

# Society and Human Report

## Quality Policy

**CoorsTek is committed to delivering outstanding quality to our customers by meeting requirements on time, every time.**

**Every employee works together to DRIVE quality in everything we do.**

**Deliver products and services on time to meet customer needs**

**Review all requirements to meet quality objectives**

**Improve continually to achieve operational excellence**

**Verify effectiveness of our performance**

**Embrace our vision, mission, and values to make our company the best**

## Responsibility to Customers

### Quality management systems

The CoorsTek KK Group conducts quality assurance activities based on the Quality Policy and aims to achieve world-class quality.

To ensure the highest product safety and quality, the Quality Assurance Committee plays a leading role in developing quality management systems. Group-wide quality objectives and measures based on the Quality Policy are assigned to quality assurance committees established at each business site and reflect the quality objectives of each organization.

In the event of a product safety incident, the Product Liability Incident Response Committee rapidly decides the Company's course of action and enacts a system for appropriately responding to customers.

We are also working to conserve the irreplaceable environment of our earth by strengthening the management of chemical substances contained in products, a movement that is growing worldwide.

Furthermore, four business sites have acquired ISO 9001 certification for their quality management systems, which includes two that have been upgraded to the most recent version issued in 2015.

#### ◆Quality Management Structure



#### ◆Status of Quality-Related Certifications (as of March 31, 2018)

Business Site (Registered Organization)	Standard	Initial Certification Date	Certification Body
Oguni Facility	ISO9001	Feb. 1995	Intertek Certification Japan Ltd.
Hadano Facility	ISO9001	Aug. 1996	Intertek Certification Japan Ltd.
Kariya Facility	ISO9001	Dec. 1996	Japan Quality Assurance Organization
CoorsTek Nagasaki Corp.	ISO9001	Mar. 1997	Intertek Certification Japan Ltd.

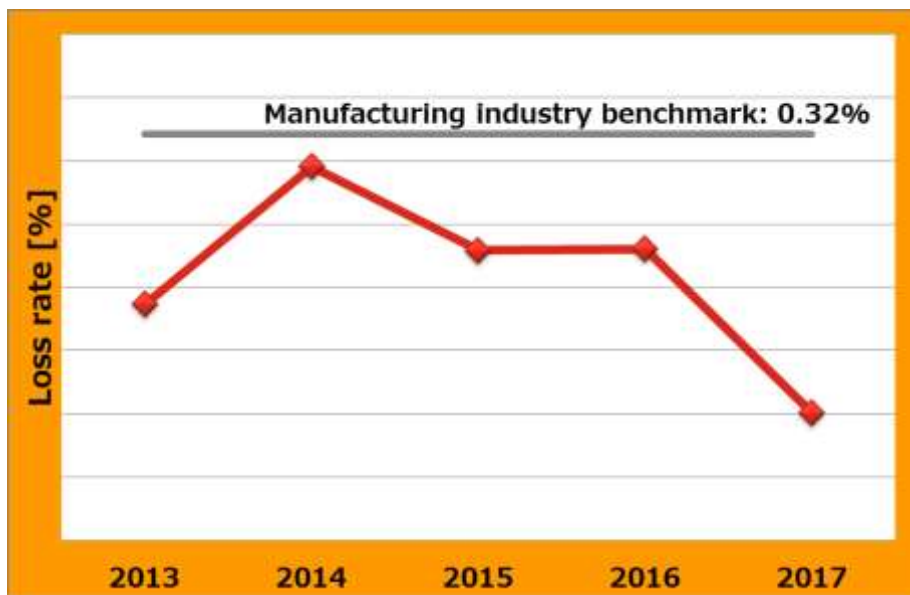
## Continuous quality improvement activities

To ensure customer satisfaction, the CoorsTek KK Group uses quality control implementation guidelines and conducts quality improvement activities. We identify areas for strengthening quality control and develop quality targets for each organization on the basis of customer requirements (Voice of the Customer, or VOC), internal quality trends and group-wide evaluation results. Group-wide evaluations are conducted by means of self-evaluation using check-sheets with the latest customer requirements and internal quality audits and quality inspection tours. To achieve quality targets, we implement quality management systems and worksite improvements.

Quality starts with people, and we believe that education and training are the basis of quality. We systematically provide quality education, conduct SMS activities<sup>\*1</sup>, and work to foster quality awareness among employees. We examine root causes of events using the 5-why analysis method<sup>\*2</sup> and implement permanent measures. To raise quality levels, we have developed six-sigma activities<sup>\*3</sup> throughout the Company; to prevent the likelihood of quality-related incidents, we have implemented FMEA<sup>\*4</sup> and change management; and to enact quality manufacturing, we have introduced the use of SPC<sup>\*5</sup> methods.

In order to deliver customer satisfaction, the CoorsTek KK Group vigorously conducts quality improvement activities to achieve targets for medium-term management plans using a method of loss rate from quality complaints<sup>\*6</sup>, number of complaints, audit results, and ratings information as quality indicators.

### ◆ Loss Rate from Quality Complaints



Source for manufacturing industry benchmark: 7th Quality Management Level Survey (2012), Union of Japanese Scientists and Engineers

### Notes:

- \*1 SMS: Segment Management System, a loss-gain management system based on segments.
- \*2 “5-Why” analysis: a method for eliciting measures to prevent the reoccurrence of a problem by repeatedly questioning “Why” the problem occurred and rationally identifying the root causes of the problem.
- \*3 Six-sigma activity: a quality control technique developed in the 1980s by US company Motorola. It focuses on and suppresses variations in processes to reduce post-process defects.
- \*4 FMEA: Failure Mode and Effects Analysis, a method for anticipating potential quality problems and preventing them from occurring by implementing measures at the planning and implementation stages.
- \*5 SPC: Statistical Process Control, a technique for statistically controlling processes which involves process monitoring, problem detection, and process performance determination through data collection and analysis.
- \*6 Loss rate (%): the ratio of the amount of loss in sales from complaints.

## Responsibility to Suppliers

### We engage in fair and equitable trading with suppliers

#### Procurement activities

CoorsTek KK Group's basic purchasing policy is to engage in trading based on fair and equitable competition with suppliers who offer the best quality, price and delivery terms regardless of location. We work to develop sound partnerships with suppliers and to ensure transparency in procurement activities, and we publish our basic purchasing policy and procurement procedures on our website.

The CoorsTek KK Group Standards of Conduct state our policy of complying with laws, honoring contracts and agreements, and engaging in fair trade. We strive to thoroughly instill this policy in our employees.

#### Excerpt from the CoorsTek KK Group Standards of Conduct

##### Procurement activities

We comply with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Antitrust Act, and other laws, we honor contracts and agreements, and we procure necessary goods and services of the appropriate quality, price and delivery terms as the basis of fair trading relationships.

#### CoorsTek KK Group Basic Purchasing Policy

- **Optimized Global Procurement**

Based on fair and impartial market principles, we conduct business with suppliers who provide the best quality, price and delivery terms, regardless of location.

- **Building Trust**

We generate mutually profitable relationships based on trust. Confidential information obtained during the course of business is not disclosed outside of the Company. We create mutual benefits based on relationships of trust. We refrain from disclosing to external parties confidential matters that come to our knowledge in the course of business.

- **Compliance**

We regard compliance with the law as the basis of every transaction.

- **Green Purchasing**

Our procurement activities give priority to environmentally-conscious products and services.

- **Conflict Minerals Policy**

We do not purchase conflict minerals or materials or products that use metals derived from conflict minerals which come from the Democratic Republic of Congo or its neighboring countries, where such minerals may serve as funding sources for militia groups that commit human rights abuses. We kindly request that our suppliers also be transparent in their procurement of materials and parts.

#### Whistleblower system for suppliers

Our Clean Partner Line is a whistleblower system that lets suppliers report directly to legal affairs and risk management any act that violates laws, regulations, or contracts in transactions with suppliers.

#### ◆ Clean Partner Line



#### Green procurement

Under our Green Procurement Guidelines, we practice green procurement to make eco-friendly products. We prioritize purchasing raw materials, parts and supplies that reflect consideration for health, safety and the environment. Our efforts include eliminating hazardous substances and converting to substances with a minimal environmental impact, and incorporating RoHS\*1 and REACH\*2 directives and regulations.

\*1 RoHS (Restriction of Hazardous Substances) Directive: European Union directive to restrict the use of lead, mercury, cadmium, hexavalent chromium, and certain brominated flame retardants (PBB, and PBDE) in electrical and electronic equipment

\*2 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation: European Union regulation mandating registration, evaluation, authorization, and restriction of the use of chemical substances

## Responsibility to Employees

### Respecting employees' human rights and diverse values and creating a safe and secure workplace environment

#### Respect for people

Under the Basic Policy of Respect for Humans, the CoorsTek KK Group aims to foster awareness of human rights and respect for individual rights and diversity, and create an open-minded and creative workplace through programs, education, and activities.

#### ■ Promotion of diversity

We respect individuality and work to create a culture that values open-mindedness so employees with diverse values can fully demonstrate their capabilities.

**Employment of persons with disabilities:** In keeping with the concept of normalization, we are developing occupations suited to individual characteristics and capabilities to create a work-friendly environment. The Group's employment rate of persons with disabilities was 2.00% as of June 2017.

Year (as of June 1)	2013	2014	2015	2016	2017
Employment Rate	2.03%	2.02%	2.19%	1.84%	2.00%

**Rehiring of seniors:** We have instituted the Senior Course Selection System, a rehiring program, and we work to provide employment opportunities to employees so they can continue working past the mandatory retirement age.

#### ■ Education and enlightenment

We provide human rights education at all organizational levels so employees will develop an awareness of human rights and act in ways that reflect a respect for diversity. New employees receive training on behavior expected of individuals with an emphasis on basic human rights concepts, and managers receive training on actions expected of managers with an emphasis on workplace human rights and the utilization of diverse human resources.

## Communication

The Company treats communication between management and employees in the course of business seriously, we promote employee understanding of management policies, and we utilize employee opinions in management.

**Labor-management relations:** The Company cultivates good relationships with the labor union and other employee organizations and regularly exchanges views with them. At the annual Group Management Conference, executives explain business conditions directly to representatives of the labor union, and Group employee organizations listen to the views of employees and engage in discussion.

## Work-life balance

To enable employees to optimize their abilities according to their individual lifestyles, the Company provides a suitable work environment and helps employees achieve a work-life balance. We have issued a Work-Life Balance Support Guidebook that states that eligible employees can take leaves of absence with peace of mind; there is also a system in which managers provide support to employees on leave and facilitate their return to work. Childbirth leave for women is also available to men, and childcare leave is available until children are three years old. Furthermore, employees can work shorter hours under a system until children enter the third year of elementary school.

The Wide Plan Leave System lets employees accumulate paid holidays for use in self-development or social contribution activities. The system is also available to supplement family-care leave for employees who provide nursing care for family members.

## Personnel systems and human resource development

We believe that by appropriately assessing job skills and performance and by applying fair personnel assignments and treatment, we can raise employee motivation and maximize productivity. We have implemented mechanisms for ensuring the fair evaluation and treatment of employees. Our basic concept is that it is the employees' responsibility to develop their own skills, so the Company provides opportunities for skill development and offers maximum support for career development. We work to effectively utilize human resources by applying various education programs designed to develop strong, independent people who tackle difficult problems and by transparent personnel evaluation systems.

### ■ Systems for fair evaluation of job skills and performance

The Company clarifies strategy and policies and the objectives and role of employees. We have established a management by objectives system which aligns treatment according to individual performance. Employees and managers review performance and objectives to confirm whether these align with organizational strategy. The pay increase and personnel evaluation system is a mechanism to confirm the performance of employees and motivate them to tackle the next phase of development. These systems play a central role in human resources development.

**Grievance committee:** A grievance committee consisting of Company and labor union representatives works towards voluntary resolution of labor disputes concerning employee treatment, workplace environment, and other matters. There is a mechanism for impartial deliberation to resolve problems appropriately.

### ■ Education (training) program structure

We offer education programs such as level-specific Next Stage Education and Skills Improvement Education to raise job skills and Management Issue Response Education and job-specific education for training on how to respond to company initiatives and job-specific issues. We also dispatch employees for external training as necessary.

**Next stage education:** Next Stage Education, which consists of level-specific training for the knowledge and skills necessary for the next career stage, is timed to coincide with employees' career advancement.



**Skills improvement education:** Our Skills Improvement Education is aimed at all employees to provide them with the practical skills necessary for job performance, including language courses, specialized courses, and other programs conducted through group training, distance learning, and e-learning. In keeping with the concept that employees undertake skills development on their own, we allow employees to select the programs they prefer.

**Management issue response education and job-specific education:** We provide education programs mandatory for some or all employees that enable them to acquire the knowledge and skills required to fulfill company initiatives. Specifically, we provide human rights training, environmental management-related education, quality control-related education, and other basic training as well as engineer training, sales training, and other job-specific training.

## Environmental, Health, and Safety Policy

**Conducting operations safely and in an environmentally responsible manner requires a diligent attitude and proactive steps. At CoorsTek, we believe ACTION is the key to achieving ZERO injuries or environmental incidents.**

**Anticipate potential hazards and take action to prevent them from doing harm**

**Commit to protecting yourself, employees, and the environment**

**Think about the contributing factors of injuries, accidents, and illnesses and learn from them**

**Initiate continual process and program improvements**

**Own it! It is up to us to prevent injuries, illnesses, and pollution**

**Network with others to share best practices and elevate our performance beyond compliance**

## Occupational safety and health management structure

The CoorsTek KK Group has an integrated management and operating structure in which the Group Safety and Health Committee is the top decision-making body for matters of safety and health management.

We perform risk reduction activities that conform to the Ministry of Health, Labour and Welfare's Guidelines on Occupational Safety and Health Management Systems.

### ◆ Occupational Safety and Health Management Structure



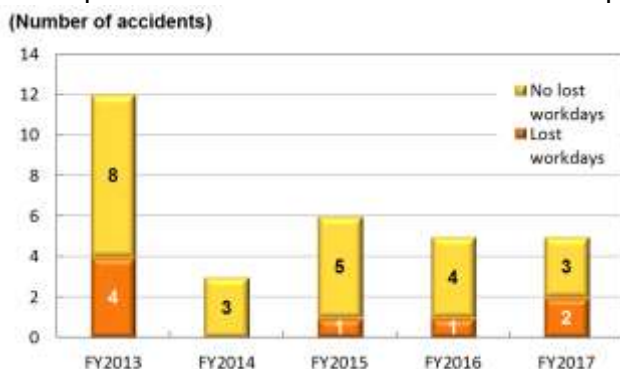
## Occupational safety and health audits

The Group's Safety and Health Management Officer and EHS personnel conduct compliance audits and activity assessments of all business sites. Activity assessments involve six areas: organization, systems, and duties; compliance; safety activities; health activities; systems and regulations; and education. EHS personnel follow up on results and work to improve safety and health activities.

## Occupational accidents

In fiscal 2017, there were five occupational accidents in the CoorsTek KK Group, which involved two lost workdays. To eliminate accidents, we are pursuing initiatives through KY ("kiken yochi," or hazard prediction), the point-and-call risk reduction system. Kariya Facility, CoorsTek Tokuyama Corp., and CoorsTek Nagasaki Corp. had zero occupational accidents in fiscal 2017 and were commended by CoorsTek, Inc. (In fiscal 2016, only CoorsTek Tokuyama Corp. had zero accidents).

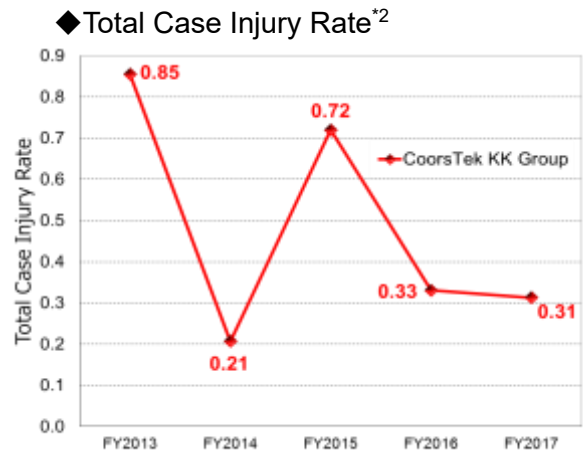
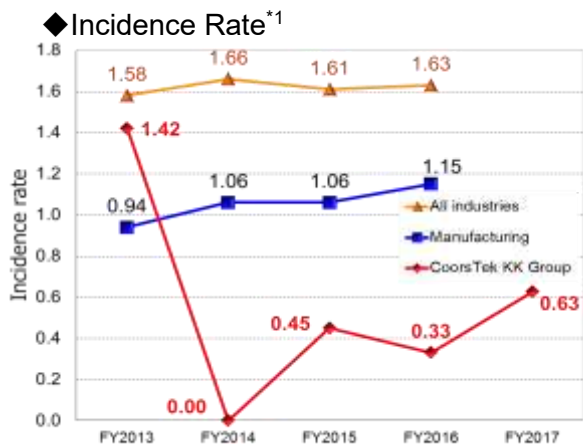
### ◆ Occupational Accidents at CoorsTek KK Group



Note: Occupational accidents in fiscal 2016 represent data from January 1 to December 31, 2016, during which the fiscal year period was changed to start on January 1 compared to previous fiscal years, which started on April 1.



Plaque commending ZERO INJURIES 2016 (CoorsTek Tokuyama Corp.)



Note: Figures other than CoorsTek KK Group results are from the Ministry of Health, Labour and Welfare occupational accident statistics.

\*1 Incidence rate: Number of accidents involving one or more lost workdays per million work hours

\*2 Total Case Injury Rate: Number of total accidents per 200-thousand work hours

## Occupational safety and health education and training

The Group conducts education programs related to safety and health based on an annual occupational safety and health education and training plan. We work to ensure employee safety and raise safety and health awareness.

### Hands-on safety training

We consider raising each employee's risk awareness important for eliminating occupational accidents and we provide accident simulation training to enable employees to recognize the risks inherent in their work through personal experience.



Hands-on safety training to avoid being caught on a machine (Hadano Facility)

## Occupational safety and health management

The CoorsTek KK Group accords the highest priority to human life. To ensure workplace safety and to safeguard the health of employees and other concerned parties, we have established the Basic Policy on Safety and Health Management in which we maintain safe, comfortable workplaces. We work to prevent occupational accidents and illnesses and encourage employees to maintain their health.

### CoorsTek KK Group – Safety and Health Activities: Objectives and Results

#### ◆Fiscal 2017 Priorities and Results

Fiscal 2017 Priorities	Objectives	Performance	Evaluation <sup>*2</sup>
1. Initiatives to eliminate occupational accidents	(1) Establish “kiken yochi” hazard prediction and point-and-call system	Systematically conducted	○
	(2) Improvement of 5% or more for Risk Level <sup>*1</sup> II and III	Level II: 15%, Level III: 40% improvement	◎
	(3) Enhancement of safety levels based on health and safety guidelines	Systematically conducted	○
2. Physical and mental health maintenance and improvement	(1) Promote awareness of the importance of improving medical checkup results (awareness activities about irregularity rates above the national average)	Provide health counseling for employees with observed irregularities	○
	(2) Improvement and enhancement of mental health environment	Systematically conducted	○

\*1 Risk Levels – Level I: Maintenance of current safety measures Level II: Risk requiring systematic reduction measures Level III: Risk requiring prioritized reduction measures Level IV: Unacceptable risk

\*2 ◎ Objective exceeded ○ Objective achieved △ Objective not achieved

#### ◆Fiscal 2018 Priorities

1. Initiatives to eliminate occupational accidents (1) Establish “kiken yochi” hazard prediction and point-and-call system (2) Promote risk reduction (3) Enhancement of safety levels based on health and safety guidelines	2. Physical and mental health maintenance and improvement (1) Awareness of the importance of improving medical checkup results (2) Improvement and enhancement of mental health environment
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## Employee health

### Physical health management

To create workplaces conducive to employee health, the CoorsTek KK Group mandates medical checkups and provides opportunities for health management and counseling about all aspects of health based on the medical checkup results. As a measure to prevent health problems due to overwork, we address the health problems of individual employees by offering consultations with industrial physicians, which can also be arranged based on employee requests.

### Mental health

The Group provides preventive training for managers to promote early stage awareness of persons who might have mental health problems and ensure that they are not overlooked, and provides education to enable employees to recognize any change in their mental health. We provide care for employees by assigning counselors and instituting return-to-work support programs for employees who have taken leave due to mental health problems so they can smoothly return to work.



Learning about mental health issues  
(CoorsTek Tokuyama Corp.)



## Responsibility to Local Communities

### Earning the community's trust by promoting good corporate citizenship

#### Partnership with local communities

The CoorsTek KK Group cooperates and forms partnerships with local communities. We fulfill our responsibility as a member of the community and work to expand opportunities for communication.

The Company provides the Wide Plan Leave System to support employees' volunteer activities. Under this system, employees can use their paid holidays that would otherwise expire and apply them to volunteer activities that make a social contribution.

#### Excerpt from the CoorsTek KK Group Standards of Conduct

##### Community relations

We maintain good relations with local communities through cooperation and partnerships and fulfill our responsibility as a member of the community.

##### Corporate citizenship activities

###### ■ Science class and hands-on experience

For employees' family members and students, we offer factory tours and opportunities to learn through experience at our workplaces. We hold science lectures in partnership with the government with the aim of nurturing a well-rounded education for children.



Science class for junior high school students  
(Oguni Facility)



High school students receive occupational experience  
(CoorsTek Nagasaki Corp.)

###### ■ Volunteer activities

The Group cooperates closely with local residents to build better communities. Each business site conducts periodic clean-ups in the surrounding area, holds blood donor drives, and promotes traffic safety activities. Top managers initiate cleaning activities to set a good example for all employees.



Beautification activities  
(Hadano Facility)



Blood donation campaign  
(Kariya Facility)

■ Disaster preparedness activities

To be prepared for a fire emergency or major earthquake, we periodically conduct disaster preparedness drills designed to ensure a rapid and appropriate emergency response and to minimize damage. At the head office, which includes CoorsTek Sales KK, employees conduct emergency training as a countermeasure against a large-scale earthquake.



Rescue by Fire Ladder Truck  
(CoorsTek Tokuyama Corp.)



Training to Carry an Injured Person  
(Head Office, CoorsTek Sales KK)

■ Regional activities

In 2015, Oguni Facility provided a sumo ring at Inari Shrine, located within the facility, to the Azumazeki sumo stable for use as a training camp. Families from the community and beyond came to watch the spirited training of professional sumo wrestlers. The annual Inari Shrine festival also helped deepen relations with local residents, with attractions including the customary employee sumo competition and stalls operated by local residents and employees. Furthermore, employees hold site tours with local residents and have been interacting with residents of Colorado state and Yamagata prefecture in sister prefecture-state relations.

To promote CoorsTek's name value, the Group attends local events, such as a marathon, wearing CoorsTek T-shirts.



Site tour with local residents (Oguni Facility)



Sumo match (Oguni Facility)



International exchange (Oguni Facility)



Annual festival (Oguni Facility)



KENPO Mini-Marathon (Head Office)



Marathon (CoorsTek Nagasaki Corp.)