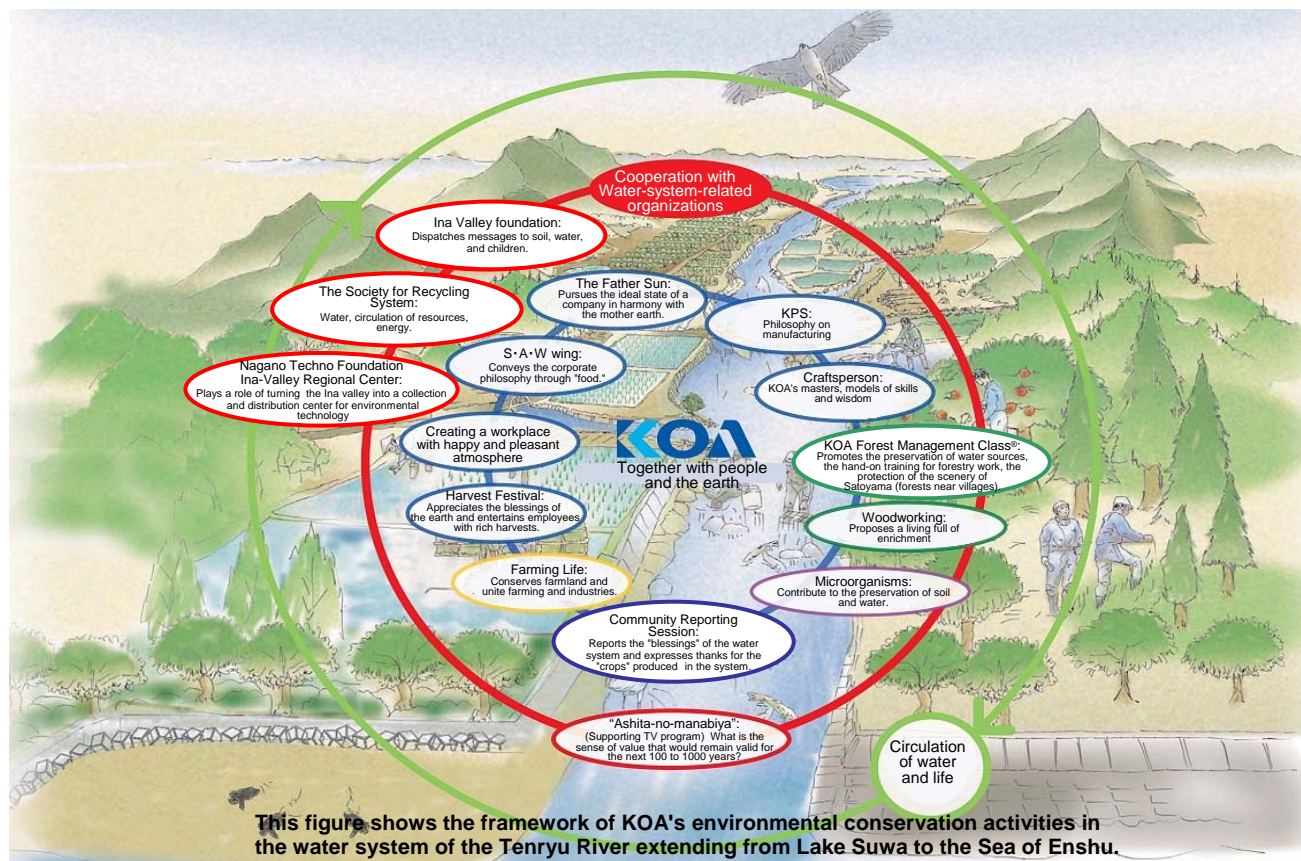


Annual Report of the "Father Sun" Activities, 2011 Edition

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 (Achievements of the past 5 years from 2006 to 2010)

The KOA Group considers establishing the bond of trust with each of its stakeholders – customers, trade partners, shareholders, employees and their families, local communities, and the mother earth who support KOA – its corporate mission, and engages in the "Father Sun" activities to seek harmony with the global environment.

The "Father Sun" is the name we have given to our ISO14001 Environmental Management System to express our aspiration "Let's engage in activities in a manner we can report to the Father Sun fairly and squarely with confidence." Also, we have positioned the "Father Sun" activities as the social environmental version of "Zero Defects" quality improvement activities to be promoted company-wide at all KOA Group companies in Japan and overseas, to ensure compliance and minimize environmental burden.

On the long-term targets, which were first set in 2006 and have been reviewed every year, we have achieved great results by maintaining the status of no environmental accidents and claims, by continuously reducing the discharges/emissions through the 3R activities, by hitting the industry targets for volatile organic compounds, by attaining the global warming prevention targets in line with the Kyoto Protocol, etc.

From this year, we will pursue the achievement of newly promulgated KOA Vision and long-term targets that extend through 2015.

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: 1,257 (As of April 2011)
- Business: Designing, development, manufacture and sale of electronic components

- Environmental Management Representative
:Managing 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.

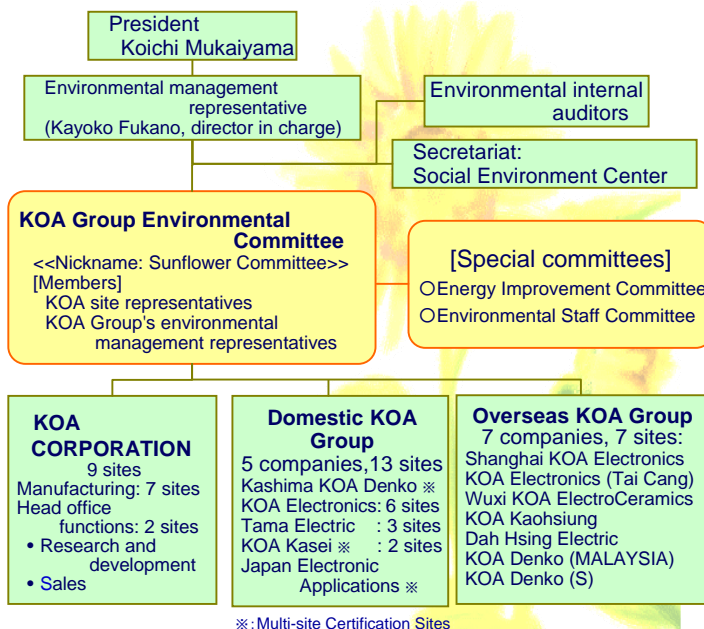
Policy:

- (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 ~



Kashima KOA's Multi-site Certification

In addition to the 2 sites certified in 2009, Kashima KOA was newly certified in 2010. Now 4 KOA Group companies encompassing 13 sites are managed under a single system. The integration of KOA Group companies not only enables more sophisticated Father Sun activities, but also improves operational efficiencies and reduces costs through centralizing administrative responsibilities.

Establishment of Energy Management System

With KOA classified as the "designated business operator" following the amendments in the Energy Conservation Law, an administrative system under which the Environmental Management Representative becomes the energy management authority has been established. The functions for verifying the adherence to energy management standards (which were established in 2009 and reviewed annually) and for monitoring the preparation and execution of mid- and long-term strategies have been added to the responsibilities of the Energy Improvement Committee.

Promulgation of the new "Vision"

[KOA's Vision E. Earth]

"KOA and all its employees together with their family members and people of local community are maintaining the biodiversity of the Tenryu River System (where KOA has its origin) and local communities (where KOA has presence), and are engaging in activities to realize the circulatory society."

This vision is to be embraced by all people of various nationalities working for KOA around the globe, and it represents the basic thinking to make the progress of environmental improvements in all corporate activities transparent and to further advance practices that are in harmony with the environment and activities that do not burden the environment. As we seek to permeate this vision, all employees will be environmentally conscious in carrying out their duties.

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 2010	Evaluation	Status
I	Prevention of pollution (accidents prevention・compliance)	No environmental accident : Complete at least one improvement theme a year related to the prevention of environmental accidents or adverse environmental effects : Take measures against social environmental risks	◎	Completed 19 improvement themes (related to significant environmental aspects of facility operations) and maintained the status of no environmental accidents and claims. Identified 37 social environmental risks associated with our drainage system, and eliminated 13 risks with the remaining risks to be addressed next year.
II	Realization of operations in harmony with the environment (reduction of ill effects on the environment・Compliance)	Complete at least one improvement theme a year related to striving for operations in harmony with the environment	◎	For the year, completed 70 improvement themes, some of which are environmental themes closely linked to improvement themes on regular tasks.
III	Effective use of finite natural resources (Reduction of emissions through the 3R – Reduce, Reuse, and Recycle – activities)	Engage in activities to reduce total emissions (excluding discharged liquid waste from special processes) per unit of production. Reduce the liquid waste emissions per unit of production from special processes by 0.2% year over year.	◎	Maintained target levels of emissions per piece of product manufactured thanks to the enforcement of “Reduce Reuse” activities, despite increased emissions (excluding discharged liquid waste) due to increased production volume. Decreased emissions (by approximately 10 tons in volume terms or 11% on a per-piece-of-product-manufactured basis) despite increased production volume, thanks to improved production processes
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.	◎	Continually making design improvements to downsize the product and to suppress the amounts of materials consumed.
V	Preventing global warming (Reduction of CO2 emissions from fuel combustion by 6% in 2010 as compared with 1990)	Reduce CO2 emissions from fuel combustion by 10% year over year.	◎	Reduced CO2 emissions by approximately 250 tons to hit the target, despite increased production volume, through completing 45 themes, such as preventing superfluous running of equipment and utilizing generated (in production processes) heat.

To achieve long-term goals, targets were revised.

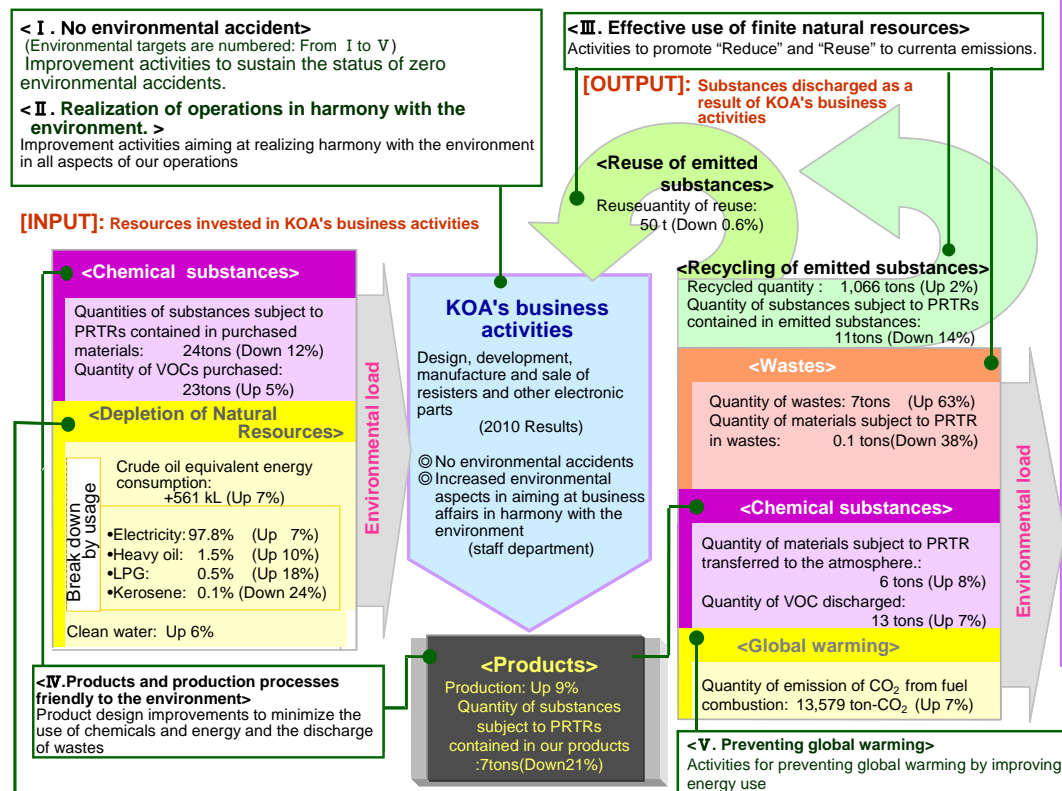
AC	Long-term goal (2015)
I	Prevent adverse environmental impacts (Pollution prevention, compliance) <No environmental accidents>
II	Realization of operations in harmony with the environment and products and production processes friendly to the environment
III	Effective use of finite natural resources <In 2015, reach 1% or less in final disposal percentage and cut total emissions per unit of production below 2010 results.>
IV	Preventing global warming (Promote energy conservation activities) <Reduce CO2 emissions from fuel consumptions by 5% in 2015 from 2010 results.>

◎ : 100% achievement;
○ : More than 70% achievement;
△ : More than 50% achievement;
× : Less than 50% achievement

Environmental Burden Situation ~The load placed by KOA on the environment~

KOA's material flow (material circulation) chart and countermeasures to reduce the burden

<The figures shown are 2010 statistics. The percentages in parenthesis show the changes from 2009.>

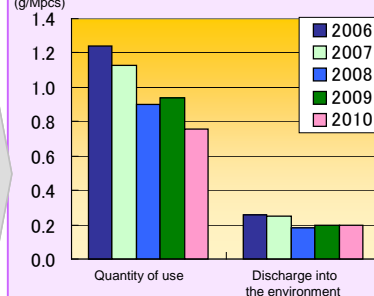


2010 Environmental Burden Situation

With increased production volume, on absolute terms, all indexes of the material flow indicated increased environmental burden.

However, the amounts of substances subject to PRTRs consumed by the company and emitted to the environment have decreased by approximately 40% from 2006, on a per-piece-of-product-manufactured basis. This achievement is attributed to our continual improvement activities to realize “products and production processes friendly to the environment” through devising ingenious washing methods, reducing the quantities of organic solvents used, etc.

Per-unit-of-production contained substances subject to PRTRs 2006~2010 (g/Mpcs)



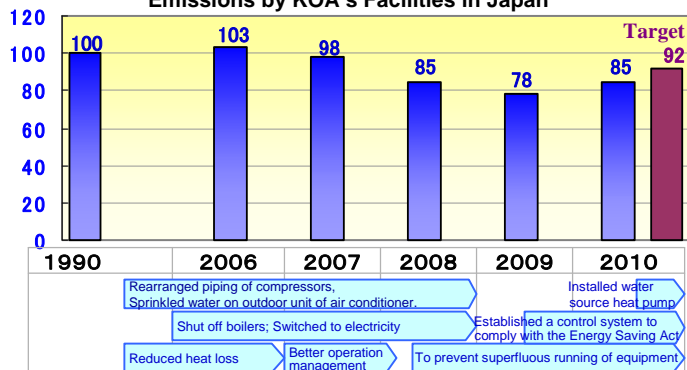
☆ PRTR = pollutant release and transfer register. This term is defined in the Law for the Promotion of Management of Chemical Substances (PRTR Law), which stipulates the obligation of the users of chemical substances to make voluntary efforts to reduce the discharge of wastes.

Accomplishments of the Father Sun Strategy ~On the long-term targets (From 2006 to 2010)~

Preventing Global Warming: Achievement of Long-term Targets in line with the Kyoto Protocol

(Emission index)

Emissions by KOA's Facilities in Japan



In response to the Kyoto Protocol, all KOA Group operations in Japan engaged in energy-saving activities to accomplish the target of "Reduction of CO₂ emissions from fuel combustion by 6% in 2010 as compared with 1990 J." We succeeded in greatly exceeding the target index of 92 by reaching the index of 85. This improvement represents reduction of CO₂ emissions by approximately 5,400 tons from 2006. Our long-term target has been realized.

In our Nishiyama factory, the installation of a heat pump, which utilizes circulating cooling water heated in production processes as a heat source, greatly improved thermal efficiency to curtail the CO₂ emissions by 36%. Also Takuminosato's green walls grabbed attention of power companies and news media. With ingenuity and creativity, our continual improvement activities yielded great results.



Takuminosato's Green Wall

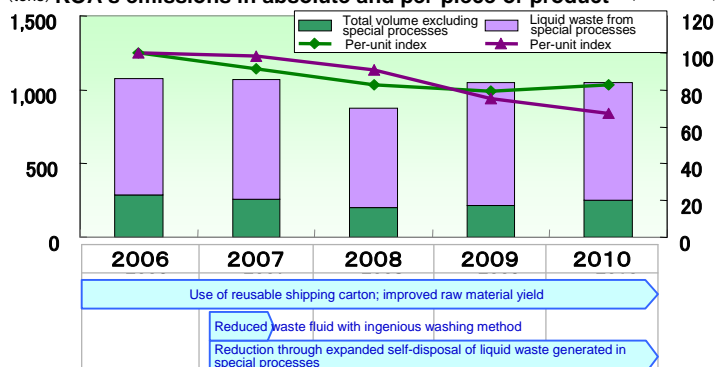
Compliance: Adherence to laws

Violations of social environmental statutes and environmental requirements: 0 cases

The KOA Group is committed to continual improvements by setting annual targets on preventive measures to maintain the status of causing no pollution as well as by conducting internal audits to ensure statutory compliance. And since 2008, the company has been identifying significant environmental aspects of all group companies in Japan from the viewpoint of environmental risk management to promote the preventive measures of eradicating causal factors that may one day trigger environmental accidents and statutory violations. Thanks to these activities, we have had no social environmental statutory violations, environmental accidents, or social environmental claims, which we have been maintaining since 2006.

Effective Use of Natural Resources: Reduce per-piece-of-product emissions

(tons) KOA's emissions in absolute and per-piece-of-product (per-unit index)



KOA is engaging in 3R activities of reducing discharges while maintaining zero emissions. Liquid waste from special processes, which constitutes about 80% of KOA's emissions, was reduced by approximately 40% from 2006 on a per-unit basis, and liquid waste exclusive of generated fluid from special processes was reduced by approximately 18%. These great accomplishments prove our on-going efforts to minimize climate footprint attributed to our manufacturing activities.

Realization of Environmentally Friendly Products and Processes

Compliance to REACH Regulations

The REACH regulations, which were enacted in 2007, mandate the reporting of chemical substances containing in finished products.

To comply with the requirements, we have completed investigations on the SVHC (Substances of Very High Concern) on all the products we manufacture. (Status as of March 2011)

Also on the disclosure of information regarding the chemical substances containing in our products, we have created a specialty department to address this, and at the same time, we have adapted to various industry formats such as the information delivery tool advocated by the JAMP to provide the information.

Keeping track of component-level CO₂ emissions

As a part of global warming prevention activities, the use of Life Cycle Assessment (LCA) methodology in evaluating the environmental load placed by a product is becoming one of the requirements. On our flagship products, we are quantifying CO₂ emissions on a per-product basis, and we are responding to various requests of the Ministry of Economy, Trade, and Industry, such as submitting the data to the "Carbon Footprint Pilot Program" in collaboration with other companies in the same industry.

Activities to Foster Biodiversity ~Association with local community~

What we regards as corporate assets :Association with local community

Assets	Company	Human resource development	KOA-Group Awards commendation system and Craftsperson
		"Father Sun" Activities	Reduction of environmental loads induced by corporate activities
	Community	Association with forests	KOA Forest Management Class The Society for Recycling System Ina Valley Foundation
		Association with water	
		Association with soil	
		Pleasure and responsibility as a member of the ecosystem	

Undertakings with employees through forest maintenance



Forest thinning exercise in employee-owned forest



Chainsaw class in Pine Park



Forest thinning in Takuminosato

Being in the community approximately 200 employees and their family members are the owners of the woods as property, KOA Forest Management Class is collaborating with KOA's employees in undertaking activities to "cut the trees to make use of them as resources near us" and "cut the trees to nurture the forest" by providing various opportunities to explore the association with forests that is best suited to the community.

KOA has signed a contract for Nagano-Prefecture-endorsed "Forest Foster Parent System" with the "Shirakaba Association" representing employee mountain-property owners. This was the very first time a contract utilizing this system was signed to provide the labor for forest maintenance as compensation.

For employees who want to master the safe use of chainsaw, Chainsaw Classes are held in the Pine Park throughout the year to provide technical guidance.

In 1993 in Takuminosato, broadleaf trees were planted by employees to resurrect the green area endangered Gifu butterfly can thrive. After 18 years, forest thinning was conducted for the second time to cut oak trees grown to approximately 20 cm in diameter. Logged wood was given to participants to be used for fire wood and log for mushroom cultivation.

After thinning the forest, the sunshine filters through foliage, sunshine helps microorganisms to provide rich soil and the soil and its environment nurtures diverse creatures.

Undertakings with the community through forest maintenance

In the Pine Park and its periphery, forests mainly consisting of Japanese red pines cover an area approximately 10ha. KOA is undertaking the maintenance of these forests with corporate and private owners of the forest. In October 2010, we invited a lecturer from the Kami-Ina Forestry Association to practice forest thinning with 40 high school students from the Kami-Ina Agricultural High School under apprenticeship. We will continue to engage in forest maintenance in collaboration with local community.



Provided the place for education by lending forest for the exercise



Lumber thinned from our forest being carted away to local markets