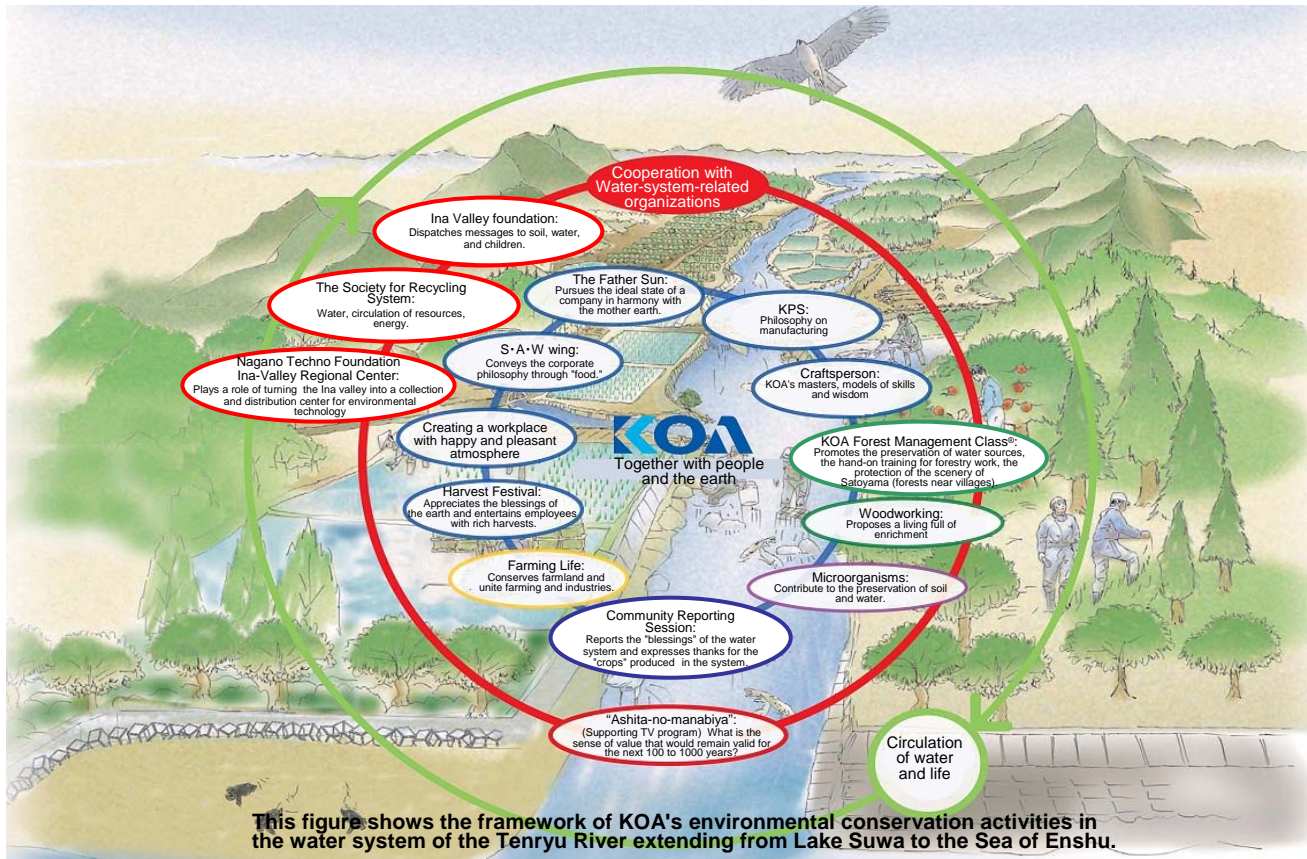


Annual Report of the "Father Sun" Activities, 2010 Edition

With the corporate philosophy of "Circulation," "Harmony," "Finite" and "Enrichment", KOA aims at building a model of a circulatory society.



Outline of the "Father Sun" Activities

With the mission to build a relationship of mutual trust with each of our stakeholders - customers, trade partners, shareholders, employees and their families, local communities and the mother earth - supporting KOA, the KOA Group is promoting the "Father Sun" Activities for ensuring harmony with the global environment.

The "Father Sun" is the name we selected for our ISO14001 environment management system with the resolve "Let's dedicate ourselves to activities we can proudly report the results to the Father Sun with dignity". In addition, to act in unison with our "zero defects" quality improvement activities launched in the quest of completely eradicating the incidents of customers receiving defective products, we have positioned the "Father Sun" as the promoter to mandate strict compliance with environmental rules and regulations and to minimize environmental burden, which are enforced in our domestic and overseas group companies, making the "Father Sun" a group-wide endeavor.

In 2009, following the merger by acquisition of former Minowa KOA Inc., KOA has completed the integration of the ISO14001 system of MINOWA Wing / Japan Electronic Applications Co. into KOA's system, to attain the integrated registration spanning 3 group companies and 12 sites. For KOA, the ISO14001 integrated registration is a tool for promoting the environmentally conscious management with all group companies acting as one. Going forward, to reduce administrative costs, we are slated to integrate Kashima KOA Denko Co. Ltd. into our system in 2010, and gradually, we will expand the scope of integration to eventually cover all KOA-group companies in Japan.

KOA CORPORATION Company Profile

- Address: 14016, Oaza Nakaminowa, Minowa-machi, Kamiina-gun, Nagano
- Founded: March 10, 1940
- Capital: ¥6,033 million
(listed on the first section of the Tokyo and the Nagoya Stock Exchange)
- Representative: President and CEO Koichi Mukaiyama
- Employees: 1,232 (as of April 2010)
- Business: Designing, development, manufacture and sale of electronic components

- Environmental Management Representative : Director Kayoko Fukano
- ISO14001 certification number: JQA-EM0155 (registered in April 1998)
- Contact: Management Administration Initiative Social Environment Center
[TEL: 81-265-70-7171(main number)]
[E-mail: gac-e@koanet.co.jp]
[URL: <http://www.koanet.co.jp>]



KOA's Environmental Policy ~ Basic Policies of the "Father Sun" Activities ~

Origin:

How can we live in harmony with mother earth?

Philosophy:

KOA was established and grew up in Ina Valley to provide the environment where farmers can live as farmers.

Meanwhile, as we engage in electronic component production, we - as one of living creatures of earth - continuously learn about our association with soil, water and sun to build "trust" with the earth.

Each member of KOA group companies is concerned about life cycle of water that surrounds us, and strives to create a model for circulatory society in our hometown by implementing "Father Sun" (Environmental Management System) through self-imposed responsibility.

Policy:

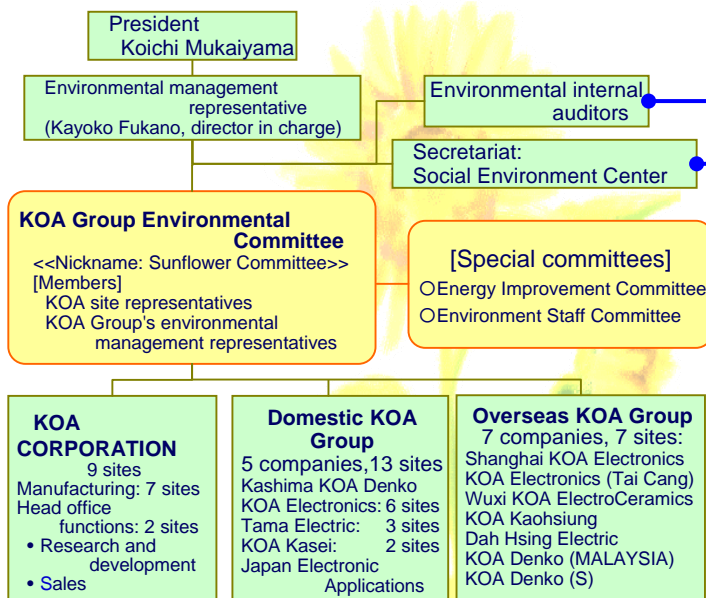
- (1) We shall accurately grasp how KOA's development, production, sales activities, product and services affect the environment to establish "Father Sun" (Environmental Management System) and try to continuously improve "Father Sun" as we strive to prevent the environmental pollution.
- (2) KOA's environmental activities shall be developed into two: one is the "Father Sun" activity for improving responsiveness to the social environment and the other is the quality assurance activity for improving responsiveness to the product environment.
- (3) We shall adhere to environmental legislations and regulations applicable to KOA's environmental aspect, other requirements (including those imposed by our customers) accepted by KOA, as well as self-imposed standards; and all members of KOA shall take actions in consideration of the natural environment by embracing environmental management manual and quality manual.
- (4) To take actions consistent with the philosophy of this policy, we shall review each year our environmental improvement activities in pursuit of realizing business affairs in harmony with the environment, in pursuit of realizing the effective use of finite natural resources, in pursuit of realizing products and production processes friendly to the environment, and in pursuit of stopping global warming, in the framework of management objectives and targets.
- (5) We shall conduct environmental internal audits and strive to continuously improve "Father Sun" through self-imposed control.
- (6) This environmental policy shall be disseminated to all members involved in environmental activities at KOA and all KOA group entities to improve our corporate environmental awareness.

April 01, 2005

Koichi Mukaiyama, President of KOA Corporation

Systems for promoting the "Father Sun" ~ Engaging in activities with all KOA-G companies working together ~

Organizational structure for social environment activities (~ April 01, 2010)



Inauguration of the Social Environment Center

Following the organizational change of April 1, 2010, the "Social Environment Center" was created in the Administration Initiative as an organization for promoting the ISO14001 "Father Sun", which has the mission of building a model of circulatory community, and for overseeing the promotion of communal activities (e.g. KOA Forest Management Class) contributing to biodiversity preservation. With this change, the promotion of social environmental initiatives - directed both internally and externally - under unified command becomes possible.

Accomplished each department qualifying at least one environmental internal auditor

Believing that strengthening environmental internal audits will facilitate the "Father Sun" activities, which in turn will help reinforce KOA's corporate structure, we have trained and increased environmental internal auditors since 2006, with the aim of assigning one auditor from each section. As of 2009, we attained the goal of assigning at least one auditor in each of 67 sections, making the total number of auditors to reach 126.

In addition, to improve the ability of environmental internal auditors, we train these auditors three times a year, including the participation in environmental patrol. In 2009, we also started to evaluate the competencies of environmental internal audit of auditors at the time of reissuing the letter of appointment and established a new system of certifying high-performing auditors as environmental senior internal auditors, under which 18 auditors have already been awarded such positions. Environmental senior internal auditors play the roles of promoting the "Father Sun" activities within their sections, instructing non-senior environmental internal auditors, and participating in compliance audits, thereby contributing to the vitalization of the "Father Sun" activities.

Activities for environmental risk management

KOA has designed and operated a system of identifying the "significant company-wide environmental aspects" from the standpoint of environmental risk management since 2008. In 2009, we have focused on the subject "calculation of the asset retirement obligations resulting from changes in the International Financial Reporting Standards" and computed the costs of, among others, PCB disposal, soil purification and CFC treatment.

Organizational structure for product environment activities

The KOA Group has established an administrative system within the framework of our quality management system at each stage of its business flow, for the purpose of controlling the content of environmental-load substances in products, observing environmental legislations and regulations, and meeting customers' requirements, to facilitate activities to enhance the quality and provide better service.

"Father Sun" Strategy Status Report (report card on environmental objectives and goals)

AC	Long-term goal	Targets for 2009	Evaluation	Status
I	Prevention of pollution (accidents prevention · compliance)	No environmental accidents: • Achieve at least one improvement a year in preventing environmental accidents or adverse environmental effects. • Take measures against social environmental risks.	◎	We achieved 20 improvements during the year on significant environmental aspects of our business locations and maintained the status of no environmental accident and no claim issued by an outside party.
II	Realization business affairs in harmony with the environment (reduction of ill effects on the environment · compliance)	(1) Achieve at least one improvement a year striving for business affairs in harmony with the environment .	◎	We identified 24 social environmental risks and took steps to avoid or lessen 20 of these 24 risks.
		(2) Build the green procurement system in the supply chain.	◎	By scrutinizing our primary operations more in detail, we achieved 57 improvements during the year through improving environmental aspects of business themes.
III	Effective use of finite natural resources (reduction of wastes driven by the 3R activities)	Reduce the amount of generated wastes (excluding waste liquid from the specified processes) per a unit production by 0.7% year over year.	◎	Through promoting "Reduce" and "Reuse", we were able to cut the generated wastes (excluding waste liquid from the specific processes) per a unit production by about 5% compared to 2008.
		Reduce the amount of generated waste liquid per a unit production by 0.5% year over year.	◎	By increasing capacity to internally treat waste liquid, we were able to cut the generated waste liquid by about 17% compared to 2008.
IV	Realization of products and production processes friendly to the environment	Achieve at least one improvement a year that has the effect of reducing environmental load by designing and improving eco-friendly products and processes.	○	We are proceeding with product design and administrative changes to help reduce defects and raw materials consumed.
V	Stopping global warming (Reduction of CO ₂ emission from fuel combustion by 6% in 2010 as compared with 1990)	Reduce CO ₂ emission from fuel combustion by 4% year over year.	◎	We were able to cut the emission by about 6% as compared with 2008 by making 105 improvements in the year through reviewing administrative tasks.

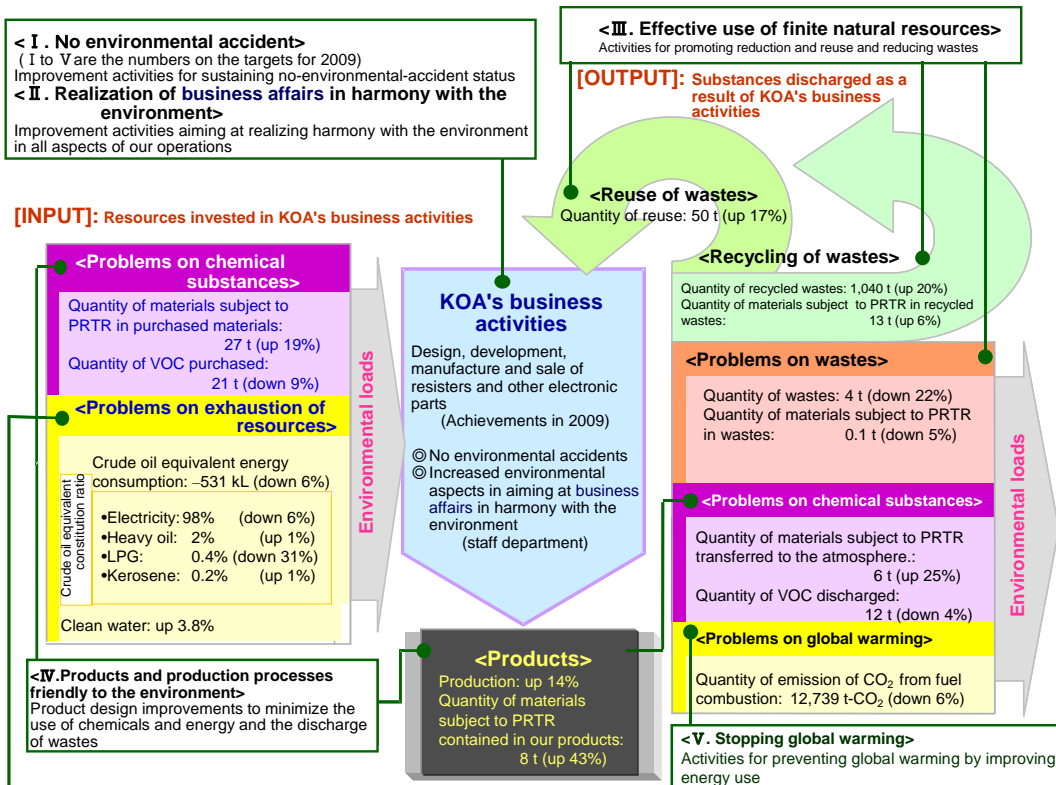
In 2010, we will revise our programs and continue to carry out the revised program.

AC	Targets for 2010
I	No environmental accidents: • Achieve at least one improvement a year in preventing accidents or in ill effects on the environment (attributed to routine, abnormal, and special operations). • Measures against social environmental risks.
II	Achieve at least one improvement a year to realize the business affairs in harmony with the environment.
III	Enforce activities to reduce the amount of generated wastes per a unit production in pursuit of zero emissions.
IV	Achieve at least one improvement a year that has the effect of reducing environmental load by designing and improving products and production processes friendly to the environment.
V	Reduce CO ₂ emission from fuel combustion by 2% year over year through Kaizen but foreseeing the increase by 6% year over year due to increased production.

Degree of achievement: ◎=100%; ○=70% or more; △=50% or more; ×=less than 50%

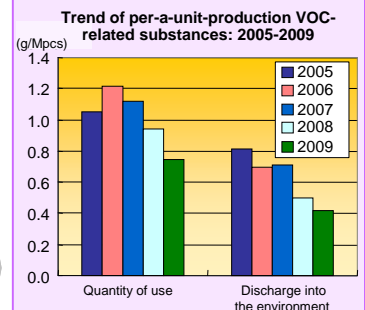
KOA's Situation of environmental loads: ~ As compared with last year ~

KOA's material flows chart (circulating substances) and the steps taken for each environmental load
<Figures are those for 2009; % in parentheses is the ratio relative to 2008>



Situation of environmental loads in 2009

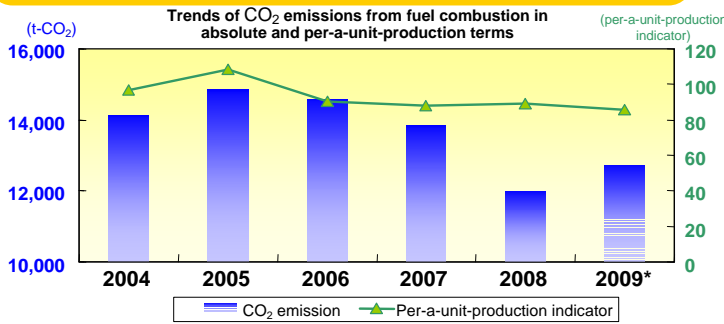
Due to the effects of increased number of business locations from mergers and increased production, the amount of PRTR substances in the INPUT, OUTPUT and products increased. But the discharge of VOC (volatile organic compounds), for which we planned to attain the goal in 2009, was reduced by about 50% in terms of per-a-unit-production as compared with 2005 (by about 40% in absolute quantity), by using post-merger numbers.



☆ PRTR = pollutant release and transfer register.
This term is defined in the Law for the Promotion of Management of Chemical Substances (PRTR Law), which stipulates the obligation of the users of chemical substances to make voluntary efforts to reduce the discharge of wastes.

"Father Sun" Strategy Results ~Aiming at minimizing environmental loads~

Stopping global warming: reduction of CO₂ emissions from fuel combustion

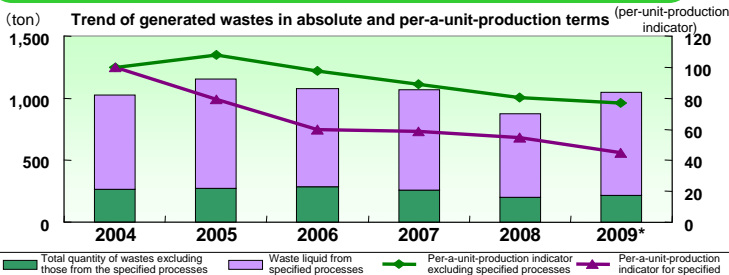


* The quantity of the emission resulting from the merger of former Minowa KOA Inc. is added.

CO₂ emission from fuel combustion reduced by 6% year over year

Since 2001, KOA has been actively promoting the initiatives to reduce the CO₂ emissions from fuel combustion. In 2009, our carbon emission reduction activities (that also helped to cut operating expenses) were concentrated on the prevention of wasteful operations of machinery through instituting and enforcing strict rules and the improvement of operational efficiency through reviewing current practices (in search of better ways of running the equipment more efficiently without spending much on capital equipment). As a result, we were able to cut the emission by about 680 t-CO₂.

Effective use of finite natural resources: reduction in wastes in per-a-unit-production terms



* The quantity of the wastes resulting from the merger of former Minowa KOA Inc. is added.

On-going reduction of generated wastes per a unit production

KOA achieved zero emissions in 2003, and since 2004, the company has been working to maintain this status while reducing the waste generated per a component of product produced. The emissions in absolute terms have increased as a result of increased production, but the waste generated per a component of product produced was reduced year over year mainly due to the company's on-going efforts to cut defects.

Realizing environmentally friendly products and production processes

Product environment measures : Compliance to REACH

In June 2007, the evaluation of health and environmental safety of chemicals sold in the EU (along with pertinent registration) was made compulsory, and parts manufacturers have been required to provide information about the content of substances of very high concern (SVHC) used throughout the entire supply chain.

Measures to observe the REACH regulations (as of April 2010)

- Even though the designation of SVHC was issued twice in the past, because KOA products are regarded as containing no SVHC (content: less than 0.1wt%), we are not required to take any measures to observe the REACH rules.
- As a means to disclose the information on chemical substances contained in our products, we have adopted the information delivery tool advocated by the JAMP (JAMP-GP).
- We have also strengthened information sharing with our business partners such as suppliers of materials to build an information infrastructure of chemical substances contained in our products. We promptly provide information by answering all questionnaires, including the industry format.

Compliance: The status of observation of legislations and regulations

Violations to social environment statutes and environmental requirements: None

To reinforce activities for compliance, the headquarters send internal auditors to audit KOA-group subsidiaries, and in exchange, subsidiaries send internal auditors of their own to audit the headquarters in a bilateral fashion to ensure compliance of KOA-group as a whole. In 2009, we also held the "follow-up training for managers of specially controlled industrial wastes," to make sure that these managers fully understand the amendments to the Waste Disposal and Public Cleansing Act, and we took steps to comply with the Law Concerning the Rational Use of Energy. All activities are deployed laterally across all KOA-group companies to guarantee the compliance of KOA-group as a whole.

Environmental accidents and claims: None since 2006

As a result of continuous improvements with the target of "zero environmental accidents," we were able to achieve zero environmental accidents and claims again in 2009. In addition, we improved the mechanism for identifying and taking necessary steps against environmental risks to engage in activities for preventing accidents and claims while dealing with ever-wider environmental risks.

Build a bond with the community ~ Building a model of a circulatory community ~

What we regard as corporate assets: Build a bond with the community

Assets	Company	Community
	Human resource development	KOA-Group Awards commendation system and Craftsperson
	"Father Sun" Activities	Reduction in environmental load resulting from business activities
	Intimate relationship with forests	KOA Forest Management Class
	Intimate relationship with water	The Society for Recycling System
	Intimate relationship with soil	Ina Valley Foundation
	Pleasure and responsibility as a member of the ecosystem	

Education of children through supporting the "School for the Future: Nagano"

KOA sent lecturers to the "School for the Future: Nagano", an event sponsored by the prefecture's Board of Education, for juniors at high schools in Nagano Prefecture. This event's aim is to give students an opportunity to learn by experience the advanced studies of local businesses and universities for the purpose of developing the human resources who are instrumental to the future of our prefecture.

Among the activities are a lecture by Mr. Mukaiyama, our president, on how to successfully run a company and a lecture by the KOA Forest Management Class on natural environment, which included a hands-on forest thinning practice.

After these sessions of enticing the learning by experience, participating students expressed their impressions: "Cutting trees facilitates the growths of new generations of trees.." "The slogan 'Protecting the environment' that does not accompany action is meaningless." "Nature is important and trees have important roles, and communication transcending species is essential." There were much more.



Learning of thinning out a forest

Promotion of the support to forest conservation activities by forest owners of KOA

The KOA Forest Management Class has trained nearly 500 students and has also supported the forest conservation activities of forest owners, who are also employees of KOA.

In some cases, the Class has rented and conserved the forests of these employees to practice forest Management: it thinned out excessively dense forest by as much as 30% in the number of trees.

The activities of the Forest Management Class have produced the effect of absorbing about 3 tons of CO₂ per year (based on Nagano Prefecture's calculation method), the Class also engages in activities for increasing interests in forests amongst KOA's employees and their family members by holding courses such as "Experience forest thinning" and "Experience the woodworking of making stools by processing a log by yourself", which help people to get acquainted with forests.

In the future, the "Alliance of employees" to facilitate cooperation in forest conservation, together with employees using wood stoves, is to be organized for further reinforcing the company's support to forest conservation efforts.



Timber from thinning out the forest



Woodworking class on log-sawing

Collaboration with the "Kids ISO 14000 Program: Nagano"

KOA collaborates with the "Kids ISO 14000 Program: Nagano". This is a program for environmental education developed by the International Art & Technology Cooperation Organization (ArTech) and deployed in Japan and abroad.