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Printed in Japan

KUREHA CSR Report 2019



KUREHA CORPORATION

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About This Report

To All Readers of the Kureha CSR Report 2019

The Kureha CSR Report 2019 was prepared for the purpose of reporting the Kureha Group's Corporate Social Responsibility (CSR) initiatives and activities during fiscal 2018. This English report is composed of information selected from the Kureha CSR Report 2019 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 11 subsidiaries

- Kureha Corporation
- Kureha Extron 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.
- 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 2018 to March 2019). However, some sections of this report may refer to the calendar year (from January 2018 to December 2018) or activities after April 1, 2019.

Reporting Guidelines

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

Date of Publication

October 2019



Message from the President

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



To date, the Kureha Group has grown up alongside society, creating specialty chemical products useful in people's lives and the environment based on the innovative technical capabilities it has been developing since its establishment.

Nowadays, society requires companies to utilize their strengths and provide solutions to a variety of social problems ranging from global warming to SDGs. Our business environment poses numerous difficult challenges in the form of global economic change, responding to environmental problems, and rapid technological innovation. Kureha's goal is to overcome these challenges to develop and provide differentiated products by responding to these changes with speed and precision, making society more sustainable and achieving corporate growth in the process.

Two years stretched Mid-Term Management Plan

Toward this end, in fiscal 2016 we launched our three-year mid-term management plan, entitled Kureha's Challenge 2018. Fiscal 2018 was the plan's final year.

In the first year of the plan, fiscal 2016, we fell considerably short of our goals, weathering numerous setbacks from the outset. However, fiscal 2018 saw marked growth in priority products due to the strong sense of commitment shown by all Kureha Group employees and to the efforts they made.

Yet many challenges still remain. Among the key measures set forth in the mid-term management plan, profitability remains elusive for the PGA business, and we are not yet in a position to announce new businesses. We are also still on the way to reinforcing our business base.

In light of these circumstances, I have decided to extend the mid-term management plan for another two years. The stretched mid-term management plan will conclude in fiscal 2020. The plan lays out the following management goals: (1) expand the PGA business and generate earnings, (2) strengthen the PVDF business for further expansion, (3) optimize the business models for existing businesses, (4) explore and develop new businesses in Japan and overseas, and (5) strengthen management foundations. The overall goal will be to promptly address issues remaining from the original mid-term management plan and solidify the foundation for future expansion.

Promoting CSR Management

I feel that the Kureha Group's stakeholders have come to value the Group's contribution to society in terms of not only our business performance but also the base that supports such performance and the value of the company's existence.

Through its businesses, the Kureha Group is tirelessly working to solve the social problems we all face in areas such as the environment, energy, and daily life. We will continue giving back to society by leveraging the strengths of the Group and providing products and services that benefit society.

At the same time, as a company whose business involves mainly the manufacture and sale of chemical products, we have an obligation to show regard for people and the environment across our entire supply chain. We must also be fully aware of the weight of that obligation in our community outreach efforts.

In response to the growing emphasis being placed on addressing ESG (environmental, social, and governance) issues, we will be advancing our CSR management throughout the entire Kureha Group.

Lastly, it will be the efforts of all Kureha Group employees that will undergird these initiatives and bring to them to fruition. 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.

This year, I will again seek to follow our slogan of Passion, Speed, and Commitment, and lead all Kureha Group employees forward. While effecting a change of mindset among our employees and reforming our corporate culture, my mission—even in these tumultuous times—will be to enhance our presence as a technology-oriented company, create new value, and become a high value-added company that continually contributes to society. I look forward to your continued understanding and support.

October 2019

Yutaka Kobayashi

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, 2019)

Head Office KUREHA CORPORATION
3-3-2 Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552

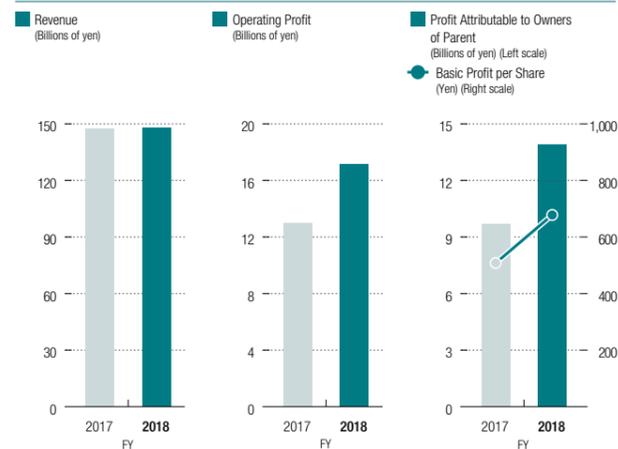
President and CEO Yutaka Kobayashi
Incorporated June 21, 1944
Capital ¥18,169 million
Net Sales ¥148,265 million (FY2018)
Primary Businesses Manufacture and sale of advanced materials, specialty chemicals, and specialty plastics

Number of Employees 4,299 (consolidated)
1,808 (non-consolidated)
URL <https://www.kureha.co.jp/>

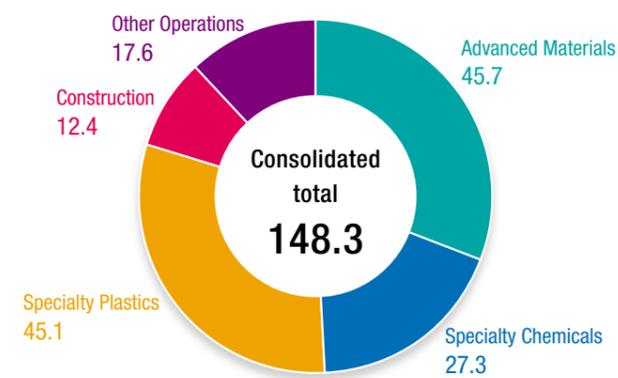
Group Companies (as of March 31, 2019)

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

Financial Information (Consolidated)



Revenue by Segment (FY2018)



Unit: Billions of yen

Mid-Term Management Plan From Kureha's Challenge 2018 to Kureha's Challenge 2020

In fiscal 2016 we launched Kureha's Challenge 2018, a three-year mid-term management plan to lay the foundation for Kureha's future growth. Over the next two years, Kureha will reinforce this strategic direction under the extended management plan, renamed Kureha's Challenge 2020 (FY2019–2020).

Review of Kureha's Challenge 2018 (KC2018)

In fiscal 2018 we met our consolidated operating profit target of ¥17.2 billion. However, we are still on the way to certain management goals we had established, such as expanding the PGA business, exploring new businesses, and strengthening management foundations.

Positioning of Kureha's Challenge 2020 (KC2020)

The new plan carries over the vision set out in KC2018. Kureha will, in accordance with its corporate philosophy, seek to grow as a company built on technology, develop differentiated products in the specialty chemicals field, and become a high value-added company that continually contributes to society.

By completing the management goals left over from KC2018, Kureha will pursue business restructuring that shifts the pillar for earnings from pharmaceuticals and agrochemicals to advanced materials. At the same time, we recognize the need to adapt to changes in the business environment and address new issues from a long-term perspective, including the advancement of digitization in society, marine pollution caused by plastic wastes, and countering global warming.

Kureha is positioning the next two years as a "period to solidify the foundation for future expansion," and will steadily achieve the management goals and quantitative targets in KC2020, realizing sustainable growth and greater enterprise value.

Management Goals in KC2020

- Expand the PGA business and generate earnings
- Strengthen the PVDF business for further expansion
- Optimize the business models for existing businesses
- Explore and develop new businesses in Japan and overseas
- Strengthen management foundations

Quantitative Targets (Billions of yen, except where stated)

	FY2018 (Result)	FY2020 (Plan)
Revenue	148.3	157.0
Operating profit	17.2	18.0
Profit (loss) attributable to owners of Kureha	13.9	14.0
ROE (%)	9.0	8.0

(Presumptions) Forex: ¥110/\$, ¥125/€, ¥16.5/yuan; Crude oil: \$70/bbl

Products and Services of The 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 Chemicals

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

Main products

- Agrochemicals
- Pharmaceuticals
- Industrial chemicals



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



Construction and Other Operations

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

Main services

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



The Kureha Group 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'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.

Kureha's Strategies

Reaching the management goals laid out in Kureha's Challenge 2018 is still a work in progress. Through Kureha's Challenge 2020, a two-year extension of the previous mid-term management plan, we will complete the multiple unachieved management goals and definitely meet quantitative targets while achieving sustainable growth and improving corporate value.

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.

The 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 a sustainable society. In accordance with our Corporate Philosophy and 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

For sustainable growth, we must constantly and appropriately respond to various changes in today's globalized society. To keep up with such 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, mainly dedicated to the chemical industry, operates its businesses with a special focus on Responsible Care Activities, community outreach and human resource development. We will continue to further develop CSR activities in order to remain trusted and valued by society.

CSR Activities

Increasing efforts are being made to visualize global social issues, such as through SDGs, and companies are expected to make greater contributions to the solution. Many companies are now making active efforts to formulate medium- to long-term strategies to address social issues. Meanwhile, there has been no end to corporate misconduct where organizations have failed to uphold their basic responsibilities as companies.

The Kureha Group believes it has an obligation to continually improve its governance and enforce compliance, and to take committed steps with group companies to uphold basic responsibilities in the course of conducting its corporate activities. With this policy at the base, we aim to address new social issues and contribute to social progress by leveraging our technical capabilities and corporate expertise in our areas of strength.

This is why we have set and are working on, the following as key CSR activity areas during the period of Kureha's Challenge 2020.

(1) Key areas of basic responsibility in our corporate activities Environment:

Adopt a medium- to long-term perspective toward addressing global issues such as climate change and resource recycling.

Safety & Quality:

Ramp up coordination and raise standards throughout the Group.

Community Outreach:

Work with an awareness that our businesses are supported by communities and continue earning their trust.

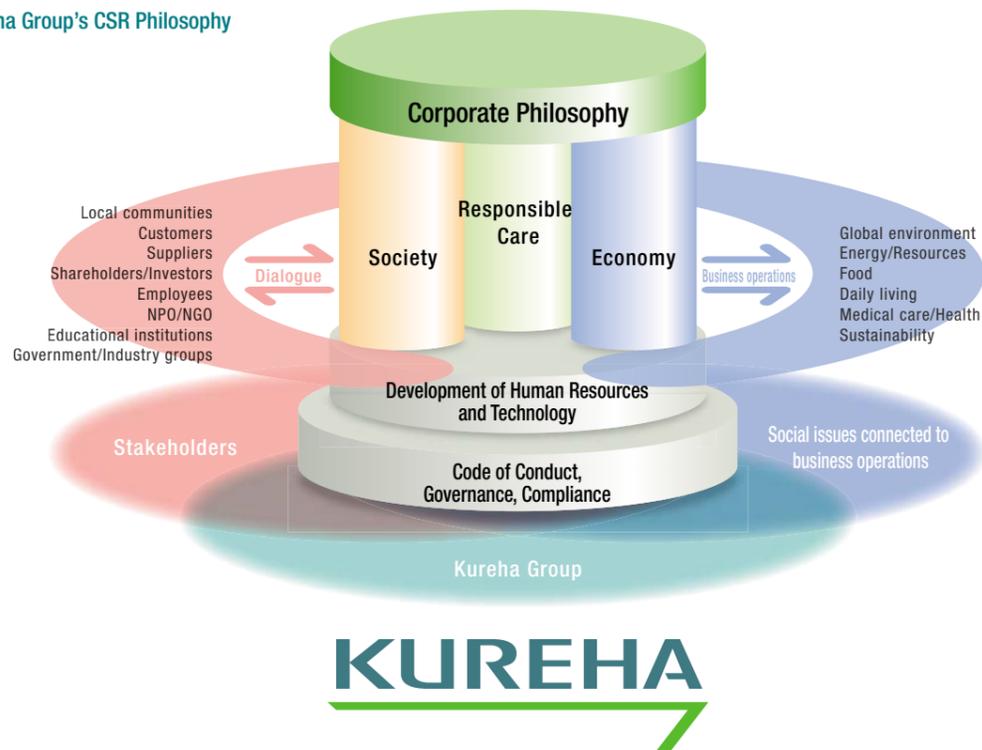
(2) Key areas of contribution to sustainable social progress

Through the research and development of high-performance materials, we create products and services that help solve social issues and contribute to social progress in three business areas: environment, energy, and quality of life.

(3) Key areas supporting our CSR activities

We believe that human capital and technologies are important foundations for achieving growth throughout the Kureha Group and making us excellent.

Kureha Group's CSR Philosophy



Kureha's CSR Material Issues

FY2018 Summary Table

Area	Material Issues	Goals	FY2018 Performance
Company's foundation	Governance	Strengthening governance	<ul style="list-style-type: none"> Ensure effective governance and improve internal control under Corporate Governance Guidelines. Reviewed the Basic Policy on Internal Control and the effectiveness of the Board of Directors.
	Risk Management	Improving the Business Continuity Plan (BCP)	<ul style="list-style-type: none"> Establish a risk management framework to minimize unexpected damage. Conducted training in, and reeducated employees about the safety confirmation system. Informed group companies about risk management, including BCPs.
	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. Information security accidents: Zero cases Provided e-learning in information security for all employees. Established and implemented the Unified Kureha Group Security Policy.
	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. Provided e-learning for all employees. Conducted various compliance training sessions at each group company.
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. Held meetings with 166 institutional investors. Engaged in dialogue with investors according to their fields of interest.
	Customers	Improving customer support	<ul style="list-style-type: none"> Continually improve our customer service process to increase customer satisfaction. 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. Provided e-learning for all employees. Provided compliance training for all new employees and all new managers.
		Developing human resources	<ul style="list-style-type: none"> Be motivated for challenges. Nurtured international human resources, conducted thesis reviews, and held stratified training. Conducted several training sessions and seminars via voluntary enrollment. Implemented PST for engineering personnel and provided support for acquiring Ph.Ds.
		Achieving a good work-life balance	<ul style="list-style-type: none"> Work with a healthy work-life balance. Conducted Work-Care Balance Support Seminars and distributed original handbooks. Launched a system for efficiently tracking overtime and paid leave.
		Maintaining mental and physical health	<ul style="list-style-type: none"> Stay healthy and bring good energy to the workplace. 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). Communication <ul style="list-style-type: none"> Engaged in CSR dialogue and advanced cooperation with local communities. Culture and sports exchange <ul style="list-style-type: none"> Participated in or held multiple community events. Development of the next generation of personnel <ul style="list-style-type: none"> Conducted visiting lectures, factory tours, and internships. Environmental preservation, etc. <ul style="list-style-type: none"> Conducted community cleanup activities.
Overall RC Management	Conducting RC activities	<ul style="list-style-type: none"> Promote continuous improvement. Improved occupational safety and health in each department using management systems. Improved RC activities by sharing information among group companies at the Kureha Group RC Council meetings. 	
Responsible Care	Environmental Protection	Taking global warming measures	<ul style="list-style-type: none"> Curb greenhouse gas emissions and rationalize energy consumption. Energy consumption per unit of production: down 9.0% YoY Improved equipment and conducted various energy-saving activities.
		Preventing air pollution	<ul style="list-style-type: none"> Monitor and reduce air pollutants. 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. 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. Equipment accidents: Zero cases, near misses: 27 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. Lost-time accidents: 4 cases, non-lost-time accidents: 13 cases Conducted on-site safety monitoring at group companies. 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. Supported group companies' transition to ISO 9001:2015. Held QMS workshops and communicated the importance of quality assurance. Improved the quality of Kureha household products. 	

Corporate Governance, Compliance and Risk Management

Kureha is committed to fair and highly transparent management in accordance with Corporate Governance Guidelines, through which Kureha pursues 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 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).

The effectiveness of the Board is reviewed and disclosed every year. In fiscal 2018, (1) composition of members, (2) operation, (3) agenda, (4) support system for outside directors, and (5) relationship with stakeholders were deliberated on, and no problems were identified.

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. When the code went into effect in 2015, we set our own guideline in conformance to the code and have since been following it. Due to the revision of the code in fiscal 2018, we modified our guideline and reported the results of governance reviews to the authorities.

Risk Management System

In response to various types of risk accompanying business activities, we have 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, we work rigorously to ensure appropriate security and disclosure based on our regulations for information control, security, and disclosure, with individual committees set up to oversee each of these areas.

Ethics and Compliance

We ensure 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) employees can use if they discover a compliance problem. Internal rules prohibit whistleblowers from being treated detrimentally.

Hotline (whistleblowing system)

	FY2016	FY2017	FY2018
The number of reports *	6	4	5

* Includes domestic group companies

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

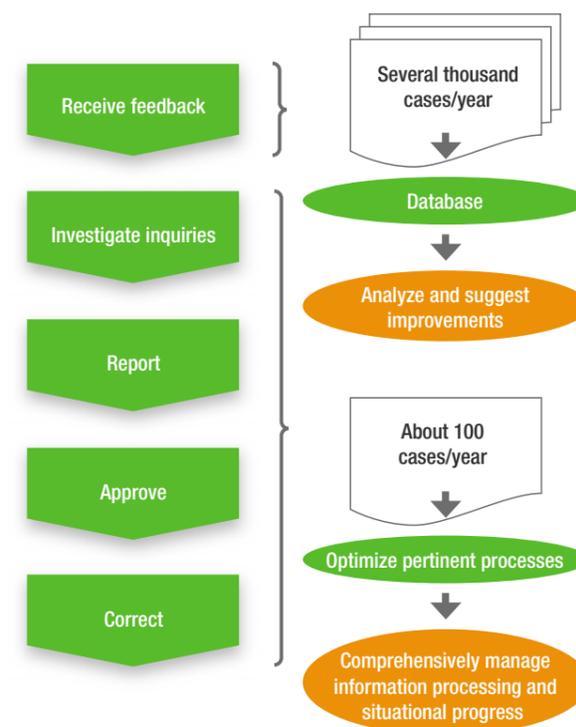
Kureha utilizes a system for collecting and quickly making the most of information and complaints from the customers of its household products. Kureha builds equal relationships with its business partners and requires that they demonstrate a regard for the environment.

Customer Service

The complaints and opinions expressed by customers who regularly use our household products are retained and organized after being received by our customer service. We value direct feedback from our customers and have 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. Our 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.



Purchasing and Procurement

Under our Purchasing Policy, we conduct our purchasing and procurement activities in accordance with our CSR Procurement Guidelines and request our business partners to conform to them, too.

We also formulated a Green Procurement Guideline so as to advance the usage of safer and more eco-friendly materials and products. This guideline is kept updated in response to changes in environmental laws.

CSR Survey

To reduce CSR risk in the supply chain, we began surveying our business partners via a check list in fiscal 2017. Each year we determine which companies to survey based on the volume of business we had with them, and as of fiscal 2018 we had surveyed 40 companies.

Conflict Minerals

We view conflict minerals (e.g., gold, tantalum, tungsten, tin, and cobalt) 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.

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, Kureha has put together several educational and support systems.

Human Resource Development

Since fiscal 2018 we have been carrying out our three-year human resource development plan, which aims to help our employees improve their ability to effectively carry out their expected roles and responsibilities. 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 2018 we proceeded with 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.

For other measures, we have created a human resource database for personalized career management and have given mid-level employees opportunities to participate in inter-industry events. We are also planning the launch of a program to help employees obtain PhDs.

Shine-Up Seminar

We have been conducting Shine-Up Seminars since fiscal 2017. The seminars help female employees demonstrate their full potential and take more active roles. Participants get the opportunity to review their strengths, share their values with other employees, and reconsider their own career plans.

Senior Seminar

We started hosting Senior Seminars in fiscal 2018. The purpose of the seminars is for older employees with extensive knowledge, experience, and skills to grow and enhance their capabilities further. Participants studied about their upcoming life changes, such as their surroundings and family budgets, then thought over what type of future they wanted to aim for.

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 2018, 116 employees submitted theses, with 21 of them receiving an award.



Thesis review



Award winners in sales and back-office departments

Work-Life Balance

Work-Care Balance Support Seminars

Japan is a super-aging society and the need to take care of elderly parents is becoming increasingly common. Not a few people, however, feel some anxiety about this life event. In fiscal 2018 we held Work-Care Balance Support Seminars for our employees aged 40 and older to give them a head start in preparing.



Original Handbook for Work-Care Balance Support

Overtime management system

We launched a new management system in which each manager can easily track his/her subordinates' overtime and paid leave so they can better manage work and further promote health care management.

Paid Holidays Taken and Overtime Hours

	FY2016	FY2017	FY2018
Percentage of Paid Holidays Taken (%)	74.2	77.6	77.8
Average Monthly Overtime Hours (h)	14.0	11.9	12.1

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.

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.



Exercise class

Community

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

Risk Communication

CSR Local Dialogue Meeting

We have conducted CSR Local Dialogue Meetings in the Iwaki region once a year since 2003. Through 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 16th meeting was held in fiscal 2018 and was attended by 137 people, among whom were local residents, members of nearby companies and local government.



The 16th CSR Local Dialogue Meeting

Emergency Support

In fiscal 2017 we signed cooperation agreements with local governments (Fukushima Prefecture and Omitama City of Ibaraki Prefecture).

These agreements were signed to ensure supplies could be promptly and seamlessly requested and supplied in the event of a disaster. When a disaster strikes, we provide our household products such as NEW Krewrap to help people get their lives back to normal and assist with recovery.

Educational Support

We conduct science classes and plant tours for nearby elementary school students in the city of Iwaki. These opportunities communicate the fun of science to children and open their eyes to future career possibilities.

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



Science class

Cultural Communication

Iwaki Odori

Iwaki Odori is a traditional public dance event held in the city of Iwaki every summer. In fiscal 2018 the Iwaki Factory and Kureha Group companies participated in this event once again as members of the community. Mostly new employees, together with executive officers, interacted with other members of the community.



Iwaki Odori

Kasumigaura Clean Walking

In fiscal 2018 we planned two Clean Walking events on the shore of Lake Kasumigaura in Ibaraki. Although only the fall event was held due to adverse weather, more than 100 people participated.



Kasumigaura Clean Walking

Charities

Relief Funds for the Heavy Rain of July 2018

The heavy rain of July 2018 caused river overflows, flooding, landslides, and other disasters with many dead and missing. Kureha donated 10 million yen through the Japanese Red Cross Society in order to help those affected by the disaster.

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 household products sales to this cause through a related foundation in Japan. In fiscal 2018 we co-sponsored the "Smile Walk" walkathon in several cities.



Smile Walk 2018

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. The Kureha Group refers to these efforts as Responsible Care (RC) activities.

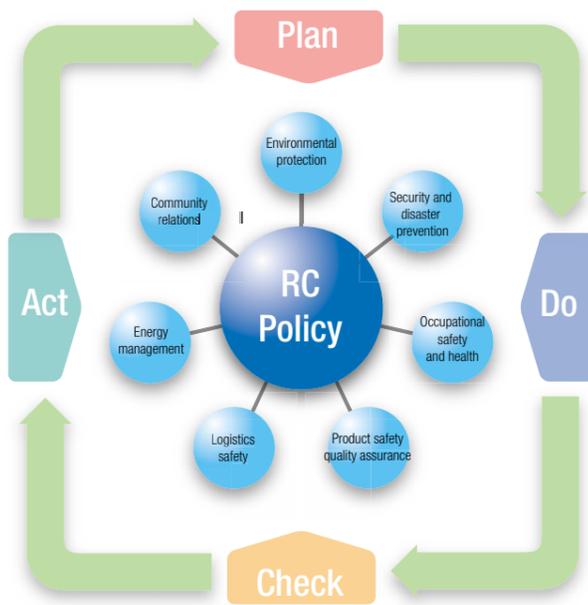
RC Management System

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

Through the Kureha Group RC Council, comprised of 11 companies, 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.

April 20, 1995
 July 1, 2002 Partially revised
 October 1, 2005 Partially revised
 Kureha Corporation

Responsible Care Policy

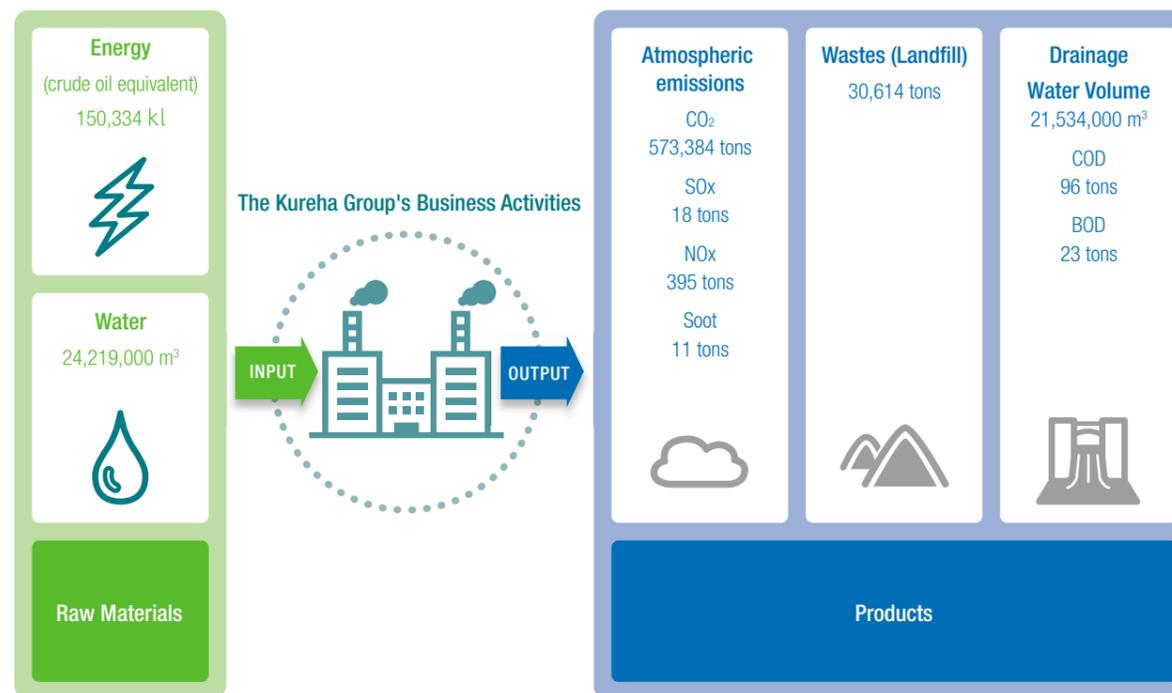
- Compliance with international regulations and laws**
 We shall comply with international regulations and domestic laws with respect to safety and disaster prevention, occupational safety and health, product safety, and preservation of the global environment, including the environment for community 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, the Kureha Group works hard to make effective use of resources, cut down on waste, and properly manage chemical substances emitted into the environment, and then makes the results of these endeavors public.

Overview of Environmental Impact

Overview of the Kureha Group's Environmental Impact (FY2018)



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).

Data inclusive of Scope 3 has been reported since fiscal 2017.

Scope	Emissions	
	FY2017	FY2018
Scope 1	363	338
Scope 2	34	42
Scope 3	7	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

Disaster Prevention and Occupational Safety and Health

As Kureha's business involves handling hazardous materials, disaster prevention and occupational safety are our greatest responsibilities. As such, Kureha is committed to careful equipment and operational management. Moreover, to completely eliminate work-related accidents and earn the further trust of communities, Kureha is 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 2018, 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.

The Plastics Processing Factory conducted safety inspections and emergency training, along with fire extinguishing simulations that assumed fire outbreaks.



General disaster prevention training

Occupational Safety and Health

With the goal of completely eliminating serious personal injury accidents resulting in leave from work of one day or more, in fiscal 2018 we made efforts to improve our risk assessments and risk prediction activities. Unfortunately, there were two Class 2 personal injury accidents and one Class 3 personal injury accident at the Iwaki Factory. There was also an increase in the number of accidents without lost workdays, including mild heatstroke. We were therefore unable to meet our goal. There was also an increase in personal injury accidents of Class 3 or higher at group companies.

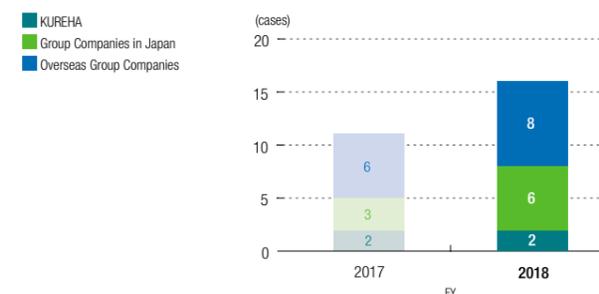
We will keep improving management with a focus on both preventive measures such as improvements to equipment and facilities (tangible measures) and personal measures such as enforcing procedures, providing training, and improving risk sensitivity (intangible measures).

Reviewing a fatal accident that occurred at a group company in fiscal 2017, we have started conducting mutual operation checks among group companies while taking steps to improve safety through better coordination. In fiscal 2018 we formed a team of personnel from safety, design, maintenance, and production organizations from throughout the Group. The team conducted safety checks and provided safety advice with regard to equipment at six group companies in Japan and overseas, primarily those involved in processing and production.

In fiscal 2019 we will continue these efforts as we seek to further improve safety throughout the Kureha Group.

* 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



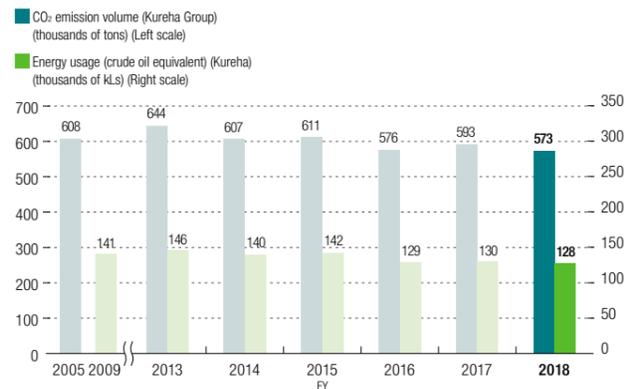
Prevention of Global Warming

To address climate change, we are working to rationalize energy usage and thereby reduce greenhouse gas emissions. Our goal is to reduce BAU^{*1} CO₂ emissions by at least 10% by fiscal 2020 compared with fiscal 2005.

In fiscal 2018, we took steps to save energy by carrying out an energy usage reduction plan designed with the help of outside consultants. We also conducted cross-organizational reviews of internal energy audit results. As a result, CO₂ emissions dropped by 6.7% (BAU CO₂ emissions dropped 25.4% compared with fiscal 2005).

In fiscal 2019 we will undertake a number of initiatives to further prevent climate change. These will include sharing knowledge gained through the aforementioned plan with other production departments, utilizing waste heat, and upgrading to energy-saving equipments.

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



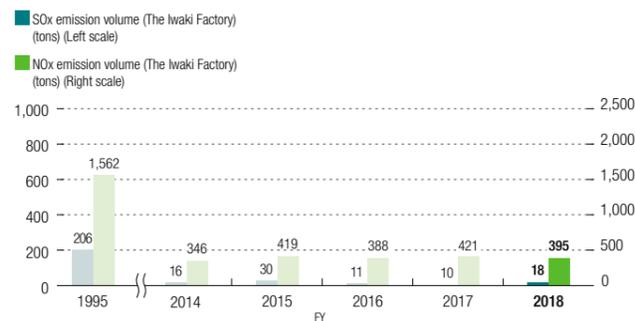
Prevention of Air and Water Pollution

During fiscal 2018, the emissions of air pollutants at Iwaki Factory, such as SO_x and NO_x, and indexes of water pollution, such as COD and BOD^{*2}, 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

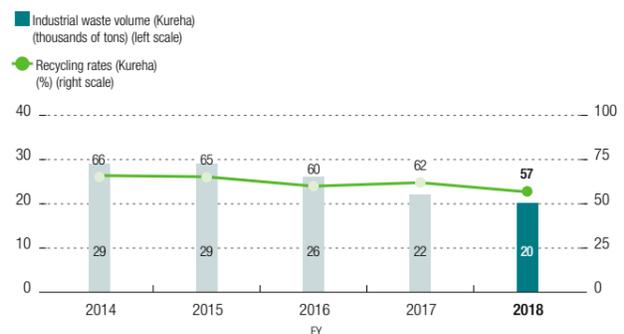
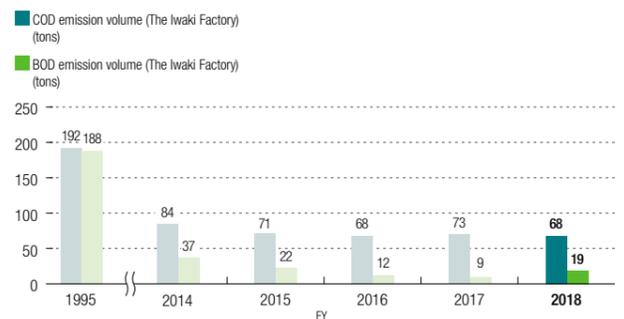
In the graph, we define the values as not the concentration but total volume tons, that is, concentration is multiplied by water emission volume.



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 2018 we successfully reduced the waste volume to 17,625 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.

The Plastic Processing Factory is faced with a difficulty with regard to 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.



Safety inspections and emergency training

Occupational Safety and Health Awareness Programs

The Iwaki Factory holds safety conferences every year, and at the 2018 conference we conducted an awards ceremony for people demonstrating excellence in safety and health initiatives within the company. In addition, we chose certain themes from among health-related issues being experienced and invited outside lecturers to give talks on the themes.

At the Plastics Processing Factory, we invited outside speakers to give health talks about occupational diseases such as deep vein thrombosis and about diet, sleep, and other aspects of health management.

Including the display of notices tailored to the season, we 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 its quality management system. Kureha 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 2018 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 trouble reported that involves the falsification of compliance-related product testing results. If the same thing happened in the Kureha Group, it would likely cause immense damage to the entire group's corporate value.

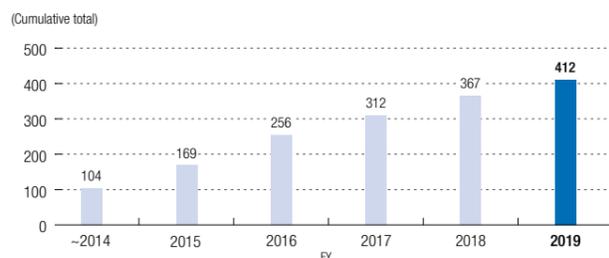
Since fiscal 2017 we have administered surveys concerning test reports and commercial data to group companies in Japan and overseas concerning all the products the Kureha Group produces, and have held workshops on quality for these companies. We assure reliability in the quality of all group products with these surveys. We are also building systems to prevent data falsification as part of efforts to head off possible problems.

Quality-Related Education Initiatives

We are putting emphasis on internalizing quality control and quality assurance concepts and methods among our employees.

Since fiscal 2013, we have been holding seminars throughout the group for the QM/QC Examination¹ taught by teachers from outside. So far, 412 employees who took the seminar have passed the exam.

■ QM/QC Examination¹ Grade 3² successful examinees



¹ The Quality Management and Quality Control Examination (Certification): Run by the Japanese Standards Association and Union of Japanese Scientists and Engineers. This examination objectively assesses knowledge of quality control and successful candidates are granted certification.

² The level at which individuals can carry out basic quality control and improvement activities, with assistance if needed.

Management of Chemical Substances

We adhere to both domestic and foreign chemical substance regulations, properly collect information about the dangerous and hazardous properties of these substances, and handle 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. We meticulously register products exported to other countries and comply with 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.

The center has been reporting to the R&D Division since fiscal 2019 and is set to relocate to a new facility in fiscal 2020. By coordinating even more closely with R&D divisions and focusing on safety from early in development, it will contribute to the development of even safer products.

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 are developing recyclable packaging to adapt to a circular economy.



Takashi Uchiyama
President

Head Office Location:

Londenstraat 10, 7418 EE Deventer, The Netherlands

Website:

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

Business Outline:

Manufacturing food packaging products

A circular economy is a concept currently being debated in Europe. Adapting our business to this concept is one of the key themes that we have established and we have been developing a recyclable food packaging film.

As a result of our efforts, we announced a recyclable prototype film and the concept for the film at IFFA 2019*, which was held in Germany in May. We will continue working to reduce our environmental impact.

* An international trade fair for the meat industry



IFFA Exhibition for the film prototype

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.

In recent years, efforts related to the environment, safety, and saving energy have been gathering speed under the direction of the Chinese government. Furthermore, customers in China involved with cutting edge technologies are expressing a strong demand to us for CSR, including quality. As one measure to address this demand, in addition to the Chinese standard (level 2 of China's safe production standards) that we have already acquired, we have begun working to acquire the international standard, ISO 45001.



Workshops for Safe Production Standard Assessors in Shanghai

Kureha Vietnam Co., Ltd.

Kureha Vietnam celebrated its 10th anniversary.



Yasushi Tada
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 social mission is to extend as much as possible the shelf life of meat and fish products, which are rich in protein, and allow these products to be safely consumed even in regions without a network of freezers and refrigerators. Toward this end, we will continue to provide high performance and high quality products.

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).



Ten-year anniversary ceremony