

CoorsTek KK Group

Corporate Social Responsibility Report 2015

Contents

Vision	P2
Message from the President	P3
Company Overview / Economic Performance	
■ Company Overview	P4
■ Principal Products	P4
■ Economic Performance	P5
Management	
■ Corporate Governance	P6
■ Compliance and Risk Management	P7
Society and Human Report	
■ Quality & EHS Policy	P9
■ Responsibility to Customers	P10
■ Responsibility to Suppliers	P12
■ Responsibility to Employees	P13
■ Responsibility to Local Communities	P17
Environment Report	
■ Environmental Management	P18
■ Objectives of Environmental Activities and Performance	P19
■ Environmental Communication	P20
■ Environmental Impact	P21
■ Mitigating Global Warming	P22
■ Waste Management	P23
■ Management of Chemical Substances	P24
■ History of Our Commitment to the Environment	P25

Editor's Note

This is our thirteenth report since our first report, titled Environmental Report, was published in 2003. In this report, we present the business, social and human, and environmental activities of the CoorsTek KK Group (the Group), which includes CoorsTek KK (the Company) and our subsidiaries, as they reflect our commitment to corporate social responsibility (CSR). Our purpose is to communicate the Group's activities and commitment to CSR in a way that our customers, shareholders, employees, people in local communities, and other stakeholders can easily grasp.

Scope of the Report

This report covers the following facilities and affiliated companies.

CoorsTek KK

- Head Office 11-1, Osaki 2-chome, Shinagawa-ku, Tokyo
- Oguni Facility 378, Oaza Oguni-machi, Oguni-machi, Nishiokitama-gun, Yamagata Prefecture
- Hadano Facility 30, Soya, Hadano, Kanagawa Prefecture
- Kariya Facility 1, Minami-Fuji, Ogakie-cho, Kariya, Aichi Prefecture

Consolidated Subsidiaries

- CoorsTek Tokuyama Corporation
2-1-32, Eguchi, Shunan, Yamaguchi
- CoorsTek Nagasaki Corporation
296, Momozugo, Kawatana-cho, Higashisonogi-gun, Nagasaki

Remarks:

- The above three facilities and two consolidated subsidiaries are collectively referred to as "business sites."
- The Head Office is not included in environmental reporting data.

Reporting Period

This report presents the results of activities in fiscal 2014 (April 1, 2014 to March 31, 2015) and other content.

Publication

Previous issue: September 2014

Next issue: May 2016 (scheduled)

Reference Guidelines

- *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3 Guidelines)*
- *Environmental Reporting Guidelines* (fiscal year 2012 version), Ministry of the Environment of Japan

Vision

CoorsTek Group's Mission, Vision & Values

Vision

We make the world measurably better.

Mission

CoorsTek is the partner of choice for technology & manufacturing companies worldwide, whose success requires the unique, high-performance properties of products manufactured from engineered ceramics & advanced materials.

We deliver outstanding value through :

- Unsurpassed expertise in materials engineering
- Broad research, development, and manufacturing capabilities
- Operational excellence
- Highly collaborative, responsive, and reliable relationships

Values

- **Dignity.** In everything, we do to others what we would have them do to us.
- **Integrity.** We do what we say. We say what we mean.
- **Customer-focus.** We create outstanding value for our customers.
- **Teamwork.** We work together to make our company the best.

CoorsTek's Corporate Philosophy

1. Prioritizing the Customer

We accord the highest priority to customers' satisfaction by providing value-rich products and services based on new perspectives and dynamic ideas.

2. Enhancing Corporate Value

Through constant change in management practices and technological innovation, we strive to garner the trust and meet the expectations of all who are stakeholders in the CoorsTek Group.

3. Contributing to Society

We place the highest consideration on human safety and environmental conservation, and as a good corporate citizen, we aim to achieve a symbiotic relationship with the global community and local communities in which we have a presence by contributing to their developments.

4. Conducting Fair Business

We are fully aware of our social responsibilities as a corporate entity, and we obey the rules and established norms of Japan and other countries as we conduct business fairly and with integrity.

5. Respecting the Individual

We respect each employee's individuality and creativity, and we foster a fair and generous environment in which he or she can grow and evolve as an individual.

Message from the President

We make the world measurably better.



長浜敏夫

**President and CEO
CoorsTek KK**

On October 1, 2015, we changed our name from Covalent Materials Corporation to CoorsTek KK.

When US-based CoorsTek, Inc. acquired Covalent's shares in December 2014, the two companies proceeded to integrate their personnel, technologies and other assets. The first phase of integration was completed in October 2015, after which the new Company began activities as a key member of the CoorsTek Group.

Founded in 1910, CoorsTek is one of the world's foremost manufacturers of advanced materials and a leading provider of engineering solutions. CoorsTek KK was founded in 1918 as a furnace materials manufacturer, so both companies have century-long histories and traditions.

The integration of the two manufactures has resulted in a company with more than 50 manufacturing sites and 6,000 employees in 14 countries on four continents, serving more than 10,000 customers, and doing business in virtually all major industrial sectors.

We will continue to prioritize ties with all of our stakeholders, strive to create products that benefit society, and faithfully fulfill our social responsibility in order to meet stakeholder expectations.

I hope that this report deepens your understanding of our CSR activities. I ask for your continued guidance and encouragement in the coming years.

Company Overview / Economic Performance

Company Overview

Company name:	CoorsTek KK
Established:	October 2006
Founded:	September 1928
Head Office:	Osaki Wiz Tower, 11-1, Osaki 2-chome, Shinagawa-ku, Tokyo 141-0032, Japan
President:	Toshio Nagahama
Facilities:	Oguni Facility, Hadano Facility, Kariya Facility
Affiliated Companies:	6 consolidated subsidiaries 1 non-consolidated subsidiary 2 affiliates accounted for by equity method

Principal Products

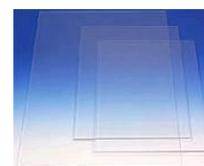
■ Semiconductor related products

- ▶ High-purity quartz glass products
- ▶ High-purity carbon and graphite products
- ▶ Vacuum break filters
- ▶ ADS high-purity alumina ceramics
- ▶ CERASIC® atmospheric sintered SiC
- ▶ TPSS Si-impregnated silicon carbide products
- ▶ CEPURE® in-line gas filters
- ▶ SAPPHAL® high-purity translucent alumina ceramics
- ▶ High-purity silicon parts



■ FPD related products

- ▶ Large-scale photomask substrates for producing LCDs
- ▶ GLASSUN® rolls



■ Environment related products

- ▶ CERASIC® atmospheric pressure sintered SiC
- ▶ Crucibles for solar battery manufacturing

■ Bio and medical related products

- ▶ NEOBONE® ceramic bone substitutes
- ▶ Ceramic substrates for cell culture

■ General industrial products

- ▶ TECORUNDUM silicon carbide heating elements
- ▶ QCH-HEATER®
- ▶ CERASIC® atmospheric pressure sintered SiC
- ▶ Micro-fabricated quartz glass substrate
- ▶ Carbon brushes
- ▶ Silica glass crucibles for the glass industry
- ▶ GLASSUN® fused silica refractories
- ▶ Refractories for the glass industry

■ Compound semiconductor substrate

- ▶ GaN on Si substrate

For details, please refer to product information on the CoorsTek KK Website.

<http://www.coorstek.co.jp/eng/products/index.html>

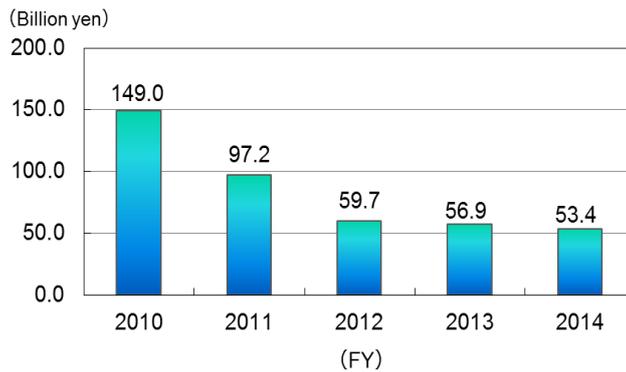
Economic Performance

Strategic points from which the CoorsTek KK Group will grow its business

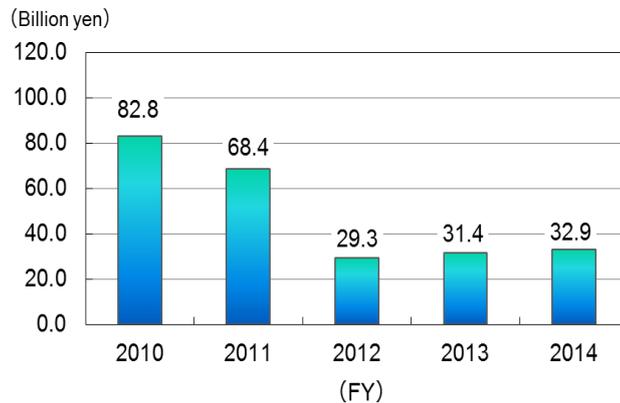
Paid-in capital: 14.0 billion yen
Total assets: 53.4 billion yen (consolidated basis)
Net sales: 32.9 billion yen (consolidated basis)
Number of employees: 1,317 (consolidated basis)

Remarks: Paid-in capital is as of October 1, 2015. Total assets, net sales, and number of employees are as of March 31, 2015. Figures are for CoorsTek KK and its consolidated subsidiaries.

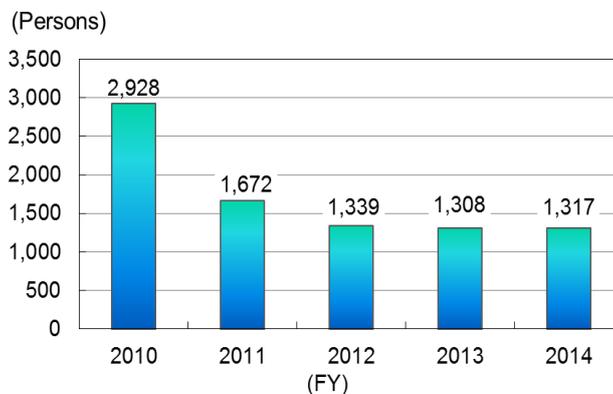
◆ Total Assets (Consolidated Basis)



◆ Net Sales (Consolidated Basis)



◆ Number of Employees (Consolidated Basis)



Management

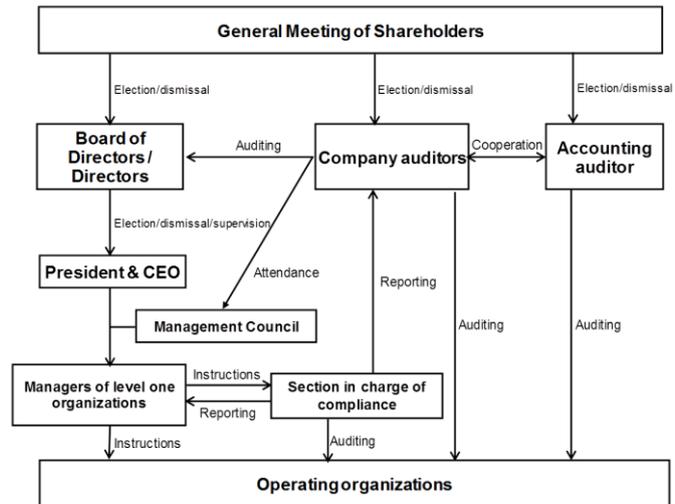
Corporate Governance

Transparent and sound management raises management quality and improves efficiency

The Company considers the purpose of corporate governance to be the assurance of transparent and sound management and the enhancement of management quality and efficiency.

The enhancement of corporate and stakeholder value and the maintenance of appropriate relations with our customers, suppliers, employees, the communities where we have a presence and other stakeholders, through the fulfillment of corporate governance, are important management policies.

◆ Corporate Governance Structure



Board of directors

The Board of Directors, which consists of nine directors (including six outside directors), has the authority to decide matters concerning the Company's execution of business and supervise the directors' performance of duties. In addition, by establishing a Management Council that consists of managers from key organizations and convenes as necessary, the Company has established a structure for efficient discussion and decision making for strategies and important matters pertaining to the Group and performance review within the scope delegated by the Board of Directors.

Terms of office for directors is set at one year in the Articles of Incorporation to respond flexibly to changes in the business environment and clarify management responsibility.

Company auditor

The company auditor (there is currently one auditor) audits directors' execution of duties and strives to ensure management transparency and strengthens oversight.

Internal audit system

The Company has established basic policies for systems related to the execution of duties by directors and employees; the systems include those for compliance, information management, risk management, efficient performance of duties and Group company management, and systems related to the performance of duties by company auditors (system for reporting, audit assistance

and effective auditing). The Company works to establish systems necessary for ensuring the appropriateness of operations.

The company auditor conducts statutory audits by attending Board of Director and other important meetings, verifying the content of reports received from directors and operating organizations, examining the status of company operations and assets and confirming compliance with the Companies Act law of Japan.

In the Group, the company auditor works to strengthen mutual cooperation and enhance internal management systems while receiving reports from and exchanging views with auditors of Group companies. The company auditor works to conduct efficient audits by cooperating with the accounting auditor and department in charge of compliance and, as necessary, opinions about important matters concerning internal controls and accounting related to the Company and Group companies.

Compensation for corporate officers

The maximum amount of compensation for all directors and all company auditors is determined by resolution of the general meeting of shareholders. A representative director granted authority by the Board of Directors determines the amount of compensation for each director within the maximum amount, and the company auditor determines the amount of compensation for each company auditor and notifies the representative director.

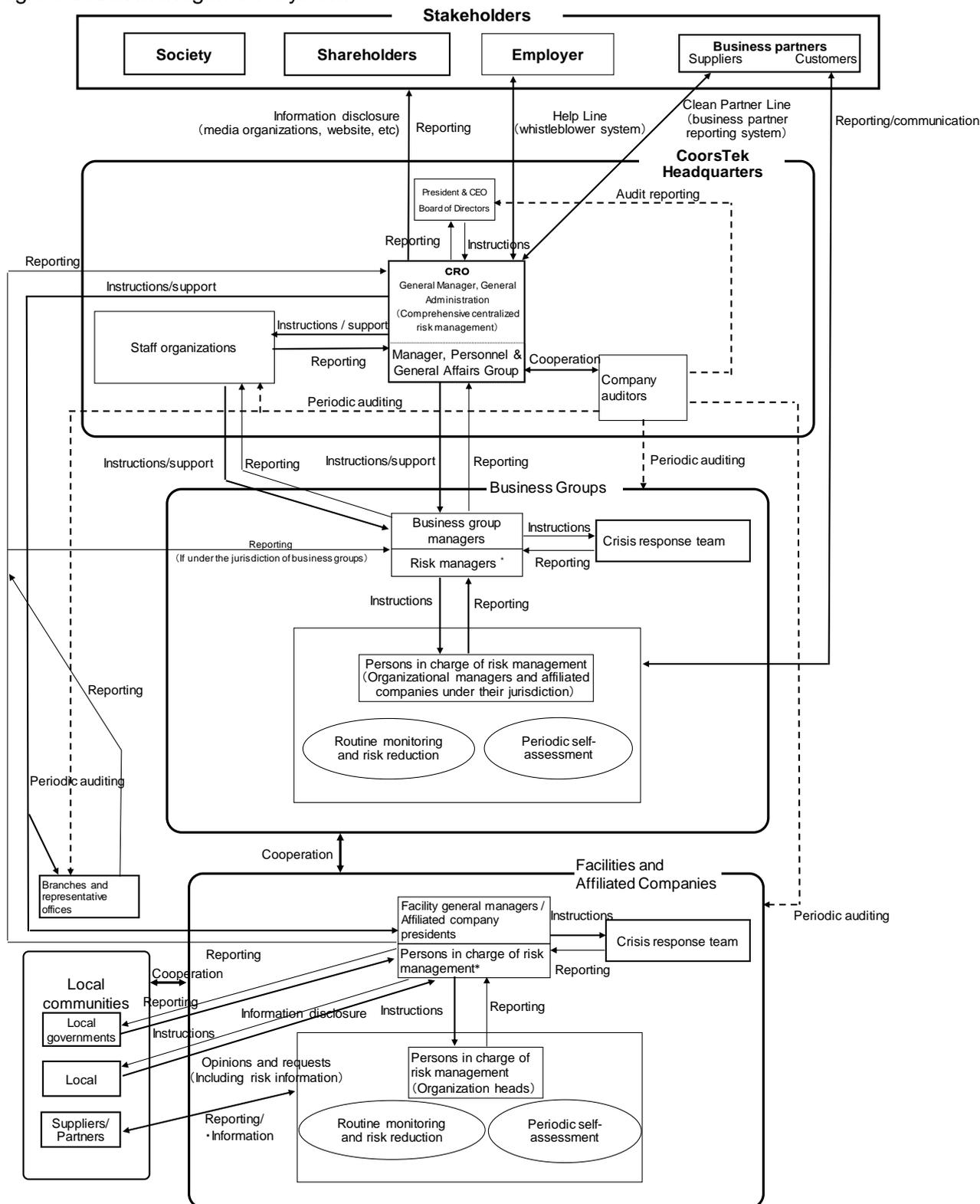
Compliance and Risk Management

Integrated risk management ensures a sustainable company

Integrated risk management system

The Company has established an integrated group-wide system for managing compliance and crisis risks and ensuring legal compliance. It has appointed a chief risk management officer (CRO) and set up the CoorsTek Group Help Line, an internal whistleblower system that lets employees bypass organizational structures and directly report to and consult with General Administration (personnel in charge of legal affairs and risk management) and the Clean Partner Line, a whistleblower system for outside parties to report legal, regulatory or contractual violations concerning the Group.

◆ Integrated Risk Management System



* Chief risk managers are appointed to each business group, facility, and affiliated company.

Raising awareness of the importance of compliance

The Company is fully aware of its social responsibility and has established a management policy of conducting fair and honest business activities in keeping with laws, regulations and the social order in Japan and other countries. To instill a corporate culture conducive to practicing such fair business activities, the Company has incorporated compliance education into the curriculum of Next Stage Education for employees at all organizational levels.

This education includes explanation of matters such as the management policies that form the basis for compliance, the severity of risks associated with violations of laws and regulations, and changes in public and employee compliance awareness.

Information security and intellectual property management

The Company has established regulations to ensure the protection of and respect for information and the intellectual property of the Company and third parties and works to ensure that employees are familiar with those regulations.

The Company also works to prevent information leaks and improper use of intellectual property by providing Next Stage Education along with compliance education, education about the importance of information security and intellectual property protection, associated risks and methods for managing information and intellectual property.

Society and Human Report

Quality & EHS Policy

We provide world-class quality in our products and services to internal and external customers while operating in a manner that responsibly protects the environment, the health and safety of our employees, our customers, and the communities in which we work.

This is accomplished by:

- Commitment to continuous improvement in all business and manufacturing processes including health and safety and pollution prevention
- Adherence to established processes and participation in continuous improvement activities and creating value for our customers
- Allowing quality to be defined by the customer and achieved by using their expectations in order to select target values and minimize variation around those values
- Producing quality parts with on-time delivery
- Compliance with internationally recognized standards
- Commitment to compliance with applicable legislation, regulations and other requirements
- Using a systematic approach to setting and reviewing quality and EHS (Environment, Health and Safety) objectives and targets
- Providing appropriate resources to implement and maintain our policy

It is the responsibility of every CoorsTek employee to comply with the Quality and EHS Policy.

◆ Status of Quality-Related Certifications (as of September 30, 2015)

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.

◆ I SO 14001 Certification Status (As of August 31, 2013)

Business Site	Initial Certification Date	Certification Body
Oguni Facility	Feb. 1998	Intertek Certification Japan Ltd.
Hadano Facility	Mar. 1998	Intertek Certification Japan Ltd.
Kariya Facility	Apr. 2000	Certification relinquished
CoorsTek Tokuyama Corp.	Mar. 1998	Japan Quality Assurance Organization
CoorsTek Nagasaki Corp.	Dec. 2000	Certification relinquished

Responsibility to Customers

Quality management systems

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

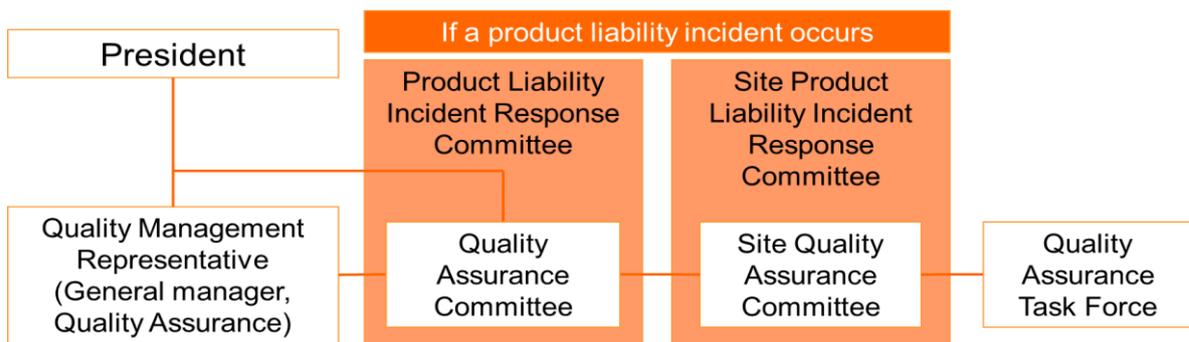
To ensure the highest product safety and quality, the Quality Assurance Committee plays a leading role in developing quality management systems. Group-wide quality objectives and measures based on the Quality & EHS Policy are assigned to quality assurance committees established at each business site 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 also work to protect the irreplaceable global environment by strengthening management of chemical substances contained in products, an initiative that is gaining impetus worldwide.

Four business sites have obtained ISO 9001 quality management systems certification.

◆ Quality Management Structure



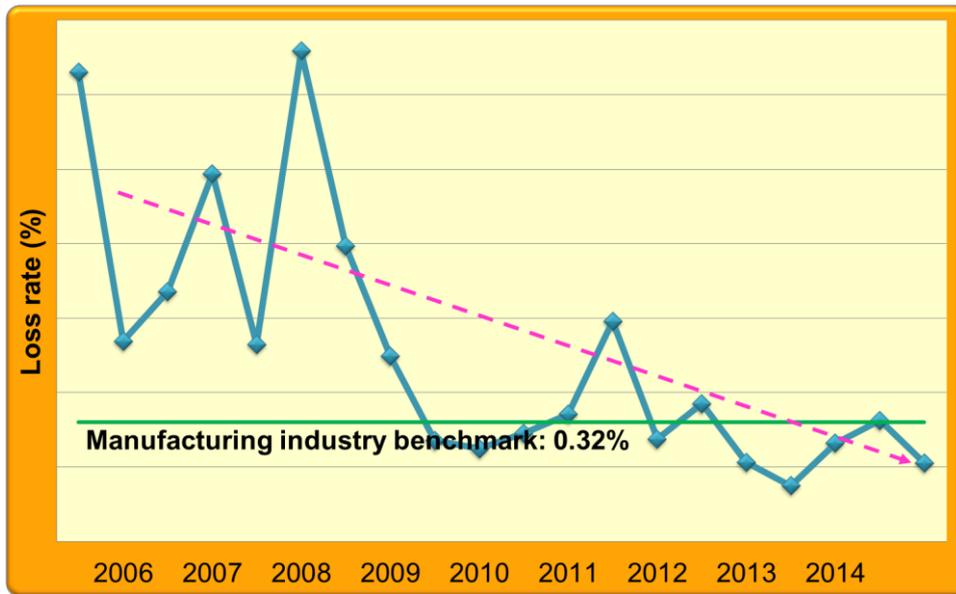
Continuous Quality Improvement Activities

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: 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^{*1}, and work to foster quality awareness among employees. We examine root causes of events using the 5-why analysis method^{*2} and implement permanent measures. Other activities include implementation of FMEA^{*3} and change management, efforts to prevent quality incidents and SPC^{*4} techniques.

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^{*5}, 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 FMEA: Failure Mode and Effects Analysis, a method for anticipating potential quality problems and preventing them from occurring by implementing measure at the planning and implementation phase.
- *4 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.
- *5 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 states our policy of observing laws and honoring contracts and agreements and engaging in fair trading. We strive to instill this policy in our employees.

Excerpt from the CoorsTek KK Group Standards of Conduct

Procurement activities

We observe the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Antitrust Act and other laws, we honor contracts and agreements and 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 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.

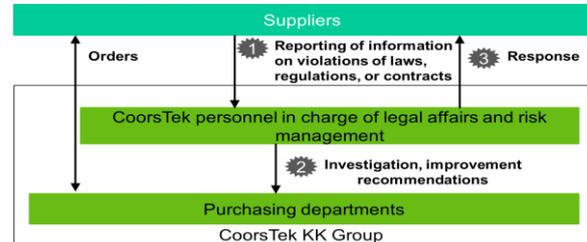
- **Conflict Minerals Policy**

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, a whistleblower system that lets suppliers report directly to General Administration (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 and REACH 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 for Respecting 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 2.19% as of June 2015.

Year(as of June 1)	2011	2012	2013	2014	2015
Employment Rate	2.20%	2.79%	2.03%	2.02%	2.19%

Rehiring of seniors : In our have instituted the Senior Course Selection System, a rehiring program, 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, and promotes employee understanding of management policies, and utilizes 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 directly explain business conditions 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.

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



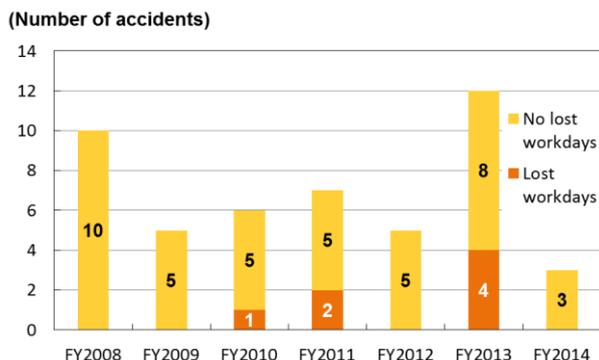
Internal occupational safety and health audits

The Group's Safety and Health Management Officer and Environment, Safety & Health Group 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. The Environment, Safety & Health Group follows up on results and works to improve safety and health activities.

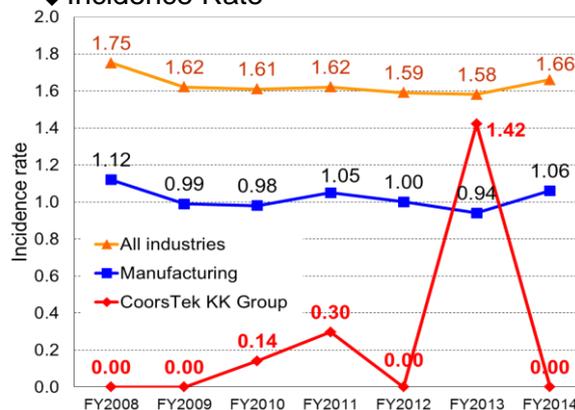
Occupational accidents

In fiscal 2014, there were three occupational accidents in the CoorsTek KK Group, none of which involved lost workdays. To eliminate accidents, we are pursuing initiatives through KY ("kiken yochi" or hazard prediction), the point and call system and risk reduction.

◆ Occupational Accidents at CoorsTek KK Group



◆ Incidence Rate^{*1}



Note: Figures other than CoorsTek KK Group results are from 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

Occupational safety and health education and training

The Group conducts education programs relating to safety and health based on an annual occupational safety and health education and training plan and works 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.



Simulating risk posed by blade (CoorsTek Nagasaki Corp.)



Training provided for a partner company (Oguni Facility)

Occupational safety and health management

The CoorsTek KK Group accords the highest priority to human life. To ensure workplace safety and 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 Performance

◆ Fiscal 2014 Priorities and Performance

Fiscal 2014 Priorities	Objectives	Performance	Evaluation ^{*2}
1. Initiatives to eliminate occupational accidents	(1) Thoroughly practice “kiken yochi” (hazard prediction) and point and call system (such as defining point and call rules)	Rules defined for 780 items covered by point and call	◎
	(2) Conduct fixed-point observation utilizing KYT (safety inspection tours)	Conducted at 234 locations	◎
	(3) Improvement of 5% or more for Risk Level ^{*1} II and above	10.9% improvement	◎
	(4) Enhance safety and health education — Awareness of the importance of communicating effectively	Added as a hands-on safety training item	○
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) Conduct mental health education and awareness activities	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 2015 Priorities

1. Initiatives to eliminate occupational accidents (1) Establish hazard prediction and point and call system (2) Improvement of 3% or more for Risk Levels II and III (3) Verification of “hiyari-hatto” (near miss) items	2. Physical and mental health maintenance and improvement (1) Awareness of the importance of improving medical checkup results (2) Mental health education and awareness activities
---	---

Employee health

Physical health management

To create workplaces conducive to employee health, CoorsTek KK Group conducts 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 education to enable employees to recognize any change in their mental health. We provide care for employees by assigning counselors and instituting a return-to-work support program for employees who have taken leave due to mental health problems to smoothly return to work.



Learning about mental health issues (CoorsTek Tokuyama Corp.)



Mental health training (Hadano Facility)

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 accumulate paid holidays that would otherwise expire and use them to participate in 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

■ Factory tours and hands-on experience

We offer employees' family members and students factory tours and opportunities to learn through experience at our workplaces



Workplace Experience for high school students (Oguni Facility)

High school students receive occupational experience (CoorsTek Tokuyama 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, blood donor drives and traffic safety activities.



Taking care of the forest (CoorsTek Tokuyama Corp.)



Cleaning up around the site (Kariya Facility)



Clean-up completed (CoorsTek Nagasaki Corp.)

■ Disaster preparedness activities

To prepare for a fire emergency or major earthquake, we periodically conduct disaster preparedness drills designed to ensure a rapid and appropriate emergency response and minimize damage.



Disaster preparedness drill (Hadano Facility)

■ Regional activities

In fiscal 2014, Oguni Facility provided a sumo ring on the grounds of 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.



Softball tournament for local companies hosted by facility (Oguni Facility)



Annual festival (Oguni Facility)

Environmental Report

Environmental Management

Pursuing green management

Environmental activities

The CoorsTek KK Group regards environmental protection as a key management issue. We are engaged in environmental protection activities on a continual and voluntary basis, and these guided by the Environmental Policy we established in 1989.

CoorsTek KK Group Environmental Policy

The CoorsTek KK Group works to bring together materials, technologies and people to create new values. In carrying out our activities, we promote environmental protection in the belief that the Earth's resources are invaluable. Accordingly, we promote the following management concepts:

- (1) Position environmental protection as a critical issue at the heart of our business.
- (2) Adhere to environmental laws, environmental guidelines embrace by CoorsTek KK Group, and other voluntary environmental protection standards.
- (3) Reduce the environmental impact of our business activities and prevent pollution.
- (4) The Group has voluntarily set action plans such as energy conservation to help prevent global warming, including policies such as zero emissions through the effective use of resources and the reduction of the use of chemical substances.
- (5) Promote green procurement, including prioritizing the selection of raw materials that have minimal environmental impact.
- (6) Contribute to society by developing and providing superior environmental technology and products, cooperate with communities, and undertake environmental protection activities in general.

Environmental management structure

We have an integrated environmental management structure in which the Group Environmental Committee is the top decision-making body for matters relating to environmental management. All business sites operate environmental management systems that comply with ISO14001 requirements.

◆Environmental Management Organizational Structure



Environmental internal audits

The Chief Environmental Management Officer and the Environment, Safety & Health Group conduct compliance audits and activity assessments of all business sites.

We use our standards to confirm whether we are in compliance with environmental laws and regulations, and we assess the status of our environmental activities. The Environment, Safety & Health Group follows up assessment results and works to improve environmental efforts.



Internal audit

Environmental education

In order to better understand and enhance our environmental conservation skills, all Group employees undergo environmental education on a regular basis. The content of the education varies according to positions and responsibilities. To ensure compliance and enhance the skills of individual employees, the Group supports and encourages employees to acquire qualifications and attend lectures.

Contractors working at the Group's sites are informed of environmental and safety requirements.

Objectives of Environmental Activities and Performance

Green manufacturing for reducing environmental impact

Overview of the voluntary environmental action plan

The CoorsTek KK Group has formulated a voluntary environmental action plan and engages in activities to reduce the environmental impact of business activities.

◆FY2014 Voluntary Environmental Action Plan and Performance

Priority Initiatives	FY2014 Voluntary Environmental Action Plan	Performance	Evaluation*2
Global warming mitigation	Reduction of 1% or more in ratio to direct costs (crude oil equivalent/direct costs) from the FY2013 level	5.5% reduction in ratio to direct costs compared to FY2013 level	◎
Pursuit of zero emissions*1	Reduction by thorough sorting of waste for final disposal (landfill disposal)	Improvement of 1.3 percentage points from the FY2013 level	◎
Reduction of chemical substances	Setting reduction targets at each business site for selected chemical substances used in large quantities	7.9% reduction in ratio to direct costs compared to FY2013 level	◎

*1 Zero emissions of waste: Final disposal rate (Final disposal amount / Total waste discharged x 100) of ≤ 1

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

◆FY2015 Voluntary Environmental Action Plan and Medium- to Long-Term Plan

Priority Initiatives	FY2015 Voluntary Environmental Action Plan	Voluntary Environmental Actions	Medium- to Long-Term Plan
Global warming mitigation	1% or more reduction of in ratio to direct costs (crude oil equivalent/DC) compared to FY2013 level		(Medium- to long-term plan) Reduce CO ₂ emissions (total amount) by 3.8% or more in FY2020, taking FY2005 as a baseline.
Pursuit of zero emissions	Reduction by thorough sorting of waste for final disposal (landfill disposal)		(Medium- to long-term plan) Reduce the final disposal rate (Final disposal amount / Total waste discharged x 100) to 2% or less in FY2020.
Reduction of chemical substances	Setting reduction targets at each business site for selected chemical substances used in large quantities		(Medium- to long-term plan) Reduce PRTR*2 substance use (ratio of use to direct costs) by 10% or more in FY2020.

*2 PRTR (Pollutant Release and Transfer Register) is a system for ascertaining, aggregating, and publishing data on the amounts of harmful chemical substances released into the environment or transferred offsite and the sources of such substances.

Environmental accounting

CoorsTek KK Group assesses environmental costs and applies the results to business activities.

◆ Environmental Costs

Millions of yen

Classification	Content	Expenditure* ³	Costs* ⁴
I Business area costs		109.7	463.4
I - i Pollution prevention costs	Prevention of pollution to atmosphere, water, soil, etc.	(43.3)	(334.6)
I - ii Global environmental protection costs	Mitigation of global warming, conservation of ozone layer, etc.	(64.9)	(24.8)
I - iii Resource circulation costs	Effective utilization of resources, recycling of waste, etc.	(1.4)	(104.0)
II Upstream/downstream costs	Green procurement, product recovery and recycling, etc.	0	0
III Administration costs	Monitoring of environmental impacts, planting of greenery, etc.	0	19.0
IV R&D costs	Development of environmentally conscious products etc.	0	134.0
V Social activity costs	Disclosure of information etc.	0	0.4
VI Environmental remediation costs	Natural restoration etc.	0	0.1
Total environmental cost (millions of yen)		109.7	616.9

Period: From April 2014 to March 2015 Scope: 5 business sites

*3 Expenditures: Of expenditures subject to depreciation, amounts for environmental conservation are reported.

*4 Costs: Total amounts of expenditures for environmental conservation and depreciation of facilities are reported (including labor costs).

◆ Environmental conservation effects

Although energy consumption has increased year on year, the rate of increase in energy consumption was lower than the rate of increase in production, resulting in an energy savings effect. Although water consumption has increased year on year, the rate of increase was of the same level as the rate of increase in production. Main reasons for the increase in the amount of waste were due to production increases in and unexpected furnace repairs.

Actual Effects	Environmental Impact Compared to FY2013	Monetary Value of Effects
Energy consumption	Increase of 54,000 GJ	Increase of 193.1 million yen
Water consumption	Increase of 282,600 m ³	Increase of 3.0 million yen
Amount of waste	Increase of 1,001 t	Increase of 16.0 million yen

Environmental Communication

Active environmental communication with stakeholders

The CoorsTek KK Group disseminates environmental information in the Social and Environmental Report and on our website. We hold community dialogues to directly engage with members of the local community.

CoorsTek Tokuyama Corp. explains the status of company initiatives such as disaster prevention measures and environmental conservation activities. It also exchanges views with local residents and conducts factory tours.



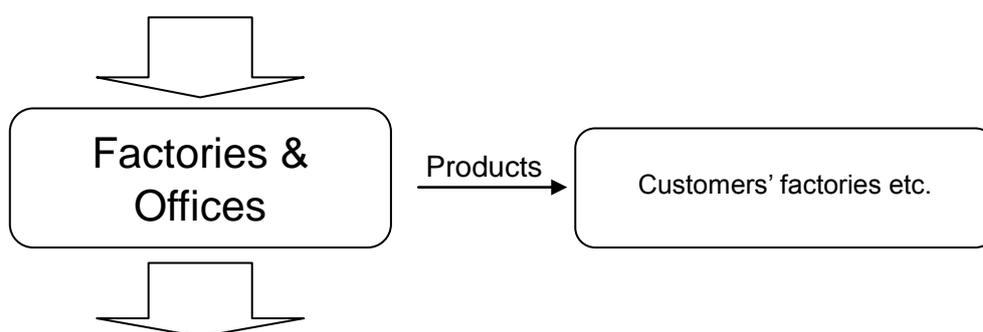
Community dialogue meeting
(CoorsTek Tokuyama Corp.)

Environmental Impact

Reducing environmental impact by continually analyzing the impact of business activities on the environment

INPUT

Energy Input			Principal Raw Materials* ¹		
Purchased electricity	1,335,275	GJ	Silica	2,869	t
Fuel oil A	37,777	GJ	Carbon	368	t
LPG	37,601	GJ	Coal tar and tar pitch	329	t
Kerosene	9,224	GJ	Silicon carbide	252	t
Utility gas	6,878	GJ	Alumina	248	t
Gasoline	291	GJ	Silicon	146	t
Gas oil	483	GJ			
Steam	209	GJ	Principal Source Gases* ¹		
Total energy input	1,427,738	GJ	Silicon tetrachloride	1,382	t
Water Input			Amounts of PRTR Substances Handled		
Clean water, industrial water	296	10,000m ³	Hydrogen fluoride and its water-soluble salts	164	t
Groundwater	33	10,000m ³	Others	17	t



OUTPUT

Released into the Atmosphere			Discharge of Waste		
Nitrogen oxides	5	t	Total amount of waste discharged	5,184	t
Sulfur oxides	1	t	Final amount of discharged	(185)	t
Amount of PRTR substances released (atmosphere)	1	t	Amount of PRTR substances transferred	(10)	t
Global Warming Gases			Discharged into Water		
CO ₂ emissions (direct emissions)	6	kt-CO ₂	BOD* ² + COD* ³	14	t
CO ₂ emissions (indirect emissions)	72	kt-CO ₂	SS* ⁴	24	t
CO ₂ emissions from transport	1	kt-CO ₂	Drainage	428	10,000m ³

*1 Principal raw materials and source gases listed are those of which 100 tons or more are consumed per year.

*2 BOD: Biochemical oxygen demand

*3 COD: Chemical oxygen demand

*4 SS: Suspended solids

Mitigation Global Warming

Reducing CO₂ emissions to address global warming

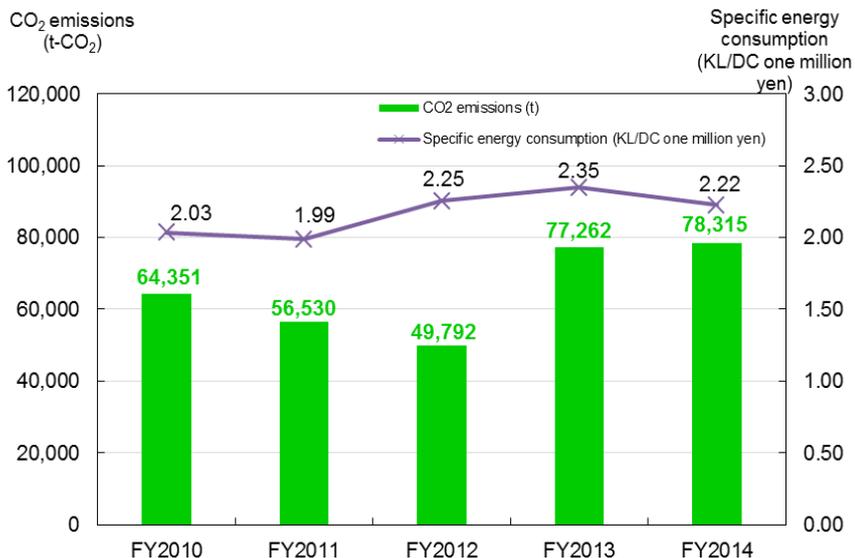
Reduction of CO₂ emissions

The CoorsTek KK Group works to reduce CO₂ emissions through productivity improvements and energy conservation measures.

In fiscal 2014, although CO₂ emissions increased by 1.4% year on year because of a production increase, specific energy consumption decreased by 5.5% as a result of implementing energy conservation activities.

We will continue our efforts to reduce CO₂ emissions through energy conservation activities.

◆ CO₂ Emissions and Specific Energy Consumption



Note: Figures to FY2011 exclude the silicon wafer business.

Measures to reduce CO₂ emissions

◆ CO₂ Emissions Reduction Measures and Amount of Reduction

Emissions Reduction Measure	Business Site	Details of Improvement	Amount of Reduction
Reduction of power consumption	Oguni Facility	Installation of inverters for air conditioners Annual power consumption was reduced by 76,000 kWh (Sept. to Mar. result) by converting air volume control from ON/OFF control to fan motor frequency regulation using inverters.	45t - CO ₂
Reduction of air-conditioning power	Hadano Facility	Annual power consumption was reduced by 265 MWh by updating the control panels that automatically control the number of chillers operated.	130t - CO ₂
Roof heat insulation paint	Hadano Facility	A summertime reduction of approximately 8,300 kWh per month is expected from reducing air-conditioning power consumption by painting the roofs of buildings with heat insulation paint.	
Parking lot greening	Kariya Facility	The Kariya Facility is increasing its greening ratio by planting grass on the parking lot. The photo shows the parking lot planted with grass.	
Energy-saving lighting	All facilities	All facilities are converting to LED lighting and introducing electrodeless discharge lamps as measures to reduce lighting power consumption.	

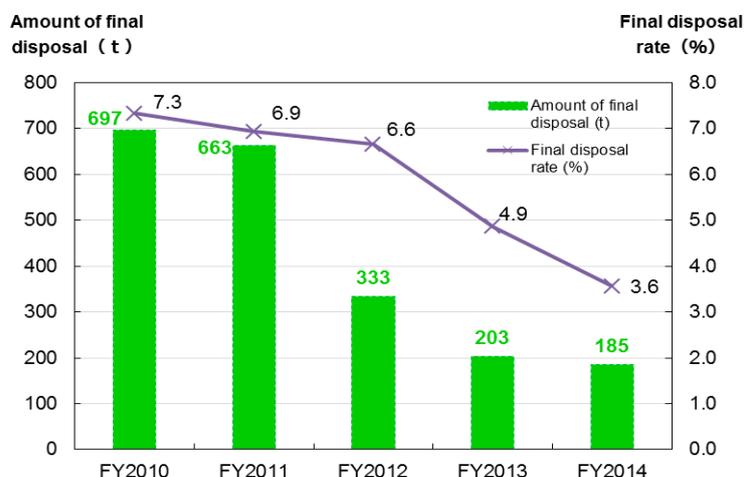
Waste Management

Zero emissions for a recycling-based society based on the 3R concept

Initiatives to achieve zero emissions

Each business site has a recycling center that manages waste and implements zero emissions activities to help realize a recycling-based society, including minimizing defects and material loss by improving manufacturing yield and working with recycling partners for sludge and scrap waste in accordance with the 3R principles (reduce, reuse, recycle). The amount of final waste disposal in fiscal 2014 was 185 tons, or 3.6% of the total amount of waste generated, an 8.9% reduction from fiscal 2013. This reduction is due to a thorough sorting of waste made possible by innovation that enables detailed examination of the content of waste for final disposal and sorting the recyclable portion. We will continue to promote recycling and further reduce the amount of final disposal.

◆ Amount of Final Disposal and Final Disposal Rate



Note: Figures after FY2011 exclude the silicon wafer business.

Zero emissions measures

◆ Zero Emissions Measures and Amount of Reduction

Zero Emissions Measure	Business Site	Details
Education on waste sorting	Hadano Facility	<p>The Hadano Facility provides education on waste sorting and use of the recycling center to personnel maintains its zero emissions status by thoroughly sorting waste.</p> 

Management of Chemical Substances

“One drop control”* policy for managing chemical substances

Chemical substance management measures

The CoorsTek KK Group promotes green procurement and responds to the EU’s RoHS Directive and REACH. We manage chemical substances subject to the PRTR Law and substances subject to the Poisonous and Deleterious Substances Control Law, taking into consideration human health and safety, prevention of pollution, and reduction of environmental impact. As well as strengthening implementation of “one drop control,” we ensure meticulous management of data on usage, release and transfer.

* One drop control is the Group’s practice of meticulous substance management. It involves daily cleaning and inspection so that no leakage—not even one drop of oil, chemical or other substance—is overlooked. Structures are designed and maintained to ensure easy detection of any leakage. For example, pans and dikes are kept dry.



Overflow prevention device on a chemical tank equipped with an upper limit sensor with makeup water shut-off (Kariya Facility)

Pollutant release and transfer register (PRTR) substances

The principal PRTR substance that the CoorsTek KK Group handles is hydrofluoric acid, which is used for cleaning. There was an increase in the amounts of hydrofluoric acid handled and released in fiscal 2014 due to an increase in new products that had to meet high-purity requirements.

◆ PRTR Results for Fiscal 2014

(t)

Substance number specified by the PRTR Law	Substance name	Amount handled	Amount released	Amount released				Amount transferred	To sewage	As waste
				To air	To water	To soil	To on site landfills			
71	Ferric chloride	8.1	0.0	0.0	0.0	0.0	0.0	8.1	0.0	0.0
302	Naphthalene	7.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
349	Phenol	1.1	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0
374	Hydrogen fluoride and its water-soluble salts	164.2	0.2	0.2	0.0	0.0	0.0	1.6	0.0	0.0
	Total	181.1	1.1	1.1	0.0	0.0	0.0	9.7	0.0	0.0

Storage of polychlorinated biphenyls (PCBs)

The Group strictly manages equipment in storage or in use that contains PCBs to ensure no environmental pollution occurs until 2026, the year in which a government ordinance stipulates that disposal must be completed by disposal companies. The Group also strictly manages equipment containing low concentrations of PCBs until disposal.

◆ Equipment Containing PCBs in Storage or Use (As of March 31, 2015)

Type of Equipment Containing PCBs (including low-concentration PCBs)	Unit type	Total
Transformers	Unit	31
Capacitors	Unit	198
Stabilizers	Unit	631
Other equipment	Unit	16
Others (effluents, waste cloths, etc.)	kg	13,933

<p>1991 Niigata Toshiba Ceramics Co., Ltd. is established for volume production of large-diameter silicon wafers.</p>	<p>1991 Use of chlorine-based organic solvents is abolished throughout the Group.</p> <p>1997 Oguni Facility starts manufacturing lead-free carbon brushes.</p> <p>1998 Oguni Facility receives an award from the Director-General of the Tohoku Bureau of Economy, Trade and Industry for Excellent Factory Greening.</p> <p>1999 Kariya Facility receives an award in the Aichi Prefecture Factory Greening Contest.</p> <p>1999 Nagasaki Toshiba Ceramics Co., Ltd. (currently CoorsTek Nagasaki Corp.) gains Eco-Mark certification for its foamed (porous) ceramics.</p> <p>2000 Green Procurement Guidelines are established and suppliers are evaluated for green procurement.</p> <p>2005 Oguni Facility receives the Minister of Economy, Trade and Industry Award for Excellent Factories for Energy Control (Heat Category).</p>	<p>1998 An emergency automatic shut-off gate is introduced at the final discharge outlet of Oguni Facility.</p> <p>1999 Sound barrier walls are installed at site boundaries of Hadano Facility.</p> <p>2000 Removal of incinerators from all production sites is completed.</p> <p>2001 Heat storage exhaust gas treatment equipment is installed at Kariya Facility to control offensive odors and VOCs.</p> <p>2004 Measuring equipment for total phosphorus and total nitrogen is installed at Kariya Facility.</p> <p>2004 Introduction of central monitoring systems at final discharge outlets is completed at Oguni, Hadano and Kariya Facilities.</p> <p>2004 Nagasaki Toshiba Ceramics Co., Ltd. (currently CoorsTek Nagasaki Corp.) changes furnace fuel from heavy oil to kerosene in order to reduce SOx.</p> <p>2005 Kariya Facility installs catalyst combustion type odor control equipment in furnaces at advanced ceramics factories 1, 2 and 3.</p>
<p>2006 SIC Investment, a special purpose corporation for the tender offer of Toshiba Ceramics' shares, is established. Toshiba Ceramics becomes a subsidiary of SIC investment following completion of the tender offer.</p>	<p>2006 Kariya Facility holds an explanatory meeting for local residents about soil and groundwater contamination.</p> <p>2006 Onsite soil and groundwater measures are completed at Kariya Facility.</p>	<p>2006 Hadano Facility changes boiler fuel from heavy oil to LPG in order to reduce CO2 emissions.</p>
<p>2007 Toshiba Ceramics Co., Ltd. becomes a wholly owned subsidiary of SIC Investment following completion of the share exchange. SIC Investment is renamed Covalent Materials Corp. Toshiba Ceramics merges with Covalent Materials Corp. and the new Company, Covalent Materials Corp., is inaugurated.</p>	<p>2007 Hadano Facility achieves zero emissions of waste.</p> <p>2007 Cleanup of contaminated soil at Kariya Facility starts.</p>	<p>2007 Kariya Facility installs catalyst combustion type odor control equipment in the furnace at advanced ceramics factory 7.</p>

History of CoorsTek KK Group	Main environmental conservation activities and commendations	Main improvements related to environmental conservation
<p>2010 Akashiba Power Plant is transferred to F-Power Co., Ltd.</p> <p>2012 Silicon wafer business is transferred to Sino-American Silicon Products.</p> <p>2013 Shares of Tokai Ceramics Co., Ltd. are transferred to Calderys Japan Co., Ltd. Shares of Covalent Sales Corp. are transferred to Hibino Corp.</p> <p>2014 CoorsTek, Inc. acquires the shares of Covalent Materials Corp.</p> <p>2015 The Company is renamed CoorsTek KK.</p>	<p>2008 Hadano Facility is awarded the Shonan Region Prefectural Administration Center Director's Award for its efforts in waste reduction, reuse, and recycling activities.</p> <p>2009 Cleanup of PCB-contaminated soil at Kariya Facility is completed.</p> <p>2012 Electronic manifest system for industrial waste management begins at Hadano Facility.</p> <p>2013 Oguni Facility enters the Yamagata Eco Smile Contest, resulting in one 2nd place winner and three special prize winner.</p> <p>2013 Removal of all PCB equipment by a disposal company is completed by Covalent Materials Tokuyama Corp. (currently CoorsTek Tokuyama Corp.).</p> <p>2014 Removal of all PCB equipment by a disposal company is completed by Covalent Materials Nagasaki Corp. (currently CoorsTek Nagasaki Corp.).</p> <p>2014 Zero emissions status is achieved for the first time at Oguni Facility in fiscal 2013.</p> <p>2015 Electronic manifest system for industrial waste management begins at Oguni Facility.</p>	<p>2008 Kariya Facility introduces an extra high voltage substation, eliminating use of heavy oil.</p> <p>2008 Tunnel kiln fuel is converted from kerosene to LPG to reduce CO₂ emissions at Covalent Materials Nagasaki Corp. (currently CoorsTek Nagasaki Corp.).</p> <p>2008 Kariya Facility's status as a specified air pollutant discharging plant is removed due to a shift in business structure and energy conversion.</p> <p>2008 A new substation begins operation at Oguni Facility (installation of a high-efficiency "top runner" substation).</p>

CoorsTek KK

Published December 2015

■ General Administration

Osaki Wiz Tower, 10th Floor 11-1, Osaki 2-chome, Shinagawa-ku, Tokyo 141-0032, Japan

Tel: +81-3-5437-8411 Fax: +81-3-5437-7172

■ Environment, Safety & Health Group, General Administration

30, Soya, Hadano, Kanagawa 257-8566, Japan

Tel: +81-463-84-6603 Fax: +81-463-84-6608

URL : http://www.coorstek.co.jp/eng_index.html

For any comments or inquiries concerning this report or our CSR activities, please contact us.