

KUREHA CSR Report 2018



KUREHA CORPORATION

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About This Report

To All Readers of the Kureha CSR Report 2018

The Kureha CSR Report 2018 was prepared for the purpose of reporting the Kureha Group's Corporate Social Responsibility (CSR) initiatives and activities during fiscal 2017. This English report is composed of information selected from the Kureha CSR Report 2018 published in Japanese, and includes a company overview and information on the Kureha Group's efforts and activities using relevant examples and data. Since Kureha is a chemical company, special emphasis has been placed on the information related to its Responsible Care (RC) activities and performance.

Companies Covered in This Report

■ CSR Activities

Kureha Corporation and its 29 consolidated subsidiaries, 3 (equity method) affiliates, and 1 non-consolidated subsidiary (Sunshine Kureha Co., Ltd.)

■ RC Activities

Kureha Corporation and 12 subsidiaries

- Kureha Corporation
- Kureha Extech Co., Ltd.
- Kureha Gohsen Co., Ltd.
- Kureha Unyu Co., Ltd.
- Kurehanishiki Construction Co., Ltd.
- Kureha Engineering Co., Ltd.
- Kureha Ecology Management Co., Ltd.
- Kureha Special Laboratory Co., Ltd.
- Kureha Extron Co., Ltd.
- Resinous Kasei Co., Ltd.
- KUREHALON B.V.
- Kureha (Shanghai) Carbon Fiber Materials Co., Ltd.
- Kureha Vietnam Co., Ltd.

■ Reporting Period

In principle, the reporting time frame for Kureha's CSR activities is the same as its fiscal year (from April 2017 to March 2018). However, some sections of this report may refer to the calendar year (from January 2017 to December 2017) or activities after April 1, 2018.

■ Reporting Guidelines

- ISO 26000
- Ministry of Environment "Environmental Report Guidelines (2012 edition)"

■ Date of Publication

December 2018



Message from the President

Leveraging innovative technical capabilities developed since its start, the Kureha Group has grown up alongside society, creating specialty chemical products useful in people's lives and the environment.

Nowadays, society requires companies to utilize their strengths and provide solutions to a variety of social problems ranging from global warming to SDGs.

Kureha's goal is to develop and provide differentiated products by responding to our changing times with speed and precision, making society more sustainable and achieving corporate growth in the process.

Towards this end, in fiscal 2016 we launched our mid-term management plan, entitled "Kureha's Challenge 2018."

Progress in "Kureha's Challenge 2018" Mid-Term Management Plan

These three years of the plan are what we refer to as a "period to lay the foundation for Kureha's future expansion." With a primary focus on improving existing business competitiveness and earning power, we are steadily growing the polyglycolic acid (PGA) business and positioning it as an earnings driver, while at the same time engaging in the New Business Creation Project as a means to more quickly explore the new technologies and business prospects that will bring future success. Along with conducting CSR management and strengthening our business base, we are focused on becoming a company that grows and improves alongside society.

For fiscal 2016, the first year of the plan, consolidated earnings fell far short of our goals. However, we have adopted a sense of impending crisis and begun taking key operational measures, while also continuing reform efforts and making bold efforts at innovation with a "back to the basics" mentality. Buffeted by the powerful winds of change, we have determined that we must change along with the times, and are making bold efforts to achieve this.

Strong performance across many businesses saw fiscal 2017 consolidated earnings rise year-on-year for both revenue and profit: sales revenue rose to ¥147.3 billion and operating profit increased to ¥13 billion.

We will continue to make sure and steady progress with these efforts and achieve the qualitative targets of the mid-term management plan, while at the same time further strengthening our business base towards future sustainable growth.

Promoting CSR Management

Maintaining a good relationship with society while providing safe and secure products and services that society needs is what I view as being the core obligation that any company must uphold.

Kureha is incorporating feedback from its stakeholders and is working tirelessly towards solving social problems that concern the environment, energy, quality of life, and other concerns through its business.

In addition to ongoing efforts to reduce the environmental impact of our business activities as much as possible through efforts such as global warming mitigation measures, we are leveraging the strengths of the Group and working to contribute to society by providing products and services that contribute to environmental preservation.

Many companies are now taking environment, society, and governance (ESG) measures. Kureha, too, is leveraging the CSR management system it has developed to practice good corporate governance and compliance, and from there strengthen the systems that ensure safety and quality while improving environmental and community outreach efforts. We will also continue with our CSR initiatives.

It will be the efforts of each Kureha Group employee that will undergird and achieve success with these initiatives. Achieving corporate growth year in and year out will require developing our talent, building workplaces where everyone can work with enthusiasm, and ensuring everyone feels personal growth is being achieved. By moving beyond our conventional mode of operation and making us into a corporate group where everyone contributes innovative ideas, I am confident that the Kureha Group will achieve sustainable growth.

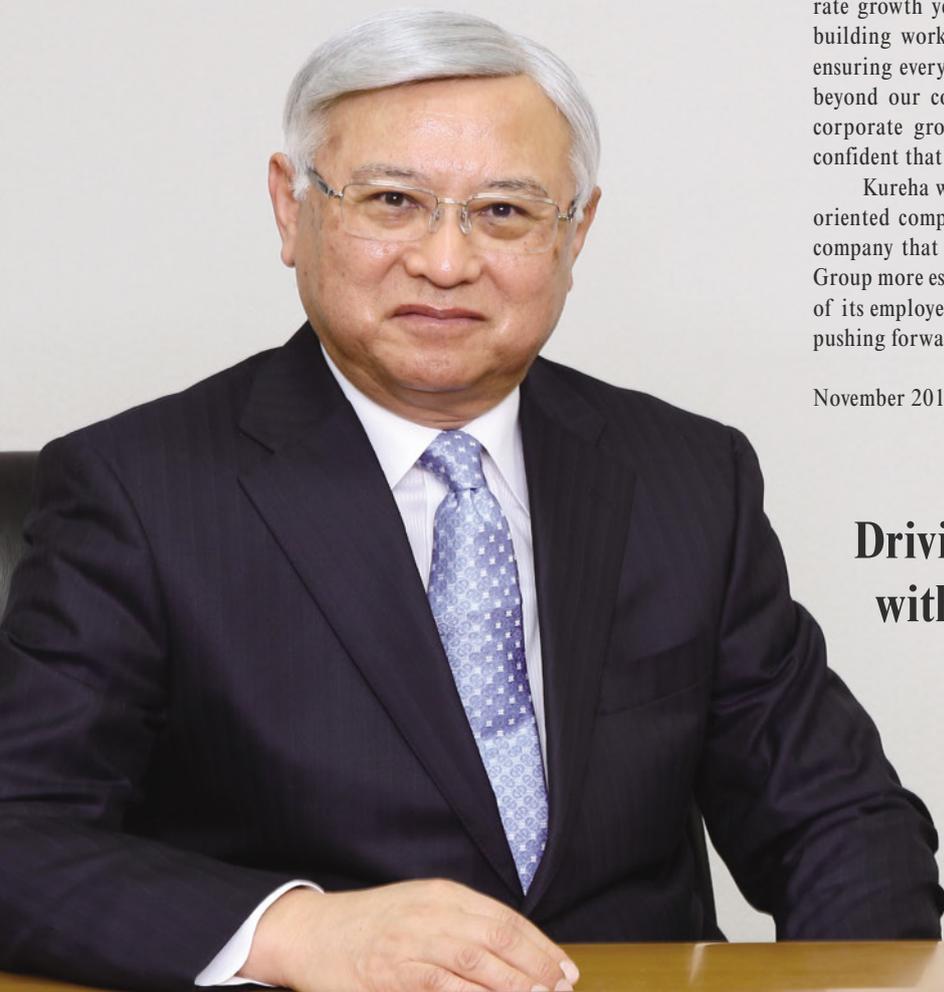
Kureha will continue to strengthen its position as a technology-oriented company, create new value, and become a high value-added company that continues to contribute to society. To make the Kureha Group more essential to society than it's ever been and to earn the pride of its employees, I will be focused on passion, speed, and commitment, pushing forward as a leader in the industry.

November 2018

**Driving Innovation and Reform
with a P (passion), S (speed),
C (commitment) Mindset.**

Yutaka Kobayashi

President & Chief Executive Officer



Profile of the Kureha Group and the Mid-Term Management Plan

Kureha Corporation is a manufacturer of highly innovative specialty chemicals and plastics that leverage proprietary technologies to create advanced materials, agrochemicals, pharmaceuticals, packaging materials, and other such products used in many aspects of people's lives. Since its establishment in 1944, Kureha has taken advantage of its strengths in technology and innovation to provide a wide range of solutions suited to the market needs of the time.

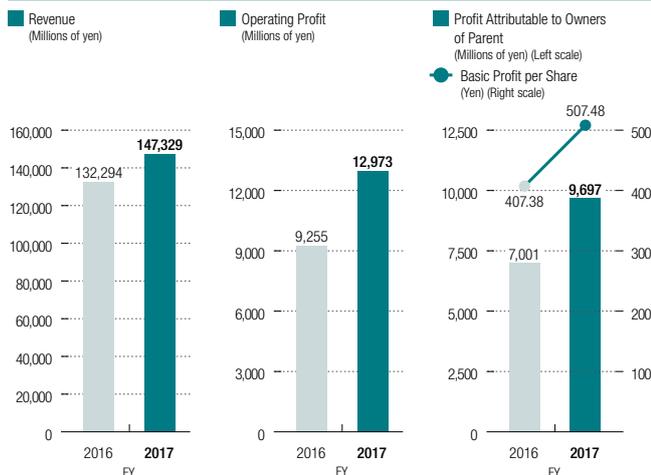
Corporate Profile (as of March 31, 2018)

Head Office	KUREHA CORPORATION 3-3-2 Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552
President and CEO	Yutaka Kobayashi
Incorporated	June 21, 1944
Capital	¥18,169 million
Net Sales	¥147,329 million (FY2017)
Primary Businesses	Manufacture and sale of advanced materials, specialty chemicals, and specialty plastics
Number of Employees	4,374 (consolidated) 1,835 (non-consolidated)
URL	http://www.kureha.co.jp/

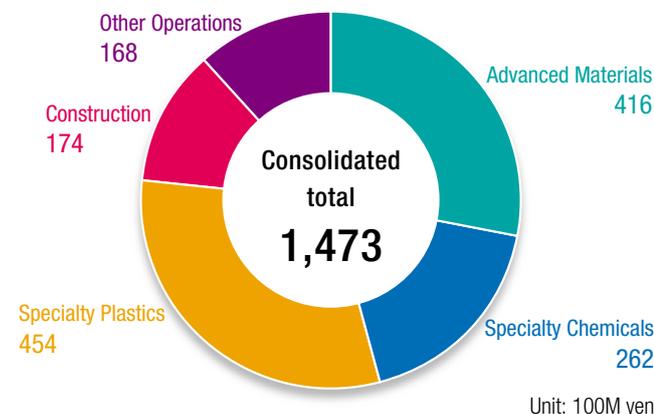
Group Companies (as of March 31, 2018)

29 consolidated subsidiaries, 3 (equity method) affiliates, and 1 non-consolidated subsidiary

Financial Information (Consolidated)



Revenue by Segment (FY2017)



Mid-Term Management Plan (FY2016-2018) Kureha's Challenge 2018

In fiscal 2016 we launched Kureha's Challenge 2018, a three-year mid-term management plan that will cover the period to lay the foundation for Kureha's future expansion.

As a company built on technology, Kureha will execute the strategies laid out in its mid-term management plan to develop differentiated products in the field of specialty chemicals and become a high value-added enterprise that continually contributes to global society.

Beginning with improving existing business competitiveness and earning power, we will be steadily growing the polyglycolic acid (PGA) business and positioning it as an earnings driver. We will also focus on establishing projects that report directly to the president while the entire company works towards discovering new business prospects. While business reform efforts continue, the entire company will be tackling new challenges with innovative ideas and tactics unbound by traditional thinking. This will happen alongside efforts to strengthen our business base, which include practicing CSR management and ensuring good governance.

Measures to Achieve Management Goals

1. Business strategies

- Enhance competitiveness and earnings capacity of existing businesses
- Expand the PGA business
- Explore new business themes

2. Promote CSR-based management

3. Strengthen the management foundation

Guided by our corporate vision and code of conduct, with our sights set on becoming an excellent company, we strive to have all corporate officers and employees acquire a strong sense of responsibility and work to achieve the goals of the company's business plans.

Quantitative Goals

	FY2016 Results	FY2017 Results	FY2018 Targets
Revenue (billions of yen)	132.3	147.3	150.0
Operating profit (billions of yen)	9.3	13.0	14.0
Profit attributable to owners of parent (billions of yen)	7.0	9.7	10.5
ROE (%)	5.8	7.1	6.8

Products and Services of Kureha Group

"If it doesn't exist, let's create it." This is Kureha's prime focus and encapsulates our product development ethos. Since our founding in 1944, we have made products with a consistent dedication to our technologies. The things we have developed have sometimes changed shape or found different uses, and they all live on in people's lives. "If it doesn't exist, let's create it." Though the world may change, our ethos never will.

Advanced Materials

Advanced materials created with Kureha technologies help support a wide range of pioneering industries.

Main products

- Advanced plastics
 - polyphenylene sulfide (PPS)
 - polyvinylidene fluoride (PVDF)
 - polyglycolic acid (PGA)
- Carbon products



Specialty Plastics

Kureha products are present in our daily lives and leisure activities, enhancing convenience and safety in a variety of ways.

Main products

- Household Products
- Packaging Materials
- Synthetic Fiber Products



Specialty Chemicals

Our specialty chemicals contribute to advancements in agriculture, public health, and the growth of various industries.

Main products

- Agrochemicals
- Pharmaceuticals
- Industrial chemicals



Construction and Other Operations

Kureha Group businesses include construction, engineering, environmental protection, logistics, and trading.

Main services

- Construction, environmental, transport
- Storage, trading, real estate
- Insurance, medical care



Kureha Group's Creating Shared Value

By adhering to our corporate philosophy and leveraging our strengths to provide value to society, we aim to contribute to a more sustainable society and become an excellent company.

Kureha Group's Creating Shared Value

Myriad Social Issues

⋮

-SDGs-

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are international targets to be achieved by 2030 that were adopted at the United Nations Sustainable Development Summit in September 2015. The 17 SDGs and 169 targets seek to address global problems that include global economic crises, natural disasters, the environment, refugees, and poverty, through worldwide efforts to realize a world where no one is left behind.



Our Values

Kureha's Values

With an appreciation of our corporate philosophy and corporate culture, we will leverage the strengths that we have developed over the years to contribute to social progress.

Kureha's Strengths

Kureha's strengths are our accumulated wide-ranging technologies and expertise, talent that expands on these things with a "if it doesn't exist, let's create it" spirit, and the partners that help support what we do.

Kureha's Business

On a foundation of stable earnings and brands in businesses ranging from specialty chemicals to specialty plastics, we improve the performance and quality of advanced materials and develop our own products in global niche markets, and through these efforts achieve further business expansion.

Business Strategies

Mid-Term Management Plan
(FY2016-2018)

Kureha's Challenge 2018

Quantitative Goals

FY2018 Targets

Revenue: ¥150.0 billion

Operating profit: ¥14.0 billion

Passion,
Speed, and
Commitment

Corporate Vision

Social Value



Sustainable society

KUREHA GROUP

As a company built on technology, Kureha will develop differentiated products in the field of specialty chemicals and become a high value-added enterprise that continually contributes to global society

The Pursuit of Excellence

Kureha's Strategies

Positioning the duration of the mid-term management plan, Kureha's Challenge 2018, as a "period to lay the foundation for Kureha's future expansion," we are working to achieve our business goals and strengthen our corporate resources.

Kureha's Corporate Vision

We aim to contribute to a more sustainable society by providing the world with new value in mainly the environment, energy, and quality of life fields, and become an excellent company in the process.

Kureha Group's CSR

Integrating CSR into corporate management and business strategy helps improve corporate value and strengthen the company's competitiveness, and contributes to building a sustainable society. In accordance with our Corporate Philosophy and the Basic Policy on CSR, we will be carrying out CSR management.

Kureha Group Basic Policy on CSR

We will firmly adhere to the Employee Code of Conduct, practice the Corporate Philosophy, and continue to embrace challenge while aspiring to be an excellent company in our global business operations, social activities, and Responsible Care initiatives.

CSR Initiatives

In order for the Company to sustain growth, it must constantly and appropriately respond to various changes in today's globalized society. To keep up with those changes, it is important for us to maintain a dialogue with our stakeholders, listen to their opinions, and make sure they are reflected in the Company's management.

The Kureha Group's business focuses mainly on the chemical industry, with a special focus on Responsible Care activities, contributing to local communities, and human resource development. The group will continue to further develop its CSR activities in order to remain a company trusted and valued by society.

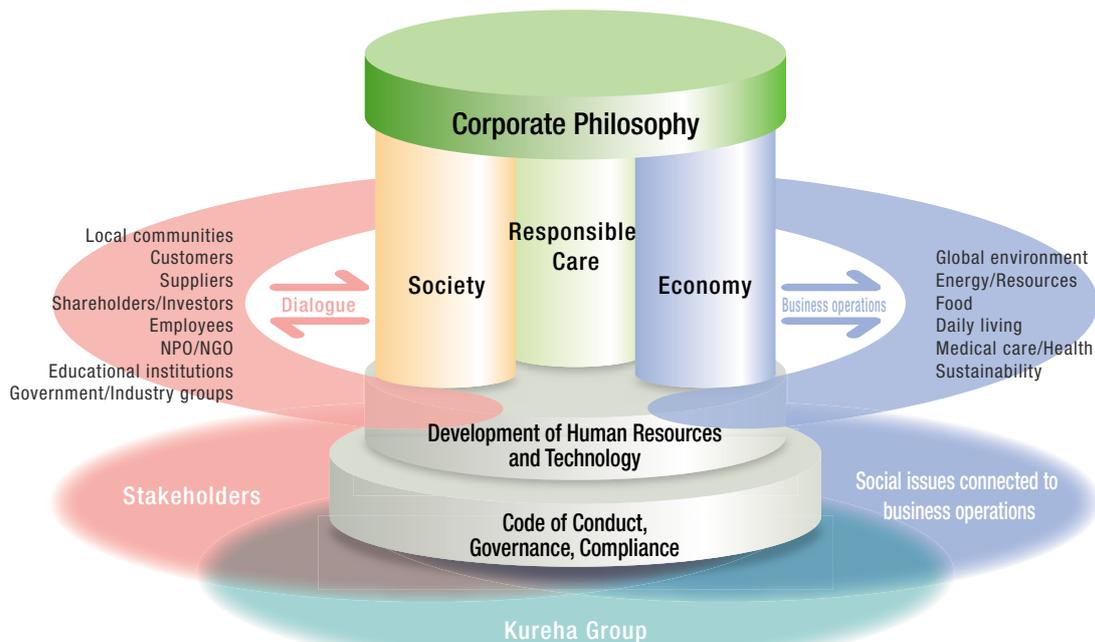
CSR Activities

Kureha's CSR activities are carried out by every member of the company, with close coordination among our CSR Committee, which deliberates on and approves policies and plans and reports directly to the president, our CSR Promotion Conference, which plans and executes specific action plans, and our CSR Division, which serves as the executive office for all activities.

Since fiscal 2017, we have begun carrying out the PDCA (Plan, Do, Check, Act) cycle for material CSR issues established in fiscal 2016 using our Summary Table of CSR Activities. We are also conducting CSR activities groupwide by sharing these material issues with Group companies.

At the same time, we continue working to better familiarize employees with our CSR activities. A total of more than 500 people attended the 13 CSR seminars we conducted at different business sites for company employees in fiscal 2017. We are currently expanding the scope of these seminars to include domestic Group companies. Seminar attendees complete questionnaires to provide insights into the extent of CSR policy internalization and provide feedback on CSR efforts. The CSR Division also actively communicates with seminar attendees, providing responses to those leaving comments or asking questions.

Kureha Group's CSR Philosophy



Kureha's CSR Material Issues

FY2017 Summary Table

	Area	Material Issue	Goals	FY2017 Performance
Company's Foundation	Governance	Strengthening governance	<ul style="list-style-type: none"> Ensure effective governance and improve internal control under Corporate Governance Guidelines. 	<ul style="list-style-type: none"> Reviewed the Basic Policy on Internal Control and the effectiveness of the Board of Directors. Shared Kureha internal control and CSR information with the Group. Familiarized Group companies with rules concerning personal information protection.
	Compliance	Ensuring Compliance	<ul style="list-style-type: none"> Make employees proud of Kureha and live up to society's expectations. Promptly identify and resolve legal and ethical problems. 	<ul style="list-style-type: none"> Conducted compliance training for managers and new employees. Implemented compliance training programs for Group companies.
	Risk Management	Improving the Business Continuity Plan (BCP)	<ul style="list-style-type: none"> Establish a risk management framework to minimize unexpected damage. 	<ul style="list-style-type: none"> Updated our BCP. Conducted emergency training. Prepared a manual for responding to outbreaks of infectious diseases. Prepared a risk management manual for overseas assignees.
	Information Security	Stepping up information security measures	<ul style="list-style-type: none"> Eliminate cybersecurity incidents. Properly disclose information and promptly restore systems when incidents happen. 	<ul style="list-style-type: none"> Zero information security accidents. Deployed equipment to prevent unauthorized access. Installed functions for the early detection of information security accidents. Unified security policies throughout the Group.
Society	Investors	Disclosing information and holding dialogues in a timely and appropriate fashion	<ul style="list-style-type: none"> Be a company needed by society and earn widespread public understanding and trust. 	<ul style="list-style-type: none"> Held meetings with 163 institutional investors.
	Customers	Improving customer support	<ul style="list-style-type: none"> Continually improve our customer service process to increase customer satisfaction. 	<ul style="list-style-type: none"> Made all initial responses to customer questions on the same day they were received. Completed all investigative reports for customer questions in two weeks. Conducted investigations and took measures to address product complaints.
	Employees	Promoting respect for human rights	<ul style="list-style-type: none"> Respect human rights throughout the Group under the Kureha Group Ethical Charter. 	<ul style="list-style-type: none"> Started conducting seminars for mid-career female employees.
		Developing human resources	<ul style="list-style-type: none"> Be motivated for challenges. 	<ul style="list-style-type: none"> Conducted various training sessions, research paper review panels, and meetings with employees. Publicly released a pamphlet on our training programs. Established a commission to oversee engineering personnel development.
		Achieving a good work-life balance	<ul style="list-style-type: none"> Work with a healthy work-life balance. 	<ul style="list-style-type: none"> Launched an hourly paid leave program. Increased the number of worksites using flextime systems. Conducted awareness raising activities for WLB. Implemented an overtime approval system. Recommended that employees take summer leave.
		Maintaining mental and physical health	<ul style="list-style-type: none"> Stay healthy and bring good energy to the workplace. 	<ul style="list-style-type: none"> Carried out a stress check program and mental health seminars. Carried out stretching and other exercise programs.
Local Communities	Enhancing dialogue with local communities	<ul style="list-style-type: none"> Earn the local community's trust (factories). 	<ul style="list-style-type: none"> (Communication) Engaged in CSR dialogue. Entered into an agreement for emergency support. (Culture and sports exchange) Participated in or held multiple community events. (Development of the next generation of personnel) Conducted visiting lectures, factory tours, and internships. (Environmental preservation, etc.) Conducted community cleanup activities. 	
Responsible Care	Overall RC Management	Conducting RC activities	<ul style="list-style-type: none"> Promote continuous improvement. 	<ul style="list-style-type: none"> Properly utilized ISO and other management systems.
	Environmental Protection	Taking global warming measures	<ul style="list-style-type: none"> Curb greenhouse gas emissions and rationalize energy consumption. 	<ul style="list-style-type: none"> Improved equipment and conducted various energy-saving activities.
		Preventing air pollution	<ul style="list-style-type: none"> Monitor and reduce air pollutants. 	<ul style="list-style-type: none"> (Complaints about malodors, noise, etc.) Zero cases (Facility problems) None
		Preventing water pollution	<ul style="list-style-type: none"> Monitor and reduce water pollutants. Maintain stability in wastewater equipment operation. 	
		Appropriate management and reducing the amount of waste	<ul style="list-style-type: none"> Reduce waste and promote recycling. Follow waste laws and standards. 	<ul style="list-style-type: none"> Curbed unplanned waste generation. Continued proper management efforts when outsourcing waste processing. Verified waste processors' management performance.
	Security and Disaster Prevention	Practicing security and disaster prevention	<ul style="list-style-type: none"> Eliminate facility accidents. 	<ul style="list-style-type: none"> (Equipment accidents) Zero cases, (near misses) 16 cases (mostly vehicle collisions and property damage) Conducted multiple emergency training sessions and security lectures. Conducted various accident prevention activities.
	Occupational Safety and Health	Promoting occupational safety and health, and eliminating personal injury accidents	<ul style="list-style-type: none"> Eliminate personal injury accidents. 	<ul style="list-style-type: none"> (Lost time accidents) 2 cases, (near misses) 6 cases Conducted various accident prevention activities.
Product Safety and Quality Assurance	Improving quality	<ul style="list-style-type: none"> Operate a quality assurance system based on ISO 9001:2015. Investigate the causes of complaints. 	<ul style="list-style-type: none"> Supported Group company transitions to ISO 9001:2015. Improved the quality of Kureha household products. 	

Corporate Governance, Compliance and Risk Management

Kureha is committed to ensuring fair and highly transparent management according to our Corporate Governance Guidelines, through which Kureha pursues sustainable growth and improves the long-term growth of corporate value for the Kureha Group. In addition, Kureha is working to cultivate a compliance-focused corporate culture with a compliance program framework based on the Kureha Group Ethical Charter and its Compliance Rules.

Corporate Governance & Internal Control Systems

Supervisory and executive responsibilities are clearly distinguished to strengthen corporate governance and accelerate managerial decision-making and business execution.

The Board of Directors, which includes two outside directors whose duties are independent from those of inside directors, is limited to a maximum membership of ten directors and currently consists of five directors. The Board, presided over by the President & Chief Executive Officer, makes decisions on important management issues and supervises business execution. Auditing is performed by a team of three corporate auditors (including two outside corporate auditors).

To strengthen its internal control system, Kureha has established the Internal Control System Basic Policy along with committees and internal rules to ensure that it observes laws and regulations and conducts its business operations in an appropriate and fair manner. The Internal Control and Auditing Department acts independently of other departments and assesses the suitability and effectiveness of internal management control systems that include compliance and risk management.

Compliance with Japan's Corporate Governance Code

Japan's Corporate Governance Code is a compilation of various regulations aimed at ensuring substantive corporate governance at listed companies. It was formulated in March 2015 in response to revisions made to the Japanese government's growth strategy, the Japan Revitalization Strategy, in 2014.

Kureha considers thorough corporate governance to be of vital importance for strengthening the management base to achieve medium- to long-term corporate growth. In November 2015, the Company formulated its own Corporate Governance Guidelines to comply with the code.

Ethics and Compliance

Kureha ensures that all executives and employees follow laws, standards and social norms in every situation. The Kureha Group Ethical Charter represents how we should act to achieve that goal.

The Compliance Committee conducts various training programs to raise compliance awareness. The Internal Audit Department assesses internal issues, including those involving compliance.

We also have a hotline (whistleblowing system) with which employees can consult if they discover a compliance problem. Internal rules prohibit whistleblowers from being treated detrimentally.

Risk Management System

In response to various types of risk accompanying business activities, Kureha has established a risk management structure consisting of the Risk Management Committee, the CSR Committee, and the Information Management Committee. Each committee is tasked with recognizing related risks and proposing concrete measures to the President & Chief Executive Officer with the aim of reducing and avoiding risk.

In addition, to respond to unforeseen circumstances, the Business Continuity Plan is in place for the establishment of an emergency response task force, with the objective of giving the highest priority to the safety of personnel, minimizing economic damage, and ensuring the continuation of corporate activities.

In terms of information management, Kureha works rigorously to ensure appropriate security and disclosure based on its regulations for information control, security, and disclosure, with individual committees set up to oversee each of these areas.

Kureha Group Ethical Charter

In accordance with the following eight principles, Kureha commits to acting in a manner that is sympathetic to society and in compliance with the laws of Japan and the other countries in which it operates.

The company's top management recognizes that it is their role to realize the spirit of the Group Ethical Charter, and ensure its implementation. In the case of any violations, Kureha's management will attempt to resolve those problems, eradicate the cause, prevent recurrence, release relevant information to the public, and implement appropriate punishment wherever necessary without exception. All of Kureha's employees will proactively act in accordance with this Group Ethical Charter throughout their daily lives.

1. We develop and provide safe and socially valuable products and services to respond to the needs of society.
2. We work to protect the global environment and ensure the safety and health of the public.
3. We value extensive dialogue with society and will provide useful, accurate and timely corporate information.
4. We respect the local community and will actively contribute to its development.
5. We comply with rules of fair competition.
6. We maintain transparent and healthy relations within the political and governmental sphere.
7. We act as a responsible corporate citizen.
8. We work to create a corporate environment that promotes mutual respect and understanding.

Customers and Business Partners

We utilize a system for collecting and quickly making the most of information and complaints from customers of household products. With our business partners, we build equal relationships and require that they demonstrate a regard for the environment.

Customer Service

The complaints and opinions expressed by customers who regularly use Kureha products are retained and managed after being received by our customer service. Kureha values direct feedback from its customers, and has been using the Customer Feedback Flow System since fiscal 2013 to utilize this information to make better products.

We have maintained a database of more than 10,000 pieces of information that have been collected to date. Kureha departments work together and make effective use of this system in resolving and preventing problems, revising products, and developing new products.

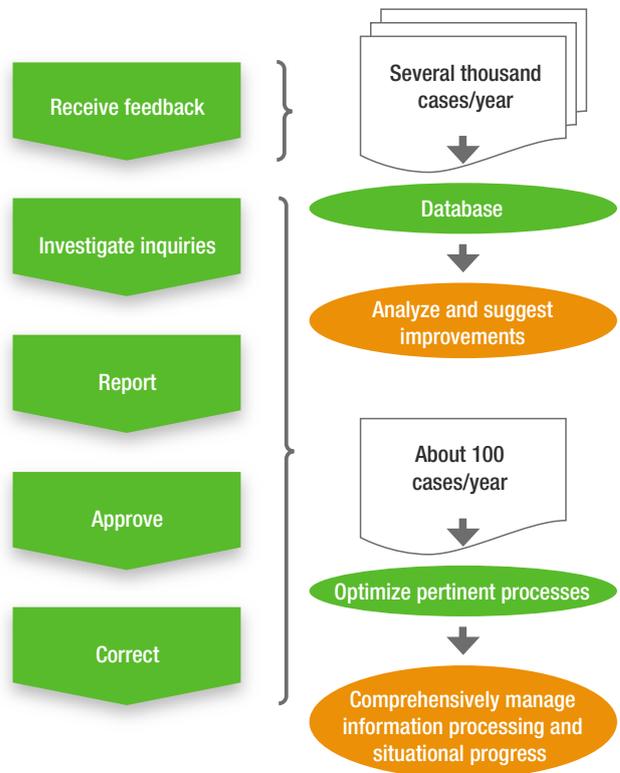
We have also operated a traceability system since 2008 for simultaneously tracking production lots and shipment receivers. When a quality problem occurs, we will take quick action and minimize damage.

CSR Procurement

Based on our CSR Procurement Guidelines, we aim to fulfill our social responsibility in the supply chain. For this purpose, we send check sheets to our suppliers in Japan to survey their degree of CSR fulfillment, and practice green procurement, which promotes the usage of environmentally friendly products and raw materials.

Conflict Minerals

Kureha views conflict minerals (e.g., gold, tantalum, tungsten, and tin) as an important issue concerning human rights. So, we have built a system for ensuring that these minerals and raw materials containing these minerals, are not used in our products.



Customers and Business Partners
Employees
Community

CSR Procurement Guidelines

1. **Human Rights and Labor**
 - Respect basic human rights
 - Do not engage in unfair discrimination with respect to employee compensation, benefits, hiring, etc.
2. **Occupational Health and Safety**
 - Identify dangerous/hazardous factors and take appropriate measures
 - Formulate emergency response measures and familiarize employees with them
3. **Environment**
 - Try to use raw materials and parts that have minimal environmental impact
 - Properly manage specified chemical substances
 - Properly dispose of industrial waste
4. **Fair Trade**
 - Do not engage in the improper giving or receiving of benefits
 - Do not abuse positions of authority to disadvantage others
 - Provide accurate information about Kureha's products, services, and business methods
 - Observe laws, social norms, and company regulations applicable to our business activities
5. **Product Quality and Safety**
 - Build and utilize a quality management system
6. **Information Security**
 - Properly manage confidential and personal data
7. **Contribution to Society**
 - Engage in activities that contribute to the development of the international community and local communities

Employees

Under the belief that employees are at the core of stable business, we have put together several educational and support systems.

Human Resource Development

Through on-the-job (OJT) and systematic off-the-job training programs, we provide every one of our employees with the opportunity for acquiring a sense of growth and working ambitiously.

Considering OJT as fundamental to human resource development, we train older employees to be good advisors for younger ones through mentor seminars, while we allow younger employees to arrange their educational plan by themselves, too.

At the same time, we concentrate on developing technically-proficient personnel to keep growing as a technology-oriented company.

In fiscal 2017 we started Practical Skills Training (PST), which lets new laboratory and production department employees exchange workplaces for one year. The program seeks to create employees capable of independent thinking and doing their job while considering a variety of factors. We are also planning the launch of a program to help employees obtain PhDs.



Mentor training

Developing Global Staff

With an eye to growing our business in the global market, we offer proficiency level-based language training in English and Chinese and overseas study programs.

In fiscal 2016 we started a program that lets production personnel work at an overseas production facility for a short period (1-2 weeks).

In-House Thesis Review

We have a program for in-house thesis reviews for younger employees. The program originally involved researchers and engineers but was expanded to all departments in fiscal 2016. In fiscal 2017, 136 employees submitted theses, with 27 of them receiving an award.



Award winners in sales and back-office departments

Work-Life Balance

Japan has been trying to achieve reforms leading to working styles and labor practices that satisfy the needs of working people. Keeping in line with this, we are building workplaces that allow for a good balance with managing a family, raising children, providing nursing care, or other commitments outside of work.

In fiscal 2017 we increased the number of worksites using a flextime attendance system and implemented an hourly paid leave program. We also put up posters at worksites to better educate employees on good work-life balance.



Awareness Raising Poster

Paid Holidays Taken and Overtime Hours

	FY2015	FY2016	FY2017
Percentage of Paid Holidays Taken (%)	73.4	76.3	77.2
Average Monthly Overtime Hours (h)	15.1	14.0	11.9

Health Care

We have been focusing on better employee health and promoting several activities.

Along with regular health checkups, employees receive advice about health and lifestyle measures against metabolic syndrome, if needed, from public health nurses. In addition, we hosted walking events and exercise classes inviting a coach from outside several times in fiscal 2017.



Exercise class

We are also turning our eyes to mental health. For example, we regularly conduct stress check tests to prevent mental problems among employees, provide mental health seminars and offer internal consulting services with doctors. In addition, for employees on leave for mental health issues, it is easy for them to return to work.



Mental health seminar

Seeking to achieve a harmonious coexistence with communities, we are engaged in various efforts like dialogue meetings, cultural communications, supporting education and charities.

Risk Communication

■ CSR Local Dialogue Meeting

Kureha has conducted CSR Local Dialogue Meetings in the Iwaki region once a year since 2003. With these meetings, we aim to gain the trust of the community by informing them about our efforts to promote safety in the Kureha Group's business activities and better mutual understanding.

The 15th meeting was held in fiscal 2017 and was attended by 140 people, among whom were local residents, members of nearby companies and local government.



The 15th CSR Local Dialogue Meeting

■ Emergency Support

In fiscal 2017 we signed cooperation agreements with local governments (Fukushima Prefecture and Omitama City) wherein we pledge to supply our products for recovery efforts in the event of a disaster.



Agreement with Fukushima Prefectural Government

Educational Support

Kureha conducts science classes and plant tours for groups of elementary school students in the city of Iwaki. These opportunities teach children the fun of science while opening their eyes to future career possibilities.

For middle school and high school students, we offer internships that provide the experience of doing a job. These students learn about the hardships of "Monozukuri" and the differences between a school and a company.



Science class

Cultural Communication

■ All Kureha Sports Festival

We conduct All Kureha Sports Festival every year as a means to promote amity between Company employees and community residents. About 2,500 people joined the festival in fiscal 2017, the 16th such event.



■ Kasumigaura Clean Walking

In the Ibaraki region, we conducted two walking and cleanup events on the shore of Lake Kasumigaura. More than 100 people participated each time in fiscal 2017.



Charities

■ Tree-Planting

At an event organized by the AEON Environmental Foundation, 116 volunteers planted trees to replenish forests washed away by the Great East Japan Earthquake on the coast of Iwaki.



■ Pink Ribbon Campaign

Kureha is a supporter of the "Pink Ribbon," a global enlightenment movement for the elimination of breast cancer. Since 2009 we have donated a portion of the proceeds from home goods sales to this cause through a related foundation in Japan.

In fiscal 2017 we co-sponsored the "Smile Walk" walkathon in several cities.



Smile Walk 2017

An Overview of Responsible Care and Activities

As a company in the business of handling chemical substances, the Kureha Group makes voluntary efforts to preserve the environment and protect personal safety and health in all business processes, from product development to product manufacturing, distribution, usage, final consumption, disposal, and recycling. We refer to these efforts as Responsible Care (RC) activities, which we are always making better through continued reviews and improvements.

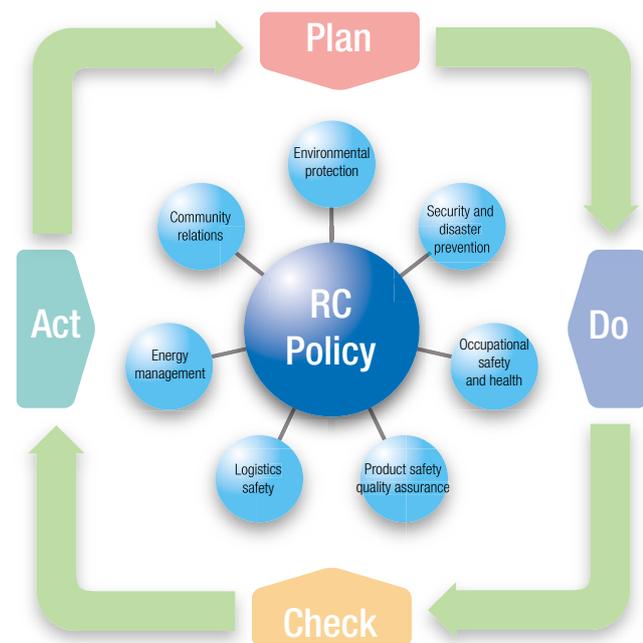
RC Management System

We make continuous efforts to improve our RC management by using an environmental management system (ISO 14001), quality management system (ISO 9001), and occupational health and safety management system (OHSAS 18001), and carrying out the PDCA cycle.

And through the Kureha Group RC Council, we share and discuss RC activity plans, results, and issues at Group companies and make constant efforts to improve these activities. The Council consists of working groups focused on environmental preservation, security and disaster prevention, occupational safety and health, product safety, quality assurance, logistics safety, energy management, and community outreach. Members of each group discuss the specialized topics of their field.

Management System Certification Dates

Factory	ISO 14001	ISO 9001	OHSAS 18001
Iwaki Factory	May 2001	Feb. 1996	Jun. 2004
Plastics Processing Factories	Nov. 2001	Feb. 1996	Feb. 2006



Declaration of Responsible Care Implementation

Kureha Corporation and the companies of the Kureha Group believe that preservation of the global environment and ensuring the safety and health of people are core elements of business operations. Recognizing these as our corporate social responsibility, we declare a commitment to implement Responsible Care. Kureha and the companies of the Kureha Group shall formulate and put into practice a plan of implementation under the following Responsible Care Policy.

This policy shall be applied in common to Kureha and the companies of the Kureha Group.

Kureha Corporation

Responsible Care Policy

● Compliance with international regulations and laws

We shall comply with international regulations and domestic laws with respect to safety and disaster prevention, occupational safety and health, product safety, and preservation of the global environment, including the environment for community life, and shall participate actively in Responsible Care activities promoted by the Japan Chemical Industry Association.

● Earth-friendly, safe operations

We shall take special care to preserve the global environment in our business activities, protect the safety and health of employees and the public in our operations, and make efforts to prevent accidents, disasters, and pollution.

● Providing safe products to society

We shall quickly and accurately ascertain society's demands, making use of them in product design and manufacture, and shall provide products and services that customers can trust and use with peace of mind.

We shall also provide society with products and services that are safe, reliable, and environmentally friendly throughout the entire lifecycle, from product research and development through production and marketing to disposal.

● Managing and putting to use environmental and safety information

We shall centrally manage appropriate information on the correct handling and disposal methods for our products as well as the environment, safety, and disaster prevention and shall provide such information to consumers, users, companies involved in product delivery, and others.

● Building better relationships with society

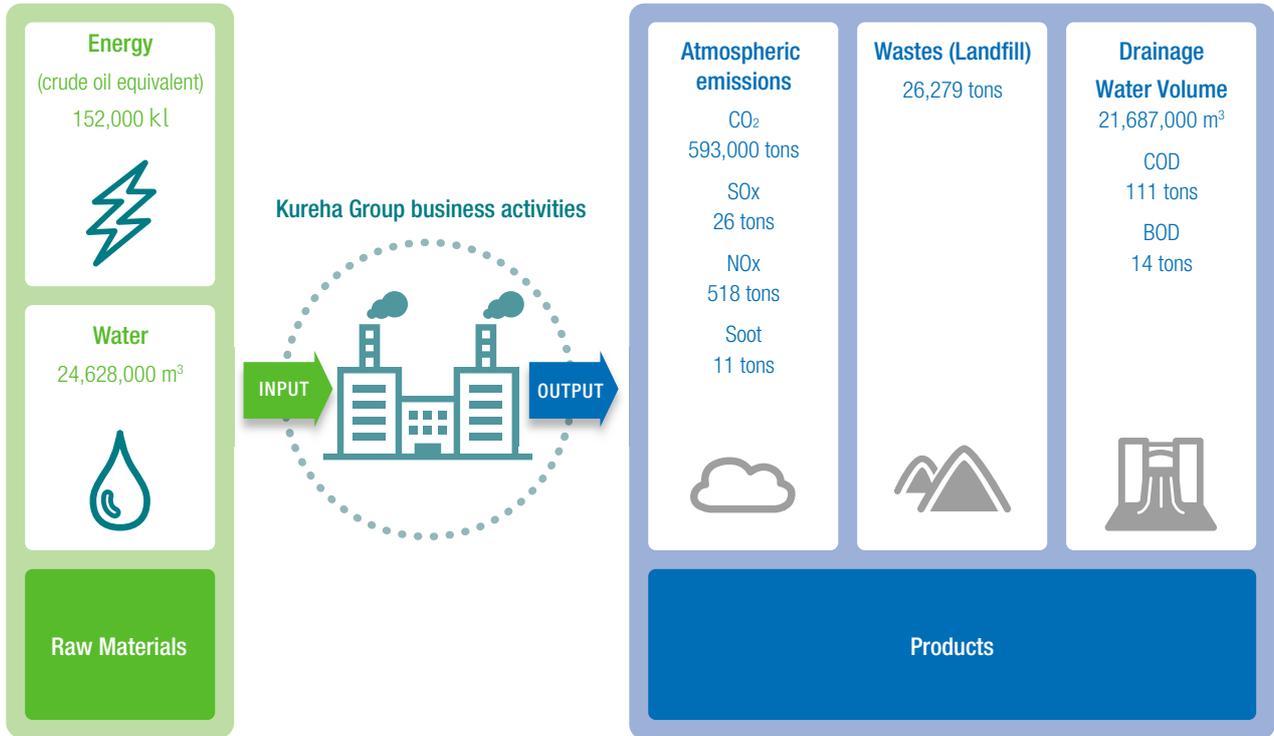
We shall practice proper public relations through the provision of environmental and safety information, bearing in mind the concerns of administrative authorities and the public. We shall also participate actively as a citizen in the activities of civil society and strive to maintain and build better relationships with society.

Environmental Protection

In the interest of preserving the global environment, Kureha Group works hard to make effective use of resources, cut down on waste, and properly manage chemical substances emitted into the environment. We also make the results of these endeavors public.

Overview of Environmental Impact

■ Overview of the Kureha Group's Environmental Impact (FY2017)



CO₂ Emissions throughout the Supply Chain

Managing greenhouse gas emissions from business activities is important and requests are rising to disclose how we manage our emissions.

These emissions consist of (1) direct emissions from our company resulting from the use of fuel, electricity, etc. (Scope 1); (2) indirect emissions resulting from the use of electricity, heat, steam, or other energy purchased from utilities (Scope 2); and (3) indirect emissions that are outside of Scope 2 and that originate in our supply chain from operations ranging from raw material sourcing to waste disposal (Scope 3).

Beginning in fiscal 2017, our emissions reports now include Scope 3 emissions.

■ FY2017 CO₂ Emissions and Scope Breakdown (Kureha)

(Unit: 1,000 t CO₂)

Scope	Emission
Scope 1	363
Scope 2	34
Scope 3	7

* Scope 3 emissions represent the total volume for Category 4 (transport, delivery (upstream)), 6 (business travel), 7 (employee commuting), and 9 (transport, delivery (downstream)) emissions

Prevention of Global Warming

To address climate change, Kureha is working to rationalize energy usage and thereby reduce greenhouse gas emissions. Our goal is to reduce BAU¹ CO₂ emissions by at least 10% by fiscal 2020 compared with fiscal 2005.

In fiscal 2017, with the help of an outside consultant, we upgraded to energy-saving equipment and re-examined equipment capacity, among other measures. We also switched to using a different fuel and applied heat resistant coating to outer walls. Despite efforts such as these, CO₂ emissions increased 2.4% (BAU CO₂ emissions dropped 17.5% compared with fiscal 2005).

In line with Japan's policy on the proliferation of renewable energy, we generated 300 MWh of electricity in fiscal 2017 using a solar power system installed on our Iwaki Factory premises in fiscal 2015.

*1 BAU (Business As Usual): Forecast assuming no special measures are taken

Prevention of Air and Water Pollution

During fiscal 2017, the emission of air pollutants at Iwaki Factory, such as SO_x and NO_x, and indexes of water pollution, such as COD and BOD², were kept under a level set voluntarily by Kureha and agreed upon by local authorities. This was made possible by continuously improving facilities and realizing stable operation of our manufacturing plants.

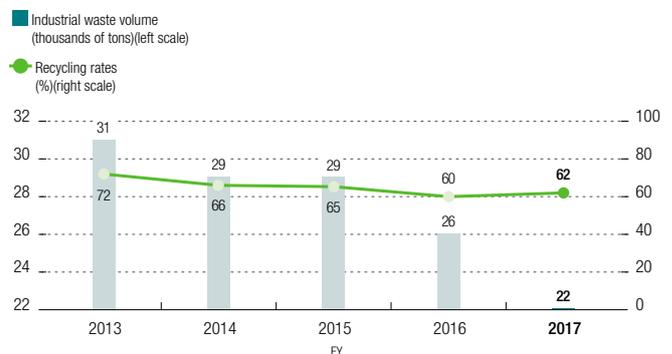
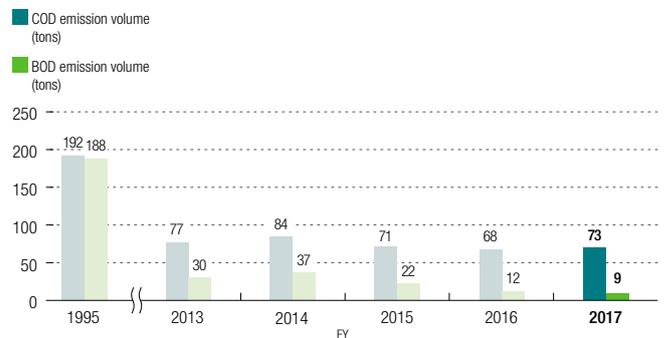
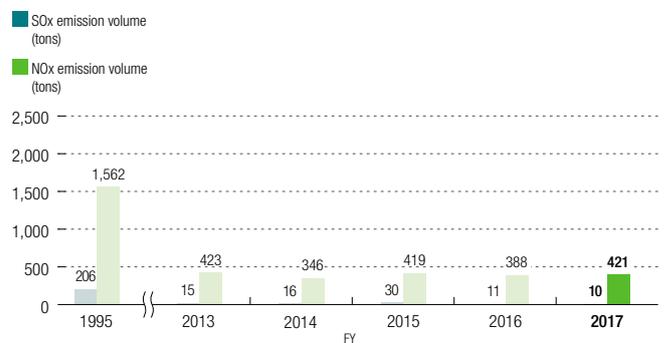
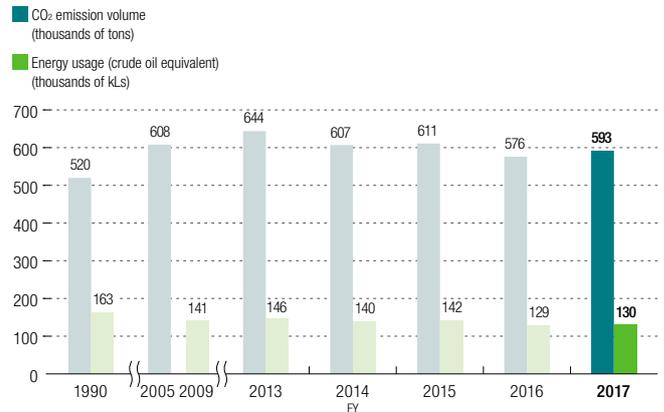
*2 COD: Chemical Oxygen Demand
BOD: Biological Oxygen Demand

In the graph, we define the values as not the concentration but total volume tons, that is, concentration is multiplied by water emission volume.

Reduction of Industrial Waste Emissions

The Iwaki Factory is working to curb the amount of waste generated through continuous efforts at stable plant operation. In fiscal 2017 it successfully reduced the waste volume to 19,592 tons. The waste that is generated through boiler operation (cinders and collected dust) is recycled into cement or other raw materials by waste recycling companies.

One difficulty faced by our plastics processing factories is the recycling of polyvinylidene chloride, which accounts for more than half of all waste generated. As most of this waste currently goes to landfills, all relevant business sites are working to increase product yield. We are also continuing to develop products that recycle manufacturing wastes. For other industrial waste, we achieved a recycling rate of about 95% as a result of sorted waste collection and recycling efforts inside and outside the company.



Disaster Prevention and Occupational Safety and Health

As our business involves handling hazardous materials, disaster prevention and occupational safety are our greatest responsibilities. As such, we are committed to careful equipment and operational management. Moreover, in order to completely eliminate work-related accidents and earn the further trust of communities, we are continuously conducting training for emergencies, performing worksite patrols, and identifying risks.

Disaster Prevention

In addition to planned disaster prevention training conducted within each department, training for major disasters and accidents is also conducted for employees of all factories. Nearly 1,450 people took part in training at the Iwaki Factory in fiscal 2017, together with a regional fire department and group companies. The training incorporated lessons learned from the Great East Japan Earthquake and simulated a great earthquake so that employees will keep disaster prevention in mind.

Plastics processing factories conducted safety inspections and emergency training, along with fire extinguishing simulations that assumed fire outbreaks.

Occupational Safety and Health

With the goal of eliminating all accidents resulting in leave from work for one or more days, in fiscal 2017 we made a number of efforts to encourage safer behavior and improve safety awareness. These included identifying and predicting risks, enhancing training, and enforcing pointing and calling practices. Unfortunately, two Class 2 personal injury accidents occurred at the Iwaki Factory, along with five cases without lost workdays. At Group companies, there were one Class 3, two Class 2, and one Class 1 personal injury accidents.

The Class 1 accident was a fatal accident that occurred at Group company Kureha Ecology Management Co., Ltd. in 2018. A worker who did not know there was an opening for repair work fell through the opening and lost his life. To prevent such an accident from recurring, the company made an exhaustive list of all openings present in the platform in question, evaluated those risks, and shared the information with all employees.

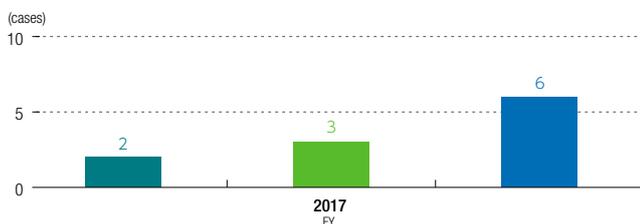
In addition, the company put up signage around openings, and took systemic measures such as erecting protective fencing. The company's management now also checks the steps involved in jobs that will use those openings and is sharing this information with all parties involved. Such jobs are now also being done by multiple workers. It is also considering how to get rid of facilities that have openings in their platforms.

To prevent tragic accidents like this from happening, group companies will be working to raise their safety level by reviewing their safety and disaster prevention activities.

* Class 1 - Serious personal injury accidents, including death
 Class 2 - Personal injury accidents that result in leave from work for four days or longer
 Class 3 - Personal injury accidents that result in leave from work for one to three days

Lost Time Accidents

- KUREHA
- Group Companies in Japan
- Overseas Group Companies



General disaster prevention training



Safety inspections and emergency training

Occupational Safety and Health Awareness Programs

The Iwaki Factory holds safety conferences every year, and at the 2017 conference it conducted an awards ceremony for people demonstrating excellence in safety and health initiatives within the company. It also held a talk on risk assessment. In addition, the factory chose certain themes from among health-related issues being experienced and invited outside lecturers to give talks on the themes.

Our plastics processing factories have had outside speakers give talks on mental health care, heatstroke, and improving one's diet.

Including the display of notices tailored to the season, these facilities will continue to conduct various awareness programs aimed at keeping workers healthy, both in body and mind.

Product Safety and Quality Assurance

Kureha is continuously focusing on proper quality control and enhancing product quality by improving how it uses its quality management system. The company is working to build a rigorous product inspection structure in order to stay compliant with national and international laws and regulations and to provide customers with safe and reliable products.

Quality Policy

Kureha's quality policy and key themes for fiscal 2017 are described below.

Kureha's Quality Policy

1. We will strive to improve the quality of our products and services in order to further satisfy the customer.
2. We will work to provide customers with safe products that they can feel good about using.
3. We will focus on safety and disaster prevention while endeavoring to achieve stable product supply.

Key Themes

1. Accurately ascertain customers' needs and improve quality by more effectively utilizing our quality management system.
2. Earn customers' trust by practicing proper quality management that includes contractors and minimizing quality complaints.
3. Identify product safety risks and prevent accidents involving product safety.
4. Reduce costs and ensure product quality through business reform projects, ongoing KAIZEN activities, and Total Productive Maintenance (TPM) efforts.

Every department sets specific quality targets every year based on this policy and keeps track of progress made.

Initiatives for Assuring Reliability in Product Quality

Recent years have seen a spate of cases reported that involve the falsification of compliance-related product testing results. The same thing happening in the Kureha Group would likely cause immense damage to the entire Group's corporate value. To prevent this, we conducted an investigation of test reports and commercial data for all products handled by the Kureha Group, including affiliated companies in Japan and abroad. The results of this investigation confirmed the reliability of our product quality.

To maintain this reliability, it is important to educate employees. We are regularly educating employees on keeping in compliance and are working to ensure employees understand the importance of, and practice, compliance. We will also continue to conduct quality assurance and quality management workshops as a means to maintain and improve product quality.

Management of Chemical Substances

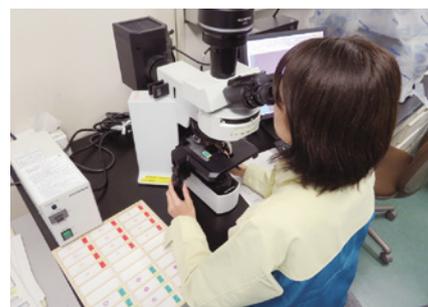
Kureha adheres to both domestic and foreign chemical substance regulations, properly collects information about the dangerous and hazardous properties of these substances, and handles these substances with care after evaluating their risk on human health and the environment. We also disseminate this information internally and externally, as needed.

At Earth Summit 2002 in Johannesburg, a 2020 target was set to minimize the adverse impacts that the production and usage of chemical substances have on people's health and the environment. Kureha meticulously registers products exported to other countries and conforms to the international standards and the regulations of that country when products are exported. In addition, we have implemented an environmental management system (ISO 14001), quality management system (ISO 9001), and occupational health and safety management system (OHSAS 18001), and are carrying out the PDCA cycle as we work to raise the level of our chemical substance management.

Safety Evaluations

Kureha's Safety Research Center gathers up-to-date information on and conducts proper evaluations of regulations, tests, and assessment methods concerning the many chemical substances used in the materials and products we develop and how these can harm human health and the environment.

Kureha's R&D, manufacturing, and sales departments will continue coordinating on efforts to develop even safer products.



Toxicologic pathology evaluation

Overseas Group Companies

Kureha's group companies are conducting CSR activities tailored to the characteristics of the regions of each of their business sites in order to foster trusting relations with local communities.

KREHALON B.V.

We carry out CSR activities with an emphasis on mitigating our environmental impact.



Takashi Uchiyama
President

Head Office Location:

Londenstraat 10, 7418 EE Deventer, The Netherlands

Website:

<http://www.krehalon.nl/>

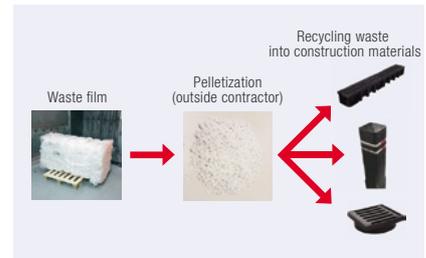
Business Outline:

Manufacturing food packaging products

As part of these activities, we are working to reduce CO₂ emissions in line with a policy issued by the government of the Netherlands. By reducing energy used in our factories, promoting waste plastic recycling, and using green energy, our target is to achieve a 20% reduction in emissions by 2020 compared to 2016.

In fiscal 2017 we deployed heat exchangers at our factories and have been recycling our hot water heat, which has allowed us to reduce energy consumption and achieve a 6% reduction in CO₂ emissions. We have achieved a further 5% reduction by having an outside recycling company reuse as waste materials the waste film generated by our factories.

We will continue working to achieve our goals through efforts such as these.



Kureha (Shanghai) Carbon Fiber Materials Co., Ltd.

We will continue to pursue ever better clean production technologies.



Yo Otani
Managing Director

Head Office Location:

No.1585 Xing Rong Road, Jiading, Shanghai, China

Website:

<http://www.kureha.sh/>

Business Outline:

Production & sales of thermal insulation made from carbon fibers

Guided by Kureha's CSR Basic Policy, we carry out quality- and environment-related activities based on ISO 9001 and ISO 14001, hold monthly safety committee meetings, and have executive officers conduct safety patrols as part of our safety activities.

Every employee takes firefighting training once a year where they work with local firefighting departments and acquire practical skills through firefighting and rescue training.

In 2017 we underwent renewal audits in accordance with the Law of the People's Republic of China on Promotion of Cleaner Production and for level 2 of China's safe production standards, and received certification in May 2018.

Efforts are currently being made in China towards the environment, safety, and saving energy. We will continue to build systems for instilling the importance of CSR activities in employees and enabling them to do their work proactively.



Firefighting training led by local firefighting departments

Kureha Vietnam Co., Ltd.

All hands are on deck in a variety of initiatives aimed at building a "prosperous Kureha Vietnam" where work brings satisfaction.



Yoshihisa Machida
President

Head Office Location:

Plot 227/3, Road 13, Amata I.p., Long Binh Ward, Bien Hoa City, Dong Nai Province Vietnam

Business Outline:

Production & sales of food packaging films

Our company acts in line with the companywide goal and standard of behavior that is represented by Towards a Prosperous Kureha Vietnam.

Evacuation and emergency training was conducted three times in fiscal 2017. At one of these sessions, in order to improve employees' disaster prevention awareness, trainees received instruction from firefighting personnel from the Dong Nai Province Fire Department, engaged in firefighting training, and were taught about related laws.

As for quality efforts, we are working to improve our products and services by acquiring BRC Food Safety Certification (an international food safety standard launched by the British Retail Consortium) and CR Certification (a quality standard required for products sold in Vietnam).

We also conducted several philanthropic activities for the community. In addition to presenting middle school and high school students in Dong Nai Province with scholarships, we participated in tree planting activities and a blood donation program put on by a local industrial park.



Scholarship presentation ceremony



For inquiries about the Kureha CSR Report:

KUREHA CORPORATION

CSR Department

3-3-2 Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552, Japan

TEL: +81-3-3249-4730 FAX: +81-3-3249-4709

<http://www.kureha.co.jp/>