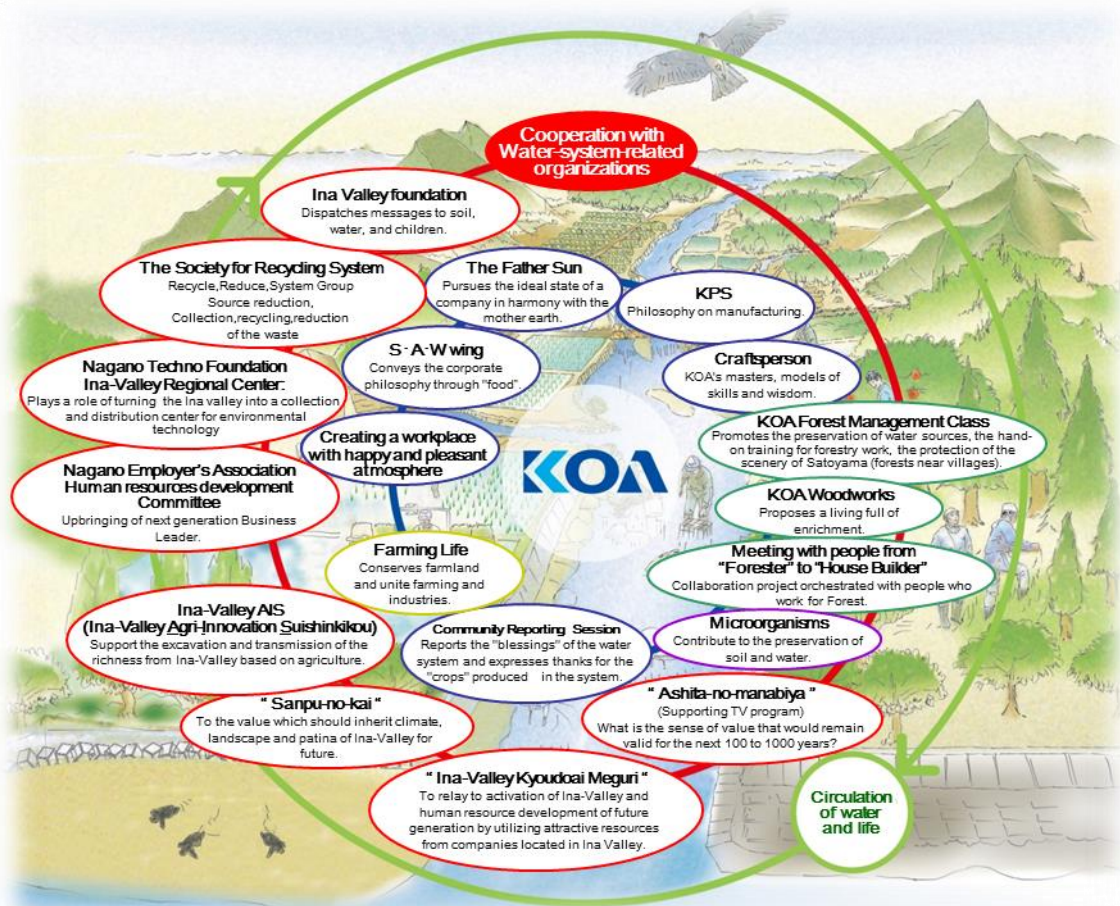


KOA Group Annual Report of the "Father Sun" Activities 2014



This figure shows the framework of KOA's environmental conservation activities in the water system of the Tenryu River system extending from Lake Suwa to the Sea of Enshu.

The KOA Group embraces "circulation", "harmony", "finite", and "enrichment" as the fundamental value of corporate management, and is conducting various experiments to build models for perpetually circulating local society.

KOA's mission and the "Father Sun" Activities

The KOA Group regards establishing the bond of trust with 5 Stakeholders – "Shareholders", "Customers and Business Partners", "Community", "Employees and Their Families", and "Mother Earth" – its corporate mission. The "Father Sun Activities" is a name bestowed upon KOA's environmental management system which aims to assort with Earth, creates the model of circulating local society and it's instilled our dedication to do the activities which we can be extremely confident with "Father Sun".

With the introduction of KOA's Vision "Earth" in 2011, the basic thinking of all people working for KOA Group companies promoting business practices in harmony with environment and activities that do not burden the environment was presented. As we permeate this vision, we will continue to engage in activities to reach KOA Group's Common Long-term Targets for years from 2011 to 2015. In this Annual Report, we will be presenting the progress towards achieving KOA's Vision and the results of activities KOA Group has been embarking on for a long time.

■ KOA's Vision "Earth"

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

Company Profile

Location of Head Quarters : Minowa-machi, Kamiina-gun, Nagano, Japan

Establishment : March 10, 1940

Capital : JPY6.033 billion

(Listed on the first section of the Tokyo and Nagoya Stock Exchanges)

Representative : President, Hanagata Tadao

Employees : 1,338 (As of March 31, 2014)

Business Description

: Design, development, manufacture, and sale of various electronic components

●KOA Group Profile

Company structure : (Consolidated) 5 companies in Japan and 10 companies in overseas

: (Non-consolidated) 1 company in Japan and 2 company in overseas

Employees : 4,118 (As of March 31, 2014) (Japan) 2,066 (Overseas) 2,052

●Environmental Management Representative

: Managing Director, Kayoko Fukano

●ISO14001 Certification Number

: JQA-EM0155 (Registered in April 1998)

●Contact : Social Environment Group

CSR Promotion Center

Management Administration Initiative

【TEL: 81-265-70-7171 (main number) 】

【URL: <http://www.koanet.co.jp> 】

KOA Environmental Policy

At KOA Group, under this policy, all employees are engaging in 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.

With each employee being interested in the circulation of life in the water system that is essential to one's community in responsibly practicing the "Father Sun" (Environmental Management System), we will preserve the biodiversity of the land of our roots to create a model for perpetually circulating society.

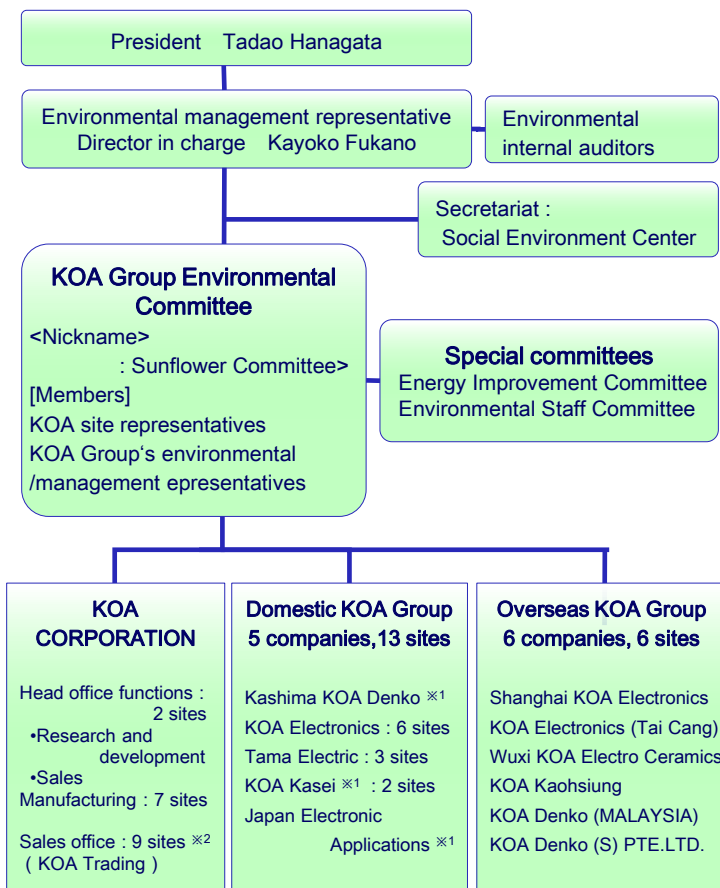
Policy

- (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) All employees shall adhere to laws and regulations relevant to KOA's environmental aspects, other requirements (including customer requirements) KOA has agreed to abide by, and voluntary standards, to engage in activities conscious of natural environment based on the Environmental Manual and the 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 (energy conservation), in the framework of management objectives and targets.
- (5) We shall conduct internal environmental 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, 2013

Tadao Hanagata, President of KOA Corporation

The "Father Sun" Promotion System



※1 Multi-site Certification Sites: The reference to KOA Corporation and the sites integrated into ISO14001 system.

※2 The sites excluded from ISO14001 registration: The sites "Father Sun" activities are carried out based on KOA's environmental management system

Progress Towards the Achievement of KOA's Vision

As a measure to promote environmental activities of all KOA Group companies in Japan working as a team, we continue to consolidate our Environmental Management System (via Multi-site Certification). For 2013, we successfully registered Sanada KOA Corporation (formerly Tama Electric Co. Ltd.) in our multi-site certification. To bolster inspection capability at the Sanada KOA, we have trained 10 internal environmental auditors, and assigned them to their respective Sanda KOA sites.

Also at KOA Group's overseas companies, we have been facilitating company-wide activities by partially sharing environmental goals. For 2013, we have consolidated environmental data aggregation system of energy usage of overseas sites with Japan sites to grasp their CO2 emissions and energy cost status as good as Japan sites, to accomplish "KOA' Vision" on a group-wide basis.

Strengthening the system for the "Father Sun" activities

The "Father Sun" activities begin by evaluating the impact on environment to identify "Significant Environmental Aspects". All activities and products that have the likelihood of giving big environmental impact, regardless of good or bad, are applicable, and we conduct assessment on them at each business establishment. As a result of us being aggressive in making improvements to maintain zero environmental accident status, some business establishments have completely eliminated harmful significant environmental aspects.

As a next step, in addition to continuously identifying significant environmental risks, we have revised evaluation method on them to more broadly address things such as the adherence to relevant statutory requirements and the maintenance and management of amended operating procedures to reflect the improvement measures proven to be effective.

With the steps we have taken, in to process of promoting zero environmental accidents and statutory compliance, we are expecting to further enhance our undertakings on beneficial significant environmental aspects, such as improving employees' environmental awareness and promoting biodiversity.

Initiatives on Product Environment

To respond to the laws governing products and the requirements of customers, we have established a management system for product environment within our Quality Management System to engage in activities for providing high quality and service.

In 2013, we have renewed the system to measure the content of environmentally hazardous substances, which enabled expediting measurement process.

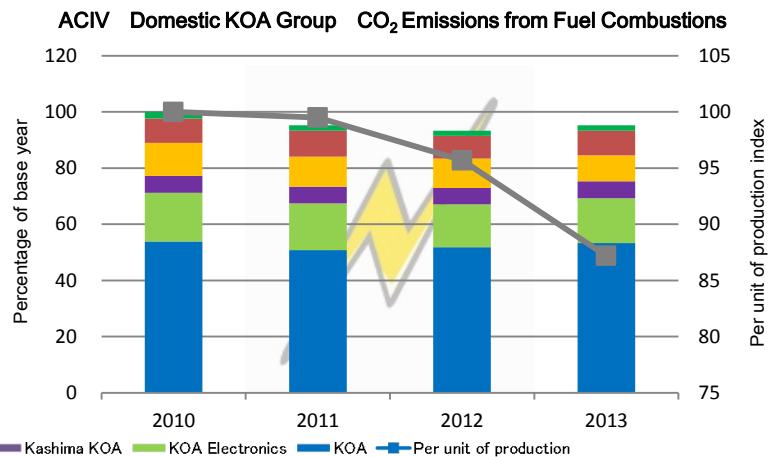
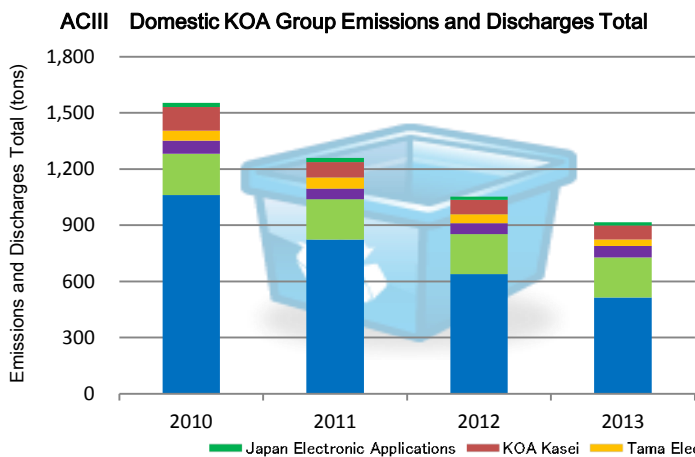
The Achievements of "Father Sun" Strategy 2013

At KOA Group, as common long-term targets for the year 2011 to 2015, we have set 3 goals: "Prevention of Environmental Effects", "Effective use of Finite Natural Resources", and "Prevention of Global Warming (Promotion of Energy Conservation Activities)". Each Business Unit is conceiving and enforcing environmental activities (the "Father Sun" operations) to achieve these goals. For the year 2012, we were able to achieve all targets.

AC	Long-term goals	2012 Targets	Outcomes and achievement	2014 Targets
I	Prevention of environmental impact (Prevention of pollution·Compliance)	No environmental accidents. : Execute prevention / improvement measures on environmental effects each fiscal year.	◎ All business establishments in Japan and overseas are maintaining the "Zero Environmental Accidents" status. And we have conducted the following 2 things that we regarded as social environmental risks. 1. System integration of Sanada KOA: We have completed the registration of multi-site certification in December 2013. 2. Establishment of the "Father Sun" activities at the new factory, Sanadanosato: The initiative was taken by the departments from which production lines are transferred, and the progress was checked during the Law-abiding Audit and internal audit.	No environmental accidents
III	Effective use of finite natural resources. (Reduce final disposal rate to less than 1% and cut total emissions and discharges per unit of production below 2010 results)	Continually reduce emissions and discharges.	◎ In Japan, we maintained the Zero Emission (final disposal rate of less than 1%) status. By expanding the volume of waste plating fluid treated internally at KOA and by continually promoting the 3R activities at all KOA Group locations, we successfully cut discharged materials by 135 tons or 13% from previous year.	Continuous reduction of emissions and discharges (Maintain the status of zero emissions and cut emissions and discharges per unit of production below 2010 results.)
		Maintain the status of zero emissions and cut emissions and discharges per unit of production below 2010 results.	◎ In overseas, we have accomplished many goals, including simplifying the packaging of purchased materials and reusing the materials for transportation and materials handling.	
IV	Prevention of global warming. (Promotion of energy conservation activities) (Reduce CO ₂ emissions from fuel combustion by 5% in 2015 from 2010 results)	Execute continuous energy conservation activities.	◎ Even though CO ₂ emissions from fuel combustion have increased by 480 tons from last year in Japan, with continuous renewal of equipment/machinery and improvements on operating procedures, we have reduced CO ₂ emissions per unit of production from 2010 by 13%.	Continuous energy conservation activities (Reduce CO ₂ emissions from fuel combustion by 3% from 2010 results.)
		Reduce CO ₂ emissions from fuel consumptions by 2% from 2010 results.	◎ In overseas, we were able to reach many goals, such as fuel conversion and incorporating fuel-saving features in production equipment and air-conditioners.	

Continuation based on Long-term Targets

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



Domestic KOA Group Material Flow Chart

INPUT	Business Activity	OUTPUT
Crude oil equivalent energy consumption 15,590 kL (Vs. last year : Up 2%)	Design, development, manufacture, and sale of resistors and other electronic parts (Products Vs. production volume of last year : Up 9%)	Emitted substances • Reused : 46 tons • Recycled : 914 tons • Isposed : 3 tons (Vs. last year : Down 40%)
Clean water 107,696 m ³ (Vs. last year : Down 7%)		CO₂ emissions from fuel combustion 24,000t-CO ₂ (Vs. last year : Up 2%)
Quantity of substances subject to PRTR contained in purchased materials 82 tons	Product containing the amount of movement of the substances subject to PRTR 25t	Quantity transferred Substances subject to PRTR • to the environment : 15 tons • to emitted substances : 33 tons

Target III: The results on the "Effective use of Finite Natural Resources"

In 2013, factors such as increased production output and the launch of a new factory, "Nanakurinomori", to commence in-house plating, had the effect of increasing total discharges. But with us, on a group-wide basis, dedicating ourselves to continuous 3R activities to reduce scrapped materials (through improving product design and production process), reuse discarded materials, and reduce packing materials, we were able to accomplish reduction goals for discharged materials.

With us continuing in-house treatment and making production processes more efficient, we were able to cut discharged waste plating fluid from 2010 by 20% in terms of per unit of production (the amount of waste fluid generated per unit of production). And for further reduction, we have established the Plating Fluid Recycling System at the Nishiyama Factory (with test operation now starting) to enter the new phase of curtailing discharges.

Target IV: The results on the "Prevention of Global Warming (Promotion of Energy Conservation Activities)"

In 2013, in addition to the ongoing fixing of the leakage of compressed air from pneumatic piping system, we have embarked on improvement measures, such as insulating heat from boiler's steam piping and reusing the heat from testing equipment to warm the room, to prevent energy losses. And we continued to update production equipment for better efficiency and bolster management systems, which had the effect of suppressing the increase of CO₂ emissions despite the production output on a group-wide basis increasing.

Compliance: Verifying legal compliance

In conjunction with the construction of a new factory, "Sanadanosato", of Sanada KOA Corporation, which was completed in October of 2013, we have responded to legal requirements and held a briefing session for local community. The environmental impact stemming from construction was minimized through mandating contractors to identify environmental aspects and design corrective actions on them. During construction, we have conducted patrols to check the status of legal compliance and the enforcement of corrective actions that they put in place. Our activities prevented structure-related risks from materializing. After the factory had been completed, we performed an audit for legal compliance to verify that no statutory and legal requirements have been violated.

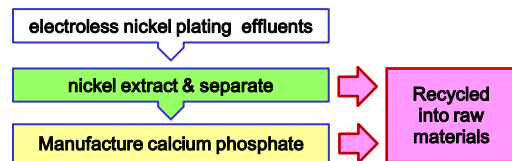


In conjunction with the returning of the land of Achi factory (of KOA Corporation), which was decommissioned in 2012, we have performed soil investigation, in accordance with the Soil Contamination Countermeasures Act and conducted soil cleanup.

Manufacturing realizing products and processes with little environmental burden

Plating has some important functions, such as improving abrasion resistance characteristics and altering conductivity between parts and circuit board. Many products made by KOA have plating. As one of the raw materials of nickel-plating, "non-electrolytic nickel plating fluid" is used in plating factories around Japan. The amount of waste fluid being generated in Japan is estimated to reach 12.5 tons per year. Most of waste plating fluid is disposed without ever being recycled. The main reason, along with the cost of recycling, is the lack of technology in extracting and recovering chemicals in the waste fluid at high purity. KOA is addressing this issue to establish a recycling system for waste plating fluid. This system is comprised of the process to extract and separate the nickel and the process to make calcium phosphate, which is used as a raw material for fertilizer, from phosphorus contained in the fluid to recover and reuse precious resources.

With "Circulation", "Finite", "Harmony", and "Enrichment" being the value embraced by the company, KOA will continue to develop products and production processes that are friendly to the environment to facilitate sustainable development of this society.



Model building for perpetually circulating local society

Our view and approach toward the business asset.

Enterpris	Human Resource Development	KOA Group Award commendation system and Craftsperson	
	"Father Sun" Activities	Reduction of environmental loads caused by corporate activities	
Assets	Community	Association with People	Nurturing of juveniles in the community
		Association with Forests	Ashita-no-manabiya KOA Forest Management Class
		Association with Water	KOA Woodworks
		Association with Soil	The Society for Recycling System Ina Valley Foundation
		Pleasure and responsibility as a member of the Ecosystem	Integration of Farming and Manufacturing The undertakings on biodiversity

**To the children on whom the future of the Ina Valley rests
Visit the companies in the Ina Valley with parents**

We thought that through conveying and have them experience the "sprit of founder", the "association with local community", and the "passion for manufacturing" of companies in this community, the children of this community on whom the future the Ina Valley rests, would consider becoming the "member of the society to work for the Ina Valley". That is why in August of 2013 we held an event called the "Let's visit the companies in the Ina Valley with your parents" with the collaboration of 7 companies in the Ina Valley.

At KOA, Mr. Koichi Mukaiyama, the chairman of the company, talked about KOA's history and the company's corporate philosophy, and then took the children for a factory tour and gave them the opportunity to touch and feel KOA's products. And in the forest inside the KOA Pine Park, they challenged tree climbing by using a rope to experience how to play in the nature. They spent a day to learn the passion for manufacturing and the thoughts to cherish nature.



Wishing to pass down environmental consciousness – "The 20th Anniversary of the Tenryu River Water System Environmental Picnic"

On June 2013, "The 20th Annual Tenryu River Water System Environmental Picnic" hosted by the Recycling System Society with members consisting of companies and institutions having operations along the Tenryu River was held. From KOA, over 540 employees and their family members participated to pick up trash in the river.

This event that began in 1994 has celebrated its 20th anniversary in 2013, and in the opening ceremony, KOA, as one of the companies participating since the inception of this event was awarded a certificated and a commemorative gift of a bamboo bloom by the steering committee.

Each year, we are having more and more employees participating in this event to make it a catalyst to think about the environment together with family members. The children who took part in this event in the past have now become parents, and we are hoping for their environmentally conscious mindset to be passed onto their children.



Creation of the environment where the Gifu Butterfly (Japanese Luehdorfia) can thrive ~ Takumi no sato ~

Since the opening of the factory in 1992, Takuminosato, as a part of its ecosystem recovery initiatives, has been restoring vegetation of the surrounding area and promoting the creation of the environment "Gifu Butterfly", an endangered species of the Nagano Prefecture and the protected species of the Iida City, can thrive.

The Gifu Butterfly with its stark yellow and black colors has been familiar as the "Venus of the spring" emerging into existence just once a year at the time of cherry blossoms. Until 20 years ago, this butterfly was ubiquitous in the Kiribayashi district of Iida city, the home of the Takuminosato. With the aspiration to create an environment within the Takuminosato's premises where fluttering Gifu Butterfly once again becomes ordinary, employees have planted Konara oak and Sawtooth oak trees to bring back forest, and planted plants such as Himekan wild ginger and Siebolds wild ginger, along with nectar-secreting plants, which are essential food sources for the caterpillar and the butterfly. In 2012 and 2013, we were able to confirm spontaneous oviposition and hatching of larva to prove how far we have come.

We would like to cherish the opportunity to have contact with precious life in the rich nature by recognizing that we are the members of the ecosystem and by promoting initiatives to maintain biodiversity.



Widening the circle of maintaining mountains – "The 20th Anniversary of KOA Forest Management Class"

Are the forests near you thriving? Do you know the state of the health of these forests? Do you know somebody who can teach you how to maintain forests? Ignored village forests no longer maintained by people are deteriorating. To teach people the skill for forest maintenance and the joy for doing the maintenance, we have established the KOA Forest Management Class in 1994 with the wish to make people reflect on their daily lives.

We celebrated its 20th anniversary in 2013, and throughout the year, we offered a variety of classes, such as a basic forest management course lasting a whole year, a short course of teaching the technique over a short time period, and a lecture on demand. The total number of people who attended these classes have exceeded 500, and they are practicing forest management in the places they live, and teaching forest management classes of their own to surely expanding the circle of forest management.

And for KOA's employees, we offer a basic course to teach the use of chainsaws, and have the "Shirakaba Society" with which employees owning forests help to maintain each other's forests.

The Forest Management Class is dedicated to teaching people the importance of forest maintenance and passing on the heritage of being associated with forests.

