

KUREHA CSR REPORT 2016



KUREHA CORPORATION

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About this Report

To All Readers of the Kureha CSR Report 2016

The Kureha CSR Report 2016 was prepared for the purpose of reporting the Kureha Group's Corporate Social Responsibility (CSR) initiatives and activities during fiscal 2015. This English report is composed of information selected from the Kureha CSR Report 2016 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 38 subsidiaries, 1 (equity method) affiliate, and 1 non-consolidated subsidiary (Sunshine Kureha Co., Ltd.)

■ Responsible Care 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 Industrie 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 2015 to March 2016). However, some sections of this report may refer to the calendar year (from January 2015 to December 2015) or activities after April 1, 2016.

Reporting Guidelines

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

Date of Publication

December 2016

Corporate Identity

Mission

The Pursuit of Excellence

Corporate Philosophy

- We treasure people and the natural environment
- We constantly evolve through innovation
- We contribute to society by developing beneficial products

Employee Code of Conduct

We always act as global corporate citizens, recognizing our corporate social responsibilities.

- In relation to our clients
Customer satisfaction is our prime priority
- In relation to our work
We will always pursue progress and innovation
We will maintain a global perspective as we respond to change
- In relation to our colleagues
Mutual respect and teamwork will always be fundamental to sound employee relationships

Message from the President

Launch of Our Medium-Term Management Plan, "Kureha's Challenge 2018"

Kureha has unveiled its new medium-term management plan for fiscal 2016 through 2018, entitled "Kureha's Challenge 2018."

As a company built on technology, Kureha practices the principles of its corporate philosophy as it develops differentiated products in the field of specialty chemicals and plastics. We also aim to be an Excellent Company that continually brings high added value to society.

Currently, earnings from the Specialty Chemicals business are expected to decrease. We are therefore focused on making the three years of the new management plan a period to lay the foundation for Kureha's future expansion. This will involve improving existing business competitiveness and profitability, accelerating our global business expansion, achieving PGA business growth, and seeking out new business themes. Because we view the seeking out of new business themes as our most important task, in April we launched the New Business Creation Project, which reports directly to the president.

Promoting CSR Management

Kureha has formulated a Corporate Governance Guideline to serve as a manual for ensuring that we continue to exist as a company that continually contributes to society. Closely following the guideline in our business practices will be key to improving the effectiveness of our governance structure. In addition, along with putting our technical expertise to work in achieving harmony with the environment and ensuring safety, our goal is to coordinate with our many and varied stakeholders in order to exist harmoniously with society through our CSR management. Establishing the CSR Division and CSR Department in April was a means to this end. As a company dealing in chemicals, our focus is on conducting CSR management that undertakes Responsible Care activities with emphasis placed on things such as environmental protection, disaster prevention, occupational safety, product safety, and quality assurance.

The role we must play for society is especially large in the Iwaki region, where our production and R&D facilities are located. Running the Kureha General Hospital, a key medical center in the southern region of Iwaki City, is no easy task. Our aim is to provide help to hospital management in order to support local residents' health and peace of mind. At the same time, through the operations of Sunshine Kureha, a special-purpose subsidiary that was established in 2014 and that employs people with disabilities, we will help those with disabilities to achieve independence and participate in society.

We launched the Employees Shine-Up Project in May of this year. Reporting directly to the president, this project seeks to better empower all of the company's employees. This project was the result of recognizing that, in order to ensure that we continue to expand as a company, we will need to develop our people and to build workplaces where everyone can work with enthusiasm while truly feeling that they are growing. We want to see a diverse range of employees working on the global stage in a variety of capacities. To achieve this, we will continue improving and expanding on these programs and providing further such opportunities.

Upon becoming president in September 2012, I stated our commitment to building a strong foundation to enable us to say, by our 100th anniversary in 2044, that we have become an excellent company. We have tirelessly invested ourselves in changing and improving the company in order to achieve this goal and, to turn this desire for reform into action, I have continually stressed the watchwords: Passion, Speed, and Commitment. As president, my aim is to encourage employees to give even more of themselves and continue to grow while I lead the charge.

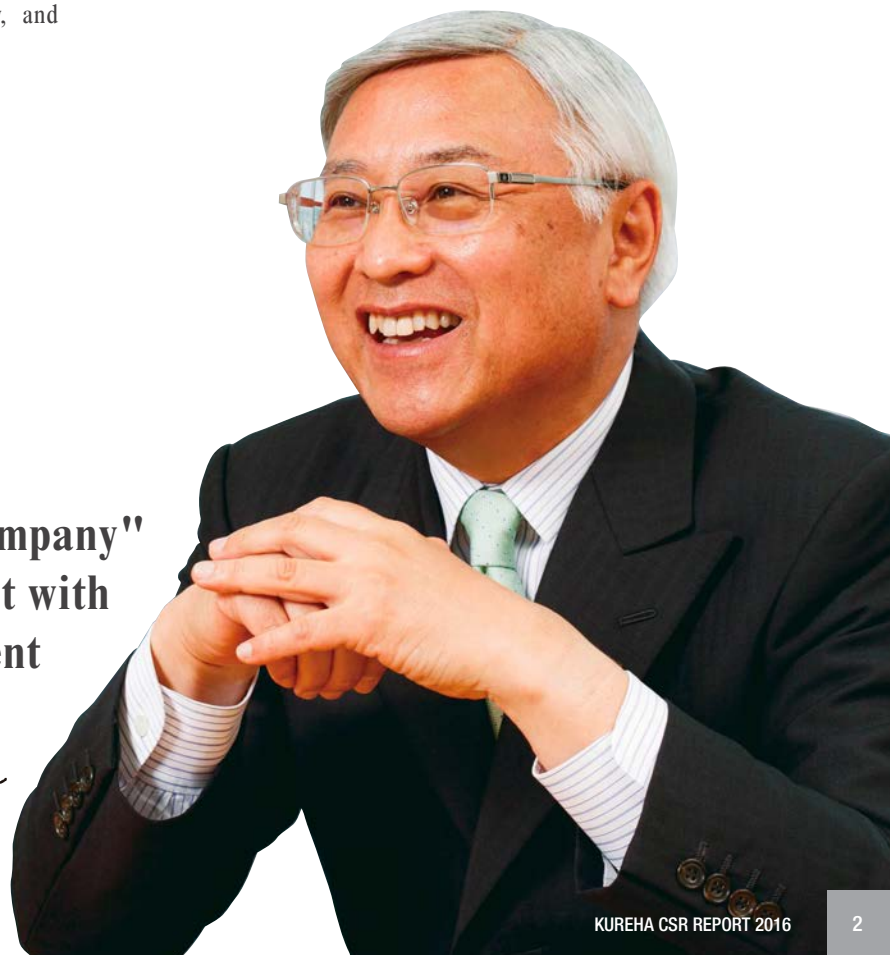
We look forward to everyone's understanding and cooperation in this endeavor.

December 2016

**Aiming to Be an "Excellent Company"
by Practicing CSR Management with
Passion, Speed, and Commitment**

Yutaka Kobayashi

President & Chief Executive Officer



Profile of the Kureha Group

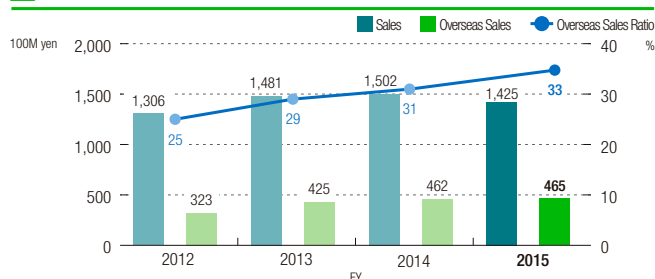
Kureha Corporation is a manufacturer of highly innovative specialty chemicals and plastics that leverage proprietary technologies to allow the creation of advanced materials, agrochemicals, pharmaceuticals, packaging materials, and other such products used in many aspects of people's lives. Since its 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, 2016)

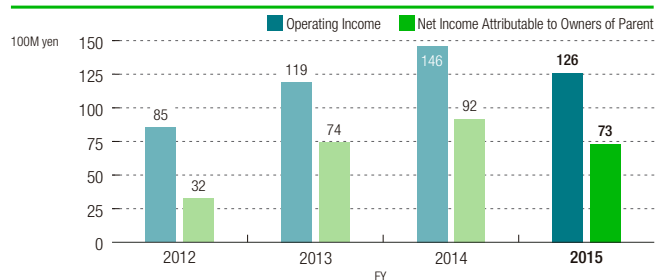
Head Office	KUREHA CORPORATION 3-3-2 Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552
President and CEO	Yutaka Kobayashi
Incorporated	June 21, 1944
Capital	¥12,460 million
Net Sales	¥142,549 million (FY2015)
Primary Businesses	Manufacture and sale of advanced materials, specialty chemicals, and specialty plastics
Number of Employees	4,087 (consolidated) 1,812 (non-consolidated)
URL	http://www.kureha.co.jp/

Financial Information (Consolidated)

Net Sales and Overseas Sales Ratio



Operating Income and Net Income Attributable to Owners of Parent



Business Overview

Advanced Materials

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

Main products

Advanced plastics (polyphenylene sulfide, polyvinylidene fluoride, polyglycolic acid), carbon products

Specialty Chemicals

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

Main products

Pharmaceuticals, agrochemicals, 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

Food packaging materials, household packaging products

Construction and Other Operations

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

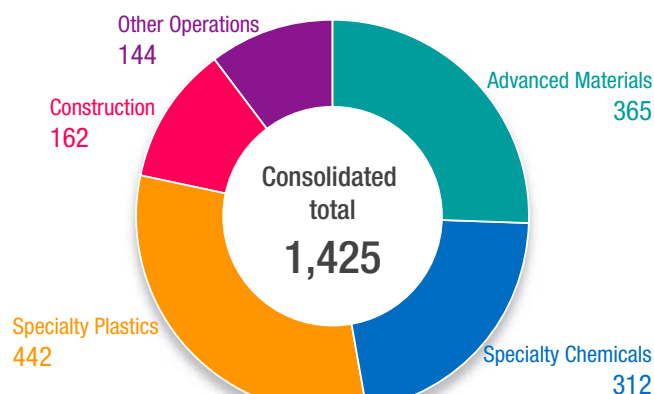
Main services

Construction, environmental engineering, transport/warehousing, and trading

Group Companies (as of March 31, 2016)

38 consolidated subsidiaries

Net Sales by Segment (FY2015)



Unit: 100M yen

In order to strengthen and expand its CSR activities, Kureha renamed the RC Division to the CSR Division in April 2016 and established the CSR Department within the new division. These developments come as part of Kureha's ongoing commitment to conducting CSR activities with the concerted support of the entire Kureha Group.

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.

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 Philosophy

Taking our Code of Conduct, corporate governance structure, compliance system, human resources development initiatives, and technology development as the base, and the economy, Responsible Care, and society as the pillars of its CSR activities, the Kureha Group is committed to solving varied social issues with Kureha's original products and to practicing its Corporate Philosophy while maintaining ongoing dialogue with its stakeholders.

CSR Activities

With the newly-established CSR Division at the helm, the Group has re-examined its CSR activities and defined material aspects, and is currently preparing to make systematic CSR efforts. Through such means as company newsletters, CSR reports, information sessions, and dialogues with stakeholders, we are plainly communicating the specifics of our CSR activities with those inside and outside the company. As a new initiative begun in June 2016, we have put together the CSR Internal Symposium as an opportunity to allow executives to discuss the ideals to which the CSR activities should aspire and express their commitments to taking these activities even further. Through activities such as the above, we are working to give everyone in the Group a better understanding of CSR while taking our efforts to the next level.

Kureha Group's CSR Philosophy



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 speed up managerial decision-making and business execution within the Group.

The Board of Directors, which includes three outside directors whose duties are independent from those of inside directors, is limited to a maximum membership of ten directors and currently consists of seven 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 four corporate auditors (including two external 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.

Putting Compliance into Practice

The Compliance Committee, led by a Representative Director, has prepared a Compliance Handbook based on the Kureha Group Ethical Charter and its code of conduct. The Committee regularly conducts training programs with this handbook to convey to employees the importance of compliance and ensure laws and corporate rules are followed.

In addition, direct access to internal and external legal advisers for inquiries and reporting on compliance issues is maintained so that legal violations, whether confirmed or suspected, can be detected and deterred at an early stage.

Risk Management System

In response to various types of risk accompanying business activities, Kureha has established a risk management structure consisting of a Risk Management Committee, a CSR Committee, and an 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 through the efforts of managers.

Kureha has established an emergency task force based on its Emergency Response Rules along with other measures in preparation for unforeseen circumstances. These efforts prioritize the safety of personnel, minimize economic damage, and ensure the continuation of corporate activities.

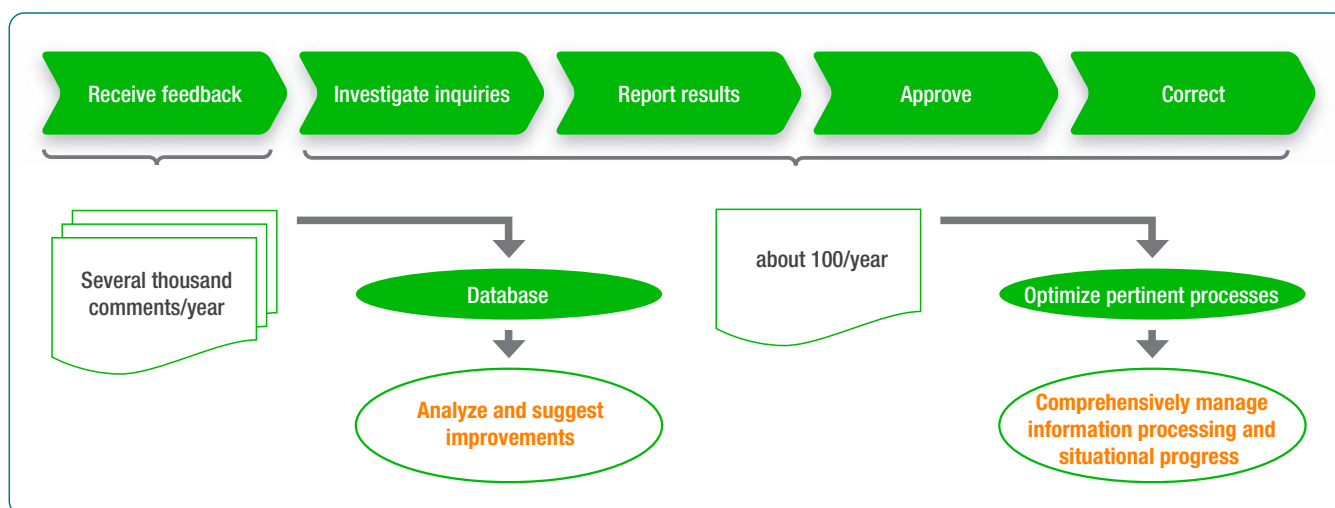
We utilize a system for collecting and quickly making the most of information and complaints from customers of household products. With our business partners, we build equal relationships and require that they demonstrate a regard for the environment.

Customer Feedback Flow System

Our customer service is open to claims and opinions from our customers. We think much of these “candid feelings” and share them internally.

In fiscal 2013, we launched the Customer Feedback Flow System with the goal of promptly addressing complaints that call for investigation. We report the results and countermeasures to customers in order to provide satisfactory support.

We have received more than 10,000 complaints and opinions from customers since this initiative began, and have databased all of them. We are now planning to sort and analyze them more closely and put the results into more practical use in endeavors that include product improvement and new product development.



Purchasing Policy and Procurement Standard

Kureha has established a Purchasing Policy and Procurement Standard to maintain fair and equal relationships with business partners. We visit and inspect our partners in both Japan and other countries to monitor their CSR activities.

We also ensure we ourselves are in compliance. This includes identifying potential areas of infringement through the use of check sheets and strictly managing entertainment expenses in order to maintain sound partnerships with other companies.

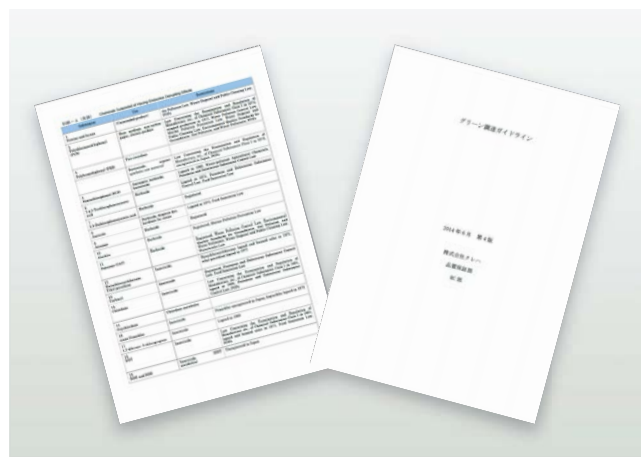
Purchasing Policy's Seven Elements

1. Human Rights and Labor
2. Occupational Health and Safety
3. Environment
4. Fair Trade
5. Product Quality and Safety
6. Information Security
7. Contribution to Society

Green Procurement Guideline

Kureha considers environmental protection a crucial responsibility for companies and makes an effort to reduce the burden that procurement activities impose on the environment.

In light of this, the Green Procurement Guideline has been an effective way for us to ensure that we procure raw materials that are safe and eco-friendly.



Green Procurement Guideline

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

Human Resource Development

All new employees take introductory training and on-the-job training to learn the basic skills needed as working adults.

From the third year on, employees participate in a variety of educational programs suited to different purposes. For instance, our report review aims to deepen employee expertise while the strategic business seminar trains future managers. Inter-industry exchange provides employees opportunities for self-improvement.

Also, in order to strengthen global competitiveness, we provide several language courses and a program for studying or training abroad.



Team walking program



Report review

Work-Life Balance

1. Child care & family care

Through a program that allows employees to take long vacations in order to care for a child or family member, we help ensure employees achieve a good balance between their work and family life.

2. Getting more employees to take paid vacations

We recommend our employees take paid vacations to maintain good health and refresh the mind and body. In addition to normal paid vacations, we also provide other paid vacations which can be used to take care of family, volunteer, or pursue self-improvement.

3. Empowerment of women

Three plans are underway to better empower women in the workplace.

Period: April 1, 2016 to March 31, 2019

Plan 1: Get more employees to take childcare leave
(goal: at least two men and more than 90% of women every year)

Plan 2: Get all employees to take at least a certain percentage of their paid vacation time
(goal: at least 70%)

Plan 3: Get the number of employees working over a certain number of hours of overtime to zero
(goal: 45 hours a month)

Mental Health

In order to prevent mental health issues among our employees, we conduct periodic psychological testing and have established a special consultation system.

All line managers are also required to take a basic education course to further understanding of mental health.

Our work shift system allows a smooth transition back to work for employees who have taken time off for mental health issues.

Seeking to achieve a harmonious coexistence with local communities, we are engaged in various efforts to contribute to the development of the Iwaki region.

Risk Communication

CSR Local Dialogue Meeting

Our annual CSR Local Dialogue Meeting attracted 136 persons in fiscal 2015, including the representatives of neighboring administrative institutions, local groups, and organizations involved with our business.

This meeting was a valuable opportunity for local residents and our company to talk with each other. Many community members shared their thoughts and questions with us, making the meeting very productive.



Factory Tours

Out of a desire for local residents to know more about our operations in Iwaki, we actively welcome visitors to tour our facilities. In fiscal 2015, we received 1,024 visitors.

We also hold a special invitational tour for our own employees' families every summer. 59 persons from 21 families joined this event last year.

Sunshine Kureha Co., Ltd.

Sunshine Kureha was established in 2014 in order to promote a more culturally tolerant society.

At this company, employees with disabilities are engaged in several tasks commissioned by Kureha, including data entry, filing, scanning, and paper recycling and printing.



Office area



Recycled paper notebooks

Coexistence with the Community

Sports Festival

We hold a sports event every year with the aim of deepening friendships between local residents and employees. Fiscal 2015 was the 14th event and was attended by more than 2,400 area residents.



Iwaki Odori

Iwaki Odori is a traditional dancing event held every summer in Iwaki. In fiscal 2015, 186 Kureha employees took part in the event, wearing matching outfits, and had a great time with the other participants.



Volunteering

Several times a year, we voluntarily clean local areas to preserve the natural environment.



As a corporation that handles chemical substances, the Kureha Group voluntarily and continually engages in Responsible Care (RC) activities and activities to ensure environmental and personal safety throughout the entire lifecycle of our products, which involves product development, manufacturing, distribution, usage, and final consumption, after which products are disposed of or recycled.

Responsible Care®

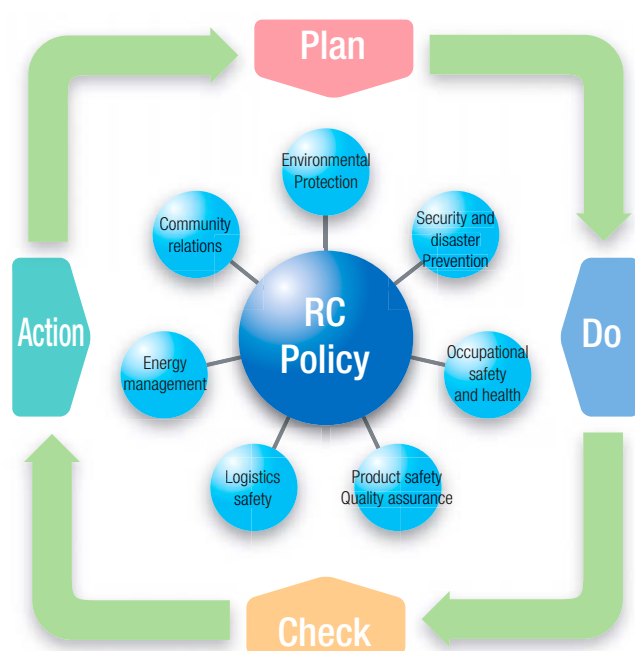
As a founding member of the Japan Responsible Care Council, we take a self-motivated approach to going above and beyond when it comes to environmental preservation, safety, and health, and complying with the law. We also respect social rights and aim to solve problems through dialogue with members of society.

RC Management System

The company makes continual efforts to improve 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 (Plan, Do, Check, Action) cycle.

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.

Summary Table for RC Activities

Areas	Goals	FY2015 Plan	FY2015 Performance	Self-Evaluation ³
Overall RC management	Continual improvement of RC activities	<ul style="list-style-type: none"> Enforce RC management Actively address issues of individual departments 	<ul style="list-style-type: none"> Conducted internal audits to check performance against RC targets in all manufacturing plants and offices Met standards for the current EMS/OHSAS and updated QMS systems 	★★★
Environmental protection	Reduction of atmospheric emissions of chemical substances	<ul style="list-style-type: none"> Reduce emissions of PRTR substances,^{*1} dust, VOC, odors and other hazardous substances 	<ul style="list-style-type: none"> Emissions of substances subject to PRTR was 65 tons, down 13 tons over last year Maintained strict controls over exhaust gas treatment facilities No odor complaints reported 	★★
	Improvement of discharged water quality	<ul style="list-style-type: none"> Enhance management of discharged water quality 	<ul style="list-style-type: none"> Maintained safe operation at central discharged water treatment facility Continued voluntary management of discharged water at the point of discharge for each plant 	★★★
	Proper management and reduction of waste materials	<ul style="list-style-type: none"> Execute mid-term waste reduction plan and promote recycling 	<ul style="list-style-type: none"> Compared to last year, industrial waste generation increased, the recycling rate dropped, and final disposal volume rose Audited 9 outsourcing contractors for waste disposal 	★
Security and disaster prevention	Zero serious facility accidents	<ul style="list-style-type: none"> Achieve operational safety in all manufacturing divisions 	<ul style="list-style-type: none"> Achieved continuous safe operation at all manufacturing plants Improved emergency response capability with disaster prevention training, etc. 	★★★
Occupational safety and health	Zero accidents causing serious personal injury	<ul style="list-style-type: none"> Have zero personal injury accidents of Class 3 or worse^{*2} Implement measures for all avoidable risks picked up by the risk extraction process 	<ul style="list-style-type: none"> Two personal injury accidents of Class 3 or worse Had zero accidents and zero facility disasters: <ul style="list-style-type: none"> For 19 consecutive years at Head Office Annex and Polymer Processing Research Laboratories For 11 consecutive years at all research laboratories (Research Center, Agrochemical, Process Innovation) Implemented measures for 92% of avoidable risks picked up by the FY 2013 campaign to eliminate the risk of personal accident occurrence Informed employees of accidents at other companies and conducted in-depth study on past serious accidents 	★
Product safety and quality assurance	Improvement of customer satisfaction	<ul style="list-style-type: none"> Reduce quality complaints and off-specification products by 15% YOY 	<ul style="list-style-type: none"> Targets not achieved for both quality complaints and out-of-specification products Audited 38 contractors, appropriate corrective actions taken on finding QA rules and internal rules revised 	★
Energy management	Reduce energy use	<ul style="list-style-type: none"> Reduce specific energy consumption by 1% YOY 	<ul style="list-style-type: none"> Energy consumption intensity increased 4.0% YOY Transportation energy consumption intensity decreased 5.3% YOY Deployed energy-saving equipment in manufacturing divisions Promoted company-wide energy-saving initiatives and activities 	★
Community relations	To be approved and trusted by society	<ul style="list-style-type: none"> Achieve harmony with local communities Conduct risk communication 	<ul style="list-style-type: none"> Conducted 13th CSR Local Dialogue Meeting Held science lessons at elementary schools and engaged in other community volunteer activities Conducted plant tours for the public 	★★★

*1 Pollutant Release and Transfer Register (PRTR) is the system whereby businesses self-measure volumes of potentially hazardous chemical substances emitted or transferred as waste and report these volumes to the government via prefectural governments

*2 Personal accident classifications: 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

*3 Self-evaluation: ★ Needs more effort ★★ Achieved most targets ★★★ Achieved all targets

In the interest of preserving the global environment, Kureha 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.

Prevention of Global Warming

To prevent global warming, we are working to rationalize the use of energy at the distribution stage, in addition to efforts being made at our production sites, offices, and other places of business. Compared to the previous fiscal year, such efforts as deploying energy-saving vehicles, consolidating warehouses, and promoting eco-driving allowed us to cut CO₂ emissions at the distribution stage in fiscal 2015. At our business sites, however, although energy-saving equipment was deployed and tuned for better performance, energy used for production stayed and brought higher CO₂ emissions.

Reduction of Industrial Waste Emissions

A coal-fired boiler has been used at the Iwaki Factory since fiscal 2006, increasing the amount of waste in the form of coal cinders and ash, but this is recycled as raw material for cement. In the Plastics Processing Factories, reduction of the amount of waste has been realized through improvement in product yields, advanced waste separation methods, and material recycling.

Prevention of Air Pollution and Water Contamination

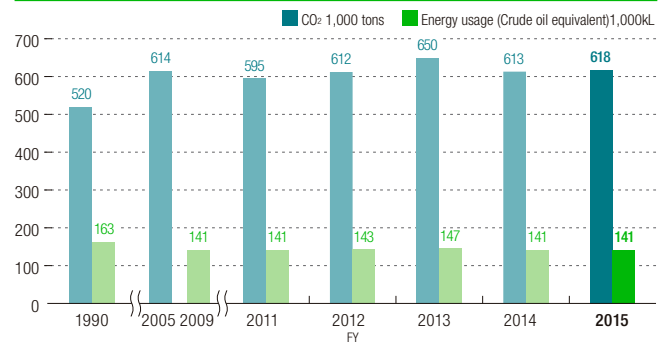
During fiscal 2015, the emission of air pollutants, such as SO_x and NO_x, and indexes of water contamination, such as COD and BOD,* were kept under a level set voluntarily by Kureha and agreed upon by local authorities. This was made possible by continually improving facilities and realizing stable operation of our manufacturing plants.

*COD: Chemical Oxygen Demand

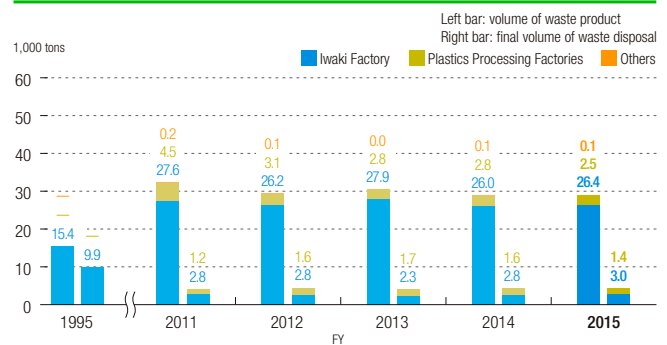
BOD: Biological Oxygen Demand

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

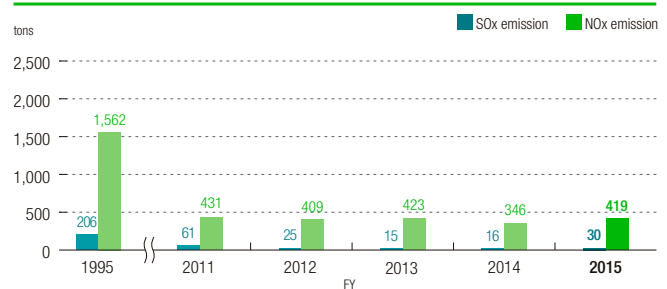
CO₂ emission volume and energy usage



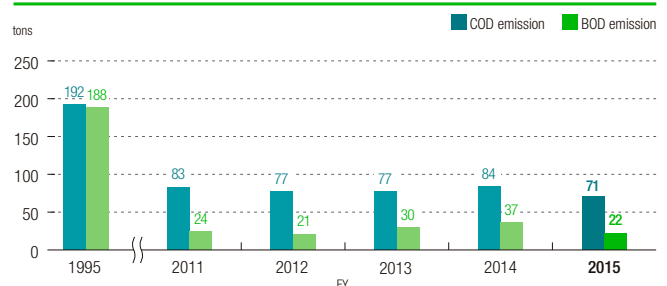
Amount of waste materials



SO_x, NO_x emission volume



COD, BOD



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. As part of measures to completely eliminate work-related accidents and earn the further trust of communities, we are continually conducting training for emergencies, performing worksite patrols, and identifying risks.

Disaster Prevention

General disaster prevention training

In addition to planned disaster prevention training conducted within each department, training for major disasters and accidents is also conducted for employees of all factory. Nearly 1,450 Kureha employees took part in training at the Iwaki Factory in fiscal 2015. The training incorporated lessons learned from the Great East Japan Earthquake and trained the employees in responding to a magnitude six earthquake.* At our plastic processing factory, participants took part in such exercises as firefighting drills and rescuing the injured and transporting them to the hospital as part of training to prepare personnel for fires caused by deteriorated equipment parts.

* The Japanese use a scale to indicate the seismic intensity (intensity of shaking) of an earthquake.

Safety inspections by senior managers

Fiscal 2015 saw the safety inspections by the General Manager of Manufacturing Sector. The inspections were conducted at the plastic processing factories in both Hyogo and Ibaraki Prefectures. During the field inspection, the General Manager of Manufacturing Sector was told about safety measures and remedial action taken through campaigns to eliminate injuries and through risk assessment activities that have been conducted since fiscal 2013.

Occupational Safety and Health

All factory sites deployed occupational health and safety management systems (OHSAS 18001) and have established organizations such as the Accident Prevention Committee and the Safety and Health Committee. In addition to initiatives that include worksite patrols and internal audits, we are encouraging more 5S's (seiri (sorting), seiton (organizing), seiso (cleaning), seiketsu (hygiene), and shitsuke (discipline)), pointing and calling, and hazard prediction as part of efforts to ensure workplace safety.

From fiscal 2013 through fiscal 2015, we conducted our campaign to eliminate the risk of personal accident occurrence, which involved conducting thorough risk assessments and renovating equipment based on identified risks. As of the end of fiscal 2015, close to 92% of the approximately 1,900 risks identified have been addressed. Ongoing efforts are being made to address the remaining 8% towards our goal of completely eliminating these kinds of accidents.

The Head Office Annex and Polymer Processing Research Laboratories have been accident-free for 19 years, while all other research laboratories have been accident-free for 11 years.



General disaster prevention training (Iwaki)



Safety inspection by the General Manager of Manufacturing Sector (Hyogo)

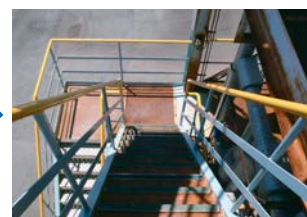
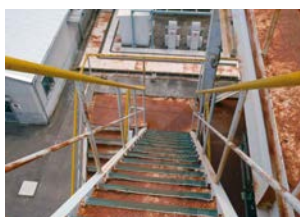
Labor accident frequency rate and labor accident severity rate in CY2015

Factory	Labor accident frequency rate ^{*1}	Labor accident severity rate ^{*2}
Iwaki Factory	1.04	0
Plastics Processing Factories	0	0
Japanese Chemical Industry ^{*3}	0.81	0.04
Japanese plastics products fabricators ^{*3}	1.14	0.08

*1 Labor accident frequency rate = (number of deaths and injuries in occupational accidents / total work hours) × 1,000,000

*2 Labor accident severity rate = (days of labor lost / total work hours) × 1,000

*3 Factories with 100 or more employees



Example of a safety measure (before and after)
Increased intermediate rail count from 1 to 2 to prevent falls

Kureha is continually 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 2015 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.

Product Safety and Quality Assurance

To maintain compliance with increasingly globalized laws and regulations, meet customers' expectations, and provide safe products, we conduct safety inspections according to voluntary standards as well as laws and regulations pertaining to new products, raw materials and printed material that includes advertisements, product labels, and safety data sheets. We also require this same level of quality management for products whose production is outsourced.

In addition, we proactively submit to quality audits by customers. As a further measure to improve product safety, we incorporate customer feedback concerning our manufacturing process and adopt their point of view in making effective changes and eliminating the causes of complaints.

We will continue to focus on reducing the number of complaints from customers by properly utilizing our quality management system and conducting KAIZEN activities.

Chemical Substance Regulations in Other Countries

At Earth Summit 2002, 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 natural environment. Based on this target, Europe's REACH and other chemical registration systems are currently being used in even Taiwan and South Korea. Kureha meticulously registers products exported to other countries and conforms to the international standards and the regulations of that country when products are exported.

Congo Conflict Minerals

Conflict minerals, which are gold, tantalum, tungsten, and tin handled by inhumane armed groups in the Democratic Republic of the Congo and surrounding countries, represent a grave human rights issue. Because of this, Kureha and the Kureha Group companies have adopted a policy of not using these conflict minerals, or other raw materials that contain them.

Safety Research Center

Kureha's Safety Research Center evaluates the harmful effect imposed on people's health and the natural environment by the many chemical substances, materials, and products developed and used at the company.

To develop safer products and evaluate the harmful effects on workers, in fiscal 2015 we collected data on toxicity and conducted safety tests for product candidates and intermediates. We are also conducting screening tests to efficiently gather toxicity information.



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

Promoting CSR activities even more with ISO 26000 as a part of our Code of Conduct



Naoki Fukuzawa
President

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Business Outline:
Resin processing and sales (food packaging materials)

For the sake of sharing information about activities that concern our obligations to society at large, we have begun incorporating ISO 26000 into our Code of Conduct. In the summer of 2016, we distributed handbooks that summarize our Code of Conduct to all company employees and familiarized them with the content. We plan to put our declaration to incorporate the ISO 26000 standards on our website and the website of the Netherlands Standardization Institute as a means to communicate our CSR activities to the world.

As part of our efforts to improve occupational safety, we have deployed the iSee iKnow computer system to allow employees to learn about sanitation, emergency response, quality, and safety management and facilitate efforts to quickly gather accident reports and make improvements.

With a fiscal 2015 plastic waste reuse rate of 100%, the company continues to conduct business with regard for the environment.



Project members that announced ISO 26000 adoption

We have acquired certification under China's safe production standards



Yo Otani
Managing Director

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Business Outline:
Manufacturing and sales of carbon fiber heat resistant materials

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

Kureha Shanghai practices quality and environmental management based on the ISO 9001 and ISO 14001 standards. We have begun efforts aimed at safety as well as saving energy with last year's acquisition of certification for occupational safety and health in China and the renaming of the Energy Savings Committee to the Safe Production Committee. We conduct activities that include monthly safety patrols and issuing a newspaper promoting safe production. We are expanding on these activities this year, with plans to offer education and training conducted by outside consultants.

By making use of data from Kureha's Iwaki Factory, which is already engaged in such activities, we will carry out CSR initiatives as one of the production facilities in the Kureha Group.



Newspaper promoting safe production

Putting all hands on deck to achieve a "prosperous Kureha Vietnam"



Yoshihisa Machida
President

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Business Outline:
Manufacturing and sales of food packaging materials

Our company acts in line with the companywide goal and standard of behavior that is represented by Towards a Prosperous KVC. In fiscal 2015, we conducted evacuation and disaster prevention training for emergencies. These opportunities heightened participants' awareness of disaster prevention and taught proper behavior. Our employees are also carrying out 4ME* activities and making efforts to identify and remedy problems in the work environment on their own while at the same time pointing out problems to others. Thanks to these efforts, fiscal 2015 became the second year in a row for zero workplace injuries.

As to quality improvement efforts, in addition to continued operations using our ISO 9001 certified quality management system, we acquired British Retail Consortium (BRC) certification in fiscal 2015 as part of efforts to improve the products and services our customers can feel good about using.



Evacuation and disaster prevention training for emergencies

*4ME man, machine, material, method and environment

Kureha Vietnam Co., Ltd.



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