There are two types of corporate value creation: value that can be measured with monetary values and value that cannot be so valued. We disclose the financial value we create in our financial statements. We also disclose the non-financial value we help create, such as our sound environmental practices and our contributions to building healthy and strong local communities, in our “non-financial balance sheet.” We are constantly cognizant of the importance of non-financial value creation in our corporate management practices.



Mission

Establishing Strong Relationships of Mutual Trust with the Five Groups of Stakeholders

Our business is only possible thanks to the tremendous support and benefits that we receive from our shareholders, customers and business partners, communities, employees and their families, and the natural environment. Our corporate mission is to establish strong relationships of mutual trust with these Five Groups of Stakeholders that have been supporting us.

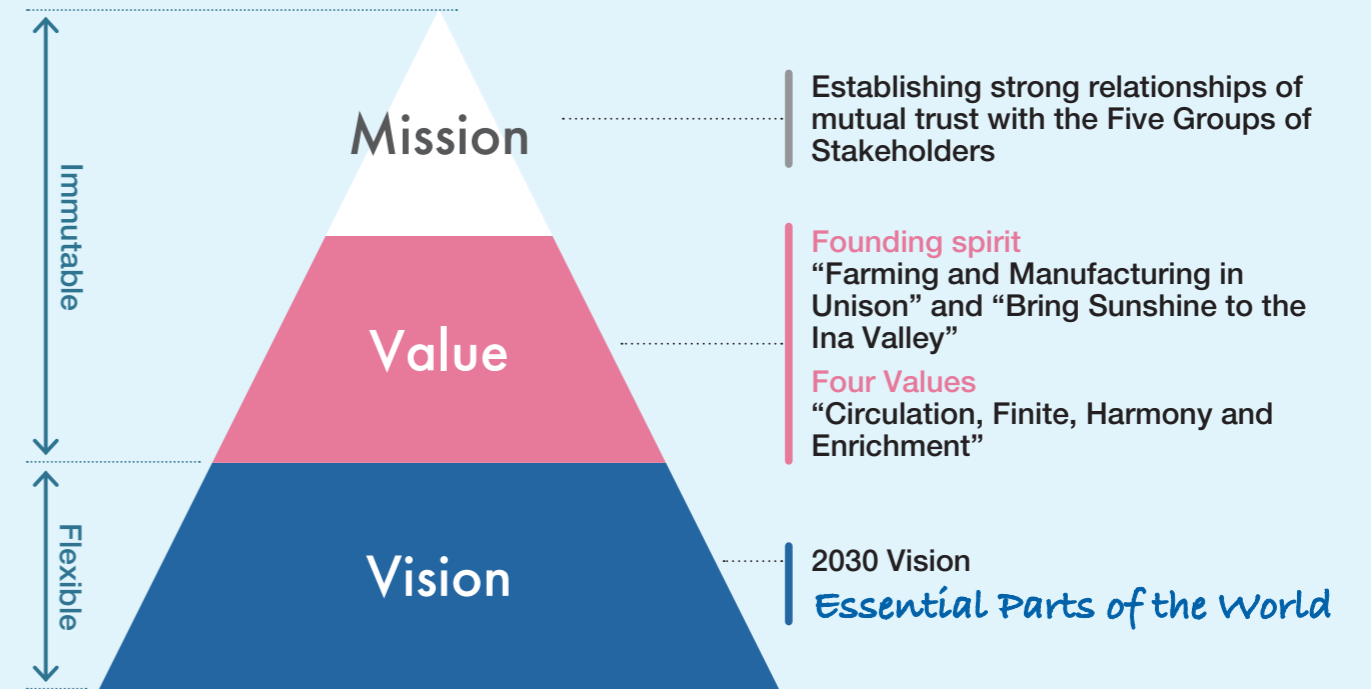
We are eternally grateful for the benefits and support from our stakeholders. And in turn, KOA's mission is to continue to create value for all of them.



Value Creation Management Process

KOA's corporate DNA, its immutable corporate philosophy, is embodied in its mission, the reason for our existence, and its values, the management philosophy and standards to be respected by all employees in all activities.
 (⇒ P. 3 KOA's Corporate DNA)

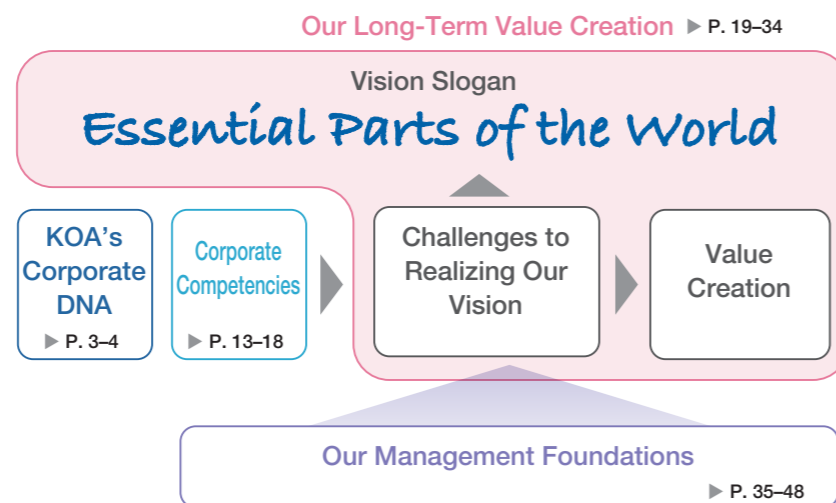
In this time of a dramatically changing global socio-economic environment, KOA has established its "2030 Vision," anchored by its core corporate philosophy and based on our view of KOA's desired state in 2030.
 We will develop and implement management strategies and plans to realize the 2030 Vision.



Editorial Policy

With this "Integrated Report 2023," we wish to provide our Five Groups of Stakeholders with a better understanding of our corporate philosophy and efforts towards realizing the 2030 Vision. This Integrated Report was designed to clearly inform the reader about KOA's 2030 Vision, which is based upon a full understanding of the value KOA seeks to create through its Value Creation Story.

2030 Vision and Value Creation Story



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Reporting Period

FY 2022 (April 1, 2022 to March 31, 2023)
 Note: Some information from after April 2023 is included.

Reporting Scope

KOA CORPORATION and the KOA Group

Reference Guidelines

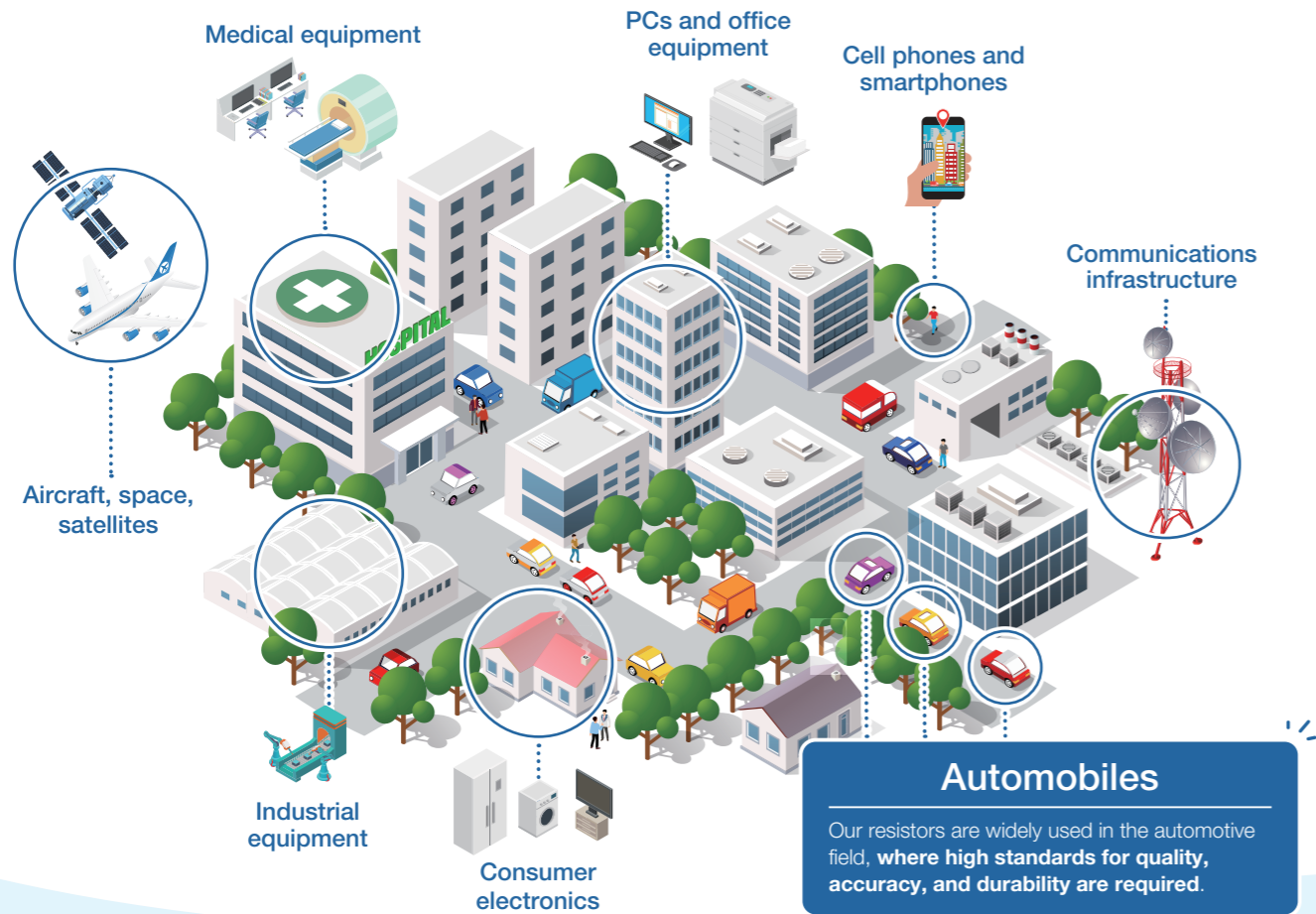
International Integrated Reporting Framework of the International Financial Reporting Standards Foundation (IFRS Foundation)

Notes on Stated Forecasts

This Integrated Report is intended to provide an understanding of our initiatives and is not a solicitation to buy, sell, or otherwise invest in KOA stock. Any forecasts contained in this report are based on information currently available to us. They are subject to uncertain factors such as the economic environment, competitive conditions, and demand trends. Therefore, actual performance figures may differ significantly from the forecasts in this publication.

Supporting Livelihoods and Society

KOA's main products, resistors, are electronic components that restrict the flow of electricity. They are used in all products that use electricity, as they limit and regulate current and voltage to ensure proper operation of electronic circuits. We support society by meeting customer needs with a wide-ranging lineup of components that help diversify and miniaturize final products.



Abundant lineup of resistance values, sizes, and materials.

Production items
5.6 million items

Ultra-small sizes
Smallest product size

0.25 mm × 0.125 mm

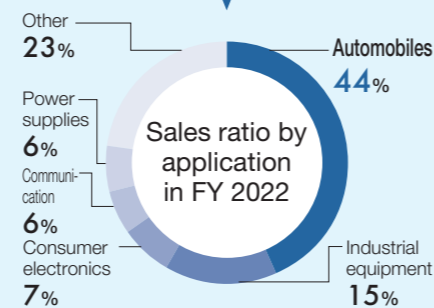
Stable supply of many products

Production volume
More than **10 billion pieces/month**

Investment for value creation

R&D expenses
Approx. **¥3 billion**
(FY 2022)

High usage rate in automobiles



Sales ratio for automotive applications

FY 2001 **16%** → FY 2022 **44%**

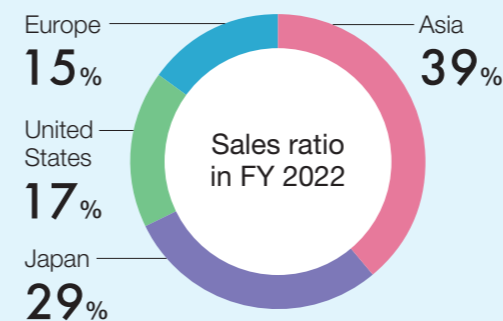
2.7 times the level at the start of business restructuring
(⇒ P. 15 Evolution of KPS Activities)

Global Network

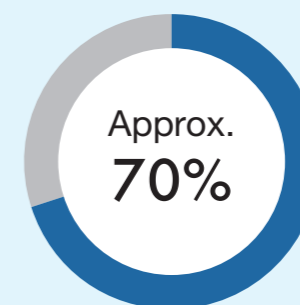
We operate worldwide through 21 KOA sites in Japan, 17 KOA Group sites in Japan (8 companies), and 14 KOA Group sites overseas (12 companies).



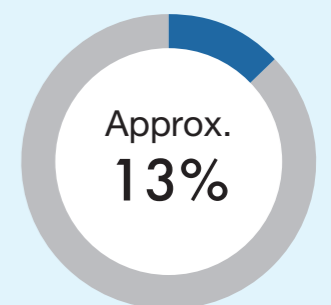
Net sales by region
(by value)



Products manufactured in Japan
(by value)



World class
Market share of fixed resistors
(by value)



A Message from Our President

We will make the 2030 Vision a reality with a strong team that engages in honest discussions and is willing to take on many challenges

Tadao Hanagata President

Challenge to realize the 2030 Vision

In 2019, we defined our 2030 Vision. I was determined that in this evolving world, we must thoroughly examine the company's approach to creating value, earning revenues and building trust with stakeholders. And when we do that, we need to take the long view.

In formulating our vision, we formed a project team of young employees who had a strong desire to participate in the creation of the company's future. I wanted them to imagine their future in 20 years and create a vision based on their ambitions. That way, when they become the leaders in the future, the vision will be more compelling to future employees. I was pleasantly surprised to see that a large number of employees, beyond my expectations, raised their hands to volunteer. The average age of members was 35 years old. My wish to have the vision created by the employees of the next generation has come true. (⇒ P. 19 Overview of 2030 Vision and Value Creation Story)

We believe that the process of creating a vision is more important than the vision itself, and the project focused on building productive discussions among the members. The discussions provided excellent opportunities for the members to think over our past, present, and future. Each member shared opinions about what KOA has done, is currently committed to, and should be doing in 10 years' time. Participants were exposed to differing opinions. And they realized that what they saw was just the tip of the iceberg, that there were many things that they had never noticed or realized about the company. I was confident that this would be a valuable experience for the members and bless us with the strength to build the future. The team held 14 internal meetings and two off-sites. The progress of the project was also communicated to all employees. At times, directors participated in the discussions. After about a year of work, the 2030 Vision was completed, looking back to our past and forward to our future.

Having asked the employees to create a vision, it is my responsibility as president to guide the process of making that vision a reality. To realize the vision, the management board took two years to discuss and create a Medium-Term Management Plan, postponing its announcement by a year. Initially, some of our employees were a bit confused by the 2030 Vision, as we had only provided direction on a quarterly basis in the past. To eliminate confusion and let the vision sink in, we have been actively carrying out workshops over the past year.

However, I knew that just presenting the vision cannot

inspire employees to fully engage in the vision. When I was a supervisor of production sites, I used to set up slogans, expressing management goals or desired actions. Production site employees came to ask me what exactly they needed to do to satisfy the slogans. Leaders at the site would comprehend the management vision expressed in the slogan by interpreting it in their own words and communicate with the employees about what actions needed to be taken. It will take time for the vision to spread widely from top management to production sites. The first step is ensuring that leaders at each site can communicate the vision in their own words. This is an important place to begin. I plan to visit the production sites this year to check the progress of communicating the vision.

Building a team for honest discussion

I believe there are three keys to successfully spreading the 2030 Vision throughout the company and taking on the challenge of achieving it. First, we need to build a strong team. Second, we need to understand the nature of an approach before adopting it. Third, we need to create an environment that encourages taking on challenges.

First, let's talk about building a strong team. We emphasize employees' thoughts and teamwork based on our motto "Making our workplace more upbeat and pleasant than anywhere else."

The company is a team. An ace employee cannot bring success to a company without support from others. Also, the information collected from team members is an essential tool for leaders to make better decisions. A single leader cannot run an organization. A company can function and act quickly as an organization only when there is good teamwork based upon a strong bond among team members.

To build such team, we must first establish good relationships among members such that they can have honest conversations among themselves. If the members can honestly express their own difficulties and weaknesses, they can complement each other and strengthen the team. Naturally, people try to hide their weaknesses, wanting to show themselves in the best possible way. However, when people have the strength to show their weaknesses, they can take on challenges they never thought they were capable of. The positive attitude they will have tackling the uncomfortable tasks will gradually change the company culture.

By speaking honestly, we can combine our strengths. Even

if an entrepreneur comes up with an innovative idea, one person alone cannot establish a business. To develop businesses and maintain and expand on the rewards gained by overcoming challenges, the appropriate capabilities must be in place. By creating an environment where employees can talk honestly about what they are good at, what they are not good at, and what they want to do, we can bring out the best in each employee.

During my time as a site supervisor, I saw the true personalities of people as I dealt with difficult quality defect problems. Through these experiences, I have come to understand how people should be combined to build a team. Building on this experience, I would like to continue to strengthen our organization as part of my job as president. During discussions, I try to avoid expressing my opinion or let others express their opinions first. Since my role lies in making final decisions, I want others to freely discuss their opinions not being influenced by my opinions. We have introduced Structural Thinking as an approach to bring out true intentions of team members without straying off a path to our goals. Structural Thinking is a thinking frame that helps concentrate the awareness to the desired end results and conduct activities while keeping eyes on the current reality. I have been seeing more employees making honest conversations.

Creating innovation through trial and error

The second key is the implementation of appropriate methods. We are not always successful when taking on challenges. The important thing is, not succeeding does not mean failing, but not taking on challenges does. There are more views that we will never see unless we start taking actions. Learning from failure and repeating trial and error over and over again brings us closer to success. In the words of Machiavelli, "I believe the true way of going to Paradise would be to learn the road to Hell in order to avoid it." Learning from failure is the path to success because if you remove all the paths to Hell through trial and error, the only path left is the path to Paradise.

The psychology of engineers is an interesting one. When they are allowed to fail or given unlimited budget, they try their best to make sure they succeed and spend less money. Even if we fail, the lessons learned will produce results that exceed our expectations.

We have introduced the Innovation Management System

(IMS) as a method to encourage our employees to take on the challenge of value creation stated in our 2030 Vision. Innovation, a buzzword that sometimes confuses us, basically means trial and error. As stated in our 2030 vision, we have a desired state, “Essential Parts of the World.” In light of this statement and focusing on the problems of customers and the world, what values can KOA generate? We continue to quickly and endlessly repeat the process of hypothesizing, verifying, and creating products that have sufficient quality to be recognized as generating customer value and to be so evaluated in a way that generates profits. This will require various analyses and experiments to go back and forth between different sections. No matter how promising a hypothesis may initially seem, it may not work when tested. Still, such failures will be our knowhow. No matter what, we will keep persisting at rapid trial and error. That is the essence of IMS and the surest way to create new value in an era when no one can say for sure what value really is.

Understanding the essence of the method to make the most of it

When introducing a new system, we must first identify our own true essence and what it is that we are trying to achieve. This applies not only to IMS but also to any system for overcoming any challenge. Our founder started KOA with the mission of rebuilding the livelihood of his community. This is the essence. When the current chairman encountered a major management challenge due to the Plaza Accord, he reaffirmed the significance of the Four Values and strong relationships of mutual trust with the Five Groups of Stakeholders. This is also our essence. To overcome the challenge, KOA adopted a new management system, KOA Profit System (KPS). The essence of this was to change the mindset of management and employees and to enable all of us to work together to overcome the challenge. This persistence is also one of our essences. (⇒ P. 15 Evolution of KPS Activities)

We have implemented various management systems in the

past. Those systems are not useful if we just follow a general manual, not understanding what we can, cannot, want to and should do. We need to choose the optimal system by understanding the essence of our company and the essence needed in a system to make it successful. Being built this way, the system will be a great management system that can handle unexpected situations. KOA, which heretofore has not been very proactive in disclosing information, decided to publish this Integrated Report to communicate with its shareholders, investors, and others. And at the same time, we wished to truly grasp the fundamental essence of KOA manifested through its value creation process. Our company’s decades-long operations may seem obvious, but we believe that this is a good opportunity to become aware of the essential elements that have supported these operations. In other words, we need to know and deeply understand KOA’s essence to enhance the foundation for achieving our 2030 vision. Back to the point, IMS is replacing our KPS activities with a trial and error approach to value creation. I am confident that, through the IMS implementation process, once all of us understand the essence and start taking actions, the culture of entire company will change. (⇒ P. 27 Expansion of Business Domains)

Encouraging everyone to face challenges

The third key to overcoming challenges is creating an environment that encourages people to take them on. As president, I believe one of my important roles is to push young people to pursue what they want to do as well as to be active within the KOA team. I gained a lot of experience through being an engineer, being deployed to an overseas site, being responsible for quality control and being a supervisor of production sites. Because of this background, I think I have a good idea of employee’s feelings expressed or hidden in each of their workplaces daily. Having this understanding, I believe it is my mission to encourage employees to take up challenges. To successfully encourage them, I must show them my effort taking on challenges of my own. My challenge is to invest ¥44 billion for growth, which is included in our Medium-Term Management Plan. This is an unprecedented scale for our company and a challenge that only I as president can take on. Furthermore, taking on challenges requires an environment in which one can make decisions on one’s own initiative and responsibility. When people act by following the words of others and fail, they blame others for the consequences. Meanwhile, if people act of their own volition, they can accept the consequences of failure and learn from what went wrong. And they will be motivated to try something else next time. It is my job to create an environment in which people can make decisions on their own initiative and responsibility. Upon assuming the presidency, I raised the investment level requiring board approval in order to expand the authority of department heads. As a result, the company has changed, as department heads are now able to make prompt decisions on necessary investments under their own

responsibility.

Focus on investing in people

One of the priority measures in our Medium-Term Management Plan is “development of human capital to create the future.” We see the positive performance in FY 2022 as giving us more room to make various improvements, and we will increase our investment in people. In FY 2023, we will put a particular focus on career vision training. Instilling the desire to continue to grow will prompt people to change. We are providing more training opportunities for employees in production sites, who normally do not have much time for training. (⇒ P. 31 Development of Human Capital to Create Our Future)

In addition, we will increase the number of exchanges, including overseas transfers. Being directly exposed to social issues such as human rights and water resource problems as well as to different cultures helps us to see things from various perspectives. Through different perspectives, we will be able to identify our role in the growth of society, and eventually contribute to KOA’s growth.

Responding to risk

In FY 2022, a series of uncontrollable external risks emerged. The key to responding to risks is early recognition of emergent changes in the business environment and the flexibility to adjust operations should the need arise. The increase in orders we had anticipated did not become reality due to the emergence of certain geopolitical risks. However, we were able to stay calm as we were made aware of these emergent changes through communication among members of the Board of Directors, including outside directors. Under the priority measures of the Medium-Term Management Plan, we are moving forward with a plan to double our production capacity by 2030. Even if conditions change and risk factors emerge, we will stick to the same goal, adjusting the time frame. There are many ways to overcome risks as long as we continue to hold in-depth discussions and develop our skills.

Working with local communities to achieve sustainability

We have identified the Earth and the environment as one of our Five Groups of Stakeholders and are committed to environmental initiatives. In our Medium-Term Management Plan, we stated introduction of renewable energy and reduction of electricity consumption as priority measures to reduce GHG (greenhouse gas) emissions. Renewable energy is costly, but we cannot accomplish anything if we overthink before taking actions. So, we decided to see how things go and take care of the cost after implementing the system. I know that KOA employees, who have been engaging in KPS activities and breaking through barriers over the years, can find a solution. In order to lower the cost, we need to promote the implementation and technological innovation of renewable energy on a society



wide basis. We will work with local governments to promote and spread efforts to reduce GHG emissions. For carbon fixation, we have been conducting projects to conserve forests for 30 years such as establishing the Forest Management School. We will keep creating recycling systems for forest resources throughout the region. We are determined to continue working with forestry workers and local construction and lumber companies to create a virtuous cycle for forest conservation and the local economy. (⇒ P. 29 Reduction of GHG Emissions)

Building trust and long-term growth

Trust, as stated in our management policy, is established in regard to our customers and business partners through our working relationships with them and the products we provide. Furthermore, the trust we establish with our customers and business partners leads to improvement of our financial performance, which in turn increases our overall trust, including by society. We remain committed to our mission of establishing mutual trust with our five groups of stakeholders. That’s what KOA is all about. We now have this great opportunity to take actions while taking the long view based on the 2030 vision. We will pay even more attention to the voices of our colleagues and our Five Groups of Stakeholders to strengthen trust and achieve long-term growth.

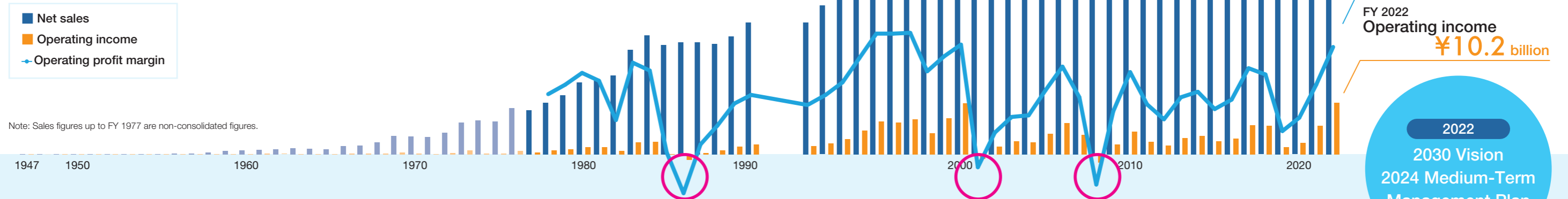


History

Growth Trajectory

We have overcome numerous challenges created by changes in the business environment by introducing the appropriate management systems. This has all been done to maximize value creation for our Five Groups of Stakeholders.

We will continue to provide value for realizing a sustainable society by leveraging the strengths we have developed over the course of our history.



FY 2022
Net sales
 ¥75 billion

FY 2022
Operating profit margin
 13.6%

FY 2022
Operating income
 ¥10.2 billion

2022
2030 Vision
2024 Medium-Term
Management Plan
 (= P. 19-24)

Established 1947
 (Founded 1940)

1961
 Listed on the 2nd Section of the Tokyo Stock Exchange
 Reassigned to 1st Section in 1984

1985
 Sharp appreciation of the yen due to the Plaza Accord

2001
 Bursting of dot-com bubble

2008
 Downturn due to Lehman Brothers bankruptcy

Adoption of new management system
 (⇒ P. 15 Evolution of KPS Activities)

KPS-1 (from 1987)

KPS-2 (from 2001)

KPS-3 (from 2010)

Supporting local livelihoods through the electronic components industry

Mass-production resistor manufacturer with global operations

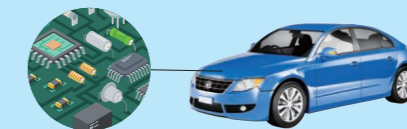
Becoming a world-class resistor manufacturer selected for its quality and reliability

KOA Kogyo-sha, KOA's predecessor company, begins production of fixed resistors. Business expanded against the backdrop of postwar inflation.

The production volume of leaded resistors expanded for CRT TVs and large home appliances during a period of rapid economic growth.

Demand for chip resistors increased with the rapid growth of digital home appliances such as PCs, LCD TVs, and cell phones.

As we were reaching the ceiling in the market for digital consumer electronics, we sought to enter new resistor markets for further growth. And we targeted the automotive market, where high growth was expected. We made efforts and accomplished high quality, accuracy and durability required by the automotive industry. As a result, 40% of our total sales are now made in the automotive industry.

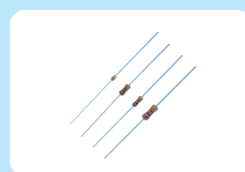


Applications

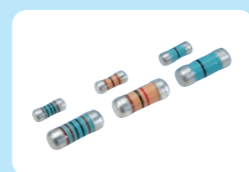
Major Products



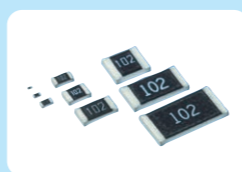
L-shape carbon film resistors



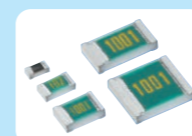
Resistors (leaded)



MELF type resistors



Thick film chip resistors



Thin film chip resistors



Current sense chip resistors



Thin film chip resistors for automotive applications



Cement resistors for automotive applications



Thin film resistor networks for high voltage dividers



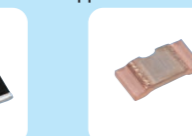
Thin film resistor networks



Metal plate chip resistors



Wide terminal chip resistors



Power shunt



High reliability thick film chip resistors

Evolution of KPS Activities

Japan's manufacturing industry once enjoyed steady growth, supported by the era of mass production and mass consumption. However, since the 1980s, especially after the Plaza Accord in 1985, the business environment has changed dramatically. This was because of the sharp appreciation of the yen, changes in markets caused by the entry of new companies from developing countries, and escalation of price competition. As an electronics parts manufacturer, KOA A too has to face these challenges. Also, since the 1980s, customers started to have individualized and diversified needs and demand high-mix, low-volume production, and just-in-time supply. In response to these changes in the business environment, we began KOA Profit System (KPS) activities in 1987. KPS activities are management improvement activities in which all employees participate, and are evolving in response to changes in the business environment. Building on the business growth realized in KPS-1 and KPS-2, we are now working on KPS-3, a new activity for product development, and focusing on creating businesses that offer new value to our customers.

1987-1990
Production Innovation
 Strengthening of profit structure

1991-1997
Business Innovation
 Controlling costs through greater efficiency

2001-2009
Business structure reform, Quality 1st, Profitability Improvement

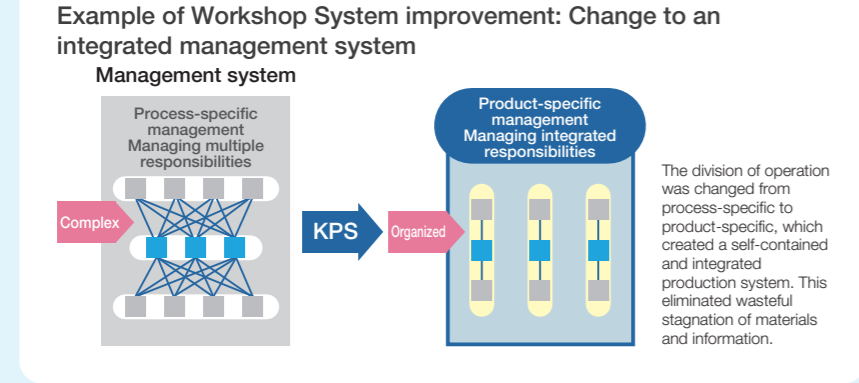
2010-Present
Creation of new value

KPS-1 Thoroughly eliminate^{*2} management waste^{*1} and aim to create a new management system

Background: The rapid appreciation of the yen resulting from the Plaza Accord of 1985 brought us to a major management crossroads. We experienced three consecutive terms of losses and two terms without dividends starting from 1986. Employee morale was low due to poor business performance, and even our policy of sustaining employment was in jeopardy. To overcome this situation, a new management system had to be adopted.

We worked to thoroughly eliminate management waste in order to improve profitability, restore business performance, and stabilize employment. Since the conventional make-to-stock production system was generating dead stock and put pressure on profits, we switched to a make-to-order production system. We suppressed the cost increase by decreasing the size of production through make-to-order basis and reduced as much expenses as possible to generate profits. In the process, we shrank the scale of systems for massive production and began making equipment with ingenious mechanisms to minimize space, energy, cost, and mechanical movements. We thoroughly simplified the flow of goods, information, and other things in all aspects of manufacturing. In December 1992, we introduced the Workshop System which is based on small teams of about 20 people. In this system, each team undertakes the entire process from order receipt to manufacturing and shipping, knowing who the customer is. With the adoption of this new system, we established an integrated system of production, which strengthened the trust between our employees and customers. As a result, employees were able to feel the joy of making products. Thus, we established a new management system that values humanity, cares for the natural environment through effective use of resources and enriches the lives of employees and their families through stable employment.

*1 Unnatural things (not in accordance with the laws of nature), actions that do not serve the customer, lack of care (apathy and indifference), stagnation (goods and information), and division of labor.
 *2 Removing what is visible (hardware aspects) and stopping or changing the way we work and the systems (software aspects).

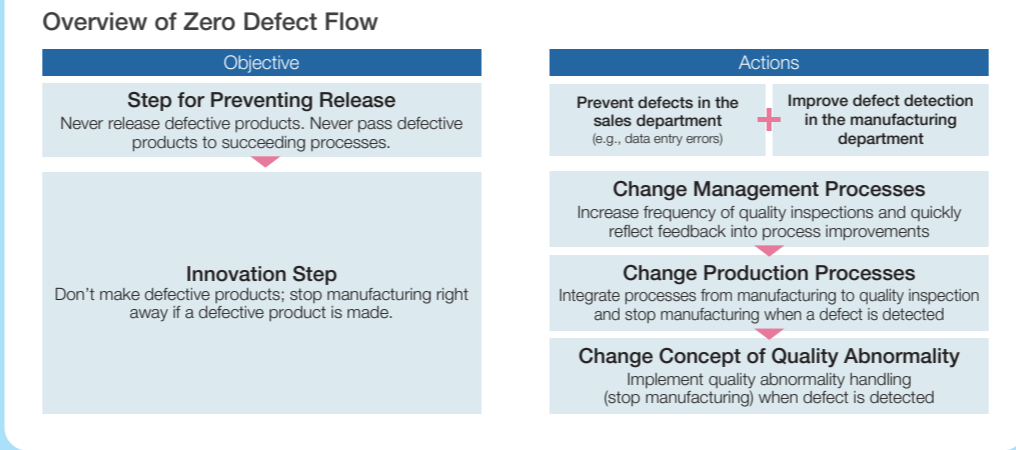


- Results**
- Inventories → Reduced to 1/6
 - Production lead time → Reduced to 1/8
 - Equipment turnover → Improved by 3x
 - Established a basis to eliminate waste in management and generate profits

KPS-2 Become a company that is preferred by customers

Background: Due to the rapid changes in our clients' procurement patterns following the bursting of the dot-com bubble in 2001, we fell into the red. As we were reaching the ceiling in the market for digital consumer electronics, we fought for survival by expanding into the automotive industry that was new to us.

An important aspect of building partnerships with markets and customers around the world is that the relationship with KOA must be beneficial to our customers. Aiming to become a company that is preferred by customers, we strived to improve profitability through business expansion into new fields (business structure reform). And there always has been quality improvement (Quality 1st) as a foundation. Defective in-vehicle parts can lead to fatal accidents. Product recalls based on defective parts can damage the trust of many people, including consumers and automakers. To achieve the quality and reliability required for in-vehicle parts, we have been establishing a Zero Defect Flow since 2007. This is a production process which thoroughly prevents defective products from being manufactured or released. We have also utilized various improvement tools used in the automotive industry (FMEA, Five whys, etc.) to prevent defects from occurring and to prevent recurrence. Also, the sales and engineering departments have worked together to strengthen Voice of Customer (VOC) understanding and Customer Relationship Management (CRM) to identify and solve problems. Due to these activities sales to the automotive industry have risen and contributed to KOA's profitability through the sale of higher margin products. We have also aimed to improve the quality of all operations and the employees involved in them. We make sure to have employees understand the entire business flow so they can adjust their perspectives, actions, and management approaches, to fully satisfy our customers.



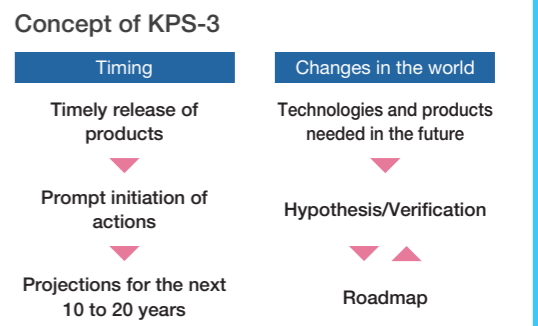
- Results**
- Significant reduction in KOA-responsible quality defects detected by customers: 1/10 or less from the start of KPS-2 (FY 2022)
 - Highly valued by customers for our high level of responsiveness, including prompt analysis of the causes of defects

KPS-3 R&D-oriented company capable of co-creation

Background: Through our KPS-1 and KPS-2 initiatives, which have been highly praised by our customers, the profitability of our business has steadily improved. Meanwhile, foreseeing the future, we realized that we need to unlock new values to be the first choice of customers in the rapidly changing world. We have started conducting activities in a new stage of KPS to capture changes in the world and contribute to solving social issues.

Each employee must envision the future based on anticipated market trends, while paying attention to the customers and the changes in the world and markets. Through these KPS-3 activities, each one of us will be empowered to figure out necessary actions, implement them and engage in things that individual employees, employee teams, or KOA as a whole could not have done previously. The core of our activities is hypothesis and verification activities based on future projections in order to provide the required products at the required timing. We have been creating roadmaps that envision the products and technologies that will be required in the future based on VOCs and market trends. We use them as a tool for product development and dialogue with customers. We have created our roadmaps by hypothesizing and verifying customer needs and expected trends in five years' time. And now, in KPS-3, we are developing the roadmaps based on future projections 10 to 20 years into the future, including future social issues and customer needs. Based on these roadmaps, we repeat hypothesis-building and verification to deepen our fundamental technologies and skills according to the changes in the world. This will help us develop differentiated products in existing businesses as well as establish new businesses. KOA's fundamental technological capabilities accumulated through our electronic parts business, mainly resistors, will be fully utilized in promoting innovations with partner companies and advanced research institutes. This is how we attempt to become an R&D-oriented company capable of co-creation that provides customers with new value.

- Results**
- Development and release of Windgraphy®, a sensor for measuring and visualizing wind flow (released in July 2023)
 - Launch of a specialized organization dedicated to developing new businesses and deepening existing businesses
 - Establishment of a specialized organization (IMS Implementation Center) dedicated to fostering and instilling a corporate culture of new value creation
- Windgraphy is a registered trademark of KOA CORPORATION.



Management Resources Driving the Challenge

	Manufacturing	Quality	Product Development	Human Capital Development	Creating a Model for a Recycling-Oriented Society
Features	<ul style="list-style-type: none"> Just in Time (JIT) Global supply network Reliable and stable supply, continuous improvement 	<ul style="list-style-type: none"> Zero Defect Flow with the slogan of "Each item and each piece shall be guaranteed by each employee" Quality 1st 	<ul style="list-style-type: none"> Hypothesis building and verification for customer needs Solution proposals 	<ul style="list-style-type: none"> Develop human capital in terms of management skills, technical expertise and inter-personal and teamworking skills 	<ul style="list-style-type: none"> Activities to contribute to our communities through job creation, human capital development, and preservation of community values
Results	<ul style="list-style-type: none"> Market share of fixed resistors: Approx. 13% (KOA estimate) Customer support system utilizing global supply network Number of products: 5.6 million 	<ul style="list-style-type: none"> Reduction of KOA-responsible quality defects detected by the customer: 1/10 or less from the start of KPS-2 (FY 2022) Analytical capabilities and responsiveness valued highly by customers Successful adoption in automotive applications that require high quality: 44% of net sales 	<ul style="list-style-type: none"> R&D expenses: Approx. ¥3 billion (4.1% of FY 2022 net sales) Unique foundational technology accumulated as a specialized resistor manufacturer Leader in IEC standardization (terminal part temperature specification) 	<ul style="list-style-type: none"> Number of KOA Group employees: 4,311 (as of March 31, 2023) Number of participants in training based on inculcation of the "KOA Story": 1,850 (cumulative total since 2004) Number of participants in JIT training: 334 (total number from FY 2006 to FY 2022) 	<ul style="list-style-type: none"> Long-standing community engagement activities based on the Founding Spirit and Four Values Establishment of a model with local communities to address climate change Ina Valley Foundation grants: Approx. ¥140 million (1997–2022) Donations for Ukraine relief efforts: ¥11 million (FY 2022)
Overview	<ul style="list-style-type: none"> We succeeded in expanding our global supply network and capturing a significant share of the global market by continuing to improve management processes with the involvement of all employees. KOA has established a global support system for customers, providing technical support as well as stable supply. We can efficiently manufacture a wide variety of products through an optimized production process composed of equipment and systems we have developed in-house. 	<ul style="list-style-type: none"> We have attained the high quality, high accuracy, and high durability required for automotive products. We guarantee our products based on our quality policy of "Each item and each piece shall be guaranteed by each employee." Each KOA employee strives for the level of craftsmanship where they can confidently say, "I know when, how, and by whom the product I am crafting now is going to be used, and I know what I should do to satisfy each customer." Our customers highly value KOA's approach to handling defects occurrence, including our root cause analysis. 	<ul style="list-style-type: none"> Our sales and engineering departments work together to identify and solve customer problems. In the course of expanding our electronic parts business, particularly resistors, we have acquired various technologies such as material technology, processing technology, and evaluation technology. We are leading the international standardization of thermal design to create proper and practical rules for the market. 	<ul style="list-style-type: none"> We conduct training based on the three essential elements of human capital development: inter-personal and teamworking skills, technical expertise and general education, and management skills. The human qualities of initiative, conviction, and mutual trust induce actions. By combining those qualities with management skills and technical expertise, we strengthen KOA capabilities and create new products and services. We conduct training based on inculcating the "KOA Story," which passes on KOA's corporate DNA through reflecting on our important values and the founding spirit. We have a unique in-house qualification of "Craftsman," which recognizes employees who possess superior and unique skills and whose achievements contribute to the realization of KOA's corporate mission. 	<ul style="list-style-type: none"> We can operate our businesses because of the support from our Five Groups of Stakeholders, including the environment and local communities. That is why we commit to increasing corporate value for all Five Groups of Stakeholders. We emphasize local hiring based on the Founding Spirit of "Farming and Manufacturing in Unison" and "Bring Sunshine to the Ina Valley." This is because operating close to the local community strengthens our operations. KOA is committed to building a model of a recycling-oriented society in which resources are recycled within society, so as to create a richer society by bringing society back in harmony with nature. Giving back to society the value created from such activities is deeply ingrained in KOA's corporate DNA.

Topics 1

International standardization of the Terminal Part Temperature Specification for Surface Mount Resistors*1

Koichi Hirasawa
PhD (academic)
 Project Leader
 Research &
 Development Center



Thermal problems of resistors

Resistors are components that control current and voltage by restricting the flow of electricity. Because resistors convert electrical energy into heat, they inevitably generate heat. For the resistors to perform properly without malfunctioning, appropriate thermal design is necessary.

Need for international standardization

Current customers have higher levels of requirements for resistors than in the past. Also, the operating environments are becoming more severe. In particular, in-vehicle electrical equipment such as engine control units are used in high-temperature engine compartments. However, the rules for thermal testing specified in the conventional international standards were not appropriate for surface mount resistors which are the most commonly used resistors. This is because the standards were made based on leaded resistors which were the most commonly used resistors at the time the standards were created. The resistor industry cannot provide customers and society with security and safety without appropriate standards. Furthermore, without appropriate standards customers may even lose confidence in the industry. KOA knew that creating our own standards would not be supported by the industry as a whole. So we knew that we needed to work to revise the international standards to be accepted.

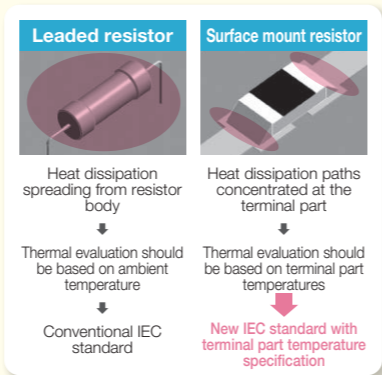
Significance to KOA

The attempt to specify the terminal temperature in the international standards started in 2012. This has proved to be very challenging because it involves fundamentally changing the approach of thermal design. Behind the initiation of this project, there was a strong desire of then KOA president Mukaiyama (current chairman) to prioritize the benefit to the public based on our management policy of "Trust."

After we obtained consensus at JEITA*2, we submitted a draft standard to the IEC*3. KOA took the lead in the discussions, and in 2023, having deliberated for more than 10 years after the proposal, we acquired approval from representatives of each country.

During the process of standardization, KOA has accumulated knowledge and data that enables us to make products with maximum performance using the least materials and energy. This advantage in our design gives us a clear market advantage.

As thought leaders in this area KOA representatives have been speaking at seminars and academic conferences and exchanging opinions about thermal design with people in different industries. These activities are helping us make new connections with different industries, companies and people.



The key to success has been a thorough consensus-building and concerted teamwork

In order to achieve international standardization, we first needed the support of resistor manufacturers in Japan. To do that we provided these manufacturers with the testing materials at our expense to create the environment where all manufacturers can conduct comparable measurements. For key manufacturers overseas as well, we thoroughly conducted consensus-building activities, including making visits, and issuing technical reports from IEC and JEITA. In addition to a high level of engineering expertise, KOA was able to field a strong team consisting of experts with experience in speaking at international conferences, creating standards, and promotional activities.

*1 Initiative to change the temperature management point of surface mount resistors from ambient temperature to terminal part temperature.
 *2 Japan Electronics and Information Technology Industries Association. A Japanese industry association for electronics, electronic devices, and information technology (IT).
 *3 International Electrotechnical Commission. An international standardization body for electrical engineering, electronics, and related technologies.

Topics 2

KOA Story Training

Carrying on the wish of the founder

The purpose of KOA Story Training is to help employees correctly understand the founding story of KOA and its founding spirit and how that history and spirit have served as the basis for what KOA is today. By this training we hope our employees will change their attitudes and motivations in order to better contribute to the continued success of KOA. This training originally started when president Mukaiyama (current chairman) conveyed the founding story to KOA executives. At that time, he told the story of founder Kazuto Mukaiyama as well as the development of his own management philosophy based on what he learned from the founder as well as his own experiences, including failures. As KOA grew bigger as a company, we organized and systematized the contents and began offering it to all employees from 2004. We did that because we were determined to maintain this founding story in our institutional memory. This training is offered to all KOA Group employees. Currently, mostly new hires and mid-career hires are receiving it.

Fostering soft skills

To allow the subject to be fully understood and because it is the core of our emphasis on soft skills training, we allocate two full days to this subject in our training schedule. Furthermore, this training emphasizes in-depth thinking through discussions in the context of group work. Using the incident process method, participants analyze how the founder and president Mukaiyama (current chairman) overcame management challenges and what the success factors were in doing so. Small groups are formed to discuss and make presentations about what should be learned from the founding story. Through this training, participants learn the unique KOA mindset that has been cherished and cultivated by their predecessors, such as accountability, persistence, and optimism. Participants also develop their character as KOA employees, acquiring problem-solving skills through developing good thought processes, and teamwork skills through engaging in group work. By learning how to apply acquired skills to their own responsibilities and actions, employees develop a sense of responsibility and self-awareness that they are a crucial part of managing the entire enterprise, thereby enhancing the quality of their work.

Response of Participants



I realized how heavy the impact of my job (outflow prevention of defects) is in the success of the company by learning about the mindset "99% of what happens in a company is caused by one's own words and actions." I will not only do the work in front of me, but also take responsibility for each and every task for the sake of my fellow workers.
 (Age: 20s, in manufacturing)

I learned that no one is perfect and that it is important to think about what to do when faced with a problem without giving up. I want to grow by performing not only the tasks set by my department, but also by setting personal goals and reflecting on my performance through repetition of the PDCA cycle.
 (Age: 30s, in engineering)

Overview of 2030 Vision and Value Creation Story

We strive to provide safety and security to our customers around the world through the stable supply of essential parts with high quality and high reliability. With this commitment, we aim to realize a sustainable society. In addition, by allowing the visualization of unseen or hard to detect phenomena through the business domain of sensors and sensor modules, we hope to provide new value to the market which will make KOA an "essential part" of innovation.

The 2030 Vision expresses the vision of every KOA employee striving to become essential through working to realize their aspirations and goals in cooperation with colleagues.



Recognized business opportunities



SX: Synchronization of Corporate and Social Sustainability

It is expected that the demand for resistors will increase due to expanding social infrastructure and the wide adoption of mobility solutions using renewable energy



DX: The Fourth Industrial Revolution

It is anticipated that the sensor/sensor module market will grow with the advent of the "trillion-sensor society"



Demographic Change and Shift in Values

Companies will be required to adopt the perspective of sustainability in order to solve local issues



Vision slogan

Essential Parts of the World

Vision statement

We at KOA strive to be an essential parts manufacturer that supports the world and to work as part of society to create a better world. Through small parts, we create big, world-changing transformations. With the goal of creating a recycling-oriented society that is in harmony with nature, KOA shall create new value for our customers by discovering the true sources of their problems as they work to solve social problems and create value for their own customers. Building on continuous improvement and relationships of trust generated by the high quality of our products and processes, we will blaze the trail forward through innovative thought and action.

KOA's Corporate DNA

Founding Spirit

Trust building with stakeholders and community engagement that carries on the spirit of "Farming and Manufacturing in Unison"

Values

"Circulation, finite, harmony and enrichment"

Corporate Competencies

- Manufacturing**
JIT/Global supply network
Reliable and stable supply, continuous improvement
- Quality**
Zero Defect Flow: "Each item and each piece shall be guaranteed by each employee" as the underlying philosophy
- Product Development**
Hypothesis building and verification of customer needs; solution proposals
- Human Capital Development**
Human capital development based on the development of inter-personal skills and character-building as well as management skills and expertise
- Creating a Model for a Recycling-Oriented Society**
Community service projects based on job creation, human capital development, and preservation of community values

KOA's Challenge to Realize its Vision

- KPS Activities for Enhancing Customer Satisfaction and Employee Satisfaction**
Aim to create a "workplace that is more upbeat and pleasant than anywhere else" while improving manufacturing productivity and quality through digitization.
- Expansion of Business Domains**
Expand business domains in terms of markets and applications such as automobiles and industrial equipment as well as in terms of addressing social issues such as energy, social infrastructure and the environment.
- Reduction of Green House Gas (GHG) Emissions**
Reduce GHG emissions throughout the supply chain
- Development of Human Capital to Create Our Future**
Continue to implement human capital development that enhances capabilities and encourages our employees to take on challenges
- Giving Back to Communities**
Cooperate with local communities to solve issues at each location

Value to Create

- Safety and Security**
Provide customers with security and safety through stable production and supply of high-quality products
- Ability to visualize the invisible**
Develop sensors and sensor modules to help visualize incorporate data to provide solutions to social issues together with our customers
- Coexistence with Nature**
Contribute to the realization of a carbon-neutral society
- Diversity and Motivation**
Ensure diverse employees are working proactively as Team KOA and feeling motivated and happy in their jobs
- Regional and KOA Development**
Continuously implement a virtuous cycle of revitalization of each region and the development of KOA

Story Behind the Birth of the 2030 Vision

In June 2019, the "2030 Vision Project" was launched by a group of young employees whose average age was 35 to formulate our desired state in the year 2030 (vision). We asked the members for their thoughts on the project.



Even though we are all KOA employees, there were differences in values, and we sometimes clashed in our opinions. Because the status of the project was communicated to all the employees, we were able to hear the opinions of our supervisors and colleagues. Based on those opinions and our own opinions, we discussed ways to shape the vision. I think that the vision provides the groundwork for employees to move in the same direction. I'd like to make KOA an attractive company by having a dream of what that should be like.
(Age: 30s, staff member)



We had a chance to reexamine our mainstay resistor business in the project. Hearing the thoughts of sales and production members, we reminded ourselves the significance of our resistor business. And that helped us examine what should be changed and should not be changed going forward. The vision is transforming the company into a place that is responsive to change. I will take on the challenge of creating new value in my area of responsibility, new business development.
(Age: 40s, engineer)



Through training camps and other activities, we had many frank discussions without concern for each member's position or title. During our discussions, we learned that KOA's parts are considered essential by our overseas customers. That is when we decided to set our goal to become essential as a business partner as well. I am excited about the future that KOA is aiming for.
(Age: 30s, production worker)

Recognition of Key Megatrends and Business Opportunities

We forecasted the business environment surrounding KOA in 2030 according to key megatrends. Then we identified business opportunities based on perspectives such as expected growth of our existing businesses, the potential of new businesses and their fit with existing business domains and KOA's capabilities.

Key Megatrends

Earth | **SX: Synchronization of Corporate and Social Sustainability**

Expected increase in the demand for resistors due to expanding social infrastructure and the wide adoption of mobility solutions using renewable energy

Companies are expected to address issues concerning the global environmental and social sustainability, as typified by the SDGs, as part of their management.

As the transformation toward a decarbonized society accelerates, the automotive industry is asked to achieve zero environmental impact throughout the entire vehicle life cycle^{*1}. Countries around the world are preparing strategies to shift automobile sales to ZEVs and BEVs in order to achieve carbon neutrality by 2050. This trend is expected to accelerate the adoption of vehicles that use renewable energy and mobility solutions that use less energy and minimize environmental impact. Compared to the internal combustion engine (ICE) cars, we estimate that the number of thick film chip resistors used in automobiles is about 1.5 times greater in hybrid cars and 1.6 times greater in electric cars.

Also, demand for electronic components is expected to increase due to the advance of technologies related to CASE^{*2}.

Furthermore, resistor demand is expected to grow due to the expansion of new energy and social infrastructure such as energy storage and hydrogen power generation.

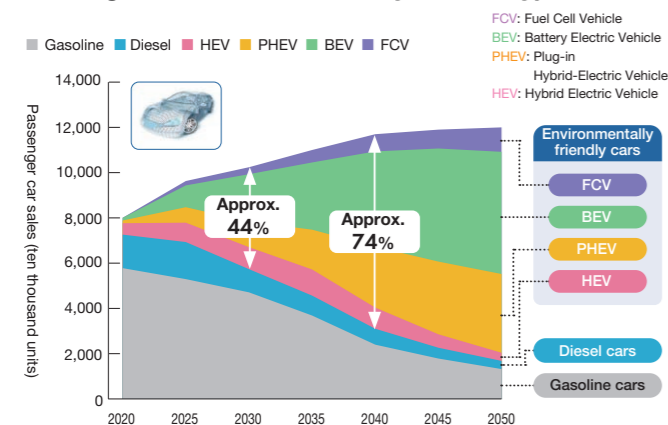
In this environment, resistor manufacturers are required to provide greater supply capacity, high precision, miniaturization, better performance including durability against environmental stresses, and further improvements in reliability.

We will continue to strive to realize the high quality required by the automotive industry through our kaizen activities and, thereby, continue to build on the strong trust established with automotive companies that has been achieved through our commitment to the market and corporate capabilities.

*1 The series of processes from raw material procurement to disposal and recycling.

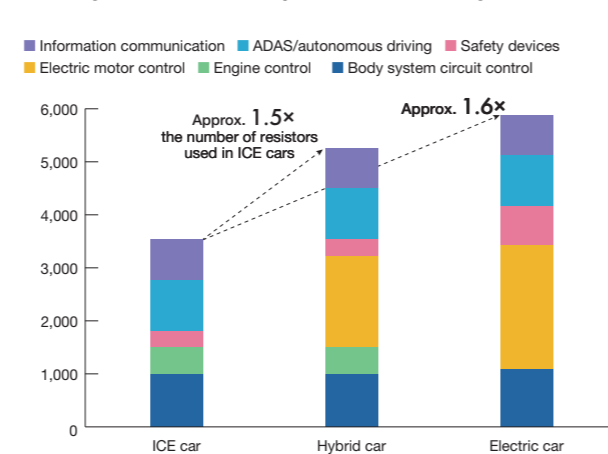
*2 A term coined from the initial letters of Connected, Autonomous, Shared & Services, and Electric.

Passenger Car Sales Forecast by Vehicle Type*



* Numerical values based on KOA's forecasts and calculations

Quantity of Thick Film Chip Resistors Used by Powertrain*



Key Megatrends

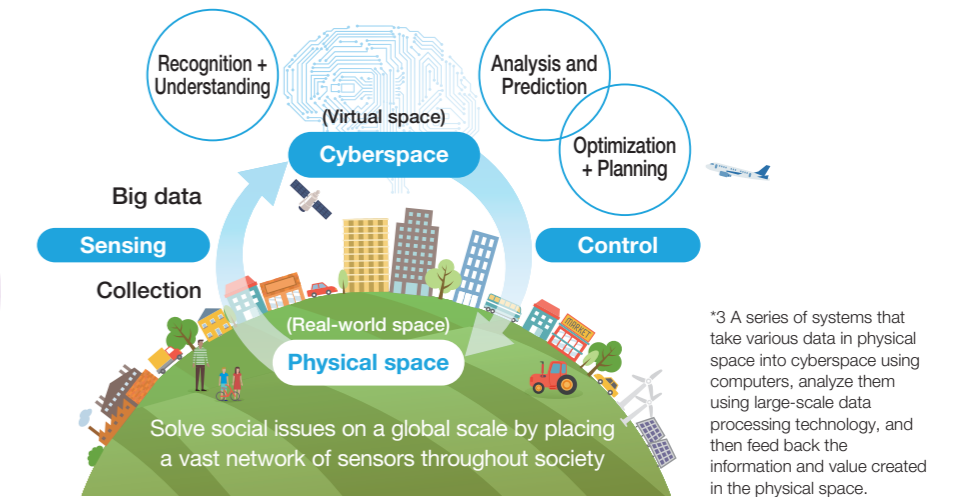
Economy | **DX: The Fourth Industrial Revolution**

The rapid growth of the sensor/sensor module market with the advent of the "trillion-sensor society"

Technologies for AI and Internet of Things (IoT) have developed rapidly. With this advance, the expectation is rising for the adoption of "cyber-physical systems (CPS)" that revitalize industries and solve social problems by integrating cyber or virtual space and physical or real-world space. The number of sensors required to collect various data in physical space is expected to reach one trillion per year worldwide. In short, the arrival of a "trillion-sensor society" is just around the corner.

In the "trillion-sensor society," various industries such as autonomous driving, medical, disaster prevention, agriculture, fisheries, services, and environmental protection, will face a digital transformation based on big data collected on a global scale. We believe that sensors and sensor modules to be developed with our high-volume and stable manufacturing capability and our foundational technologies hold great potential for future growth.

We are conducting research and development on sensors and sensor modules that visualize incorporated data to create solutions to social issues.



Key Megatrends

Society | **Demographic change and shifting values**

Companies are required to solve local issues from the perspective of sustainability

Each country has different issues and circumstances. For example, while developed countries are facing aging populations and declining working age populations, emerging countries are facing an expanding middle class. Thus, expectations for products will vary depending on the market.

From the very beginning, KOA has stayed tuned to the voices of the times, exploring the desired state, and identifying social issues. As represented in our corporate culture, KOA has long taken actions which are now required to be taken by all companies.

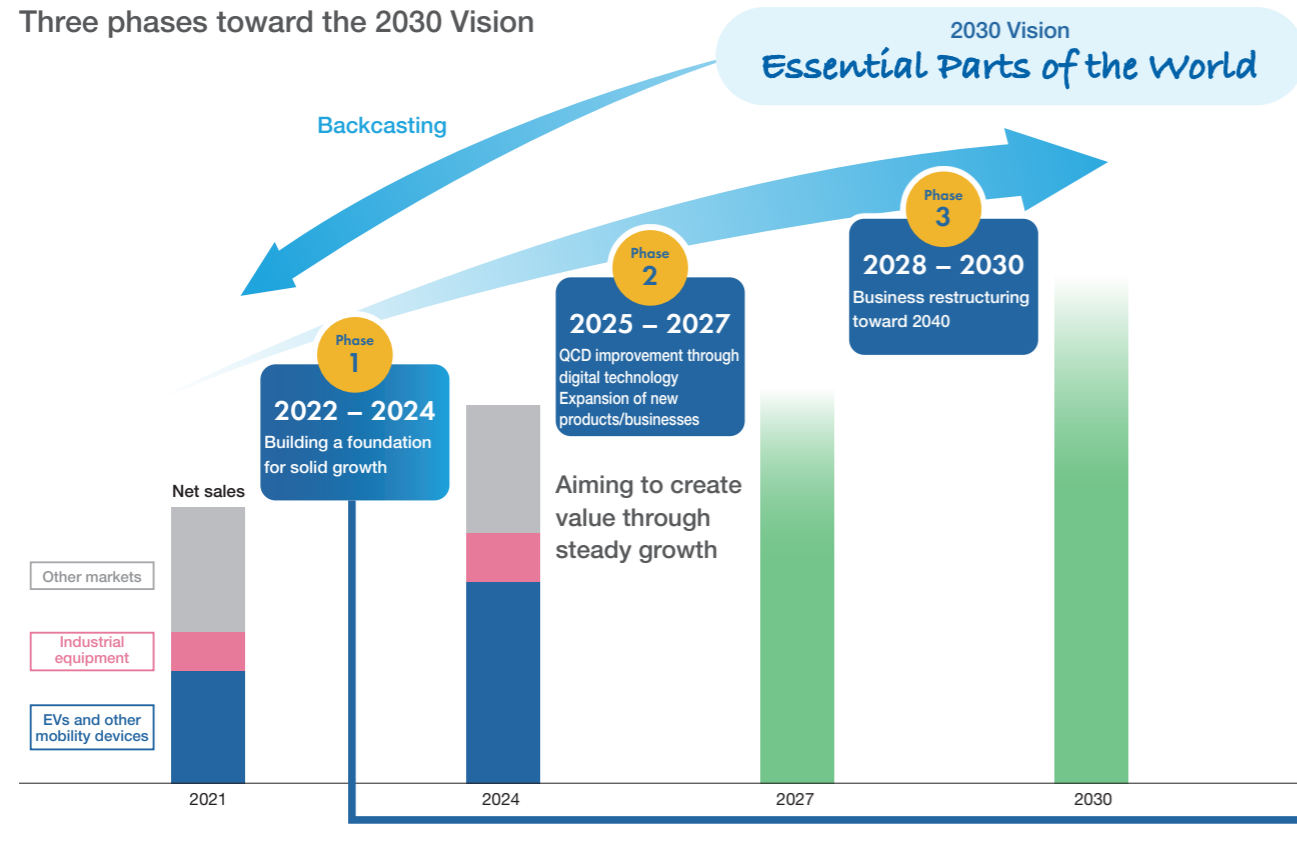
We keep striving to satisfy expectations of each region and market by responding to the shift in values associated with changing times and society.



Mechanisms for Value Creation

We have built our Medium-Term Management Plan, our concrete implementation plan, by backcasting from our 2030 Vision, our desired state for 2030. We will formulate and implement a Medium-Term Management Plan with the aim of creating value through steady growth. In the 2024 Medium-Term Management Plan (2022–2024), which marks the first three years on the way to 2030, we are focusing on building a foundation for solid growth.

Three phases toward the 2030 Vision



KOA's Challenge to Realize the 2030 Vision

1. KPS Activities for Enhancing CS and ES ▶ P. 25
2. Expansion of Business Domains ▶ P. 27
3. Reduction of GHG Emissions ▶ P. 29
4. Development of Human Capital to Create Our Future ▶ P. 31
5. Giving Back to Communities ▶ P. 33

Our Management Foundations ▶ P. 35

Relationship between the five groups of stakeholders and our challenges

- Customers and Business Partners
- Employees and Their Families
- Communities
- Earth
- Shareholders



Phase 1

Key Measures of the 2024 Medium-Term Management Plan

Establishment of a Supply System for 2030

- Thick film and thin film chip resistors
- Production increase at plants across the world
- Expansion of production facilities
- Enhancement of business continuation plan (BCP) through multiple-location production

1. KPS Activities for Enhancing CS and ES

Introduction of Renewable Energy and Reduction of Electricity Consumption

- Promotion of renewable energy utilization
- Reduction of power consumption by improving productivity and adopting the latest energy-saving technologies
- Enhancement of the ability to collect and analyze GHG emissions data
- Creation of a model for addressing climate change in conjunction with local communities

3. Reduction of GHG Emissions

5. Cooperation with Communities

Evolution of KPS Activities

- Utilization of digital technology to convert on-site wisdom (tacit knowledge) into processes and technologies (formal knowledge)
- Product development that will be appreciated by customers based on future projections and potential requirements
- Establishment of supply chain management that maximizes management resources and ensures stable supply and flexible delivery

1. KPS Activities for Enhancing CS and ES

2. Expansion of Business Domains

Development of Human Capital to Create Our Future

- Enhancement of communications to nurture employees who take the goals of the company as their own and spontaneously make contributions
- Establishment of systems for human capital development and career support to realize the 2030 Vision
- Creation of a system which motivates employees to take on challenges

4. Development of Human Capital to Create Our Future

Introduction of Innovation Management System (IMS)

- Establishment of a support system for innovation initiatives by the IMS promotion department.
- Implementation of a new value creation process based on the uncertainty of new and existing businesses
- Distribution of the medium- to long-term strategies by top management.

2. Expansion of Business Domains

New Governance Initiatives

- Adoption of a performance-based compensation system for executives
- Appointment of at least 1/3 independent outside directors
- Establishment of a Nomination and Compensation Committee with a majority of independent outside directors

Target Values/KPI

Item	(Reference) Year ended March 31, 2022	Year ended March 31, 2023	Target for year ending March 31, 2025
Net sales	¥64.9 billion	¥75.0 billion	¥87.0 billion or more
Operating income	¥5.7 billion	¥10.2 billion	¥11.0 billion or more
Operating profit margin	8.8%	13.6%	13% or more
ROE	7.4%	10.5%	11% or more
Environment	(Reference) Year ended March 31, 2022	Year ended March 31, 2023	Target for year ending March 31, 2025
CO ₂ emissions (Scope 1+2) Reduction rate compared to FY 2020	10% reduction	61% reduction	65% reduction
Electricity consumption	+8.7% per annum	+3.6% per annum	+4.0% or less per annum
Percentage of electricity generated from renewable sources	17%	69%	70%
Human capital	(Reference) Year ended March 31, 2022	Year ended March 31, 2023	Target for year ending March 31, 2025
Employee engagement*1	CCC (47.1)	B (49.7)	BB (52 or more)
Investment in human capital development/training*2	100	167	200

*1 Engagement ratings based on Motivation Cloud by Link and Motivation Inc. Rated on a scale of AAA to DD, with 11 rating levels in all. (CCC is the seventh level from the top) This rating covers all employees of KOA CORPORATION (non-consolidated).

*2 Comparison based on the fiscal year ended March 31, 2022 as 100.

KPS Activities for Enhancing CS and ES

Through KPS, all employees participate in activities to improve operations and management. We have entered into the phase of KPS-3 and are striving to create new value in existing and new businesses.

In KPS-1, we aimed to strengthen profitability and improve cost efficiency. And in KPS-2, while carrying on the activities of KPS-1, we conducted kaizen activities to reform the business structure based on the mindset of Quality-1st. While these activities have produced great success, there has also been a tendency to turn compliance with the mechanisms established through each of these activities into an end in itself.

When problems have occurred, we have tried to solve them by strengthening compliance with existing mechanisms. Our strength lay in the on-site wisdom accumulated within each employee, meaning the expertise of operations belonged to specific individuals. As a result, we had to rely on the work of individuals and take labor-intensive tactics, which caused a heavy burden to be placed on such employees leading to their exhaustion. Although we are grateful for the expected increase in global demand for resistors, we cannot meet customer's expectations with our current production capacity.

In order to pursue the essence of kaizen and not be bound by established concepts, we are shifting away from the idea of following the existing mechanism. In order to accomplish that, we are transforming on-site wisdom, which had been expertise of specific individuals, into formal knowledge, allowing others to share in this wisdom.

By creating a system where all employees can make products with the same quality, we can reduce the burden put on specific employees. In addition, by being freed from specific tasks (because of the knowledge that they only had), outstanding employees will be able to try different tasks. By improving ES^{*1}, we will be able to improve our production and supply capacity and stably supply high-quality products to our customers (higher CS^{*2}).

We call these kaizen activities "On-site KPS-3," and use it to create the groundwork for the creation of the new value that KPS-3 is originally intended to achieve.

*1 Employee Satisfaction
*2 Customer Satisfaction

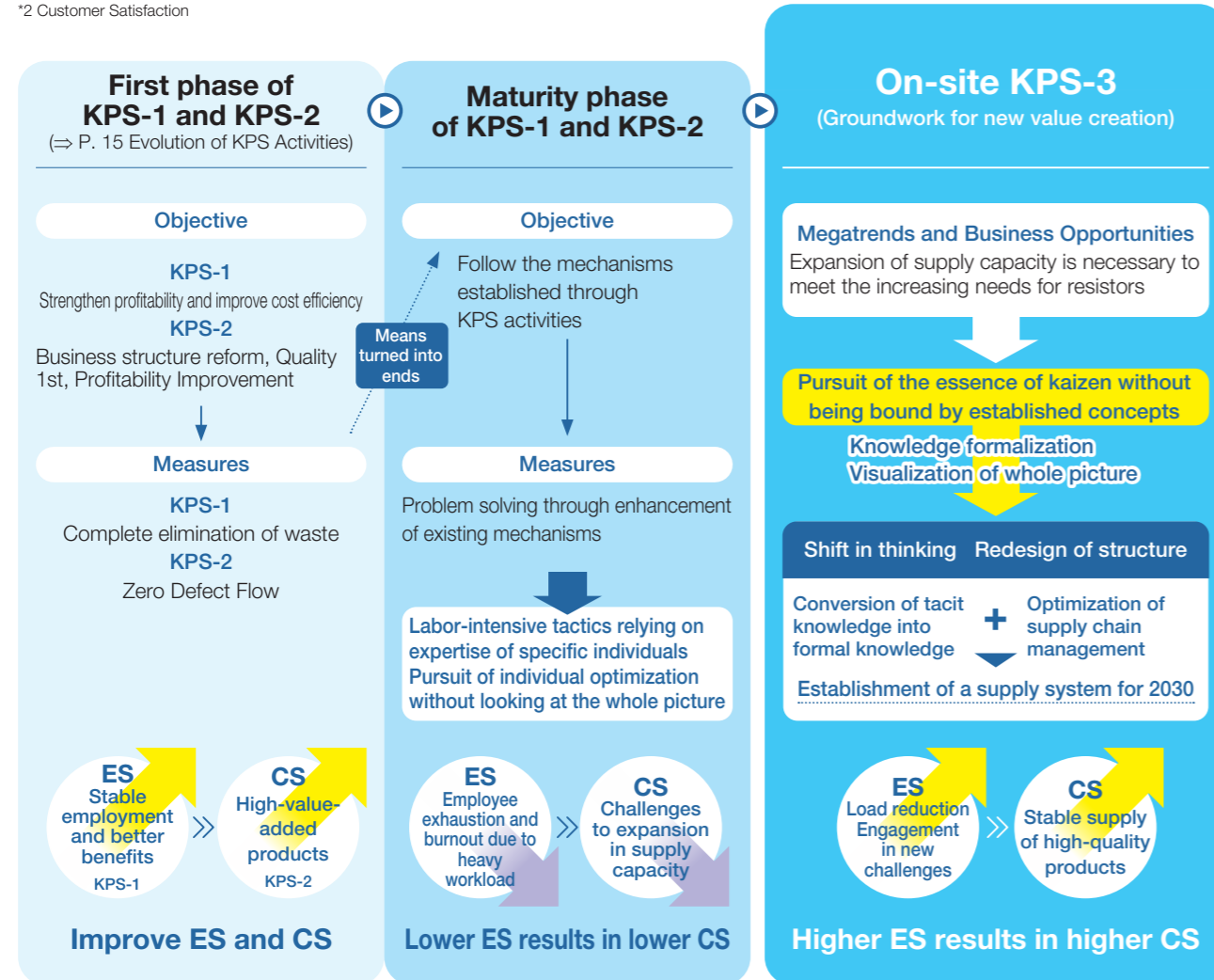
Value to create

Security and Safety
Provide customers with security and safety through stable production and supply of high-quality products

Diversity and Motivation
Create an environment where diverse employees work proactively as Team KOA feeling motivated and happy

Challenges to overcome

KOA will apply digital technologies to its manufacturing and quality-control activities in order to achieve a "workplace that is more upbeat and pleasant than anywhere else."



Conversion of tacit knowledge into formal knowledge

KOA is utilizing digital technology in order to transform wisdom (tacit knowledge) accumulated on-site by individuals into a system (formal knowledge). This initiative is not limited to the improvement of facilities and processes, which had been the scope of conventional kaizen initiatives, but is being undertaken for non-manufacturing activities as well. We have been sharing successes, improving operations, and promoting and fostering an awareness to fundamentally change the existing system.

Annual savings of ¥340 million from improvements of work-in-process inventory management

In this specific case, we worked on solving problems in work-in-process inventory management at the production site for thick film resistors. After two years of making efforts, we succeeded in building a system that incorporates the experience, intuition, and tricks of skilled workers. Because this improvement enabled any employee to handle processes that used to be the exclusive domain of certain employees, the burden and pressure of responsibility on individual employees has been reduced. Also, the standardization of processes has enabled standardization of management. By realizing optimal inventory management with the use of order data, we reduced the frequency of changeovers in our manufacturing process. We estimate the annual improvement effect to be 340 million Japanese Yen.

There are several reasons why we succeeded in redesigning the processes that had not been changed for 30 years. Besides the fact that digital technologies have become easier to adopt, the programming and application creation skills of our employees have improved greatly. Their passion to engage in these kaizen activities has been infectious and motivated the entire company.



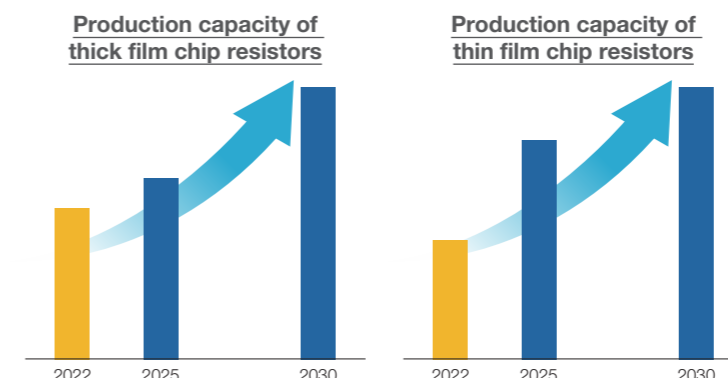
Optimization of supply chain management

With KPS-1, we switched to a make-to-order production to eliminate the waste in our management system. Through this activity, we established a production system where everything from order receipt to manufacturing and shipping is completed within the workshop (small-scale organization). However, we feel that this production system will not be able to stably handle large-scale, unanticipated orders caused by a pandemic or other extreme situations. To address this concern, KOA is making efforts to optimize our supply chain management to achieve stable supply and flexible delivery. Specifically, we will optimize manufacturing efficiency by using global order data and stabilize supply by preparing inventories for balancing supply and demand.

Establishment of a supply system for 2030

Along with the transformation of tacit knowledge into formal knowledge and optimization of supply chain management, we are building a supply system for 2030 by increasing production at existing plants and expanding production sites through the construction of new plants. We plan to double our production capacity of thick film and thin film chip resistors by 2030, with the capital investment of 44 billion Japanese Yen over the course of the 2024 Medium-Term Management Plan. In addition, we are simultaneously implementing BCP measures by establishing production lines for the same product at multiple locations.

Doubling production capacity by 2030



- KASHIMA KOA DENKO CO., LTD.: Tonami-no-Sho**
October 2022: Thick film chip resistor production line begins operation
- KOA CORPORATION: R&D and production site**
October 2022: Start of construction
August 2024: Scheduled completion
A site to enhance both R&D and supply system
- KOA DENKO (MALAYSIA) SDN. BHD.**
Existing plant: Expanding production facilities for thick film chip resistors
New plant: Completed purchasing land for new plant and creating basic design
- SANADA KOA Corporation: Sanada no sato**
June 2024: Complete the launch of production line for thin film chip resistors

Expansion of Business Domains

We have overcome numerous challenges that stemmed from major changes in the business environment, such as the Plaza Accord and the bursting of the dot-com bubble. In times of rapid change, when the future is harder to predict, conventional business wisdom is no longer applicable. KOA believes that in order to keep our customers, we need to continuously provide value to them, which will contribute to solving the problems of society. However, because such potential problems (needs) have not been fully identified, we face the difficulty of forecasting demand in product development.

To identify the uncertain needs in an unpredictable social environment, we decided to take a new approach to value creation and launched KPS-3 in 2010 as a new stage of KPS activities. In September 2022, to further expand our activities, KOA adopted a new management system based on the concept of the Innovation Management System (IMS) in order to foster value creation throughout the company.

IMS is characterized by repeated trial and error and the systematic exploration of potential needs. Traditionally, product development has been based on hypothesis/verification of customer needs, but this has been a one-way process where once specifications are determined, manufacturing takes place. Exploration in IMS is a process of trial and error, going back and forth within the process. By clarifying needs through this process, we can seek products that meet the needs of our customers and reduce demand uncertainty.

In addition to conventional customer needs in applications and markets such as automobiles and industrial machinery, we also target needs in addressing social issues such as energy, infrastructure, and the environment. We are aiming to expand our business domains into those fields. In addition to developing businesses that create new value such as sensors and sensor modules, KOA also strives to explore opportunities to create more value in its mainstay resistor businesses.

Note: Value creation indicated in this page refers to innovation activities as defined in chapter 8 of ISO 56002, the international standard for IMS. The value creation process refers to the process of those innovation initiatives.

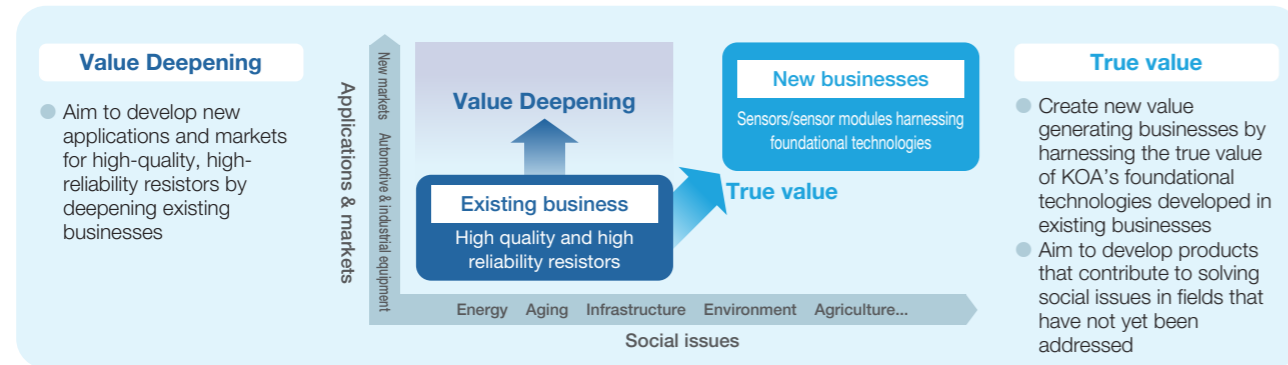
Value to create

Security and Safety
Provide customers with safety and security through stable production and supply of high-quality products

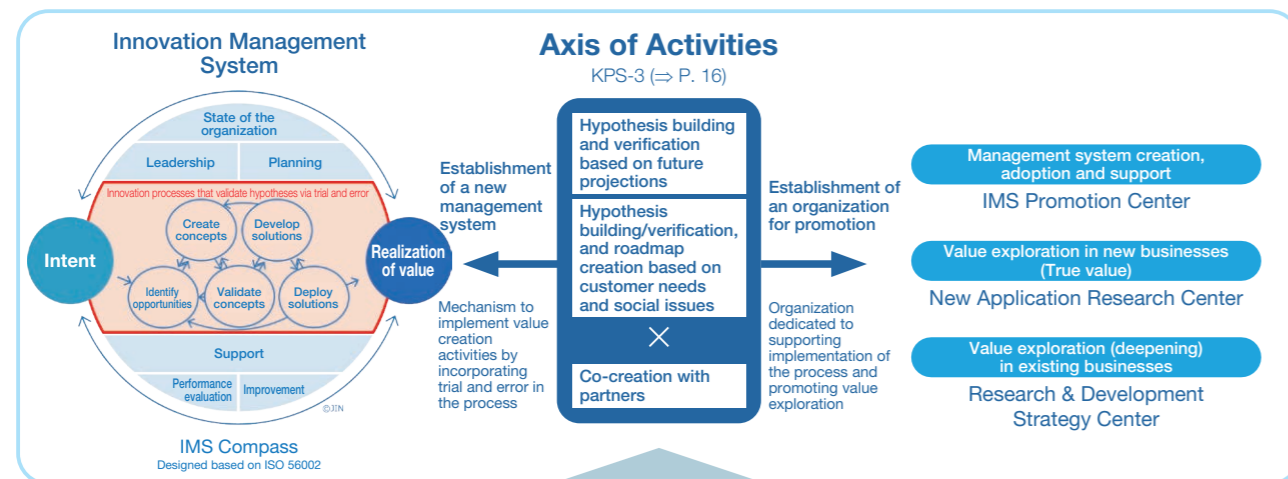
Ability to visualize the invisible
Contribute to solving social issues with customers by visualizing incorporate phenomena through new sensors and sensor modules

Challenges to overcome

Expand business domains along both the application/market axis, such as automobiles and industrial equipment, and the social issue axis, such as energy, infrastructure, and environmental quality



Creation of new value



Management resources developed through KPS-2

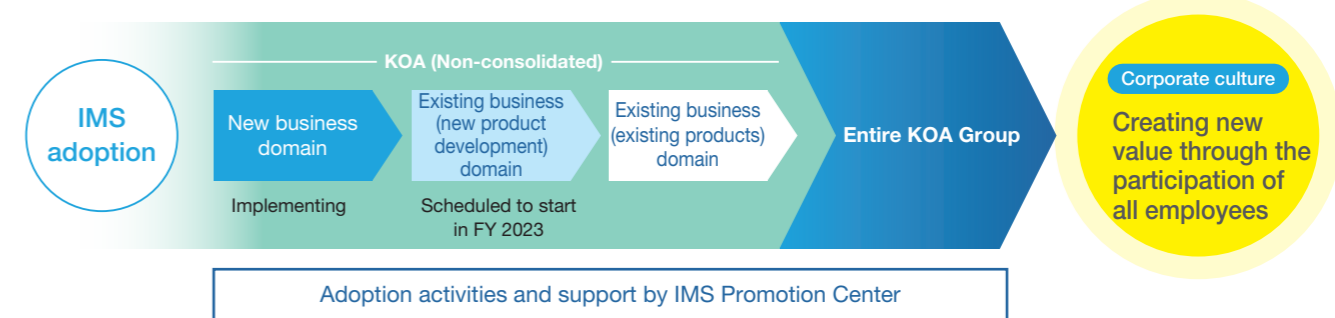
Introduction of Innovation Management System (IMS)

Upon adopting IMS, we launched the IMS Promotion Center, an organization dedicated to system development, promotion and support. This center is responsible for collecting ideas and requests for innovation from all departments, coordinating the implementation of value creation processes among related departments, and pioneering innovation initiatives. As the first step, we have facilitated the exchange of opinions on IMS and the promotion of its usage.

To promote the usage of IMS, we will gradually expand the business domains where the value creation process is practiced. We have started from new business domains, and we plan to expand to new product development domains of existing businesses in FY 2023. Ultimately, we aim to instill a corporate culture in which everyone in the KOA Group understands the concept of IMS, IMS is functioning in each organization, and new value is created through the participation of all members.

We also believe that for the new management system to take root within the company, top management must convey their strong will and passion to employees. Accordingly, we set up opportunities for dialogue between management and on-site employees in order to encourage employees to adopt IMS.

Implementation of Value Creation Process



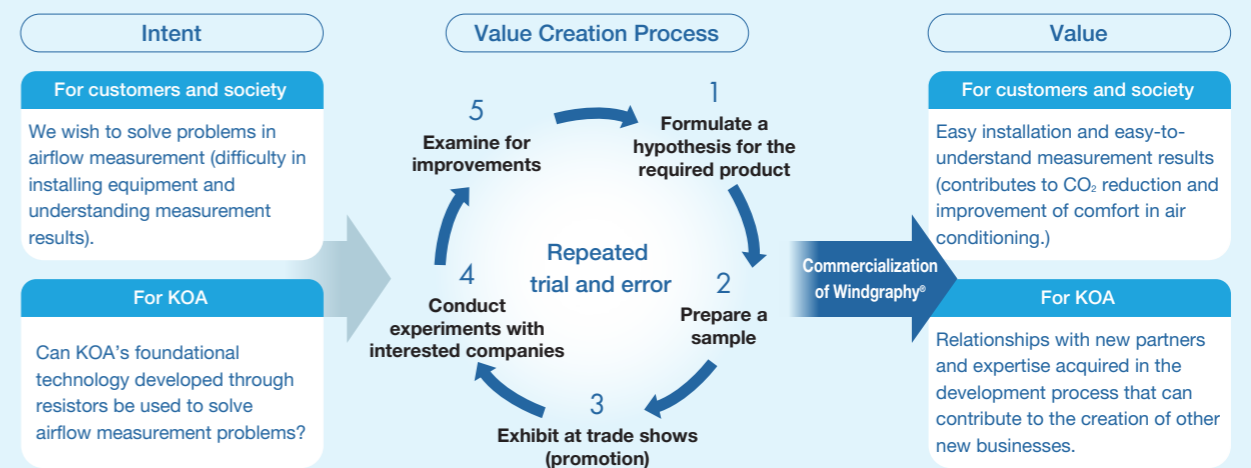
Development of Windgraphy®, a sensor for measuring and visualizing wind flow

As one of the new sensor developments, we have developed the Airflow Measurement System incorporating our Windgraphy® technology, which was released in July 2023.

Windgraphy® is our unique technology that uses sensors to simultaneously measure wind speed at multiple points and display and convert the measurement results into data. Easy-to-install device, intelligible measurement results, and visualization of wind help anyone intuitively understand the wind conditions.

Previously, KOA never had products or businesses related to airflow measurement. In developing this product, we established relationships with companies and research institutes related to construction and air conditioners that require airflow measurement. And we gathered information through interviews to identify problems in airflow measurement. In this way, we started from scratch and succeeded in developing a viable product through a process of trial and error. With the development of Windgraphy®, we have acquired the capability to provide new value such as CO₂ reduction and improvement of comfort in air conditioning. This means that KOA has taken the first step in solving a type of social issue that it never had the capability to address before. Also, we will utilize the valuable experiences and expertise accumulated in the development process of Windgraphy® to create new businesses and products.

IMS Implementation in Windgraphy® Development



For more information on Windgraphy®, please visit: <http://www.windgraphy.com/product/product01.html>



Windgraphy is a registered trademark of KOA CORPORATION.

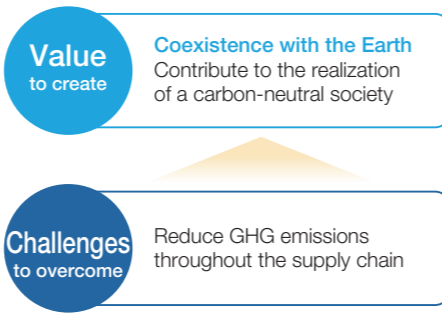
Reduction of GHG Emissions

The earth as one of KOA's Five Groups of Stakeholders; we honor the earth for allowing us, the human race, to exist. For many years, we have been working to improve our environmental impact as part of our "Father Sun" activities by formulating an environmental policy and implementing it through the leadership of the KOA Group Environmental Committee.

The effects of climate change are becoming more severe. Climate crises can also have a major impact on local communities, such as an increasing the frequency of disasters, and can lead to problems in business continuity. This is an important issue for KOA to address.

To limit the impact of climate change, efforts must go beyond that of a single company, and GHG (greenhouse gas) emissions must be calculated and reduced over the entire product life cycle. Customers and suppliers are increasingly concerned about GHG emissions in the supply chain, and we expect regulations to be tightened globally. In order to win the trust of customers and suppliers, which is a prerequisite for becoming an "R&D-oriented company capable of co-creation" that we are aiming for through KPS-3 activities and to increase the competitiveness of our products, we must implement initiatives throughout the entire supply chain.

We will work to reduce GHG emissions for our company and society as a whole, contributing to the realization of a carbon-neutral society.



What are the "Father Sun" activities?

"Father Sun" activities target all business initiatives of the KOA Group in various countries and regions. These activities include the promotion of products and processes with low environmental impact and operating in harmony with the environment, as well as efforts to minimize environmental impact by reducing energy usage and emissions and to make the effects of these activities visible. At KOA, we call our environmental management system based on ISO 14001 "Father Sun" with the idea of "Let's engage in activities in a manner we can hold our head high before Father Sun." Becoming a company that can "hold our head high before Father Sun" is an indication of the way KOA seeks to be in harmony not only with the environment but also with society.

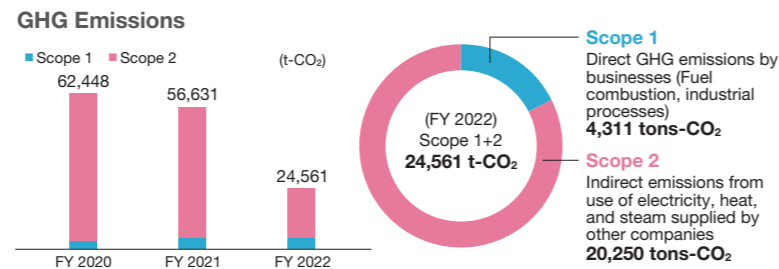
For more information on our "Father Sun" activities and details of our environmental policy and implementation system, please visit: <https://www.koaglobal.com/corporate/csr/rashisa>



Challenge to realize carbon-free products

We are working to make our products carbon-free. The carbon-free products that KOA aims to produce are those with zero GHG emissions from the combustion of fuels and electricity used in our production processes, as well as from energy used throughout the supply chain, including raw material procurement, subcontracted processing, distribution, and sales. Our basic policy is to reduce GHG emissions in society as a whole by developing carbon-free products and to establish strong relationships of mutual trust with our five groups of stakeholders.

We also conduct product performance evaluations with the aim of creating products that enable designs that contribute to decarbonization, such as reducing power usage for finished products through the use of KOA components. While advancing our carbon neutrality through these reduction efforts, we will simultaneously promote society's move toward carbon neutrality.



Main Actions

- Scope 1 and 2 Reductions**
Purchase of renewable energy, on-site power generation, review of equipment and processes, and ongoing energy conservation efforts
- Scope 3 Reductions**
Review of raw material procurement and logistics, and supply chain outreach
- Climate change action in partnership with local communities**
 - Development and conservation of healthy forests that are resilient to disasters
 - Participation in regional zero carbon promotion initiatives, participation in local government policy review committees, etc.

What is product performance evaluation?

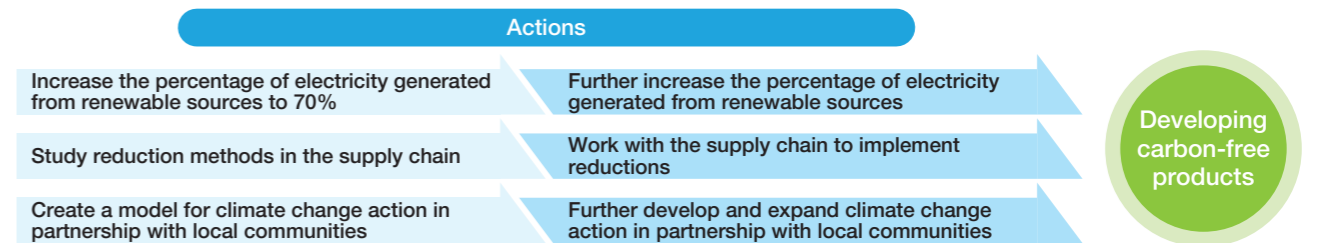
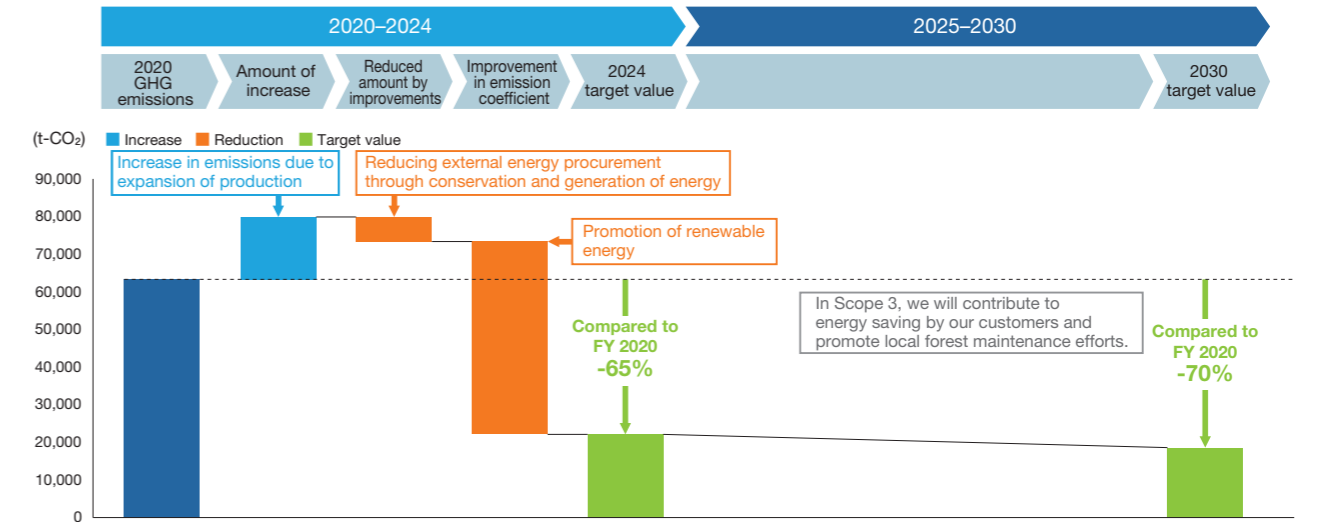
Product performance evaluation is an assessment from the design stage of the social value of a product. Resistors, our main product line, are electronic components that limit and regulate current and voltage. The use of high-accuracy resistors in circuits enables more accurate current/voltage control and contributes to more efficient power usage for functions that require current flow in an electronic circuit to be maintained at a constant level or varied as needed. Also, the use of miniaturized high-performance resistors can reduce the number of mountings and mounting area, contributing to miniaturization and greater design freedom in the final product design. In this way, we develop and manufacture products that contribute to a sustainable society by including from the design stage a perspective on how our customers products are intended to be used.

For product performance evaluations of each product, please visit: <https://www.koaglobal.com/corporate/csr/productsperformance>



Initiatives for the year 2030

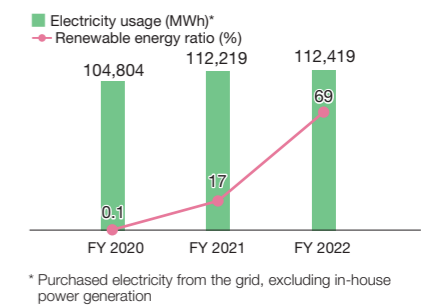
The "2030 Environmental Targets" were initiated in FY 2022. We are studying specific actions to be taken by 2030 with the goal of achieving carbon neutrality by 2050. Further refinement of these studies will permit us to create a roadmap to be followed in the near future.



Introduction of renewable energy

In February 2022, we introduced "Shinshu Green Electricity" in our facilities in Nagano Prefecture, and switched 100% of the electricity used for the development and manufacture of electronic components to renewable energy. The "Shinshu Green Electricity" project is an initiative that aims to increase the ratio of locally produced renewable energy in Nagano by utilizing hydroelectric power generated in the prefecture, thereby contributing to further carbon neutrality in the region. The share of renewable energy in electricity usage has reached 84% in Japan. We are also adopting renewable energy at our overseas sites, including Germany (January 2018), the United States (March 2022), and two sites in China (January 2022 and January 2023). As a result, the KOA Group's renewable energy ratio in FY 2022 was 69%.

Adoption of Renewable Energy and Change in Electricity Usage



Curbing electricity usage

In order to curb the increase in energy usage (purchased energy) due to expanded production, we have been studying energy creation through in-house power generation in addition to the energy-saving initiatives we have been continuously engaged in for more than 20 years. In order to verify the effectiveness of in-house power generation, we installed a solar power generation system for in-house usage at the head office building as a first step to installation of the system at other sites. We will continue to study optimal energy-saving and energy-creating measures for each production site toward our target year of 2030.

Improved ability to collect and analyze GHG emissions data

To improve data collection and analysis capabilities, we adopted management tools and established a system to quickly and accurately capture measurement data. Also, studies are underway for the full calculation of Scope 3 emissions, which remains partially uncalculated. We have begun communicating with suppliers regarding GHG emissions upstream in the supply chain to target for future Scope 3 reductions.

Creating a model for climate change action in conjunction with local communities

YAMATOWA Co., Ltd., a KOA Group company, supports the use of local timber by conducting regional forestation programs, fostering local leaders in forestry management, and utilizing local timber to make furniture and packaging materials. By increasing the value of forests as an industry, we are working to build a system that will properly take care of our forests. KOA also participates in local zero carbon events at the request of government agencies to present KOA's GHG emissions reduction efforts and help raise awareness. Further, we are participating in the formulation of regional administrative measures such as zero-carbon cities for prefectural and municipal governments, including dispatching a committee member to the Minowa Town Special Committee on Global Warming Countermeasures in preparation for the Minowa Town Zero Carbon City Declaration.

Development of Human Capital to Create Our Future

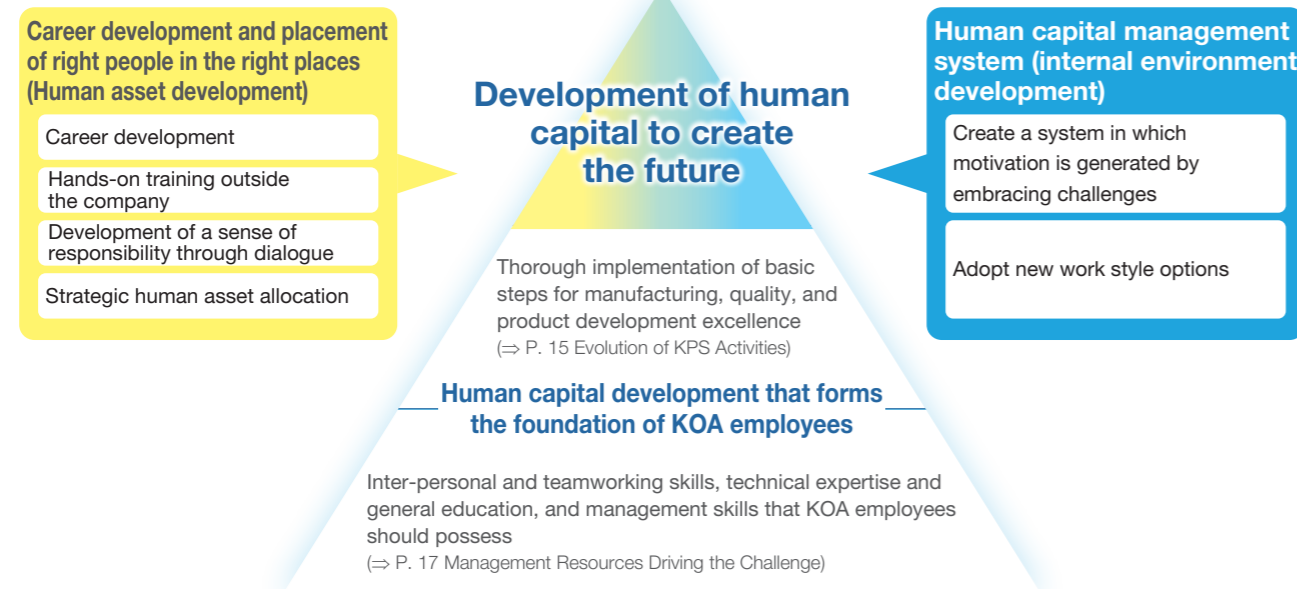
In order to realize the 2030 Vision, we need to take on new challenges by identifying the essence of our customers' problems and creating and providing new value. We believe that in order to "work with active thinking" by envisioning the future that lies beyond immediate challenges, each employee must have their own career vision and be in the process of achieving a suitable career path. We are developing employees who can "work with active thinking" and create an environment in which "working with active thinking" can take place.

In previous human capital development, we focused on ensuring that all KOA employees acquired the soft skills, specialized knowledge and education, and management skills that they should possess through company-wide training. This was the foundation for the work of KOA employees and the foundation for the growth of the business up to now. Now, however, we recognize that what we had been doing has rigidified the employees' thinking and actions and created passive career development.

We are working to establish a new vision of desired human capital, and build a relationship in which employees and the company can together build individual careers on an equal footing. In order to realize the 2030 Vision by making each employee "essential," we are taking concrete actions that are being actively reviewed at the management level.

Value to create
Diversity and Motivation
 Diverse employees work proactively as Team KOA and feel motivated and happy in their jobs

Challenges to overcome
 Develop employees who keep enhancing their abilities and leveraging their strengths to take on new challenges



Our Group's mission is to establish strong relationships of mutual trust with the Five Groups of Stakeholders, one of which is our employees. We believe that the growth of each and every employee is essential for the survival and further growth of the company. We consider employees not only as human resources but also as human capital. Accordingly, we value our employees as indispensable assets among our management resources.

Career development and placement of the right people in the right places

To further improve human capital, we plan to increase our investment in development and training during the 2024 Medium-Term Management Plan period. With this plan, we will double the investment in human capital from the level in FY 2021 by FY 2024. In FY 2022, investment increased to 67% compared to FY 2021 due to new training programs such as the Next Management Basic Skills Course, an increase in the number of participants in the Career Vision Training Program, and increased opportunities for departmental training, including engineering, production, quality, and sales.

Career development

We are boosting support for each individual to help them have their own career visions and shape their careers. Whereas our conventional career support program focused on female employees and younger workers, the program is now held for each age group. The program provides an opportunity for reflection, which encourages people to think about what they should do on their own initiative. Although we know that this program will not lead to immediate change, we are committed to this program with a 10-year horizon.

Age	Class	Career education
70	Elder Next-career realization phase	
65	Mid senior Next career exploration phase	
60		CDT60
55	Young senior Career realization phase Career succession phase	Life career training (CDT50)
50		
45	Middle Career development phase	CDT40
40		Mid-career employee training (CDT30) Job card creation
35		
30	Trainee Career discovery phase	Career vision training
25	Rookie Career exploration phase	New employee training Follow-up training for new employees
20		

Note: CDT is an abbreviation for Career Development Training.

Hands-on training outside the company

In order to create a workplace with greater generation of new insights and ideas, we are expanding the opportunities for hands-on training outside the company. We conduct exchanges outside the company for employees to acquire a broad perspective and flexible thinking through being exposed to different cultures outside the company. To name a few, we send employees to industry associations, exchanges with local businesses, and volunteer opportunities.

FY 2022 Participation in Outside Programs

- Nagano Employers' Association
 - Workshops to develop business leaders
 - DX human resource development training
- The Japan Electronics and Information Technology Industries Association (JEITA)
 - Career development training for mid-career women
- Ina City Children's Future Support Project (volunteer)

Development of a sense of responsibility through dialogue

We are preparing a system that allows employees to embrace the company's policies and direction as their own, and to "work with active thinking" on their own initiative. In the 2030 Vision Project, we recruited members to discuss the future of the company. Since April 2023, we have held on-site employee meetings with board members so the board members can better communicate with employees.

Strategic human capital allocation

We aim to create a workplace where the strategies for realizing the 2030 Vision and the employees' aspirations align by supporting employees with self-development opportunities, implementing efficient human capital development and conducting strategic job transfers. We are working to place and hire the right people in the right positions.

Human capital management system

Create a system in which motivation is generated by embracing challenges

In order to create an environment that encourages employees to learn proactively and take on challenges on their own initiative, we must establish a system that generates personal motivation by embracing challenges. We are examining our human capital management system to include a way to recognize proactive "working with active thinking" and reflect it in wages.

Adoption of new work styles

For a diverse range of employees to perform well and demonstrate their abilities in proper work places, we must prepare a work environment that accepts all ages, genders, and lifestyles, starting from women. KOA has adopted a rejoin system for employees who had left the company for parenting, caregiving, or other reasons. Also, we have enhanced support systems for balancing work and parenting. As a result, we have acquired the Platinum Kurumin Certification, which is issued by the Ministry of Health, Labour and Welfare for companies with a high-standard of support for balancing work and childcare. Further, we are improving our workplace environment by adopting new work style systems that allow employees to telecommute, and have side/concurrent jobs as an option for career development outside the company.

Employee engagement rating

We have introduced an employee engagement rating as an indicator to check the status of employee motivation and challenges they are taking on. Based on the results of the engagement survey, we will identify management issues and work to resolve them.

	(Reference) Year ended March 31, 2022	Year ended March 31, 2023	Target for year ending March 31, 2025
Employee engagement rating	CCC (47.1)	B (49.7)	BB (52 or more)

Giving Back to Communities

As sustainability has become an essential aspect of corporate management today, we believe that KOA should play a role as a company to help create a sustainable community where no one is left behind.

Today, social structures are changing at an astonishing pace. We are in the midst of an unprecedented wave of major changes in our society: work styles that do not limit location or employment form; demographic trends such as the declining birthrate, aging population and depopulation, and changing family values. Just as our founder created a new electronic components business in the region, We desire to contribute to the community. We will do this by implementing a model of a recycling-oriented society in the region.

As we have expanded to become a global company, starting from a small company in Ina Valley, we now have different challenges in different regions. We must be grateful for the communities that have supported us, strive to be beneficial to them, and give back the value that KOA created through the trust built in relationship with them. By doing so, we will realize a virtuous cycle of community revitalization and KOA development that will continue into the future.

Value to create

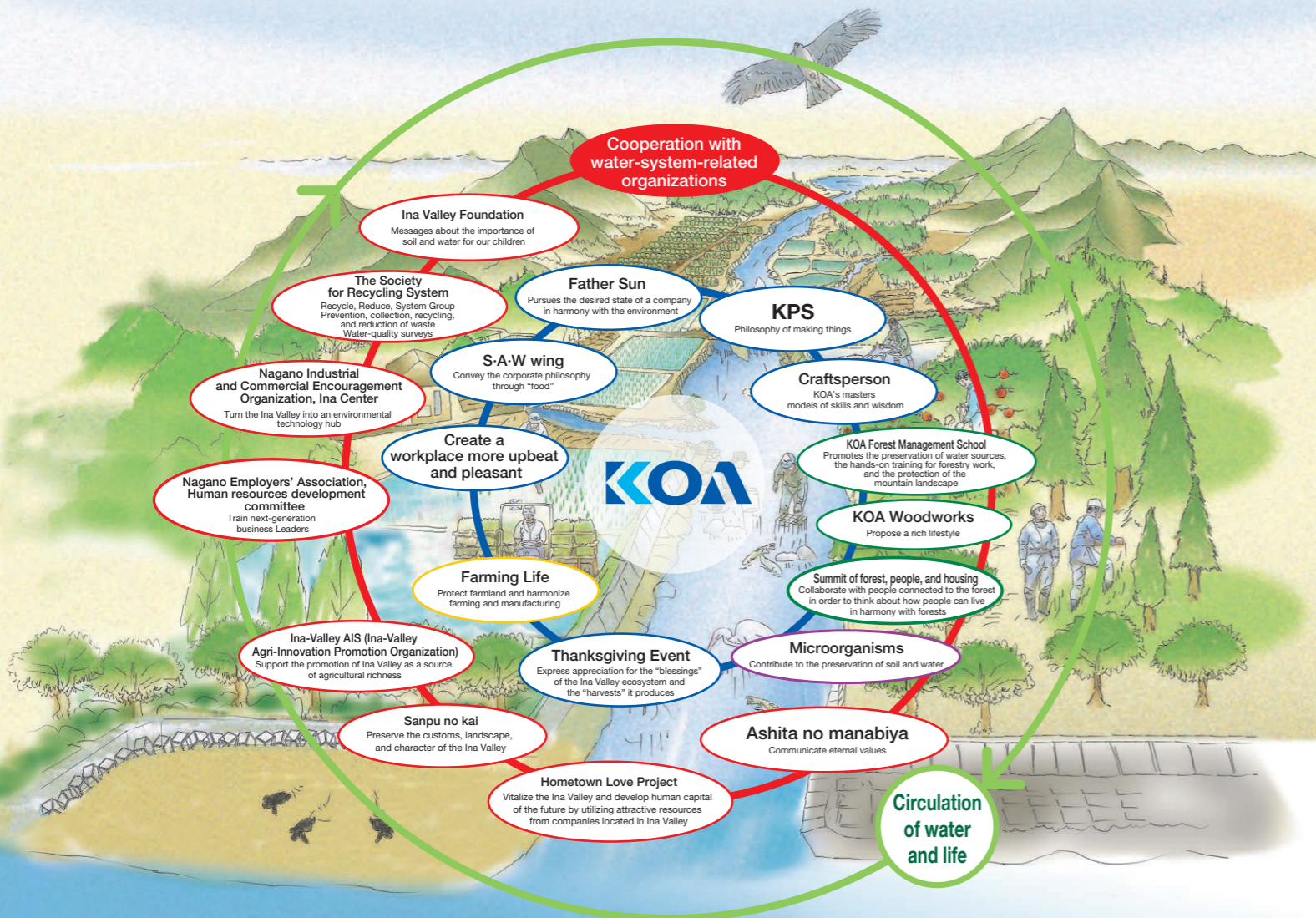
Regional and KOA Development
Continuously implement a virtuous cycle of revitalization of each region and development of KOA

Challenges to overcome

Each worksite cooperates with the local community to resolve local issues

The home of KOA: Development of water systems in the Ina Valley

Ina Valley, the home of KOA, is located in the upper reaches of the Tenryu River, which connects Lake Suwa in Nagano Prefecture to the Enshunada Coast in Shizuoka Prefecture. We recognize that communities and companies are part of an ecosystem that mutually influences the global environment. Based on this recognition, we consider the Tenryu River water system as a circulatory system that is key to the ecosystem that supports KOA and are engaged in creating a model of a recycling-oriented society in the region. We also collaborate with local governments, businesses, and private organizations, and attempt to conduct practical initiatives that are mindful of the region's limited resources and aim to harmonize human activity with the environment.

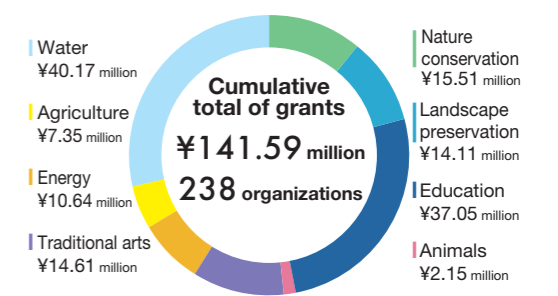


Ina Valley Foundation

To directly contribute to our home of Ina Valley, we established the Ina Valley Institute for Regional Social Systems in 1996, the predecessor of the Ina Valley Foundation. Like KOA, the Ina Valley Foundation is committed to the Four Values, "Circulation, finite, harmony, and enrichment." Through aiding individuals and organizations who conduct like-minded activities in Nagano Prefecture, we have been creating many small models in the community to embody the Four Values.

Since its establishment, the Foundation has provided grants of approximately ¥140 million to 238 organizations including: the Hometown Love Project, which is a collaboration of industry-academia-government to nurture employees who love their hometowns, provide various support to their communities, and continue to care about their communities; the Sanpu no kai, which protects the Ina Valley landscape and fosters sensitivity to the beauty of nature; and the Society for a Recycling System, which plays a part in creating a social support system for the Ina Valley ecosystem.

Ina Valley Foundation: Cumulative Grants by Category (1997-2022)



Hometown Love Project

This organization consists of industry-academia-government organizations in eight municipalities in the Kamiina district of Nagano Prefecture based on the concept of "learning from the community, connecting the community, and building the future of the hometown with the power of the community." Beyond conventional boundaries, participating organizations are working together to educate and build communities for the next generation.

This program focuses on nurturing love for the hometown and providing life-long career education through: Career Festival, a program where children meet adults in the community and listen to and experience stories about careers and lifestyles; Kamiina Exchange, where adults from industry, academia, and the community gather to discuss career education in the community; and engagement with high schools. The Ina Valley Foundation shares an affinity with these efforts and provides grants, and participates in the initiatives as a constituent organization.



Meeting for Kamiina Exchange

Partnering with local communities for Ukraine relief efforts

KOA collected donations from employees and donated ¥1 million to the United Nations High Commissioner for Refugees (UNHCR). Also, we disbursed ¥10 million to donate to three organizations assisting Ukraine and established a group of employee volunteers to study and engage in Ukraine relief efforts. With the cooperation of the VC NAGANO TRIDENTS of the Volleyball Division 1 League, for which KOA is a sponsor, employees served as instructors at a local high school where charity goods were created to generate Ukraine donations, which were sold together with students at volleyball games.



Initiatives in each region

KASHIMA KOA DENKO CO., LTD. (Ishikawa and Toyama Prefectures)

The name of the new plant, Tonami-no-Sho, has "Sho" named after the Sho River that flows through Tonami City, Toyama Prefecture, where the plant is located. This naming reflects our desire to create a manufacturing hub that continues to prosper together with the people of the region. In order to provide better understanding of the company, we have invited local high schools, companies, and organizations to tour the plant since it began operations in 2022. Approximately 250 people have visited the plant. Similar efforts are being made at the Nakanoto Factory in Ishikawa Prefecture, where the head office is located.



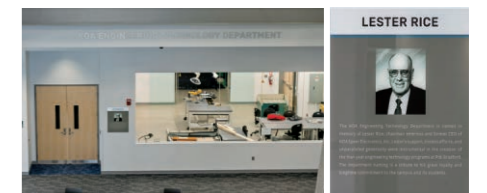
KOA ELECTRONICS CO., LTD. (Nagano Prefecture)

The entire area where the factories are located is facing difficulties in securing human capital due to the aging of the population and the departure of young people. Therefore, a subsidiary company, Asagenosato, was established with the aim of revitalizing the community. Through the production and sale of crops and other products utilizing idle farmland, we are involved in increasing the attractiveness and recognition of the region to maintain local industry and increase the population.



KOA Speer Electronics, Inc. (KSE) (U.S.A.)

KSE located in Pennsylvania has been donating to the University of Pittsburgh at Bradford (UPB) since 1998. In March 2023, the new Engineering and Information Technologies Building at UPB was named the KOA Engineering Technology Department in honor of KSE founder Lester Rice, whose long-term goal was to support engineering programs at UPB. Graduates of UPB's engineering programs develop the skills needed to support local Bradford businesses, including KSE.




Corporate Governance

Basic Concept

KOA's corporate mission is to establish strong relationships of mutual trust with the Five Groups of Stakeholders. Corporate ethics based on compliance with laws and regulations, prompt decision-making by management in response to changes in the business environment and enhancing the soundness, transparency, and fairness of management is necessary to sustain the creation of corporate value. KOA strives to enhance its corporate governance in order to achieve its goals.

For more information on our corporate governance, please refer to the "Corporate Governance Report" available at the following website.
<https://www.koaglobal.com/ir/message/governance>



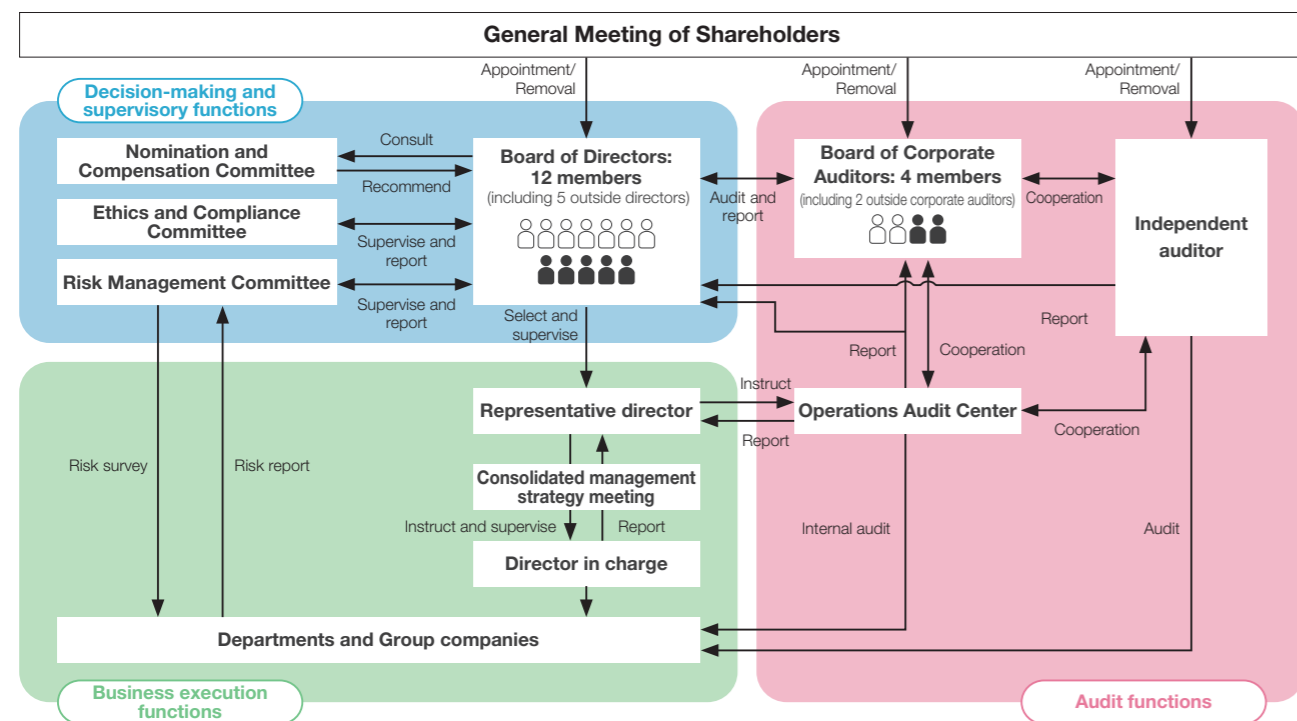
Governance Enhancement

We are making efforts to strengthen our governance based on the recognition that good corporate governance is an important issue in management. In FY 2022, we increased the number of independent outside directors, established the Nomination and Compensation Committee, and introduced a restricted share-based compensation plan. These are part of our "new governance initiatives," one of the priority measures of the 2024 Medium-Term Management Plan.

Governance Transition

	Up to FY 2020	FY 2021	FY 2022
Composition of the Board of Directors	2002 Appointment of one female director 2008 Appointment of one independent outside director 2013 Appointment of one substitute outside corporate auditor 2017 Increased the number of independent outside directors (two-person system)	Increased the number of independent outside directors (three-person system)	Increased the number of independent outside directors (four-person system) More than one-third of all directors are independent outside directors
Establishment of committees			Establishment of a discretionary Nomination and Compensation Committee with a majority of its members being independent outside directors (the committee is chaired by an independent outside director)
Compensation system			Revision of policy for determining the details of compensation for directors and other officers Adoption of restricted share-based compensation plan

Corporate Governance Structure (as of June 24, 2023)



Board of Directors

The Board of Directors consists of 12 directors, five of whom (including one female) are independent outside directors and is chaired by the representative director and president. At the monthly Board of Directors meetings, the directors make resolutions on important matters and confirm the progress of business results and other details. Through discussions and resolutions at Board of Directors meetings, the company can make prompt and precise decisions regarding the direction of the company and guide the execution of operations by directors.

FY 2022 Results
 Number of proposals: **120**
 (42 items to be resolved,
 78 items to be reported)


Board of Directors (as of June 24, 2023)

The membership of the Board of Directors of the company comprises directors who have abundant experience and knowledge in various fields and outside directors, who are independent and have abundant experience and insight as corporate managers. The membership represents a balance of knowledge, experience, and skills. We will continue to consider the composition of the Board of Directors to ensure its diversity, including in terms of gender and internationality.

Name	Position in the Company	Attendance at Board and Committee meetings in FY 2022 (Attendance/number of meetings)		Fields where directors are expected to show strengths										
		Board of Directors meetings	Nomination and Compensation Committee meetings	Corporate management	Global experience	Quality assurance, technology, manufacturing	Sales, marketing	Finance, accounting	Legal, compliance	IT, digital	Human resources development, diversity	ESG, sustainability		
Koichi Mukaiyama	Director and chairman Nomination and Compensation Committee member	13/13	5/5	●				●						●
Tadao Hanagata	Representative director and president Nomination and Compensation Committee member	13/13	5/5	●	●	●					●			
Akira Nonomura	Managing director	13/13		●	●		●							●
Katsuhiko Momose	Director	13/13		●		●		●	●					
Etsuji Yamaoka	Director	13/13		●		●					●			
Toshihiro Kojima	Director	13/13		●	●	●	●				●			
Kosei Mukaiyama	Director	13/13		●	●		●					●	●	
Michael John Korver	Independent outside director Nomination and Compensation Committee member	13/13	5/5	●	●					●	●			
Toru Kitagawa	Independent outside director Nomination and Compensation Committee chair	13/13	5/5	●	●			●	●					●
Koji Takahashi	Independent outside director	11/11*		●		●					●			
Hitoshi Ozawa	Independent outside director Nomination and Compensation Committee member	11/11*	5/5	●			●							●
Sachiko Sumi	Independent outside director	(New appointment)		●								●	●	

* Because Koji Takahashi and Hitoshi Ozawa were appointed as directors at the 94th Ordinary General Meeting of Shareholders held on June 18, 2022, the number of Board of Directors meetings available for their attendance differs from the other directors.

For more information on the reasons for the election of directors, please refer to the "Notice of Convocation of the 95th Ordinary General Meeting of Shareholders" posted on the following website.
https://ssl4.eir-parts.net/doc/6999/ir_material8/207547/00.pdf



Nomination and Compensation Committee meetings (held 5 times in FY 2022)

The Nomination and Compensation Committee was established as a discretionary advisory body to the Board of Directors to enhance corporate governance by strengthening the fairness, transparency, independence, and objectivity of the Board of Directors' functions related to the nomination and compensation of directors. The members of the Nomination and Compensation Committee are the Director and Chairman, the Representative Director and President, and three independent outside directors. The chairman of the Committee is an independent outside director. The Board of Directors deliberates on director candidates and compensation, the outcome of which is reported to the Board of Directors.

Board of Corporate Auditors meetings (held 13 times in FY 2022)

The Board of Corporate Auditors consists of two full-time corporate auditors and two outside corporate auditors (one of whom is a female) and audits the execution of duties by the directors. In accordance with the annual audit plan and assignment of duties, each corporate auditor attends meetings of the Board of Directors and other important meetings, inspects important approval documents, exchanges opinions with representative directors and directors, shares information with the internal audit section, and performs other tasks. Investigations of the operations and assets of business offices are conducted through on-site or online audits, and reports on activities are presented to the Board of Directors on a quarterly basis. The Board of Corporate Auditors receives reports from full-time corporate auditors and deliberates on audit policies, formulation of audit plans, preparation of audit reports, and review of auditing standards for corporate auditors. Also, the Board of Corporate Auditors exchanges opinions with the independent auditor to strengthen cooperation.

Ethics and Compliance Committee meetings (held twice in FY 2022)

An Ethics and Compliance Committee chaired by the director in charge is in place. See p. 45 for committee details.

Risk Management Committee meetings (held once in FY 2022)

A Risk Management Committee consisting of directors and others is in place. See p. 42 for committee details.

Consolidated management strategy meetings (held twice in FY 2022)

A consolidated management strategy meeting is held every six months, consisting of directors, executives, and representatives of domestic and overseas Group companies. In addition to ensuring thorough compliance, participants discuss and decide on how to achieve their goals, check on the status of business execution, and take steps to resolve issues.

Corporate Governance

••• Compensation for Directors

Compensation of directors comprises basic compensation, performance-linked bonuses, and long-term compensation. Our policy is to provide the optimal amount of compensation to each director in order to contribute to their motivation in improving corporate value. A summary of director's compensation is provided in the following table. The compensation for outside directors consists only of basic compensation.

Item	Overview	Compensation limit amount
Basic compensation	The amount is determined according to their job title, their roles, and responsibilities, etc.	Directors: Up to ¥450 million per year Corporate auditors: Up to ¥70 million per year
Directors' bonus	Payment and value are determined based on consolidated financial results (net sales, operating profit margin and rate of return on equity), etc., for the relevant fiscal year.	
Long-term compensation	Granted in the form of common shares of the Company in accordance with specified transfer limitation periods and the Company's specified conditions for acquisition without charge, etc. ("Transfer-restricted Share")	Directors: Up to ¥90 million per year (Separate from the compensation limit amount on directors)

Paid Officer Compensation (Year Ended March 31, 2023)

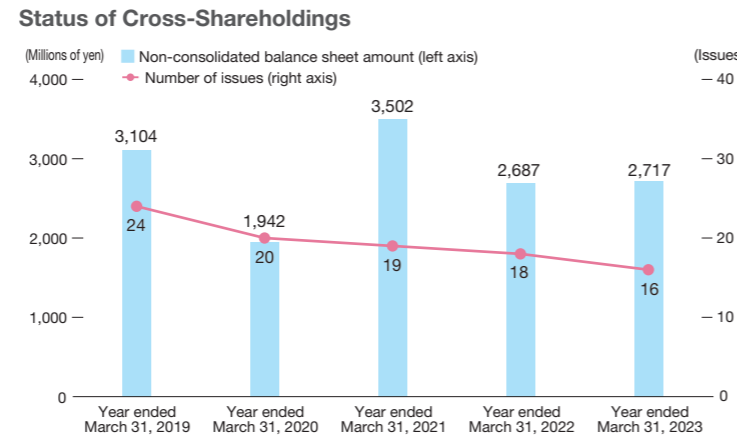
Classification	Total amount of the compensation, etc. (millions of yen)	Total amount by compensation type (millions of yen)			Number of recipient directors (and other officers)
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (outside directors)	344 (27)	256 (27)	60 (-)	27 (-)	12 (5)
Corporate auditors (outside corporate auditors)	67 (14)	57 (14)	10 (-)	- (-)	4 (2)
Total (outside officers)	411 (41)	313 (41)	70 (-)	27 (-)	16 (7)

Note: The above includes one outside director who retired at the end of the 94th Ordinary General Meeting of Shareholders held on June 18, 2022.

••• Cross-Shareholdings

We hold 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. As a result of the Board of Directors' review of the cross-shareholdings as of March 31, 2022 at its meeting held on September 26, 2022, a total of two shareholdings were sold in the fiscal year ended March 31, 2023, including one shareholding for which the significance of continued holding was found to be diminished.



••• Assessment of Board's Effectiveness

In order to enhance the effectiveness of the Board of Directors, the Council of Outside Directors, consisting solely of independent outside directors, conducts an annual assessment of the effectiveness of the Board of Directors. In the same assessment covering FY 2021, we confirmed that KOA's Board of Directors is sufficiently effective. At the same time, the Council pointed out that a self-assessment with the participation of all directors should be necessary to further improve corporate governance. For the assessment of the effectiveness of the Board of Directors in FY 2022, an additional analysis and assessment were conducted through self-assessment by all directors including the Council of Outside Directors and corporate auditors.

Analysis and assessment process

Target	Directors and corporate auditors
Survey method	Self-assessment questionnaire with a combination of multiple-choice and open-ended questions (with names entered)
Checked items	(1) Composition of the Board of Directors (number, skills, experience, knowledge, diversity) (2) Operations of the administrative office and information provision (timing of notifications and information provision, content of information) (3) Agenda items (frequency of meetings, contents to be discussed, submitter's presentation) (4) Nomination and compensation (appropriateness, status of discussions) (5) Relationships with stakeholders (dialogue with shareholders and investors, consideration of opinions and requests, status of reflection) (6) Internal controls (division of roles, status of establishment and operation of systems) (7) Training for directors

Based on the results of the questionnaire, the Board of Directors analyzes and assesses the results, and discusses issues and future initiatives.

Analysis and assessment results: Issue recognition

A summary of the assessment of the effectiveness of the Board of Directors for FY 2022 is as follows. Based on this assessment, we will thoroughly consider the issues and continue to work on improving the effectiveness of the Board of Directors.

(1) Composition of the Board of Directors	The composition should be examined to strengthen its decision-making and supervisory functions and to speed up the execution of business.
(2) Operations of the administrative office and information provision	To accurately assess investment proposals made to the board, objective evaluation by the finance department should be considered in addition to the opinion of the proposing department. From the viewpoint of constructive discussions on management strategy at the Board of Directors meetings, it is desirable that the content of the consolidated management strategy meetings, where the Group's management policies are discussed, be made available to outside directors and that information be shared with them.
(3) Agenda items	Although some improvements have been made regarding agenda materials, such as early distribution and conciseness of contents, further improvement is necessary on clearness. Also, in order to facilitate communication between internal and outside directors, in-house jargon should be replaced with standard terms. Further improvement should be made in materials and explanations to stimulate discussion and enhance board effectiveness.
(4) Nomination and compensation	The Nomination and Compensation Committee is composed of a majority of independent outside directors and is chaired by an independent outside director and reports independently in determining nominations and compensation of directors. Regarding compensation, fairness, transparency, and objectivity must be reinforced. Also, the proportion of compensation that is linked to medium- and long-term performance, and more appropriate incentive compensation should be further discussed. Regarding nomination (succession planning including training), further consideration should be made on the selection of successors and training methods, while identifying the skills that each director should possess for sustainable growth.
(5) Relationships with stakeholders	For institutional investors, analysts, and others, KOA holds semi-annual financial results briefings. Ideally, opportunities should be increased for constructive dialogue between investors both domestic and international and the Board of Directors. This way, investors will have a better understanding of the company and the Board of Directors will have greater awareness of the interests of the shareholders.
(6) Internal controls	To improve the method of identifying risks surrounding the business environment, including economic security, decarbonization, sustainability, and human rights, ongoing review of the Risk Management Committee structure should be continued. At the same time, definitions of "risk impact" and "risk probability" should be clarified so risks with high significance can be identified more accurately.
(7) Training for directors	Training is provided to ensure that directors can properly fulfill the roles required of them, but further enhancement is needed to ensure that they can make appropriate decisions at board meetings.

Directors and Corporate Auditors (as of July 1, 2023)



7 Kosei Mukaiyama

Director

April 2005
June 2015
August 2018
March 2021
June 2021

Joined the Company
Director of KOA TRADING CO., LTD. (present position)
Managing Director of KOA DENKO (S) PTE. LTD.
General manager commissioned to Top Management in charge of the Management Administration Initiative of the Company
Director of the Company (present position)
In charge of the Management Administration Initiative of the Company (present responsibility)

8 Michael John Korver

Independent outside director
Nomination and Compensation Committee member

July 1983
July 1987
June 1996
April 2004
June 2004
May 2006
June 2006
October 2006
June 2008
September 2011
July 2013

Obtained an attorney's certificate in California, U.S.A.
Obtained an attorney's certificate in New York, U.S.A.
Director of Global Venture Capital Inc.
Outside director of BJT Inc. (present position)
Professor at the Graduate School of International Corporate Strategy Research, Hitotsubashi University
Outside director of Really English.com Limited
Representative director of Global Venture Capital Inc.
Outside director of Geovector Corporation
Outside director of the Company (present position)
Representative director of Real English Broadband Co., Ltd.
Representative director of Durafizz Holdings Corporation

9 Toru Kitagawa

Independent outside director
Nomination and Compensation Committee chair

April 1983
November 1999
February 2001
January 2002
September 2006
March 2016
October 2016
June 2017
March 2018
March 2018
March 2022
January 2023

Joined Kanematsu-Gosho, Ltd. (current KANEMATSU CORPORATION)
Joined Japan Communications Inc. as General manager of Corporate Planning Office
Joined Baltimore Technologies Japan Co., Ltd. (current Cybertrust Japan Co., Ltd.) as Senior executive financial officer
Joined Levi Strauss Japan K.K. as Finance Controller
Joined Starbucks Coffee Japan, Ltd. as Officer in charge of supervising finance infrastructure and CFO
Outside director [chairperson of the Audit Committee, member of the Compensation Committee] of Cookpad Inc.
Outside director, Nippon Ski Resort Development, Co., Ltd.
Outside director of the Company (present position)
Outside director [chairman of Audit Committee, member of the Nomination Committee] of Cookpad Inc.
Outside Director, Audit and Supervisory Committee Member, KAYAC Inc. (present position)
Outside director [chairperson of the Audit Committee, member of the Compensation Committee] of Cookpad Inc.
Outside director [chairperson of the Audit Committee, chairperson of the Compensation Committee] of Cookpad Inc. (present position)

10 Koji Takahashi

Independent outside director

April 1980
March 1988
October 1995
April 1998
April 2001
April 2007
June 2009
June 2013
March 2021
June 2022

Joined Alps Electric Co., Ltd. (current ALPS ALPINE CO., LTD.)
Joined Tohoku Kinzoku Kogyo Co., Ltd. (current TOKIN Corporation)
General Manager of Product Development Department of Electronic Devices Division of Tohoku Kinzoku Kogyo Co., Ltd.
General Manager of Magnetic Actuator Division of Tohoku Kinzoku Kogyo Co., Ltd.
Joined Tokyo Weld Co., Ltd.
General Manager of Technical Planning Office
General Manager of Elemental Technology Division and General Manager of Technical Center of Tokyo Weld Co., Ltd.
Director of Tokyo Weld Co., Ltd.
Managing Director and Chief Technology Officer of Tokyo Weld Co., Ltd.
Advisor of Tokyo Weld Co., Ltd. (present position)
Outside director of the Company (present position)

11 Hitoshi Ozawa

Independent outside director
Nomination and Compensation Committee member

April 1986
May 1992
April 1996
September 2000
June 2005
June 2022

Joined Recruit Cosmos Co., Ltd. (current Cosmos Initia Co., Ltd.)
Joined Nanken Corporation (currently Forest Corporation)
President and Representative Director of Nanken Corporation (present position)
President and Representative Director of Rent Life Corporation (present position)
Auditor of Nanshinkouei Co., Ltd. (present position)
Outside director of the Company (present position)

12 Sachiko Sumi

Independent outside director

April 1972
September 1982
April 1989
April 1991
April 1997
June 2023

Joined Japan Airlines Co., Ltd.
Established SUMI Human Resource Development Inst., Representative (present position)
Part-time lecturer of Kaetsu Women's College (current Kaetsu University)
Part-time lecturer of Josai University Women's Junior College (current Josai Base College)
Part-time lecturer of Iwate Prefectural Miyako College (current Iwate Prefectural University, Miyako Junior College)
Outside director of the Company (present position)

Director

1 Koichi Mukaiyama

Director and chairman
Nomination and Compensation Committee member

March 1972
June 1976
December 1977
October 2001
April 2013
June 2018

Joined the Company
Director of the Company
Representative director and president of the Company
In charge of the Environmental Business Field of the Company
Representative director and chairman of the Company
Director and chairman of the Company (present position)

2 Tadao Hanagata

Representative director and president
Nomination and Compensation Committee member

March 1979
April 2000
October 2001
October 2003
June 2008
April 2009
April 2013
June 2015
January 2017

Joined the Company
General manager of the Discrete Product Block, Resistor Production Dept. of the Company
General manager of the Quality Improvement Center of the Global Quality Assurance Initiative of the Company
Representative of the Kamina Business Field of the Manufacturing Initiative of the Company
Director of the Company
In charge of the Manufacturing Initiative and Kamina Business Field of the Company
In charge of the Shimoina Business Field and Minowa Business Field of the Company
Representative director and president of the Company (present position)
In charge of the KPS-3 Initiative of the Company (present responsibility)
In charge of the Quality Assurance Initiative of the Company

3 Akira Nonomura

Managing director

March 1983
October 2003
December 2009
April 2012
June 2012
June 2015
April 2018
June 2018

Joined the Company
Representative of the Japan Sales Business Field of the Company
Managing director of KOA DENKO(S) PTE. LTD.
General manager of the Marketing Center of the Business Structure Reform Initiative of the Company
Director of the Company
In charge of the Business Structure Reform Initiative of the Company
In charge of the Sales & Marketing Initiative (present responsibility) of the Company
In charge of the Japan Sales Business Field of the Company (present responsibility)
Managing director of the Company (present position)
In charge of the Management Administration Initiative of the Company

4 Katsuhiko Momose

Director

March 1985
July 1996
October 2003
June 2011
April 2013
June 2015
April 2013
June 2015
January 2017
June 2017

Joined the Company
General manager of the KPS Division of the Company
General manager of the Management Strategy Center of the Management Administration Initiative of the Company
Director of the Company (present position)
In charge of the Management Administration Initiative of the Company
In charge of the Kamina Business Field of the Company
In charge of the Manufacturing Initiative (present responsibility) of the Company
In charge of the Shimoina Business Field of the Company (present responsibility)
In charge of the China Business Field of the Company
In charge of the Kamina Business Field of the Company (present responsibility)
In charge of the Minowa Business Field of the Company (present responsibility)

5 Etsuji Yamaoka

Director

April 1986
April 2007
June 2012
April 2013
June 2013
June 2015
March 2018
June 2018
April 2023

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
General manager of the Research & Development Initiative Research & Development Strategy Center of the Company
In charge of the Quality Assurance Initiative of the Company (present responsibility)
General manager of the Research & Development Center of the Research & Development Initiative of the Company

6 Toshihiro Kojima

Director

April 1986
April 2007
June 2011
June 2012
June 2015
June 2017
June 2017
March 2018
June 2023
July 2023

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) of the Company
General manager of the New Application Research Center of the KPS-3 Initiative of the Company
In charge of the Research & Development Initiative of the Company (present responsibility)
General manager of the Research & Development Center of the Research & Development Initiative of the Company (present position)

Corporate auditor

13 Masashi Gomi

Full-time corporate auditor

March 1980
April 2000
October 2001
April 2011
June 2017

Joined the Company
General manager of the Product Development Center of Resistor Production Dept. of the Company
Representative of the Resistor Business Field of the Company
General manager of the Intellectual Property Center of the Management Administration Initiative of the Company
Full-time corporate auditor of the Company (present position)

14 Tsuyoshi Yajima

Full-time corporate auditor

February 2001
January 2002
July 2004
April 2007
June 2019

Joined K-TECH DEVICES CORPORATION (current KOA CORPORATION)
General manager of the General Affairs Department of K-TECH DEVICES CORPORATION
Transferred to the Company
General manager of the General Affairs Center of the Management Administration Initiative of the Company
Full-time corporate auditor of the Company (present position)

15 Tetsuro Kamijikkoku

Outside corporate auditor

March 1992
March 1992
April 1995
February 2001
June 2002
February 2016

Registered as an attorney-at-law
Joined Asanuma Law Office
Established Kamijikkoku Law Office (present position)
Outside corporate auditor of CAN DO CO., LTD.
Outside corporate auditor of the Company (present position)
Outside director [member of Audit Committee] of CAN DO CO., LTD.

16 Yoshiko Inuma

Outside corporate auditor

April 1985
September 1986
May 1991
September 1991
June 1998
August 2011
June 2019

Joined Showa Audit Corporation (current Ernst & Young ShinNihon LLC)
Joined YOKOYAMA ACCOUNTING FIRM
Registered as a certified tax accountant
Joined Inuma Accounting Firm
Established Mirai Keiei, Director (present position)
Established Mirai Keiei Tax Accountant Office, Partner (present position)
Outside corporate auditor of the Company (present position)



Message from Our Outside Director

We will leverage our extensive experience and insights to help realize the 2030 Vision

Toru Kitagawa Independent outside director
Nomination and Compensation Committee chair

My role as an outside director

I believe that I, as an outside director, am expected to contribute in board meetings through broader and diverse perspectives, while being objective. I also feel the need for enhancing finance and investment management. Using my experience in corporate management in a variety of industries including venture business, retail, apparel, trading, and foreign-owned companies, I help broaden KOA's perspective beyond the electronic component industry. By doing so, I help the Board of Directors to discuss the big picture from a broad and diverse perspective. As the manufacturing industry is a new territory for me, I try to evaluate KOA's business execution from an objective perspective. KOA has engaged in full-scale financing for the first time. I am currently discussing the state of the balance sheet from the perspective of shareholders and lenders with the president and the finance department. This is also the first time for KOA to examine its balance sheet from that perspective. Using my experience as a CFO, I took part in the discussions to determine the best way to raise funds. I continue to be involved because of the need for continued monitoring of KOA's investments.

Challenges to strengthening corporate governance

The Board of Directors needs to be diverse to provide the skills and experience needed to ensure that our mission and vision become reality. The Nomination and Compensation Committee, which I chair, is examining the composition of the Board of Directors necessary to enhance the trust in relationships with the Five Groups of Stakeholders, which is KOA's mission, and to achieve the 2030 Vision. Two additional independent outside directors were appointed in FY 2022, making the number of independent outside directors more than one-third of all directors. With these additions, the board gained global and forward-looking perspectives and experiences in technology and the ability to implement community and environmental practices in corporate management. Accordingly, the Board of Directors has a better balance of skills and experience than ever before and can conduct high-level monitoring of the company. Going forward, we will continue to enhance the skills and experience lacking in our Board of Directors such as the extensive knowledge in human capital development and women's social advancement. In terms of board operations, while improvements have been made, we feel there are still issues to be addressed. To improve the efficiency and stimulate discussions in board meetings, KOA has made improvements, such as earlier distribution of materials for the directors to comprehend the agenda prior to

meetings, and enhancement of presentation skills for the presenter to concisely explain proposals. One outstanding issue is that sufficient time is not secured for discussion of strategy, as business execution-related proposals that should be handled at management meetings are put on the agenda of the Board of Directors. To address this issue, we decided to move business execution-related matters other than important ones from the Board meetings to management meetings. Yet the challenge remains for ensuring that the Board of Directors has adequate time to discuss strategy.

Challenges and expectations of KOA competing globally

By choosing the Tokyo Stock Exchange Prime Market, KOA decided to change its mindset to a company that is ready and willing to take on the challenge of transforming itself into a global enterprise. The 2030 Vision expresses our aspiration to become a world leader. For technology companies to be competitive in a global market, it is essential to have quicker decision making development speed that aligns with the speed of technological innovation in the market. Technology is advancing at an astonishing pace around the world. However, KOA tends to make decisions only after engaging in detailed preparation at the department level, which is a time-consuming process. We must change this approach, or we can never be competitive in markets. We believe that we need to be more challenge-oriented and give opportunities to products under development even if the quality is still inadequate. Shareholders are one of our Five Groups of Stakeholders. Capital efficiency is also important in building trust in relationships with shareholders. Currently, we are targeting a ROE of 11% or higher, but we should put greater emphasis on improving PBR (Price/Book value Ratio). As of March 31, 2023, our PBR is approximately 0.9x. I think this ratio is unreasonably low compared to the actual value of the company and the potential of the investments being made in growth. I am determined that KOA must enhance our investor relations initiatives, especially the information disclosure, to improve the PBR. KOA has been conservative up until now but going forward, the company should proactively and effectively communicate to our shareholders. For instance, having decided to invest ¥44 billion for growth, we must monitor and report the effects and results of this investment. The Board of Directors has been discussing ROE and ROIC and will actively disclose this information. KOA has integrated sustainability into its management and pursued social good since its establishment, which is what attracted me to KOA and why I am serving as an outside director. I am keen to see KOA's steps to realizing the 2030 Vision and becoming a global leader.

Risk Management

Basic Concept

We proactively forecast and properly evaluate all potential risks that may cause physical, economic or credit losses or disadvantages to the KOA Group. In addition, we strive to reduce lost opportunities, avoid or mitigate risks, and take other necessary measures in advance to achieve the best results at the lowest possible cost. We also simultaneously identify, evaluate, and address all potential opportunities for physical, economic, or credit benefits.

Risk Management System

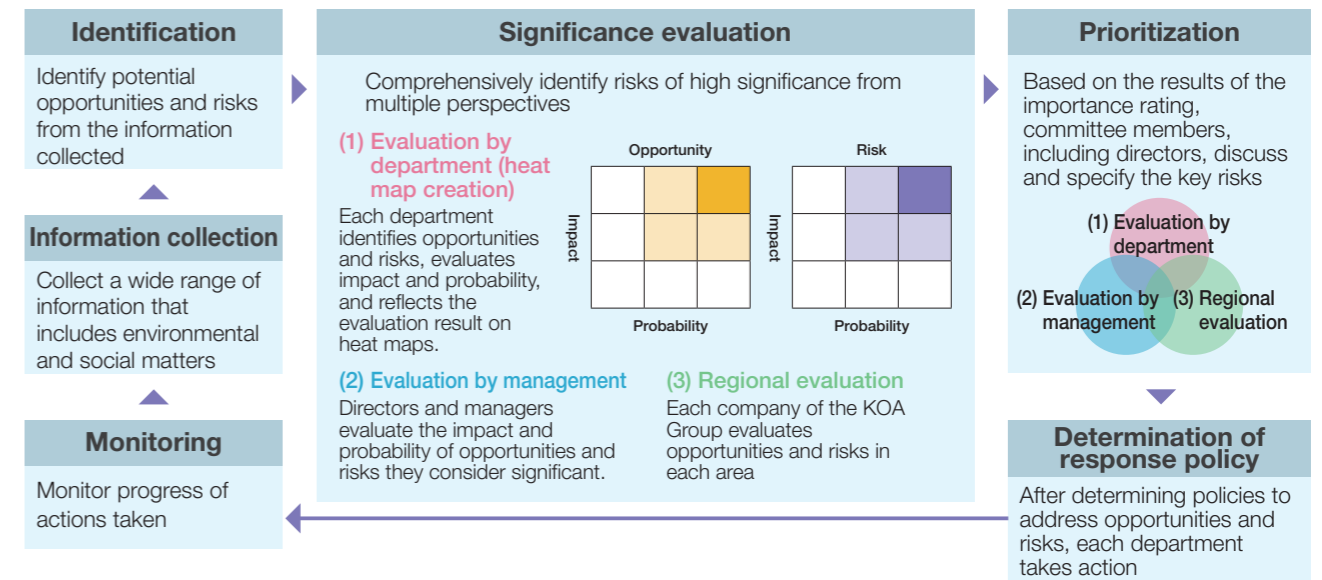
A Risk Management Committee is in place to manage opportunities and risks across the KOA Group. The committee consists of all directors and members appointed by the chairperson who is elected by vote. Opportunities and risks identified by the committee, including those related to sustainability, are discussed at management meetings as priority management topics. The decisions made in the meetings are incorporated into the formulation and review of management policies and strategies, including the Medium-Term Management Plan. From FY 2022, the managers of related divisions have been also participating in management meetings to enhance their effectiveness.

Committee's main agenda (FY 2022)

- Identification of opportunities and risks (review and update)
- Information security/cyberattacks
- Recruiting and securing human capital
- Stable material procurement
- Actions for ensuring economic security

Opportunity and Risk Management Process

Once a year, the Risk Management Committee identifies, reviews and updates opportunities and risks that are crucial to our management, and determine policies to address them. The identified opportunities and risks are monitored to investigate whether action needs to be taken.



Major Risks

- Risks that could have a material impact on the KOA Group's business include the following.
- Insufficient supply capacity to meet surging demand against the backdrop of market recovery, including growth in environmentally friendly vehicles and ending of semiconductor shortages
 - Supply chain changes associated with regulations in decoupling and economic security, and their impact on the global economy
 - Higher energy costs due to the invasion of Ukraine and renewable energy levies
 - Reduced profitability and lower market share for automotive products due to competitors' improved quality and enhanced supply chains
 - Delays in deliveries due to difficulties in procuring materials and components, drops in production volumes, and stoppages in customer production lines
 - Natural disasters such as earthquakes and floods, shutdowns due to pandemics, disruptions in logistics and other supply chains
 - Leakage of trade secrets and system downtime due to cyberattacks, etc.
 - Difficulties in recruiting new employees due to shrinking workforce and diversifying work values

Information Security/Responses to Cyberattacks

We regard information security as one of the most important management and business issues and have established a basic policy for information security. The Information Security Committee, chaired by the director in charge, is primarily responsible for ensuring information security on a cross-departmental basis. In particular, a cyberattack on a company could not only cause damage to the company itself, but could also have a major impact on the entire supply chain, such as stopping the supply of parts. As we expand our business globally, we recognize the need to strengthen cybersecurity measures from the perspective of heightened geopolitical risks. KOA-CSIRT* has been established as a response organization for cyber incidents and collaborates with offices across the world. During normal times, measures such as employee training and monitoring of network communications are implemented, and in the event of an emergency, KOA-CSIRT becomes a system to respond in cooperation with the Information Security Committee. Comprehensive efforts are made from prevention and monitoring of potential incidents to minimization of incidents occurred.

* Computer Security Incident Response Team (an organization that responds to incidents involving computer security)

Disclosure in Line with TCFD Recommendations

Recently, the damage caused by extreme weather events and natural disasters around the world has increased dramatically and addressing climate change has become a major issue for corporate management. In accordance with the TCFD^{*1} recommendations, we are analyzing the financial implications of climate change as it affects our activities and are taking action to reduce risks and seize opportunities.

^{*1} Task Force on Climate-related Financial Disclosures

The TCFD was established by the Financial Stability Board (FSB) in December 2015 at the request of the G20 Finance Ministers and Central Bank Governors' Meeting to examine climate-related disclosures and financial institutions' responses to climate change. The TCFD encourages companies to understand the risks and opportunities of climate change affecting their business activities, incorporate them into their management strategies and risk management, and disclose the projected financial impacts as financial information.

●● Governance

Under the supervision of the Board of Directors, risks and opportunities, including climate change, are identified by a Risk Management Committee composed of all directors and members appointed by an elected chairperson. Measures to address identified risks and opportunities are incorporated into management based on discussions at management meetings. Also, an Environmental Committee meeting is held twice a year as part of the consolidated management strategy meetings, with the participation of managers from related departments and sites, to discuss the progress and setting of targets and the actions toward decarbonization.

●● Strategies (Risks and Opportunities)

The shift to decarbonization is expected to continue, starting with various countries issuing decarbonization declarations and automakers and their Tier 1 manufacturers revealing their decarbonization roadmaps, and the strengthening of regulations by area and region (energy conservation, CO₂ emissions regulations, enacting of carbon taxes, etc.). The cost of fuel procurement has increased and is expected to remain high due to the addition of the costs of decarbonization to fuel costs, as well as the instability in current global affairs.

Furthermore, the frequency of natural disasters caused by typhoons and concentrated torrential rains has been increasing in recent years. The impact on our company is expected to include building flooding due to storm surges, service outages due to disruption of transportation infrastructure, disruption of logistics upstream and downstream in the supply chain, and risk to the lives of our employees and their families. We have identified these transition and physical risks as risks that could have a material impact on our business.

On the other hand, in order to achieve carbon neutrality by 2050, major countries have announced a policy to shift automobile sales to zero-emission vehicles (ZEV) in the 2030s, and the trend toward battery electric vehicles (BEV) is accelerating, especially among European and U.S. automakers. Also, the movement to reduce CO₂ generated throughout the entire vehicle lifecycle is spreading throughout the supply chain.

We estimate that the number of thick film chip resistors used in electrified vehicles is approximately 1.5 times greater in hybrid cars and 1.6 times greater in electric cars than in internal combustion engine (ICE) cars. (⇒ P. 21 Recognition of Key Megatrends and Business Opportunities) In addition, many sensors are installed to improve cruising range and enable automatic driving, and our specialty, highly reliable chip resistors with high accuracy and long-term stability, are used as the resistors in the amplification circuits and reference voltage circuits of sensor signals, so we recognize this tremendous increase in demand as an opportunity that will have a significant impact on our business.

The scenario analysis based on multiple climate-related scenarios as required by the TCFD recommendations will be addressed going forward in the following phases.

- FY 2023: Scenario analysis
- FY 2023–FY 2024: Third-party verification of Scope 1, 2, and 3, Scope 3 targeting, study on SBT^{*2} certification, development of transition plan including value chain engagement, financial planning, etc.

^{*2} Science based targets (GHG reduction targets set by companies based on scientific evidence consistent with the Paris Agreement, with target years set 5 to 10 years ahead)

●● Risks and Opportunities That Could Materially Affect Our Business

Classification	Description	Impact amount	Time horizon of impact	Actions
Risk	Physical risk: Urgency Decrease in sales due to road disruptions and supply chain logistics stoppages caused by torrential rain disasters in southern Nagano Prefecture, where our main production facilities are located	¥2.1 to 2.5 billion Estimated scale of production in southern Nagano Prefecture (approx. 50%) and recovery period of 3 weeks	Short term	<ul style="list-style-type: none"> • Set environmental targets for FY 2024 in the 2024 Medium-Term Management Plan (See table below) • Implement various initiatives for the year 2030 (⇒ P. 30)
	Transition risk: Regulations Increase in energy costs due to soaring fuel prices and unavoidable burdens on the social system, such as fuel surcharge costs and renewable energy levies	¥0.8 billion to 1.2 billion/year Projections through FY 2024 with FY 2021 as the base year	Short to medium term	
Opportunity	Significant increase in demand for high-reliability chip resistors due to the increase in the number of mounted resistors required for electrification and the expanded applications available for mounted sensors	¥22.0 billion Sales target for FY 2024: ¥87.0 billion - Sales target for FY 2021: ¥65.0 billion	Medium term	<ul style="list-style-type: none"> • Establish supply system for the year 2030 (Doubling of production capacity) (⇒ P. 26)

Note: The time horizons affected are assumed to be 0–3 years for the short term, 3–10 years for the medium term, and 10–30 years for the long term.

●● Risk Management

The Risk Management Committee conducts materiality assessments and monitors the status of action responses in the process of managing opportunities and risks. (⇒ P. 42 Risk Management)

●● Indicators and Targets

To realize our 2030 Vision, we are working to reduce greenhouse gas (GHG) emissions and achieve a carbon-neutral society, aiming to coexist in harmony with the environment. (⇒ P. 29 Reduction of GHG Emissions)

The basic policy of this initiative is to “build a relationship of trust with the five groups of stakeholders through efforts to take on the challenge of achieving carbon-free products,” and we are working to reduce GHG emissions throughout our supply chain, strengthen our governance structure, and proactively disclose information.

Also, in order to seize the opportunity for a significant increase in demand, we are taking measures to double our production capacity for both thick film and thin film chip resistors by 2030 by increasing production at existing domestic and overseas plants and establishing new facilities.

In the 2024 Medium-Term Management Plan, we set three targets/KPIs (see table below) as our environmental targets for FY 2024.

FY 2024 Environmental Targets in 2024 Medium-Term Management Plan

Item	Results for year ended March 31, 2023	Targets for year ending March 31, 2025
CO ₂ emissions (Scope 1+2) Reduction compared to FY 2020	61% reduction	65% reduction
Electricity usage ^{*3} Average annual growth rate with FY 2020 as base year	+3.6% per annum	+4.0% or less per annum
Percentage of electricity generated from renewable sources	69%	70%

^{*3} Purchased electricity from the grid, excluding in-house power generation

Compliance

●● Basic Concept

Based on the principles of the Charter of the United Nations and the OECD Guidelines for Multinational Enterprises, the KOA Group's philosophy is not only to comply with domestic and international laws, regulations, and customer requirements, but also to respect social norms and maintain high ethical standards of conduct. To establish and continuously improve compliance, we have established a Compliance Basic Policy and are working for its implementation.

●● Code of Conduct and Action Guidelines

In April 2013, we established the KOA Group Code of Conduct, which clearly states the basic policy for the behavior of each and every director and employee to enhance trust in relationships with the Five Groups of Stakeholders. And we created the KOA Group Action Guidelines, which make concrete the concept of this code. The daily conduct of KOA Group directors and employees must follow these guidelines.

We translated them into English and Chinese to inform employees across the world.

●● Compliance System

The Ethics and Compliance Committee, chaired by the director in charge, has been established to identify compliance-related risks, formulate measures to eliminate or reduce risks, and determine basic policies for implementing measures. The committee is dedicated to eliminating and reducing risks by disseminating policies throughout the Group and, if necessary, giving direct instructions to the relevant departments and Group companies.

Main agenda items related to compliance

- Strengthen compliance system
- Enhance whistleblower system
- Compliance with laws and regulations (e.g., Personal Information Protection Act, Labor Standards Act)

●● Concrete Actions

Joining the UN Global Compact ... WE SUPPORT

In February 2023, we signed the United Nations Global Compact, the world's largest partnership to implement sustainability, officially endorsing its ten principles on human rights, labor, environment, and anti-corruption.



point, we are preparing an external contact point to enhance effectiveness. In September 2022, we joined JaCER* to enhance our complaint handling system.

* Abbreviation for Japan Center for Engagement and Remedy on Business and Human Rights. An organization that provides a non-judicial grievance remedy platform based on the UN Guiding Principles on Business and Human Rights and assists member companies in remedying grievances from a professional standpoint.

Number of Whistleblowing Reports

FY	2018	2019	2020	2021	2022
Incidents	Japan: 3 No data from others	Japan: 9 Others: 1	Japan: 7 Others: 0	Japan: 7 Others: 0	Japan: 6 Others: 1

Thorough corruption prevention

In February 2023, we formulated our Anti-Corruption Policy to further ensure the elimination of corruption. We will continue to conduct compliance training for directors and employees to ensure that corruption is thoroughly prevented.

Execution of CSR audits

To ensure thorough compliance, we conduct audits based on self-assessments and external audits by third parties.

- Scored 81% in August 2022 on the SAQ 4.0 CSR/Sustainability Results Report through the Supplier Assurance platform of NQC Ltd., a leading global automotive supply chain risk management company. This score of 81% exceeds the electronic components industry average of 68%.
- For audits by the Responsible Business Alliance (RBA), a business alliance that implements CSR, self-assessments using checklists are conducted at all sites, and Validated Assessment Program (VAP) audits by third parties are conducted at some of our key overseas sites.

Compliance training

As we believe that proper learning and training are necessary to ensure compliance, we conduct the following training programs.

- Directors and employees read the Code of Conduct and Action Guidelines out loud. Employees talk about social conditions in morning meetings held by each department.
- Conduct labor management training for all managers once a year. Managers educate department members as needed.
- Adopted "playse," an online training service by maneji inc. in April 2022 to provide more flexible training, and enable online compliance training for employees at locations in Japan (with some exceptions) from February to April 2023.
- Distributed in-house newsletters with special features on compliance, such as the signing of the United Nations Global Compact, to create more opportunities for employees to learn about compliance and understand its importance.

Enhancement of the whistleblower system

To prevent, find, and respond to compliance violations at an early stage, we have introduced a whistleblower system and established the KOA Hotline as an internal consultation service for such violations. Also, in order to adapt to the enactment of the amended Whistleblower Protection Act in June 2022, we revised the in-house Whistleblower Regulations and established an implementation system to enhance anonymity and enable whistleblowers to report as necessary without any fear of intimidation. In addition to the above internal contact

For more information on KOA Group's compliance, please visit the following website.



Compliance Basic Policy
<https://www.koaglobal.com/corporate/csr/basic/compliance>



Code of Conduct and Action Guidelines
<https://www.koaglobal.com/corporate/principle/mind>



Anti-Corruption Policy
<https://www.koaglobal.com/corporate/csr/Anti-Corruption>



Supply Chain Initiatives

●● Basic Concept

We believe that our own efforts alone are not sufficient to implement sustainability, and that it is essential to implement efforts throughout the entire supply chain.

The KOA Group contributes to the implementation of sustainability throughout the supply chain through active communication with customers and suppliers. Overall, we are committed to responsible corporate activities based on fair and equitable transactions. At present, we are having difficulty in accurately obtaining information on indirect suppliers beyond secondary suppliers to determine whether there are any sustainability issues. We are aware that this is one of our challenges to overcome going forward. We also acknowledge that measures should be taken to enhance the effectiveness of our mutual enhancement activities with our business partners.

●● Concrete Actions

Supplier Code of Conduct

From the perspective of supplier engagement, in the past, we distributed the Supplier Management Manual, which was based on the RBA Code of Conduct, and requested compliance with it.

In FY 2022, in light of the revised RBA Code of Conduct (Ver. 7.1) and the German Supply Chain Due Diligence Act (German DD Act) which took effect from January 2023, we prepared additional materials summarizing the differences between the requirements of the revised Code and German DD Act and the Supplier Management Manual previously distributed to our suppliers and requested compliance with it.

In response to the German DD Act, KOA Europe GmbH (KEG), a Group company based in Germany, prepared a Supplier Code of Conduct, and we have agreed with KEG that we will comply with KEG's Supplier Code of Conduct.

Declaration of Partnership Building

In addition to signing the United Nations Global Compact in February 2023, in March 2023, we announced the Declaration of Partnership Building to build new partnerships by implementing collaboration, coexistence, and co-prosperity with business partners and value-creating businesses. Based on this declaration, we will continue to engage in responsible corporate activities based on even more fair and equitable transactions, while deepening dialogue with our suppliers.



Execution of self-assessments

We have prepared a questionnaire based on the purpose and content of the RBA's self-checklist and requested our suppliers to respond to it. In FY 2022, the survey was distributed to all domestic raw material manufacturers, with a response rate of 88%.

We recognize that our future task is not only to collect and evaluate the questionnaires, but also to hold dialogues with our suppliers based on the results.

Third-party audits

For our suppliers, we do not conduct third-party audits and our current priority is requesting responses to our self-assessments. However, we also strongly recognize the need for and importance of third-party audits. We will consider conducting third-party audits from our major suppliers as needed.

Complaint handling system

We also accept complaints from customers and employees of suppliers through our internal reporting systems (KOA Hotline and JaCER reporting platform). We are aware that we must further enhance these systems for receiving complaints and subsequent handling.

Statement on UK Modern Slavery Act

In accordance with the UK Modern Slavery Act, we have posted a statement on the UK Modern Slavery Act on our website and are working on the matters mentioned in the statement. This is to prevent slave labor and human trafficking in our company and our business partners. Going forward, we will further strengthen our efforts through risk assessment and management in global human rights issues, including slave labor and human trafficking.

Responsible mineral procurement

There is concern that tin, tantalum, tungsten, gold, cobalt, and other minerals mined in the Democratic Republic of Congo and neighboring countries in Africa are a source of funding for local armed groups. It has also been reported that in mining, armed forces are forcing local people to work in the mines in an inhumane manner. To ensure that these minerals used in our products are not involved in conflicts or human rights violations, the KOA Group has established a Basic Policy on Responsible Minerals Procurement in line with the OECD Due Diligence Guidance. And in accordance with this policy, we scrutinize our suppliers and conduct appropriate procurement operations such as requesting suppliers with whom we have business relationships to investigate mineral usage and refineries.

We also participate in the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA) to collect the latest information while working toward conflict-free procurement.

Health and Productivity Management

Basic Concept

The KOA Group's corporate motto is "Making our workplace more upbeat and pleasant than anywhere else." The health of our employees is essential for realizing the corporate motto. We believe that if we can work and live without any worries about our physical or mental health, we can tackle our daily tasks and goals with a positive attitude and achieve better results. The health of each and every one of our employees constitutes the health of the company. Furthermore, employees can work with peace of mind if their families, who support them, are also in good health. With this in mind, we actively encourage our employees and their families to take care of their health.



Health and Productivity Management Declaration

The KOA Group is united in its mission and is working to enhance trust in relationships with our Five Stakeholders: shareholders, customers and business partners, communities, employees and their families, and the environment. The KOA Group remains committed to health and productivity management based on the belief that the conditions in which all employees are healthy and working happily is essential for the development of the Group.

Tadao Hanagata, President

Implementation Structure

The Health and Productivity Management Center, established directly under the Board of Directors, implements health and productivity management in cooperation with the KOA Group Safety and Health Committee, the Safety and Health Committee at each business site, the KOA Health Insurance Association, the General Affairs Center, and the Human Resources Education Center.

Goals and Results

The overall goal by FY 2030 is to reduce the health equivalent ages of our employees by five years from their actual ages. We evaluate the health of our employees through the following metrics: "rate of receiving full medical checkups," "rate of family members receiving specific health checkups," "smoking rate," "rate of exercising for at least 30 minutes twice a week," and "walking challenge participation rate." We aim to achieve targets for all these metrics.

To this end, we have appointed a health promotion representative at each of our locations to actively encourage those who are eligible to undergo a full medical examination and their family members to undergo an appropriate health checkup. Also, because smoking is a cause of many diseases such as cancer, stroke, cardiovascular disease, and respiratory disease, we aim to reduce the smoking rate by holding events and providing support for in-company anti-smoking initiatives. Furthermore, we will actively work to improve exercise habits that can reduce the risk of death from lifestyle-related diseases, heart disease, and stroke. Exercise habits are closely related to healthy life expectancy, which allows people to lead healthy and independent lives. With KOA employees having lower exercise habits than the national average, we will promote understanding of the importance of exercising and building exercising habits by holding walking challenges and providing seminars.

Overall target	FY 2019 result	FY 2020 result	FY 2021 result	FY 2022 result	FY 2030 target
Healthy age - Actual age = -5 years	-1.45 years	-1.10 years	-1.49 years	-0.99 years	-5 years

Evaluation index	FY 2019 result	FY 2020 result	FY 2021 result	FY 2022 result	FY 2025 target
Rate of receiving full medical checkups	82.9%	86.7%	89.5%	89.0%	100%
Rate of family members receiving specific health checkups	89.2%	86.3%	88.3%	79.3%	95% or more
Smoking rate	24.2%	23.2%	22.5%	22.4%	20% or less
Rate of exercising for at least 30 minutes twice a week	23.7%	26.2%	27.3%	27.1%	40% or more
Walking challenge participation rate	-	20.4%	20.2%	20.8%	30% or more

Health Promotion Initiatives

<p>Disease prevention (Prevention of lifestyle-related diseases)</p> <ul style="list-style-type: none"> 100% of employees receive regular health checkups Encourage receiving a full medical checkup Implement specific health guidance Encourage specific health checkups for family members Conduct gynecological checkups Zero cavities campaign (encourage dental checkups and treatment) Administer influenza vaccinations Aid for physical exams and brain exams Encourage participation in smoking cessation programs Training in healthy lifestyle habits 	<p>Mental health</p> <ul style="list-style-type: none"> Conduct interviews with all employees Enhance consulting services Conduct mental health training
	<p>Health promotion</p> <ul style="list-style-type: none"> Promote health through the use of healthcare app (PepUp) Conduct walking challenge Conduct health seminars Provide exercise facilities Aid for sports clubs Maintain walking trails Use natural seasonings at employee cafeteria

For more information on KOA Group's health and productivity management, please visit: <https://www.koaglobal.com/corporate/kenkoukeiei2/kenkoukeiei>



External Assessment

CSR Audits

In August 2022, KOA received a score of 81% on the SAQ 4.0 CSR/Sustainability Results Report through the Supplier Assurance platform of NQC Ltd. (Exceeding the electronic components industry average of 68%.)

Certified as a Health & Productivity Management Outstanding Organization

KOA has been recognized for two consecutive years (2022 and 2023) as a Certified Health & Productivity Management Outstanding Organization (large enterprise category) by the Ministry of Economy, Trade and Industry (METI) and the NIPPON KENKO KAIGI.



CDP Evaluation

We have been complying with environmental disclosure (CDP questionnaire) conducted by the CDP, an international environmental non-profit organization, since 2015. We received at B rating in the CDP Climate Change 2022 Questionnaire.



Various Certifications

- ISO 9001 certified in December 1994
- ISO 14001 certified in April 1998
- IATF16949 certified in May 2018
- JIS Q 17025 (ISO/IEC 17025) ... certified in July 2007

Participation in Initiatives

UN Global Compact

The United Nations Global Compact is a voluntary initiative for each company and organization to act as good members of society and achieve sustainable growth by exercising responsible and creative leadership. In February 2023, we signed the United Nations Global Compact, officially endorsing ten principles in the four areas of human rights, labor, environment, and anti-corruption.



Platinum Kurumin

In 2017, we obtained Platinum Kurumin Certification as a company where systems to support the balance between childcare and work have been adopted and widely used and are being implemented at a high standard.



Commendation from the Minister of Health, Labor and Welfare for Specific Health Checkups

KOA Health Insurance Association's FY 2020 rate of receiving specific health checkups was 96.8% (4th in the nation) and was commended by the Minister of Health, Labor and Welfare of Japan for its outstanding achievement.

Commendation for Global Warming Prevention Measures (Nagano Prefecture)

KOA received an award as an excellent business from Nagano Prefectural Government under the Business Operations Global Warming Prevention Measures Plan System, which honors companies that have made outstanding achievements in their efforts to combat global warming.

ESG Indexes Adopted

- S&P/JPX Carbon Efficient Index



Declaration of Partnership Building

In March 2023, we announced the Declaration of Partnership Building to build new partnerships by implementing collaboration, coexistence, and co-prosperity with business partners and value-creating businesses.



Key Financial Data

	Units	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Net sales	Millions of yen	38,962	44,895	46,595	45,462	45,600	52,515	55,985	50,020	50,378	64,955	75,072
Operating income	Millions of yen	1,702	3,229	3,677	2,591	3,136	5,750	5,670	1,465	2,317	5,721	10,222
Net income attributable to owners of parent	Millions of yen	1,589	2,430	3,423	1,999	2,563	4,378	1,018	1,077	2,034	4,771	7,367
Total assets	Millions of yen	59,218	63,979	69,972	69,169	71,859	78,012	77,355	75,858	81,340	94,989	112,768
Interest-bearing debt	Millions of yen	499	524	585	569	619	493	438	3,860	4,404	6,570	16,982
Net assets	Millions of yen	47,968	51,378	56,356	55,615	56,935	60,895	59,839	58,216	61,535	67,103	73,722
Cash flows from operating activities	Millions of yen	3,026	5,077	5,254	4,397	4,101	5,410	2,146	4,094	5,294	5,971	8,688
Cash flows from investing activities	Millions of yen	(4,725)	(2,638)	(2,786)	(3,532)	(1,549)	(4,691)	(4,261)	(5,477)	(2,699)	(5,920)	(12,926)
Cash flows from financing activities	Millions of yen	(1,086)	(998)	(869)	(1,025)	(929)	(1,241)	(1,294)	2,161	410	1,247	8,046
Free cash flows	Millions of yen	(1,699)	2,439	2,468	865	2,552	719	(2,115)	(1,383)	2,595	51	(4,238)
Cash and cash equivalents at end of period	Millions of yen	12,741	14,848	17,224	16,609	17,923	17,474	13,993	14,578	18,146	20,341	25,399
Capital expenditures	Millions of yen	4,718	3,080	2,275	3,668	2,271	5,051	6,210	3,993	2,236	6,921	11,919
Depreciation	Millions of yen	1,867	2,081	2,195	2,370	2,343	2,474	2,944	3,437	3,585	3,525	4,068
R&D expenses	Millions of yen	1,264	1,401	1,536	1,827	2,059	1,985	2,187	2,243	2,328	2,597	3,045
Net income per share	Yen	43.34	66.28	93.33	54.50	69.90	119.30	27.73	29.26	55.14	129.08	198.75
Net assets per share	Yen	1,305.86	1,398.78	1,534.08	1,513.95	1,549.50	1,685.15	1,627.09	1,579.85	1,665.85	1,810.99	1,988.46
Dividends per share	Yen	20.0	22.0	26.0	28.0	29.0	33.0	36.0	18.0	13.5	36.0	50.0
Return on equity (ROE)	%	3.4	4.9	6.4	3.6	4.6	7.4	1.7	1.8	3.4	7.4	10.5
Return on assets (ROA)	%	2.7	3.9	5.1	2.9	3.6	5.8	1.3	1.4	2.6	5.4	7.1
Equity ratio	%	80.9	80.2	80.4	80.3	79.1	78.1	77.4	76.7	75.6	70.6	65.4
Ratio of operating income to net sales	%	4.4	7.2	7.9	5.7	6.9	11.0	10.1	2.9	4.6	8.8	13.6
Ratio of investment to net sales	%	12.1	6.9	4.9	8.1	5.0	9.6	11.1	8.0	4.4	10.7	15.9
Dividend payout ratio	%	46.1	33.2	27.9	51.4	41.7	27.7	129.8	61.5	24.5	27.9	25.2

Key Nonfinancial Data

E Environment		Scope	Units	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
Greenhouse gases (GHG)	CO ₂ emissions	Scope 1	Consolidated	t-CO ₂	3,314	3,185	3,090	4,304	4,311
		Scope 2	Consolidated	t-CO ₂	65,151	60,750	59,358	52,327	20,250
		Scope 3*1	Consolidated	t-CO ₂	-	-	93,302	145,353	118,016
	Total energy usage*2	Consolidated	MWh	114,005	108,980	108,760	118,583	118,635	
	Total electricity usage	Consolidated	MWh	108,998	104,305	104,804	112,219	112,510	
	Electricity from renewable energy sources	Consolidated	MWh	3	129	136	16,005	78,965	
	Percentage of electricity generated from renewable sources	Consolidated	%	0.0%	0.1%	0.1%	17%	69%	
Emissions*3	Total emissions	Consolidated (Japan)	t	1064.0	1006.0	1,052.3	1,394.3	1,390.0	
	Reuse volume	Consolidated (Japan)	t	55.2	52.0	50.6	46.2	24.9	
	Recycled amount	Consolidated (Japan)	t	816.0	751.2	777.8	1037.9	1021.1	
	Compost volume	Consolidated (Japan)	t	0.7	0.6	0.5	0.5	0.4	
	Energy recovery from waste	Consolidated (Japan)	t	0.0	0.0	2.8	6.7	4.9	
	Simple incineration volume	Consolidated (Japan)	t	3.4	3.8	2.9	1.8	2.4	
	Landfill volume	Consolidated (Japan)	t	1.2	1.1	1.6	1.7	36.3	
	Hazardous waste volume	Consolidated (Japan)	t	187.8	197.6	216.2	299.5	300.0	
	Recycling rate	Consolidated (Japan)	%	99.6	99.5	99.6	99.7	97.2	
	Water resources	Intake water volume	Public water supply	Consolidated	Thousand m ³	350.1	297.2	324.5	335.5
Well water			Consolidated	Thousand m ³	97.3	96.0	101.9	128.8	118.2
Chemicals	PRTR substance*4 emissions and transfers	Consolidated (Japan)	t	55.3	55.2	52.7	60.0	55.2	
	Atmospheric emissions of volatile organic compounds (VOC)	Consolidated (Japan)	t	-	-	40.3	41.3	41.8	

*1 Some categories have not been tabulated.
*2 Energy used including fuel and electricity is converted into MWh.
*3 Based on the idea that "if it is separated, it is a resource," KOA does not use the term "waste" but refers to it as "emissions."
*4 Designated chemical substances according to the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement (PRTR Law).

S Society		Scope	Units	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Diversity	Number of employees	Consolidated	People	3,940	3,813	3,932	4,144	4,311
	Number of employees	Non-consolidated	People	1,401	1,431	1,468	1,553	1,622
	Of which, percentage of women	Non-consolidated	%	22.8	23.3	24.3	24.7	25.6
	Average length of service	Non-consolidated	Years	17.4	17.6	17.6	17.1	16.6
	Males	Non-consolidated	Years	17.8	18.2	18.3	18	17.6
	Females	Non-consolidated	Years	15.7	15.5	15.4	14.7	13.7
	Number of new graduates hired	Non-consolidated	People	53	46	57	62	74
	Of which, percentage of women	Non-consolidated	%	22.6	39.1	33.3	33.8	35.1

S Society		Scope	Units	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
Diversity	Number of mid-career hires	Non-consolidated	People	7	10	10	48	42	
	Of which, percentage of women	Non-consolidated	%	14.3	80.0	70.0	37.5	40.5	
	Average age	Non-consolidated	Years	40.9	41.1	41.1	40.8	40.5	
	Males	Non-consolidated	Years	41.5	41.8	41.9	41.7	41.6	
	Females	Non-consolidated	Years	38.7	38.5	38.5	38.1	37.5	
	Wage differential between men and women*1 (All workers)	Non-consolidated	%	-	-	-	-	75.6	
	Percentage taking childcare leave	Males	Non-consolidated	%	0	8.6	3.2	17.9	48.4
		Females	Non-consolidated	%	100	100	100	100	100
	Employee engagement rating*2	Non-consolidated	-	-	-	-	CCC (47.1)	B (49.7)	
	Human resource development	Investment in human resource development/training*3	Non-consolidated	-	-	-	100	167	
Occupational safety and health	Number of occupational accidents	Non-consolidated	Accidents	7	16	16	12	15	
	Number of serious accidents*4	Non-consolidated	Accidents	0	0	0	0	0	

*1 Ratio of (average annual wage for women)/(average annual wage for men). The percentage of non-full-time workers (fixed-term workers, etc.) is disclosed in the Annual Securities Report.
*2 Engagement ratings based on MOTIVATION CLOUD by Link and Motivation Inc. There are a total of 11 rating levels (AAA to DD), with "CCC" being the seventh category from the top.
*3 The figures represent comparative figures with FY 2021 set as the baseline of 100.
*4 The number of occupational accidents in which three or more workers were killed, injured, or became ill on the job at one time, including unpaid leave.

G Governance		Scope	Units	June 2018	June 2019	June 2020	June 2021	June 2022
Composition of the Board of Directors	Number of directors	Non-consolidated	People	9	8	8	10	11
	Of which, number of outside directors*	Non-consolidated	People	2	2	2	3	4
	Of which, number of female directors	Non-consolidated	People	1	0	0	0	0
	Ratio of outside directors	Non-consolidated	%	22.2	25.0	25.0	30.0	36.4
	Ratio of female directors	Non-consolidated	%	11.1	0.0	0.0	0.0	0.0
Composition of the Board of Corporate Auditors	Number of corporate auditors	Non-consolidated	People	4	4	4	4	4
	Of which, number of outside corporate auditors*	Non-consolidated	People	2	2	2	2	2
	Of which, number of female corporate auditors	Non-consolidated	People	0	1	1	1	1
	Ratio of outside corporate auditors	Non-consolidated	%	50.0	50.0	50.0	50.0	50.0
Composition of Nomination and Compensation Committee	Ratio of female corporate auditors	Non-consolidated	%	0.0	25.0	25.0	25.0	25.0
	Committee chair	Non-consolidated	-	-	-	-	-	Independent outside director
	Number of Nomination and Compensation Committee members	Non-consolidated	People	-	-	-	-	5
	Of which, number of outside directors	Non-consolidated	People	-	-	-	-	3

* All outside directors and outside corporate auditors meet the requirements for independent directors and corporate auditors as stipulated by the Tokyo Stock Exchange.
Note: The number of people and ratios for each item are figures after the Annual General Meeting of Shareholders.

Company Information (as of March 31, 2023)

Company Name	KOA CORPORATION	Address	Head office Earth Wing in KOA Pine Park 14016, Oaza, Naka-minowa, Minowa-machi, Kamiina-gun, Nagano, 399-4697 Japan Tel: +81-265-70-7171 (main) (Registered head office) 3672, Arai, Ina-shi, Nagano, Japan
Establishment	May 24, 1947 (Founded March 10, 1940)		
Capital	¥6,033 million		
Principal Business		Development, manufacture, and sale of various electronic components	

KOA Group

Japan

KOA ELECTRONICS CO., LTD.
KASHIMA KOA DENKO CO., LTD.
KOA TRADING CO., LTD.
SANADA KOA Corporation
Koa Kasei Co., LTD.
YAMATOWA Co., LTD.
LIFEPRO CO., LTD.
Asagenosato Co., Ltd.

North America

U.S.A. KOA SPEER ELECTRONICS, INC.

Asia

Malaysia KOA DENKO (MALAYSIA) SDN. BHD.
Singapore, Thailand KOA DENKO (S) PTE. LTD.
China SHANGHAI KOA ELECTRONICS CO., LTD.
China SHANGHAI KOA ELECTRONICS TRADING CO., LTD.
China WUXI KOA ELECTRO CERAMICS CO., LTD.
China KOA ELECTRONICS (TAICANG) CO., LTD.
Hong Kong KOA ELECTRONICS (H.K.) LTD.
Taiwan DAH HSING ELECTRIC CO., LTD.
Taiwan KOA KAOHSIUNG CORPORATION

Europe

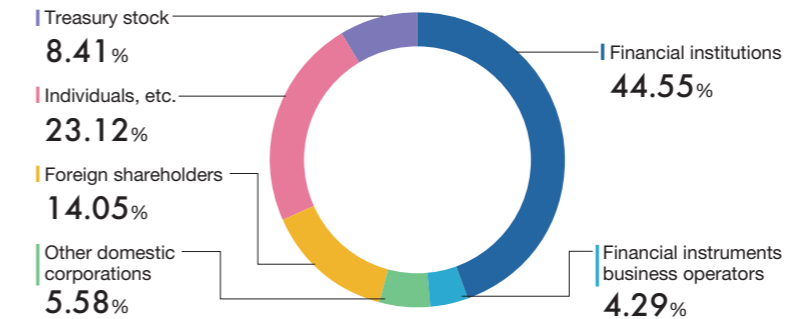
Germany KOA Europe GmbH
Germany VIA electronic GmbH

Stock Information (as of March 31, 2023)

Stock Information

Stock Listing	Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market
Securities Code	6999
Number of shares authorized	150,000,000
Number of shares issued	40,479,724 (including 3,404,617 treasury shares)
Number of shareholders	11,950

Distribution of Shares by Shareholder



Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,396	17.26
Custody Bank of Japan, Ltd. (trust account)	2,620	7.07
Nippon Life Insurance Company	2,226	6.01
The Hachijuni Bank, Ltd.	1,832	4.94
MUFG Bank, Ltd.	1,000	2.69
SBI SECURITIES Co., Ltd.	954	2.57
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	867	2.34
GOVERNMENT OF NORWAY	739	1.99
Mitsubishi UFJ Trust and Banking Corporation	700	1.88
KOITO MANUFACTURING CO., LTD.	680	1.83

Notes: 1. The Company holds 3,404,617 shares in its own name, but is excluded from the above list of major shareholders.
2. The treasury shares held by the Company are omitted from the figures for the shareholding ratio.

KOA Website

<https://www.koaglobal.com>





YouTube Channel

<https://www.youtube.com/channel/UC5CbQ-DagxVShvJTxUTUa0A>




Origin of the logo



The schematic was created by using designs representing space, circuitry, and flow, and aims to portray product precision, corporate innovation, and the employees' creativity. The O in KOA represents the Earth. The K and A are composed of interlocking blocks, expressing KOA's corporate mindset of responding to changes in society and creating new products. The two shades of blue suggest the precision essential to microelectronics, a clean environment, and the Earth in space. [CIS (Corporate Identity System): Established in 1985.]

 is a registered trademark of KOA CORPORATION.

KOA CORPORATION

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